



Council Communication

Office of the City Manager

Date

April 12, 2010

Agenda Item No. 34
Roll Call No. 10-
Communication No. 10-176
Submitted by: Larry Hulse, Director
Community Development

AGENDA HEADING:

Approval of contract with Home Opportunities Made Easy, Incorporated (HOME, Inc.) for use of Community Housing Development Organization (CHDO) Proceeds from a property at 1622 Forest Avenue developed by Community Housing Development Corporation (CHDC).

SYNOPSIS:

By Roll Call Number 08-1433 on August 11, 2008, the City of Des Moines approved a contract with CHDC for use of CHDO funds to build a home at 1622 Forest Avenue and sell it to a low income family. The contract further allowed CHDC to use any proceeds from the sale for development of additional affordable housing. The home has been built and is currently for sale with an offer pending. CHDC is no longer operating as a developer of affordable housing or a CHDO.

On December 7, 2009, by Roll Call Number 09-2191, HOME, Inc. was designated as meeting the CHDO requirements of 24 CFR 92.2 and that information was forwarded and accepted by the U.S. Department of Housing and Urban Development (HUD). This contract assigns the CHDO proceeds from the sale of 1622 Forest to HOME, Inc. and describes the prescribed uses of the funds.

FISCAL IMPACT:

Amount: Approximately \$110,000

Funding Source: FY 2008-09 Operating Budget; HOME Investment Partnerships funds, SP036, CDD049900, page 108.

ADDITIONAL INFORMATION:

On May 19, 2008, Roll Call Number 08-881 amended the 2007 and adopted the 2008 HOME budget, and the City Council approved financing for a new infill house to be built by CHDC, acting as a CHDO. By Roll Call Number 08-1433 on August 11, 2008, the City Council approved a HOME agreement to allow CHDC to utilize \$154,000 of HOME funds for financing the construction of the house. A portion of the HOME funds was directed to be permanently used for "gap financing"; the gap between the cost to develop the house and the end appraised value that is affordable to a low-income buyer.

This contract further allowed CHDC to retain the project proceeds from the sale of the home at 1622 Forest Avenue for future affordable housing projects. Future projects were to be approved by City staff and were required to be used for HOME eligible activities.

This retention of HOME proceeds was allowable because CHDC was certified as a CHDO. Under the HOME program, participating jurisdictions are required to set aside a minimum of 15% of their HOME allocation for use by CHDO's. The HOME Final Rule at 24 CFR 92.300(a) (2) gives participating jurisdictions the option of permitting CHDO's to retain any or part of the proceeds resulting from the CHDO's investment of its CHDO set-aside funds. This rule includes allowing a CHDO to retain any proceeds remaining after the sale of a home that have been subsidized by HOME funds.

The house built at 1622 Forest Avenue was designed by students from Iowa State University and utilized green building techniques. It is a two story home with 1,568 square feet and three bedrooms. The King Irving Neighborhood Association reviewed the plans at their July 2008 meeting. There is currently an offer pending on the property but it has not yet been sold.

CHDC is no longer operating as a CHDO under the HOME program. On December 7, 2009, by Roll Call Number 09-2193, the City Council accepted a communication from CHDC explaining that the organization no longer intended on operating as a non-profit housing agency. On December 7, 2009, by Roll Call Number 09-2191, the City Council designated HOME, Inc. as a CHDO in that staff had verified that HOME Inc. met the criteria for CHDO designation under 24 CFR Part 92.2. HUD has accepted the City Council certification and designated HOME, Inc. as a CHDO.

The Executive Director of Home, Inc. is Pam Carmichael. The offices are located at 1111 9th Street in the United Way Building. Recent projects have included rehabilitation and sale to low income homeowners of houses 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.

This action approves a contract for the CHDO proceeds be transferred to HOME, Inc. for future use. All the future projects using the funds must be approved by City staff prior to commitment of the HOME proceeds. The proceeds must be used for HOME eligible activities but are not subject to all the HOME Program rules. For example, renovation projects funded with CHDO proceeds do not have to adhere to all the lead base paint requirements of HOME projects and a different definition of low income is allowed. The contract to be approved by City Council defines low income as 100% of median income. HOME Program requirements are 80% of median income. The higher income definition will allow flexibility in encouraging mixed-income neighborhoods. The contract states that the proceeds may be used by HOME, Inc. for:

1. New construction of housing,
2. Renovation of properties acquired through the tax sale certificate process,
3. Acquisition and preparation of property suitable for single-family home construction,
4. Renovation of owner-occupied housing,
5. Holding costs during remarketing of lease-purchase properties, and
6. Holding costs of vacant land held for infill construction.

PREVIOUS COUNCIL ACTION(S):

Date: December 7, 2009

Roll Call Number: 09-2191

Action: Resolution designating Home Opportunity Made Easy, Inc., (HOME, Inc.) as a Community Housing

Development Organization (CHDO). (Council Communication No. 09-862) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: December 7, 2009

Roll Call Number: 09-2193

Action: Communication from Community Housing Development Corporation. Moved by Vlassis to receive, file and refer to the Community Development Department. Motion Carried 7-0.

Date: August 11, 2008

Roll Call Number: 08-1433

Action: HOME Agreement with Community Housing Development Corporation for development of a single family home at 1622 Forest Avenue and use of home proceeds for affordable housing. (Council Communication No. 08-484) Moved by Hensley to adopt. Motion Carried 7-0.

Date: On May 19, 2008

Roll Call Number: 08-881

Action: Amending 2007 Program allocations and adopting 2008 Program allocations for the Home Investments Partnerships Program (HOME). (Council Communication No. 08-303) Moved by Vlassis to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: December 1, 2009

Board: Neighborhood Revitalization Board

Action: Recommend approval of HOME, Inc. as a CHDO, subject to review of all documents and verification of board structure by City Council and HUD.

Date: June 3, 2009

Board: Neighborhood Revitalization Board

Action: Update on status of CHDC.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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