

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	November 3, 2014
	<b>Agenda Item No.</b>	<b>22B</b>
	<b>Roll Call No.</b>	<b><u>14-1711</u></b>
	<b>Communication No.</b>	<b><u>14-527</u></b>
	<b>Submitted by:</b>	<b>Phillip Delafield, Community Development Director</b>

**AGENDA HEADING:**

Approval of Agreements between the City of Des Moines and Home Opportunities Made Easy, Incorporated (HOME, Inc) for use of Home Investment Partnerships Program (HOME) funding for development of affordable housing and administrative costs.

**SYNOPSIS:**

HOME, Inc. is a certified Community Development Housing Organization (CHDO) under the HOME Program. Of the City’s HOME allocation, 15% is set-aside for the CHDO. In addition, a CHDO is eligible to receive funding for administrative and operating costs and is eligible to retain the proceeds resulting from the CHDO’s investment of its CHDO set-aside funds to further housing for low and moderate-income households. Council actions approve the following:

1. Contract for \$38,500 for administrative and operating costs; and
2. Contract for \$210,000 to build a single-family home at 1445 9<sup>th</sup> Street for sale to a low-income buyer and retain any proceeds after sale for use on activities to further low and moderate-income housing.

**FISCAL IMPACT:**

Amount: \$248,000

Funding Source: Special Revenue Funds HOME Grants S036 CHD02013 2013 CHDO and S036 CHD02014 2014 CHDO

**ADDITIONAL INFORMATION:**

On December 7, 2009, by Roll Call No. 09-2191, Home, Inc. was designated as a CHDO for purposes of the HOME Program. The Executive Director of HOME, Inc. is Pam Carmichael. The offices are located at 1111 9<sup>th</sup> Street in the United Way Building. Recent projects include completion and sale of a single-family house located at 1441 9<sup>th</sup> Street and the development of five (5) units of rental housing at 13<sup>th</sup> and Clark currently under construction. Prior to contracting with HOME, Inc. on any project which utilizes HOME set-aside funding, staff recertifies the organization to ensure it satisfies HOME program requirements.

Cities participating in the HOME Program are required to set aside a minimum of 15% of their HOME allocation for use by CHDO’s and may allocate up to 5% of the annual HOME program funding for CHDO operating. The HOME Final Rule at 24 CFR 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. Nonprofit housing providers may be certified as a CHDO under the HOME program due to board structure, mission and outreach to the community.

For the last two (2) years, HOME, Inc. has worked with the River Bend Neighborhood Association on development of two (2) single-family houses at 1441 and 1445 9<sup>th</sup> Street. The houses are part of the 9<sup>th</sup> Street National and Local Historic District. The house at 1441 9<sup>th</sup> was completed and sold earlier this year. Its construction utilized CHDO proceeds from previously approved CHDO proceed contracts.

The HOME contract for 1445 9<sup>th</sup> will be for the full development costs of \$210,000. Due to the appraisal gap and the need for a homebuyer down payment, there will be a subsidy of approximately \$70,000 for the construction. The home will sell for approximately \$140,000 minus a down payment provided from the HOME funds. HOME, Inc. will retain the proceeds for additional affordable housing as outlined in the contract.

Primarily the CHDO proceeds will be used to acquire and develop affordable single-family housing for home ownership or small rental developments. Any future projects must be approved by City staff prior to commitment of the CHDO proceeds. CHDO proceeds must be kept in a restricted fund per 24 CFR 84.21 and must be used for HOME eligible activities but are not subject to all the HOME Program rules. For example, the HOME proceeds contract may define "low-income" and is not limited to 80% of median income. This contract defines low-income as a household at 120% of median income.

Des Moines received an allocation of \$771,147 HOME funds in 2014. Of that amount, up to 5% may be allocated to a CHDO for administrative costs. The CHDO operating contract with HOME, Inc. is for \$38,500 and is eligible for such costs as rent, salaries, insurance, and employee education. The requirements and limitations on the receipt of these funds by CHDO's are set forth in 24 CFR 92.200(e) and (f).

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

Date: March 12, 2012

Roll Call Number: [12-0396](#)

Action: [Amending](#) HOME agreements with Home Opportunities Made Easy, Incorporated (HOME, Inc.) to allow Community Housing Development Organization (CHDO) proceeds to be used for acquisition and rehabilitation of foreclosed properties and limited administrative costs. ([Council Communication No. 12-121](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: 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.

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

Board: Neighborhood Revitalization Board

Date: October 1, 2014

Resolution Number: N/A

Action: HOME, Inc. CHDO Update.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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