



Council Communication

Office of the City Manager

Date	April 26, 2010
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Agenda Item No.	31
Roll Call No.	<u>10-</u>
Communication No.	<u>10-207</u>
Submitted by:	Larry Hulse
Director	Community Development Department

AGENDA HEADING:

Approval of Community Development Block Grant (CDBG) Budget Adjustment for Community Development Department, Neighborhood Conservation Services Division (NCS).

SYNOPSIS:

The Community Development Department Neighborhood Conservation Services Division operates programs for affordable housing with a variety of funding sources including federal CDBG and HOME dollars. A budget adjustment for the CDBG funding is needed in order to provide additional rehabilitation funding for viable rental projects, extend commitments to the Polk County Lead Base Paint Program for home-owner rehabilitation until 12-31-2011 and extend deadlines for homebuyer rehabilitation complementary to the Neighborhood Stabilization Program.

FISCAL IMPACT:

Amount: No net impact on the budget. Internal adjustment of funding and extensions of time.

Funding Source: CDD049900 / SP020 / CDBG2007014 (Homeowner); CDBG2007017 (Rental); CDBG2008014 (Homeowner); CDBG2008015 (Technical Assistance); CDBG2008017 (Rental); CDBG2008020 (Homebuyer); CDBG2009014 (Homeowner); CDBG2009015 (Technical Assistance); CDBG2009017 (Rental); CDBG2009020 (Homebuyer).

ADDITIONAL INFORMATION:

The NCS Division has responded to unique challenges over the last 18 months. The Division has partnered with the Polk County Health Department for remediation of lead base paint, developed a new housing program dealing with foreclosed properties, helped families with rehabilitation funding affected by the Disasters of 2008, and continued to deliver its “regular” programs for low income home owners and renters. These new funding opportunities demanded additional staff time and provided opportunities to assist more low income households.

As a result of emergency federal and state funding due to the 2008 Floods, the NCS Division contracted for \$4,221,009 in new Federal and State funding for homeowner and rental rehabilitation as well as for the construction of replacement housing. Of the funds, 154 units have been homeowner rehabilitation, eight (8) are for rental unit rehabilitation and ten (10) for homebuyer new construction. By Roll Call 10-527 on April 6, 2010, the City Council approved an application to apply for \$709,993 in construction subsidy for the new construction of 19 additional replacement housing units.

As result of the Federal Stimulus Funding, the Polk County Health Department received funding for its Housing and Urban Development (HUD) Healthy Homes Lead Base Paint Remediation Grant in which the City is a major partner. By Roll Call 09-598 on August 24, 2009, Council reserved homeowner rehabilitation funding and rental rehabilitation from the 2008, 2009, and 2010 contract years to complete 32 homeowner projects and 28 rental projects resulting in lead safe housing for low income families with children under six years old.

Community Development also remained committed to the implementation of the existing NCS programs. In 2009, 572 units were completed and \$2,792,357 of CDBG and Home funds and \$2,079,543 of other grant funds were expended which leveraged \$10,716,230 for a total of \$15,588,130 of funds for our community.

HOME & CDBG Funded Project Totals (1/1/09-12/31/09)	Units Completed	Project Funds Spent	Match Funds	Leveraged Funds	Low/Mod Income of clients
	572	\$2,792,357	\$2,079,543	\$10,716,230	191 > 0-30% 136 > 31-50% 65 > 51-60% 65 > 61-80% 115 > 81% & up (pd for by NFC)

Given the number of activities and the multiple funding sources that the NCS division manages, there is a need to adjust the NCS CDBG accounts to reflect current housing needs and close out some accounts for ease of monitoring and operation. In short, NCS needs these adjustments to accomplish the following goals:

- Provide more money for rental rehabilitation projects to fund viable projects that have submitted applications;
- Extend timeline of the Homeowner Rehab Program in order to meet commitments to the Polk County Lead Base Paint Program; and
- Extend timeline of the Homebuyer Program to meet commitments to individual projects and complement NSP (Neighborhood Stabilization Program) projects.

