

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: August 9, 2010
	Agenda Item No. 19 Roll Call No. <u>10-1277</u> Communication No. <u>10-483</u> Submitted by: Phillip Delafield, Director, Community Development Department

AGENDA HEADING:

Approval of HOME Agreements with Home Opportunities Made Easy, Incorporated (HOME, Inc.) for development of two single family homes to be located at 1351 Forest Avenue and 453 Hillside and reuse of HOME proceeds for affordable housing.

SYNOPSIS:

Approve HOME Investments Partnership Program (HOME) Agreements for construction of two single family houses with HOME, Inc. The commitment provides construction financing for HOME, Inc. and allows the nonprofit to reuse any proceeds from the sale of the houses for construction or renovation of additional affordable housing in Des Moines. The reuse of HOME proceeds is possible because of HOME, Inc’s status as a HUD certified Community Housing Development Organization (CHDO), the only one currently operating in Des Moines.

FISCAL IMPACT:

Amount: \$280,000

Funding Source: Special Revenue Funds HOME Grants – SP036 CDD049900 HOME Funds.

ADDITIONAL INFORMATION:

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.

The house to be constructed at 1351 Forest Avenue is directly across from the Forest Avenue Library. The lot was transferred to HOME, Inc from Community Housing Development Corporation (CHDC) this Spring. The lot is located in the Forest Avenue Urban Renewal area that includes goals for new single family housing to be built complementary to other architecture in the neighborhood. The house will be a two-story home with a full front porch approximately 1200 square feet in size. The house will have a full basement and 2-car pad for a future garage. It will have an insulation rating of R-13 in the basement, R-13 in side walls and R-50 in the attic. It will also utilize energy efficient windows, doors and appliances that meet energy star standards.

The other house will be constructed at 453 Hillside, on Des Moines' Southside. The City Council requested a tax sale certificate for the vacant lot at 453 Hillside under Iowa Code 446.19A and assigned the certificate to HOME, Inc. by Roll Call 07-1057 on June 4, 2007. It will be a one-story bungalow with 1100 square feet in size. The house will have a full basement and 2-car pad for a future garage. If the basement is determined infeasible on this site because of the water table, Home, Inc. will complete the 2-car garage. The house will have an insulation rating of R-13 in the basement, R-13 in side walls and R-50 in the attic. It will also utilize energy efficient windows, doors and appliances that meet energy star standards.

The City will provide construction financing for each of the houses which have development costs of approximately \$140,000. A portion of the HOME funds will be permanently used for "gap financing", the gap between the cost to develop the house and the end appraised value, affordable to a low-income buyer. The houses must be sold to households below 80% of median income although HOME, Inc. often sells houses to homebuyers with a lower median income.

This contract further allows Home, Inc. to retain the project proceeds from the sale of the homes for future affordable housing projects. All the future projects 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 HOME contract includes language that will allow HOME, Inc. to retain the proceeds of the sale of 1351 Forest and 453 Hillside contingent on all activities to be approved by City staff and that include: 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.

The contract to be approved by City Council defines low income as 120% or below of median income. HOME Program requirements are 80% of median income. The higher income definition will allow flexibility in encouraging mixed-income neighborhoods. HOME, Inc. plans to use the proceeds to build larger homes on the West Ninth Street Historic District in River Bend.

This retention of HOME proceeds is possible because HOME, Inc. is certified as a Community Housing Development Organization (CHDO) under the HOME program because of its board structure and its outreach to the community. Cities participating in the HOME Program are required to set aside a minimum of 15% of their HOME allocation for use by CHDO's. The HOME Final Rule at 24 CRF 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 has been subsidized by HOME funds. This will allow future projects to be less costly because HOME, Inc. will be able to accomplish the work without bank financing. HOME, Inc. is currently the only HUD certified CHDO in Des Moines.

PREVIOUS COUNCIL ACTION(S):

Date: June 14, 2010

Roll Call Number: 10-927

Action: [Amending](#) 2009 Program Allocations and approving 2010 Program Allocations for The Home Investments Partnerships Program (HOME) operated by the Community Development Department. ([Council Communication No. 10-324](#)) Moved by Hensley to adopt and approve. Motion Carried 7-0.

Date: On 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: June 4, 2007

Roll Call Number: 07-1057

Action: Approving 2007 Tax Sale Certificate requests for the following:

- (A) [On](#) vacant lots from Polk County Treasurer at annual auction. ([Council Communication No. 07-332](#)) Moved by Vlassis to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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