


COUNCIL COMMUNICATION

	Number:	21-258	Meeting:	June 14, 2021
	Agenda Item:	38	Roll Call:	[]
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

Approval of HOME Investment Partnerships Program (HOME) Agreements with Greater Des Moines Habitat for Humanity (Habitat) for development of five (5) single-unit homes (1323 13th Street, 1406 Stewart Street, 1412 Stewart Street, 1418 Stewart Street, and 1424 Stewart Street.)

SYNOPSIS:

Habitat is planning to construct five (5) single-unit houses, or five (5) HOME units. Total HOME funding for all five (5) houses is \$175,000 and will go toward two (2) different uses—construction costs incurred by Habitat and home buyer assistance.

FISCAL IMPACT:

Amount: \$35,000 per house, \$175,000 total.

Funding Source: HOME Investment Partnerships Program from the U.S. Department of Housing and Urban Development (HUD).

ADDITIONAL INFORMATION:

- Of the \$35,000 awarded to each project, \$31,500 will be used for construction costs incurred by Habitat. Up to \$3,500 will be available to the home buyer to assist with acquisition and closing costs.
- 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 \$73,000 would be income eligible. Habitat homebuyers are also required to attend classes regarding credit counseling, financial literacy, and homebuyer education.
- Before 2021, Habitat projects were estimated to have \$50,000 gap on average between the development costs and appraisal value. This means their average home cost between \$160,000 and \$200,000 to build, but the selling price to a low-income homebuyer ranges from \$120,000 to \$190,000. The selling price is based on the appraised value, and the homebuyer's repayment is based on their individual ability to repay a mortgage with a below-market interest rate, which is currently 2.5%. However, as shown below, the gap between development costs and appraisal value has widened.

- Below is a summary of the houses to be constructed and their expected costs:

Address	Square Feet	Development Cost	Pre-Construction Appraisal	Difference of Cost and Appraisal	Cost per Square Feet
1323 13th Street	1117	\$226,000	\$154,000	\$72,000	\$202
1406 Stewart Street	1158	\$233,300	\$168,000	\$65,300	\$201
1412 Stewart Street	1110	\$224,985	\$160,500	\$64,485	\$203
1418 Stewart Street	1110	\$224,985	\$161,000	\$63,985	\$203
1424 Stewart Street	1158	\$238,820	\$168,500	\$70,320	\$206

- 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.

PREVIOUS COUNCIL ACTION(S):

Date: March 23, 2020

Roll Call Number: [20-0526](#) and [20-0527](#)

Action: Allocation of Home Investment Partnership Program (HOME) funds for development of affordable housing to the following:

- (A) [Home](#) Opportunities Made Easy, Incorporated (HOME, Inc.) using Community Housing Development Organization (CHDO) Set-Aside funds. ([Council Communication No. 20-134](#)) Moved by Gatto to adopt. Motion Carried 7-0.
- (B) [Allocation](#) of Home Investment Partnership Program (HOME) funds for development of affordable housing to Greater Des Moines Habitat for Humanity. ([Council Communication No. 20-135](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

These are five (5) of 10 HOME homeownership units to be awarded to Habitat in 2021. There will be additional Council actions to approve the other HOME Agreements as sites are identified.

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