

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	May 21, 2012
	<b>Agenda Item No.</b>	<b>27</b>
	<b>Roll Call No.</b>	<b><u>12-0788</u></b>
	<b>Communication No.</b>	<b><u>12-234</u></b>
	<b>Submitted by:</b>	<b>Phillip Delafield, Community Development Director</b>

**AGENDA HEADING:**

Resolution approving 2012 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.

**FISCAL IMPACT:**

Amount: \$739,540

Funding Source: HOME Investment Partnership (HOME) Funds, SP036, CDD049900m – FY2013 Operating Budget, page 57.

**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. HOME funds are one portion of the overall Entitlement Funding from HUD which also includes Community Development Block Grant Funds (CDBG) and Emergency Shelter Funds. All HUD funding sources are coordinated in order to determine which and how funding sources can meet Des Moines’ housing and community needs.

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 No. 06-569 on March 20, 2006. HOME funds must be committed via a written agreement with developers, owners, contractors or Community Housing Development Organizations (CHDOs), 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 2012 was

recommended by the NRB at its May 2, 2012 meeting. Although the HOME annual budget does not commit funds to individual projects, it provides guidance for the overall funding project types such as owner-occupied repair, home buyer or rental housing.

A challenge this coming year will be the decline in the amount of HOME dollars allocated to the City of Des Moines. In 2011, Des Moines received \$1,082,845 in HOME funds compared to the 2012 allocation of \$739,540. That is a difference of \$343,305 or -31.7%

A positive this coming year, is that most of the Low Income Housing Tax Credit (LIHTC) projects that were funded over the last six years are now making payments on their loans. The City expects approximately \$150,000 in program income for 2012, which will come in throughout the year rather than as one lump sum.

The following chart is a breakdown of the recommended HOME allocation based on the HOME regulations, expenditure of other entitlement funds, and current Des Moines housing market.

### 2012 HOME Pool Recommended

<b>Administrative Costs</b>	
NCS Admin Expenses	\$ 73,954
CHDO Operating Expenses	\$ -----
<b>Program/Project Costs</b>	
Rental	\$ 379,586
Homeowner (Lead)	\$ 175,000
Homebuyer	\$ -----
CHDO Homebuyer Programs	\$ 111,000
<b>TOTAL 2012 HOME Budget</b>	<b>\$ 739,540</b>

#### Administrative Costs Narrative:

**NCS Admin Expenses** - The City has reserved 10% for administration, as allowed by HOME regulations. Administrative costs for NCS HOME projects are supplemented with CDBG.

**CHDO Operating Expenses** - HOME regulations allow 5% of the total HOME allocation (not to exceed \$50,000) to be reserved for a city's certified Community Development Housing Organization (CHDO). The City's certified Community Development Housing Organization (CHDO) is Home Opportunities Made Easy (HOME), Inc.

Des Moines has generally provided administrative funding to its CHDO's: for example, HOME, Inc. received \$50,000 in operating funds to support HOME projects in 2011. Unfortunately, The HOME funding cuts do not supply sufficient funds to provide administrative support to HOME, Inc. In January, the City Council approved amendments to the CHDO proceeds agreements to allow HOME, Inc. to use CHDO proceeds for limited administrative costs, replacing some of the administrative funds HOME, Inc. had expected in 2012.

Program/Project Costs Narrative:

**Rental (New Construction and Rehabilitation)** – HOME funds will be reserved for multi-family new construction or rehabilitation of existing properties that may need additional financing for low income tenants. This could include a small rental project such as the new construction, five-unit, rental project being developed by HOME, Inc. in the Mondamin-Presidential Neighborhood or a larger development with some units set aside for affordable rental housing. HOME project funds will also be reserved to work on rehabilitation of rental projects within the Drake Neighborhood. In addition, staff has been approached about funding for rehabilitation of foreclosed multi-family housing for which HOME funds could be used.

Because of the 31% decline in funding, no HOME funds were reserved or allocated to projects being submitting for 2012 Low Income Housing Tax Credits.

**Home Owner Lead Hazard Repair** – HOME funds will be used to match the County's Healthy Home Grant for Lead Hazard Reduction. The City also has additional Polk County Housing Trust Fund (PCHTF) dollars to provide further rehabilitation assistance to lead clients. The costs for the Lead Hazard Reduction Program will on average be divided as \$10,000 from Healthy Homes for correction of Lead Hazards, and \$10,000 each from HOME and PCHTF for a total of \$30,000 worth of rehabilitation.

The new HOME rule will also require a stricter standard of rehabilitation and staff will be learning more about that in the upcoming year. The new standards may make some houses ineligible for the Lead Hazard Repair program because they cannot be repaired to the required standards with the funding available.

**Home Buyer (New Construction Acquisition/Rehabilitation)** – New HOME rules for 2012, will require that if a single family house, built and intended for homeownership, is not sold within six months of its completion, must be rented and conform with the rental HOME rules. Rental HOME rules require that new construction rentals must have a twenty-year of period of affordability as a rental property.

Non profits, for profits and City staff are wary of this new rule considering the slow housing market. There are adequate CDBG-Disaster Relief funds to provide single family new construction funding for 2012 and 2013. These funds will be utilized by HOME, Inc. and Habitat for Humanity for their home buyer programs. The City will need to re-evaluate the homebuyer markets next year to determine the market for homeownership, and if houses can be marketed and financed.

The **CHDO Homebuyer** is reserved for new construction financing and subsidy for HOME Inc. HOME Inc. is working with other sources, such as the PCHTF in order to bring the cost of the house down so that lower income homeowners can qualify for the mortgage. HOME, Inc. may choose to use the funding for two or three projects.

**PREVIOUS COUNCIL ACTION(S):**

Date: February 14, 2011

Roll Call Number: [11-0227](#)

Action: [2011](#) program allocations for the Home Investments Partnerships Program (HOME) administered by the Community Development Department. ([Council Communication No. 11-069](#)) Moved by Hensley to adopt. Motion Carried 7-0.

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: May 2, 2011

Resolution Number: Recommend approval of 2012 HOME Budget

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Approval of large (11+) rental projects and CHDO proceed projects.

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).