

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	December 7, 2009
	Agenda Item No. 29 Roll Call No. 09- Communication No. <u>09-862</u> Submitted by: Larry Hulse, Director Community Development	

AGENDA HEADING:

Community Housing Development Organization (CHDO) Actions and the HOME Program.

SYNOPSIS:

As a participating jurisdiction in the HOME Program, the City must provide 15% of its HOME allocation annually to a CHDO. A CHDO is a private nonprofit organization with the capacity to develop affordable housing in a specific geographic area. In addition to allocating 15% of its HOME funds to CHDOs, Des Moines has also provided operating assistance and allowed for the use of HOME project proceeds to CHDOs, per the Housing and Urban Development (HUD) regulations (24 CFR 92.300(a)(2)).

Community Housing Development Corporation (CHDC) has been the City’s only certified CHDO for the past several years. CHDC has had some financial operating difficulties since the decline in the housing market, and the economy overall, and plans to close as a nonprofit housing developer. City staff has worked with the board and staff of CHDC and the board and staff of Home Opportunities Made Easy, Inc. (H.O.M.E., Inc.) over the past few months to resolve the financial difficulties at CHDC, help CHDC relinquish its CHDO standing and close the agency, and make H.O.M.E., Inc. eligible as a CHDO in the City of Des Moines.

FISCAL IMPACT: NONE

Amount: N/A

Funding Source: N/A

ADDITIONAL INFORMATION:

Communication from Community Housing Development Corporation

CHDC has been Des Moines’ only CHDO for the past few years. The City has provided at least \$150,000-\$160,000 annually to CHDC for affordable housing projects. The City has also provided CHDO/HOME construction funding for three homes, in which it allowed CHDC to retain the proceeds of the sale of the homes in order to provide financing for other projects that are difficult for the City to undertake. Each of the proceed projects involved a contract between CHDC and the City, approved by the City Council, as to how the sale proceeds could be used.

For reasons that are outlined in the letter dated November 23, 2009, CHDC has had some financial difficulties in the past two years. CHDC and the Neighborhood Development Corporation (NDC) have been housed together with two separate boards and a shared executive director and staff since 2000. With the departure of Executive Director Karen Jeske earlier this year, both boards have met jointly and individually and determined that the agencies should no longer share staff or an executive director.

At CHDC, all staff has been laid off, with the exception of one staff member who is putting together final financial information and answering phone calls, etc. Earlier in the year, the board hired Larry James, Sr. as a consultant for six months to develop a strategic plan for the future of the organization. Mr. James is now volunteering his time to help the organization. The board anticipates closing the agency within the next few months and relinquishing its CHDO status.

Since June of this year, CHDC has concentrated on selling the properties in its inventory and has sold all but two of its single family houses to low income households. CHDC is working with the Neighborhood Finance Corporation and Community Housing Initiatives, Doug Labounty, Executive Director, 14 W 21st Street, Spencer, Iowa, with offices in Des Moines at 500 E Locust, to sell its eight unit rental project located at 1417 Forest. It is also proceeding to dispose of the Elderly 202 Project, River Trace, on 6th Avenue.

Amendment of CHDO Proceeds Agreement

By Roll Call 06-1583 on August 7, 2006, the City Council approved a contract with the CHDC for \$152,000 to cover acquisition costs, construction financing and construction of a new house at 1317 Clark. The house was sold in August of 2008, for \$113,000 to a qualified buyer.

Under the terms of the agreement, a portion of the \$152,000 of HOME funds was permanently used for “gap financing”, the gap between the cost to develop the house and the end appraised value to a low-income buyer. Because the house did not sell for over a year, a larger subsidy amount than anticipated was provided to the homeowner to lower the price of the house. Of the HOME funds, \$39,000 were used to fill the gap between the cost of the construction and the sale price of the home. The remaining \$113,000 became CHDO proceeds.

