

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 28, 2010
	Agenda Item No. 50D Roll Call No. <u>10-1074</u> Communication No. <u>10-379</u> Submitted by: Phillip Delafield, Director, Community Development

AGENDA HEADING:

Approving a Community Development Block Grant (CDBG) with the Des Moines Independent Community School District (DMPS) for remodeling two houses through the Des Moines Public Schools Home Remodeling Program.

SYNOPSIS:

For over twenty years the City of Des Moines has contracted with the DMPS to provide CDBG funds to purchase materials for home remodeling classes. Students provide the labor for the rehabilitation through class work with the DMPS. The program was originally part of the public services activity of the CDBG grant program but has been switched to a housing activity. The City will enter into a CDBG contract for rehabilitation of each house to housing quality standards (HQS) with a requirement that the house be sold to and occupied by a low income homeowner. A lien for a five year time period will be placed on the property.

FISCAL IMPACT:

Amount: \$94,908

Funding Source: Special Revenue Funds Community Development Block Grants – SP020 CDD049900 2009 020 NCS Homebuyer, Page 71.

ADDITIONAL INFORMATION:

The DMPS has offered home rehabilitation classes for many years and used CDBG funds to purchase materials for the houses. As houses were sold, the funds became program income and were annually programmed for the DMPS. No new CDBG funds have been programmed for the Des Moines Public Schools for five years.

The City has historically contracted with the DMPS as a “public service” activity. That means funding was provided to the DMPS for the home remodeling classes but funds were not tied to a particular address, rather they were tied to services. The work completed on a structure was minimally reviewed by City staff and no lien was placed on the property to ensure it was occupied by a low income family.

The Home Remodeling program needs to be classified as a housing activity under CDBG regulations because of the number of additional administrative and rehabilitation requirements that have been added

since this program began. The houses in which the students are working contain lead based paint. New requirements mandate training for the students on lead safe work practices, testing for lead paint with an x-ray florescent machine to know the location of the paint, and dust sampling tests before the house can be occupied and sold. In addition, the houses must be sold to a low income homebuyer. These requirements can best be monitored by the Neighborhood Conservation Division (NCS) of the Community Development Department.

The best way for NCS to administer the program is to contract directly with the DMPS for the rehabilitation of the houses much as NCS contracts directly with any other nonprofit for housing rehabilitation. NCS can be flexible and allow change order if a higher quality or different materials becomes available. For example, if the school system is removing gym flooring and the home remodeling class can install flooring in a property they are rehabilitating. NCS can make a change order to the contract. Costs can still be attributed to salvaging the flooring, re-milling the wood, and refinishing the product.

The Des Moines Public Schools owns two houses that are involved in home rehabilitation classes for high school students, 1349 Washington Avenue and 1323 E. 25th Court. The houses were donated to the Des Moines Public Schools and were in extremely poor condition when the work on the houses commenced. City staff has worked with the DMPS staff to develop construction contracts that lists the work to be completed and the estimated costs for materials. The City will file a forgivable five-year lien against the property for a portion of the cost and the home must be sold to and occupied by a homebuyer that is below 80% of the area median income, (Maximum of \$58,550 for a family of four persons).

The approval of these two loans is dependent upon approval of the 2010 reprogramming of CDBG funds that is also on the June 28, 2010 agenda. The home remodeling classes have not completed and sold a house for over three years and it has expended the program income allotted to the activity. The DMPS has no budget to purchase supplies/materials to complete the houses. The \$78,000 proposed to be re-programmed, combined with a \$16,908.56 balance, remaining in the existing account, for a total of \$94,908.56, will provide adequate funding for rehabilitation materials for both houses.

The DMPS operated a remodeling program at East High School and at Central Campus. The East High School Program is being eliminated and the instructor has retired. The Central Campus program will continue. This has raised a concern for completing the house at 1323 E. 25th Court in a timely manner. A staff member of the Neighborhood Finance Corporation has viewed the house and the NFC is considering taking ownership of the house and contracting for the work to be completed in order to bring the house up to housing quality standards.

If the house is purchased by the NFC, the contract with the DMPS for the house at 1323 E. 25th Court will be for the dollar amount of materials purchased since January 1, 2010 and any closing costs, approximately \$16,000. The NFC will pay around \$20,000 for the house and that money will come back to the city as program income. The City Council may choose to provide that funding to NCS for future projects with the Des Moines Public Schools or may choose to provide the funding to another project.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Date: May 5, 2010

Roll Call Number: NA

Action: Approval of CDBG loan for two Des Moines Public Schools Houses

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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