Rationale for Budget Actions Related to Rental Housing

There is a need for rehabilitation of permanent affordable rental housing in the community. Currently there are major apartment developments that have submitted applications for rental rehabilitation assistance. (None of these projects include the Home dollars committed by City Council to Low Income Housing Tax Credit projects that the NCS Division will also administer.) These rehabilitation projects are:

1. 3120 Kingman a five-unit building, eligible for the National Register. It is located in the Drake Neighborhood and owned by D & H Properties. The owners of D & H are Steve Folkers and Jim Nervig. A private mortgage of \$100,000 plus the State Historic Tax Credits will leverage the CDBG funds.
2. Murillo Apartments, 1531 High Street, listed on the National Register and located at the foot of the Sherman Hill Neighborhood. It is currently in the process of being purchased by Gary Porth and Nate Snelson. It will be six or seven units. A private mortgage for \$400,000 and State Historic Tax Credits will leverage the CDBG funds.
3. The Aqualand Building located at 3600 Sixth Avenue owned by the Parks Area Foundation. It is located on the National Register and is a joint project between NCS and Economic Development. A private mortgage and rehabilitation dollars for approximately \$230,000 and State Historic Tax Credits will leverage the CDBG funds.

4. AME Transformations, a three-building project consisting of 20 units. It is listed on the National Register and owned by a new nonprofit board. The buildings are located at 1353 9th Street, 1354 8th Street, and 812 Forest Avenue. This is a joint project with Polk County Healthy Homes, Polk County Weatherization, Polk County Housing Trust Fund and NCS. Anawim is managing the rehabilitation.

Budget adjustments to fund these projects are needed for the following reasons:

- ❖ *Loss of Dollars for Rental Projects:* There were preliminary commitments made to the above rental projects based upon funding available last fall. At that time NCS staff projected that project funding was available for these rental projects because a significant amount of staff time over the past year was charged to State and Federal Disaster funds. However, these savings, amounting to \$250,000, were reprogrammed on December 21, 2009 to provide funding for the non-profits in the 2011 HUD Consolidated Plan.
- ❖ *Healthy Homes Lead Base Paint Council Commitment:* As a part of the Polk County Healthy Homes Lead Base Paint grant, the City committed to provide assistance to 28 rental units that provide housing for families with children under the age of six. Rental funds are needed for the St. Paul's AME transformation project which will provide 20 of these rental units and provide lead safe housing for young children. This project is being operated by the St. Paul Transformation Center who will also provide supportive services to the tenants.
- ❖ *Viable Projects and NRB Commitments:* All of the above projects are viable affordable housing projects and will contribute to neighborhood revitalization goals. The property at 3120 Kingman is a vacant structure that has created significant problems for the Drake Neighborhood, a designated neighborhood currently preparing its neighborhood plan. The Murillo rehabilitation has been preliminarily approved by the City Council and the Aqualand Building has been approved by the NRB because each project furthers the City Council goal to improve the City's neighborhood commercial corridors. All of these key structures if renovated will make a significant difference in their respective neighborhoods and provide affordable housing.

Rationale Related to Homeowner Rehabilitation Extension

- ❖ *Healthy Homes Lead Base Paint Council Commitment:* By Roll Call 09-598 on August 24, 2009, Council reserved homeowner rehabilitation funding from the 2008, 2009, and 2010 CDBG grant years in order to meet the City match obligation for the Healthy Homes Polk County Lead Base grant. The start of the grant was delayed because the grant request to the federal government was originally denied; however, funding from Federal Stimulus was allocated to this grant. There were a number of initial steps that had to be completed before the actual grant activity could be started. In addition there have been additional delays due to the harsh winter Des Moines experienced. As a result the Homeowner Project needs to be extended to 12-31-11.

