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|  <p style="text-align: center;">Council Communication Office of the City Manager</p> | Date: | March 19, 2018 |
| | Agenda Item No. | 39 40 41 |
| | Roll Call No. | <u>18-0474 18-0475 18-0476</u> |
| | Communication No. | <u>18-131</u> |
| | Submitted by: | Phillip Delafield, Community Development Director |

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 \$35,000 for administrative and operating costs.
2. Contract for \$210,000 to build a single-family home at 2620 Cornell for sale to a low-income buyer and retain any proceeds after sale for use on activities to further low and moderate-income housing.
3. Contract for \$240,000 to demolish a public nuisance structure and build a single-family house at 1332 Idaho 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: \$485,000

Funding Source: Special Revenue Funds, Grants, HOME Grants Page 57 of 2017-2018 adopted operating budget

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 HOME, Inc. has recently moved their offices to 1618 6th Avenue, Des Moines, IA.
- Nonprofit housing providers may be certified as a CHDO under the HOME program if they comply with HOME requirements for board structure, mission and 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 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.
- On October 24, 2016 by Roll Call No. 16-1828 the City Council made a preliminary commitment of funding for future allocations of HOME funds for construction of affordable housing and agency administrative costs based on funding received.
- The City's HOME account has adequate funds to provide the funding requested as well as adequate CHDO set-aside funds to assist with four (4) additional housing units in Birdland and two (2) units in East Bank Neighborhoods. The City's contribution will be limited to a \$35,000 subsidy for each of those housing units.
- The HOME contracts for 1332 Idaho and 2620 Cornell will be for approximately 85% of the total development costs. Due to the appraisal gap in the neighborhoods and the need for a homebuyer down payment, there will be a construction subsidy of approximately \$98,000 for 1332 Idaho and \$74,000 for Cornell. The homes will sell for approximately \$145,000-\$155,000 minus a down payment provided from the HOME funds and \$25,000 for each property from Polk County Housing Trust Fund in down payment assistance. HOME, Inc. will retain the proceeds for additional affordable housing as outlined in the contract.
- The proceeds retained by HOME Inc, will be used to acquire and develop affordable single-family housing for home ownership or small rental developments. Any projects using the CHDO proceeds must be approved by City staff prior to commitment to a project. 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.
- Des Moines received an allocation of \$733,582 in 2017. Of that amount, up to 5% may be allocated to a CHDO for administrative costs. The CHDO operating contract with HOME, Inc. is for \$35,000 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).
- Recent projects completed by HOME, Inc. include houses on East Holcomb Avenue in the Birdland Neighborhood.

PREVIOUS COUNCIL ACTION(S):

Date: September 11, 2017

Roll Call Number: [17-1566](#)

Action: [Contract](#) with Home Opportunities Made Easy, Inc. d/b/a HOME, Inc. for operating support as a designated Community Housing Development Organization (CHDO) under the Home Investment Partnership Program. ([Council Communication No. 17-632](#)) Moved by Coleman to adopt. Motion Carried 7-0.

Date: October 24, 2016

Roll Call Number: [16-1828](#)

Action: [Allocation](#) of Home Investment Partnership Program (HOME) Funds to Home Opportunities Made Easy, Incorporated (HOME, Inc.) for development of affordable housing using Community Housing Development Organization (CHDO) Set-Aside Funds. ([Council Communication No. 16-605](#)) Moved by Coleman to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Neighborhood Revitalization Board

Date: October 5, 2016

Resolution Number: N/A

Action: Approval of multi-year HOME allocation for HOME, Inc. dependent on future allocations of HOME funds.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval of contracts with HOME, Inc. to develop additional affordable housing in Birdland and East Bank Neighborhoods.

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