

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	February 14, 2011
	<b>Agenda Item No.</b>	<b>53</b>
	<b>Roll Call No.</b>	<b><u>11-0227</u></b>
	<b>Communication No.</b>	<b><u>11-069</u></b>
	<b>Submitted by:</b>	<b>Phillip M. Delafield, Director Community Development</b>

**AGENDA HEADING:**

Resolution approving 2011 Program Allocations for the Home Investments Partnership Program (HOME) administered by the Community Development Department

**SYNOPSIS:**

This resolution recommends allocation amounts for types of housing programs to be funded with HOME dollars and administered by the Community Development Department. The proposed 2011 allocations represent funding to meet housing needs in the community as identified in the HUD Consolidated Plan and previous City Council actions. Because Neighborhood Stabilization Program (NSP) Funds and Community Development Block Grant- Disaster Relief Funds provided funding for single family homeownership in 2010 and 2011, the 2011 HOME funds are proposed for rental projects. Although final allocations of HUD funds for 2011 have not been received, it is necessary to make this budget allocation in order to negotiate with developers needing funds for Low Income Housing Tax Credit Projects (LIHTC)

**FISCAL IMPACT:**

Amount: \$ 1,082,485

Funding Source: HOME Investment Partnership (HOME) Funds, SP036, CDD049900, FY2010-11 Recommended Operating Budget, page 72.

**ADDITIONAL INFORMATION:**

The City of Des Moines has received HOME funds administered through the U.S. Department of Housing and Urban Development (HUD) since 1992 as a part of its Entitlement funds. Expenditure of HOME funds must be directly related to housing construction or housing renovation, for those households or persons below 60 % or 80% of median income. The process of adopting an “annual budget” for the expenditure of HOME funds was approved by Roll Call 06-569 on March 20 2006. HOME funds must be committed via a written agreement with developers, owners, contractors or Community Development Organizations within 24 months of their receipt by the city.

Annually, the Neighborhood Revitalization Board (NRB) recommends to City Council on the use of HOME funds consistent with the goals of the Consolidated Plan. The HOME budget for 2011 was recommended by the Neighborhood Revitalization Board at its February 9, 2011 meeting.

Because of the single family homebuyer market and the money that has been available for homebuyers through CDBG-DR and NSP funding, it is recommended the HOME money for 2011 be used for rental rehabilitation and rental new construction programs. Of the HOME money, 15% must be reserved for Community Development Housing Organization Projects and up to \$50,000 can be reserved for CHDO administrative costs. HOME, Inc. is the City's only CHDO and the project and administrative funding is reserved for that organization.

The rental rehabilitation projects and new construction projects, generally involve committing funds to Low Income Housing Tax Credit (LIHTC) Projects. The City of Des Moines has reserved HOME money for LIHTC projects for the past few years. The total amount of HOME funds has varied from \$250,000 to \$400,000 for all projects. Individual projects have been awarded between \$100,000 and \$250,000.

This year, the City and Iowa Finance Agency will change the way in which the need for HOME funds are underwritten and committed. In the past the City was required to commit to projects before a final sources and uses and underwriting was completed. This created problems for the City because some projects for which the City reserved HOME funds were not funded by Iowa Finance Agency and some received additional grants and did not need the City's funds.

For the 2011 tax credit round, the Iowa Finance Authority (IFA) and City of Des Moines are coordinating on the commitment of HOME funds and the City's commitment to an individual project will not be made until IFA makes an award. The Iowa Department of Economic Development may also make commitments of CDBG-DR funds to LIHTC projects. The City will work with IFA and IDED on underwriting and committing funding to the projects.

Although the City does not need to commit funds to individual projects, staff needs to know how much overall funding should be committed to the LIHTC projects in anticipation of the LIHTC project deadline. The overall budget amount is an estimate because HUD has not released final numbers on the federal programs for 2011 under the Congressional resolution.

2011 HOME Pool Recommended

Administrative Costs	
NCS Admin Expenses	\$ 222,485
Sub-total	\$ 222,485
Program/Project Costs	
Rental	\$ 500,000
Rental Acquisition/Rehab	\$ 150,000
Homebuyer New Construction	\$ -----
Homebuyer Acquisition/Rehab	\$ -----
CHDO Operating Costs	\$ 50,000
CHDO Homebuyer Programs (Bricks and Mortar)	\$ 160,000
Sub-total	\$ 860,000
<b>TOTAL 2011 HOME Budget</b>	<b>\$ 1,082,485</b>

Rental (LIHTC) reflects the dollars reserved for the Low Income Housing Tax Credit projects allocated

by the Iowa Finance Authority.

Rental Acq/Rehabilitation- HOME funds are being set aside to work on rental projects within the Drake Neighborhood. In addition, staff may work with HOME, Inc. on a small rental project with supportive services at 13th and Clark.

Home Buyer New Construction – No HOME funding is recommended this year. Last year the City provided HOME funds for 10 Habitat for Humanity homes with a \$14,999 subsidy for each. In 2011 and 2012 Habitat will build 19 houses annually utilizing CDBG-R funds from the State of Iowa and Neighborhood Stabilization Program Funds. At this time, there does not appear to be a market to send out an additional request for proposals for new construction. Additionally, there is still one new construction house built by a private developer on 13th Street that used HOME funds from 2009 that has not sold.

Home Buyer Acquisition Rehabilitation– No HOME funding is recommended this year. There are adequate funds from NSP for developers who will acquire and rehabilitate single family homes. It has been difficult to recruit developers for single family rehabilitation because of the market. Additionally, there is still one rehabbed house that used HOME funds from 2009 that has not sold.

The CHDO Homebuyer is reserved for new construction financing and subsidy for HOME Inc. HOME Inc. is working with other sources such as the Trust Fund in order to bring the cost of the house down so that lower income homeowners can qualify for the mortgage.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: January 24, 2011

Roll Call Number: 11-0139

Action: [Amending](#) 2010 Program allocations for the HOME Investments Partnerships Program to add a Tenant Based Rental Assistance (TBRA) Activity. **Moved by Coleman to adopt. Motion Carried 7-0.**

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: March 20, 2006

Roll Call Number: 06-569

Action: [Adoption](#) of new policies and procedures for administration of the HOME Investment Partnership Act (HOME PROGRAM). ([Council Communication No. 06-140](#)) **Moved by Hensley to adopt. Motion Carried 7-0.**

**BOARD/COMMISSION ACTION(S):**

Board: Neighborhood Revitalization Board

Date: February 9, 2011

Resolution Number: Recommend approval of 2011 HOME Budget

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

On the February 28th City Council Agenda, will be an authorization for staff to work with Iowa Finance Agency and Iowa Department of Economic Development to negotiate with certain developers on a preliminary commitment of HOME funds to individual projects. Preliminary and final commitments will return to Council for approval.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).