The contract allowed CHDC to retain the project proceeds from the sale of the home at 1317 Clark for future affordable housing projects. All the future projects were to be approved by City staff prior to commitment of the H.O.M.E. proceeds. Under HOME regulations, CHDO proceeds must be used for HOME eligible activities, but are not subject to all the HOME Program rules. Specifically, the contract between the City and CHDC states that the proceeds may be used for additional new construction anywhere in the City, rehabilitation of properties acquired through the tax certificate process or owner-occupied rehabilitation within the Forest Avenue Urban Renewal Area.

CHDC has asked to be on the City Council agenda to amend its HOME Proceeds Agreement for 1317 Clark, to allow up to \$64,000 of the proceeds to be applied to the holding costs of CHDC’s properties from August 2008 to the point of their sale in September through November of 2009. Staff is recommending that this amendment occur because it will help in meeting CHDC’s debts and losses on properties. The Community Development and Finance Departments will verify holding cost expenditures to ensure that it can be documented for City files and any future HUD monitoring.

The City Council also approved CHDO proceeds contracts for two additional houses built by CHDC at 1347 Forest and 1622 Forest. CHDC has returned the proceeds from 1347 Forest to the City of Des Moines, which will utilize the funds for housing activities as HOME Program income. The house at

1622 Forest has not yet sold, but has an offer pending. The CHDC board, City staff and HUD regional staff expect to amend the contract for 1622 Forest Avenue to transfer the proceeds to H.O.M.E., Inc. at such time as H.O.M.E., Inc. is certified as a CHDO by the City of Des Moines and HUD.

New CHDO – H.O.M.E., Inc.

During the past few months, staff of the City of Des Moines, staff of the Polk County Housing Trust Fund, the CHDC board and the H.O.M.E., Inc. board has considered different possibilities for a replacement CHDO for Des Moines. On October 28, 2009, the H.O.M.E., Inc. Board of Directors amended its by-laws and board structure to qualify for CHDO status. On November 18, 2009, the H.O.M.E. Inc. board adopted strategies to work with low income neighborhoods to seek input on housing development and implementation of neighborhood revitalization goals.

H.O.M.E., Inc. has been an active housing nonprofit since 1968. Their staff contains administrators, financial analysts and rehabilitation specialists that can assure housing products are delivered efficiently and effectively to low income residents. H.O.M.E., Inc. has an involved Board of Directors that is active in overseeing the direction of the agency and the financial security of the agency. As a United Way Agency, H.O.M.E., Inc. has some additional funding sources that help to deliver services.

The Executive Director of H.O.M.E., Inc. is Pam Carmichael. The offices are located at 1111 9th Street in the United Way building. Recent projects have included rehabilitation and sale of houses to low income homeowners purchased from the Des Moines Municipal Housing Agency, including a 12 unit condominium project located on Bel-Aire in the northwest quadrant of the City.

Attached are the H.O.M.E., Inc. amended by-laws and adopted plan for working with neighborhoods on implementation of housing options to improve neighborhoods and develop housing options.

PREVIOUS COUNCIL ACTION(S):

Date: August 7, 2006

Roll Call Number: 06-1583

Action: HOME Agreement with Community Housing Development Corporation for development of a single family home at 1317 Clark Street and use of home proceeds for affordable housing. (Council Communication No. 06-498) Moved by Vlassis to adopt. Motion Carried 6-1.

Date: April 10, 2006

Roll Call Number: 06-655

Action: Agreement to commit funds to Community Housing Development Corporation for development of a single family home at 1317 Clark Street. (Council Communication No. 06-203) Moved by Hensley to adopt. Motion Carried 6-1.

BOARD/COMMISSION ACTION(S):

Date: December 1, 2009

Board: Neighborhood Revitalization Board

Action: Review of the request from CHDC to amend the contract for 1317 Clark to include holding expenses; acceptance of the board action that CHDC intends to no longer pursue CHDO certification and proceed to close the agency; recommend approval of H.O.M.E., Inc. as a CHDO subject to review of all documents and verification of board structure by City staff and HUD.

Date: June 3, 2009

Board: Neighborhood Revitalization Board

Action: Update on status of CHDC.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Amendment of CHDO contract for construction and sale of 1622 Forest to transfer CHDO proceeds to H.O.M.E., Inc.

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