


# COUNCIL COMMUNICATION

	Number:	<b>20-134</b>	Meeting:	<b>March 23, 2020</b>
	Agenda Item:	<b>27A</b>	Roll Call:	<b>20-0526</b>
	Submitted by:	<b>Chris Johansen, Community Development Director</b>		

## AGENDA HEADING:

Resolution regarding 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.

## SYNOPSIS:

HOME, Inc. is one (1) of the City's main nonprofit developers that receives HOME funds to help produce affordable housing. City staff asked that developers requesting HOME funds for homebuyer projects submit a 5-year schedule, allowing the City to better plan future allocations and input more accurate homebuyer goals into the 2020-2024 Consolidated Plan to the U.S. Department of Housing and Urban Development (HUD).

## FISCAL IMPACT:

Amount: Approximately \$435,000 each year from 2020-2024, or approximately \$2.1 million total

Funding Source: HOME funding from HUD

## ADDITIONAL INFORMATION:

- The City receives an annual allocation between \$750,000 and \$1 million in HOME funds from HUD. HOME funds are designated to either construct or rehab affordable homeownership and rental housing.
- HOME, Inc. is the City's only certified CHDO under the HOME Program, which is a designation that means at least 15% of the City's HOME allocation is set aside for CHDO activities.
- HOME, Inc. projects have approximately a \$50,000 gap on average between the development costs and appraisal value. This means their average home costs between \$230,000 and \$260,000 to build, but the selling price to a low-income homebuyer ranges from \$180,000 to \$200,000.
- Because HOME, Inc. is a CHDO, the City allows it to retain any proceeds from the sale to a low-income homebuyer. Those proceeds will then be recycled into other affordable housing projects produced by HOME, Inc., in Des Moines.

- The homes will be sold to income-eligible homebuyers. To be eligible, buyers must earn below 80% of the area median income. For example, a family of four (4) earning less than \$70,000 would be income-eligible. HOME, Inc. also works with the buyers to provide credit counseling, financial literacy, and homebuyer education.
- Although this resolution is a commitment to HOME, Inc. based on a preliminary review of information, individual project sites will go through a secondary evaluation process to ensure compliance with program rules and regulations, once addresses are known.

**PREVIOUS COUNCIL ACTION(S):**

Date: November 4, 2019

Roll Call Number: [19-1792](#)

Action: [On](#) the proposed 2020-2024 Consolidated Plan, which includes the 2020 Action Plan, for the HUD Consolidated Plan. ([Council Communication No. 19-476](#)) Moved by Gatto 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 6-0.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

There will be at least two (2) HOME developer contracts to approve in 2020, once project addresses are known, project underwriting has been completed, and the sites pass environmental reviews.

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