


COUNCIL COMMUNICATION

	Number:	19-113	Meeting:	March 25, 2019
	Agenda Item:	27	Roll Call:	19-0477
	Submitted by:	Chris Johansen, Community Development Director		

AGENDA HEADING:

Approve HOME Investment Partnerships Program (HOME) funding for Greater Des Moines Habitat for Humanity to construct eight (8) single-family affordable homes on scattered sites.

SYNOPSIS:

This action provides approval to give Greater Des Moines Habitat for Humanity \$250,000 total in HOME funds to help with the construction costs and provide down payment assistance in the production of eight (8) new single-family homes in Des Moines. Once construction is complete, low-income homebuyers will purchase the homes through a below-market-rate mortgage.

FISCAL IMPACT:

Amount: \$250,000

Funding Source: Fiscal Operating Budget, Special Revenue and Other Funds, HOME Grants, page 61

ADDITIONAL INFORMATION:

- In August 2018, City staff distributed notice of available HOME funds for the development of affordable housing units. Four (4) applications were received in total. This is the first of the four (4) applications to be recommended for approval.
- Greater Des Moines Habitat for Humanity intends to build eight (8) single-family new construction homes on infill lots of low-density residential areas. The addresses include:
 - 2733 College Avenue
 - 1306 4th Street
 - 1450 16th Street
 - 1311 5th Avenue
 - 1320 5th Avenue
 - 1909 Capitol Avenue
 - 1528 Clark Street
 - 1314 11th Street.
- Neighborhoods where these addresses are located include Drake, Mondamin Presidential, King Irving, River Bend, and Capitol East. Almost all the parcels had a single-family home on them at onetime that has since been removed or demolished.

- Most of the homes are either a split-level or two-story style with three (3) bedrooms; additionally, the two-story style has an option to complete a fourth or fifth bedroom if needed. The development costs for all eight (8) homes is estimated to be more than \$1.5 million. See a breakdown below of the sources and uses for all projects combined. Development costs per house range from \$169,000 to \$199,000.

<u>Uses</u>	<u>Amount</u>
Hard Costs	
Land Acquisition	\$ 54,100
On Site Infrastructure	175,050
Building permit fees	7,200
Construction costs - Direct w/labor	989,350
General Requirements (Contractor fee)	73,500
Developer Fee	127,550
Contractor Construction Contingency	24,000
<i>Subtotal</i>	\$ 1,450,750
Other/Soft Costs	
Engineering Fees	14,400
Real Estate Attorney Fees	1,700
Construction Insurance	7,200
Title & Recording	8,000
Taxes during construction	2,750
Appraisal	1,700
Family Placement fees	14,400
<i>Subtotal</i>	\$ 50,150
Total Development Costs	\$ 1,500,900
<u>Sources</u>	<u>Amount</u>
City of Des Moines - HOME	250,000
Gift in kind donations	48,000
Unrestricted funds	1,202,900
	\$ 1,500,900

- As mentioned above, once construction is complete, the houses will be sold to low-income homebuyers earning between 30% and 60% of the area median income. For example, a family of four (4) earning between approximately \$25,000 and \$50,000 a year would be income-eligible. When evaluating a homebuyer, other factors considered are their contribution to sweat equity, other long-term debt, and participation in homebuyer and financial education classes. The homebuyers purchase the homes through a below-market-rate mortgage, and monthly house payments, including taxes and insurance, are below 30% of their monthly income.
- After City staff reviewed the developer's qualifications, financial capacity, project details, environmental conditions on each site, and HUD's HOME regulations, the projects and HOME contracts are recommended to receive forgivable loans totaling \$250,000, or \$31,250 per house.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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