Currently there are seven projects contracted and seven additional projects that will be under contract within the next 4-6 weeks. These funds will provide 32 units of safe housing to low-mod income residents. (This is a total of 60 units of lead safe housing when the 32 homeowner and 28 rental units are combined.)

Rationale Related to Homebuyer Rehabilitation Extension

- ❖ *Commit to individual projects outside NSP areas.* The CDBG Homebuyer Project also needs to be extended to 12-31-11. Homebuyer rehabilitation funds are used for the acquisition and rehabilitation of vacant properties for rehabilitation and sale to qualified homeowners. Many of the properties in the past three years have been for the rehabilitation and sale of former DMMHA properties to homeowners. Due to the staff workload in administering the flood

funds and implementing the new NSP (Neighborhood Stabilization Program) projects, the regular Homebuyer Rehabilitation activity was delayed. Staff has also been directing feasible/eligible houses to the NSP program so the CDBG funds could be preserved for projects that were outside of the NSP neighborhoods. To date, three (3) Homebuyer Rehabilitation projects are under contract and it is anticipated all funding will be necessary.

The proposed amendments are to internal adjustments and extension of time and have no overall impact on the Community Development Budget. A status update and action on each of the NCS CDBG accounts is included in the attached spread sheet to achieve the goals listed above.

IDIS Number & Account Year	Starting Balance	Funds being affected	Balance in accounts after requested transfers processed.	Action being requested
1337 - '07 Homeowner	\$ 10,665.69	(\$10,665.69)	\$ -	Move balance to Rental 2009
#1339 - '07 Rental	\$ 5,081.51	(\$5,081.51)	\$ -	Move balance to Rental 2009
#1437 - '08 Homeowner	\$231,840.32	\$ -	\$231,840.32	Extension in contract to 12/31/2011
#1438 - '08 Technical Asst.	\$ 6,709.27	(\$6,709.27)	\$ -	Move balance to Rental 2009
#1439 - '08 Rental	\$129,874.90	(\$129,874.90)	\$ -	Move balance to Rental 2009
#1440 - '08 Homebuyer	\$ 81,590.00	\$ -	\$ 81,590.00	Extension in contract to 12/31/2011
#1523 - '09 Homeowner	\$376,334.89	\$ -	\$376,334.89	Extension in contract to 12/31/2011
#1524 - '09 Technical Asst.	\$ 30,331.41	(\$30,331.41)	\$ -	Move balance to Rental 2009
#1525 - '09 Rental	(\$9,873.46)	\$182,601.33	\$172,727.89	Extension in contract to 12/31/2011
#1526 - '09 Homebuyer	\$ 50,000.00	\$ -	\$ 50,000.00	Extension in contract to 12/31/2011

The Neighborhood Revitalization Board recommended approval of these amendments at its April 7, 2010 meeting.

PREVIOUS COUNCIL ACTION(S):

Date: April 6, 2010

Roll Call Number: 10-528

Action: Authorizing negotiations with Gary Porth and Nate Snelson for up to \$250,000 of CDBG loan for rehabilitation of Murillo Apartments at 605 16th Street (1531 High Street), subject to final Council approval. (Council Communication No. 10-189) Moved by Coleman to adopt. Motion Carried 7-0.

Date: April 6, 2010

Roll Call Number: 10-527

Action: Community Development Block Grant – Disaster Recovery (CDBG-DR) Development Plan to build owner-occupied single-family homes to replace homes destroyed during the heavy rains and flooding of 2008. (Council Communication No. 10-197) Moved by Coleman to approve. Motion Carried 7-0.

Date: August 24, 2009

Roll Call Number: 09-598

Action: Sub-recipient contract with Polk County to administer the Housing and Urban Development 2008 Lead-Based Paint Hazard Control Program. (Council Communication No. 09-598) Moved by Kiernan to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: April 6, 2010

Board: Neighborhood Revitalization Board

Action: Recommend in favor of budget amendments

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Council will act on HOME budget allocations for NCS in May.

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