


COUNCIL COMMUNICATION

	Number:	19-531	Meeting:	December 16, 2019
	Agenda Item:	28	Roll Call:	19-2013
	Submitted by:	Chris Johansen, Community Development Director		

AGENDA HEADING:

Approve and execute amended HOME Investment Partnerships Program (HOME) promissory note with Christ the King Housing Services project located at 5602 SW 9th Street.

SYNOPSIS:

In 2015, the City loaned \$1.65 million in federal HOME funds to the construction of a multi-family rental project at 5602 SW 9th Street under Christ the King Housing Services. Twenty-six (26) units were constructed, of which 11 were designated as affordable under the HOME Program. Christ the King Housing Services is having some trouble with cash flowing the project and has requested an 18-month waiver of the repayment provision in the promissory note with the City.

FISCAL IMPACT:

Amount: \$24,750 in interest being forgiven on principal amount of \$1.65 million HOME funds.

Funding Source: US Department of Housing and Urban Development (HUD)

ADDITIONAL INFORMATION:

- The Christ the King II (CTKII) project at 5602 SW 9th Street has had financial shortfalls from the beginning of construction, and those financial struggles have compounded. The development has not set aside enough for replacement reserves. Several appliances and air conditioners have been replaced, which were paid from the operating funds, further contributing to the project's financial struggle.
- CTKII has several past due payables, including to an accounting firm for the 2017 audit. As a result, the 2017 audit has not been released, and the 2018 audit cannot be completed as well.
- The City's funding was in the form of a loan at 1% interest with an annual payment dependent upon cash flow and full payment at the end of the 25-year amortization period. The City uses audits prepared by a Certified Public Accountant to calculate CTKII's debt-to-income ratio, which then determines whether an interest payment should be made to the City for that year. Because the 2017 and 2018 audits have not been released or completed, the City has been unable to calculate or collect any payments in the last two (2) years.

- CTKII has approached all its lenders West Bank, Polk County Housing Trust Fund (PCHTF), and the City of Des Moines to request amendments or modifications to help address its current financial struggle. Initial sources of funding are as follows:

West Bank First Mortgage	\$1,600,000
City HOME funds	\$1,650,000
Polk County Housing Trust Fund	\$275,000
Equity	\$314,000
Deferred Developer Fee	\$140,264
Total	\$3,979,264

- By extending the amortization period of the first mortgage, waiving interest payments to the City for 18 months, and deferring interest payments to PCHTF for five (5) years, CTKII anticipates it will be able to increase cash flow and add money to its reserves.
- The use of HOME funds requires a 20-year period of affordability during which time there will be restrictions on the income of the tenants and the rents that can be charged in the 11 HOME units. The PCHTF places additional requirements on the incomes of the units assisted, which are reflected in the rents and income below.

<u>Unit</u>	<u>Bedrooms</u>	<u>Current Rent</u> <u>Amounts</u>	<u>No. of</u> <u>Units</u>
Market Rate	2 br apt	\$700-960	13
Market Rate	1 br apt	\$725	2
HOME Unit < 30%	2 br apt	\$506	1
HOME Unit < 30%	1 br apt	\$421	1
HOME Unit < 50%	2 br apt	\$748-784	9
TOTAL			26

PREVIOUS COUNCIL ACTION(S):

Date: April 6, 2015

Roll Call Number: [15-0582](#)

Action: [On](#) HOME Investment Partnership Program (HOME) Agreement with Christ the King Housing Services for 5602 SW 9th Street, \$1,650,000. ([Council Communication No. 15-180](#)). Moved by Gatto to adopt. Motion Carried 6-1.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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