

★ **Roll Call Number**

Agenda Item Number
30 A

Date December 7, 2009

Receive and File Communication from Community Housing Development Corporation requesting amendment to existing HOME contract approved August 7, 2006 by Roll Call 06-1583 between the City and Community Housing Development Corporation.

Moved by _____ to receive, file and refer to the Community Development Department.

APPROVED AS TO FORM:



 Michael F. Kelley
 Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
MEYER				
VLASSIS				
TOTAL				
MOTION CARRIED			APPROVED	

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

 Mayor

 City Clerk

community housing
DEVELOPMENT
CORPORATION

November 23, 2009

Larry Hulse, Director
Community Development
City of Des Moines
602 Robert D Ray Drive
Des Moines, IA 50309

Dear Mr. Hulse:

On November 9, 2009 the Board of Directors for Community Housing Development Corporation (CHDC) unanimously approved a motion to request an amendment to the contract executed between CHDC and the City of Des Moines for 1317 Clark Street and the subsequent use of "CHDO Proceeds." The original contract stipulated that funds generated from the construction and sale of 1317 Clark could be retained by the agency and used to leverage specifically listed HOME eligible activities. However, due to a number of external and internal factors, CHDC's Board of Directors is requesting that the contract be amended to add additional HOME eligible activities for which the CHDO Proceeds can be used.

This request comes after a difficult two years financially that may result in the dissolution of CHDC. The CHDC Board and staff took some actions in light of these financial issues to keep its Affordable Homeownership Program viable. When the house at 1317 Clark sold in August 2008 CHDC netted \$113,000 in CHDO proceeds which were to be spent according to the executed contract between CHDC and the City. Of the \$113,000, \$9,000 was spent on new construction and rehabilitation per the contract.

However, in anticipation of the quick sale of other homes, the 1317 Clark Street CHDO Proceeds were spent on lawn care, utilities, repair/maintenance, insurance, and other holding costs on properties in the CHDC inventory beginning in October 2008. Unfortunately the houses did not sell and holding costs continued to be paid from the CHDO proceeds until late summer 2009. These costs can be documented and account for approximately \$64,000 of the proceeds. The holding costs are eligible HOME funds activities but were not delineated in the CHDO Proceeds contract.

The CHDC Board of Directors and the agency's lawyers interpreted the original CHDO contract to read that CHDC had until 2011 to spend the funds on other CHDO projects and did not set up a restricted account for the proceeds. If CHDC had been able to sell its inventory of houses quickly and thoroughly evaluate the cost of the Seniorwise program, further CHDO





projects would have been developed and the money would have been spent in accordance with the 1317 Clark Street contract.

The CHDC Board anticipates closing the agency within the next few months and relinquishing its CHDO status. The Board has returned the CHDO proceeds from an additional contract at 1347 Forest to the City of Des Moines because of this decision. CHDC still maintains one unsold CHDO Proceeds development at 1622 Forest Avenue. We are working closely with City staff and Home Opportunities Made Easy (Home), Inc. to assume these proceeds if Home, Inc. becomes a CHDO recognized by the City of Des Moines and HUD.

The CHDC financial difficulties that have preceded this request can be attributed to the following factors:

- The **economic crisis** and the crash of the housing market greatly impacted CHDC's Affordable Homeownership Program. The sale of CHDC new and rehabilitated properties came to a virtual halt, thereby eliminating a vital source of income. Instead of receiving expected revenue from the sale of seven homes in CHDC's inventory, CHDC expended monies for mortgage interest, property maintenance, taxes, and security for over eighteen months until properties were sold.
- **Significant turnover in CHDC staff** and the necessary learning curve for the HOME Program interrupted established processes and procedures. New staff brought new energy but also delayed evaluation of the financial viability of programs and contributed to a misinterpretation of allowed processes between CHDC and City staff.
- **Implementation of complex programs and projects has been a hallmark of CHDC.** CHDC took over the Seniorwise Program after it was deemed too expensive and staff intensive by the public schools. CHDC added no administrative staff to the program making evaluation of profitability and sustainability of the program on the agency difficult to ascertain. In addition, implementation of the Seniorwise Program cost more because former Des Moines Public School employees continued employment at CHDC at their former rate of pay. Unfortunately, these costs were not sustainable and drained funds away from other CHDC programs such as the Affordable Homeownership Program. Seniorwise did provide chore and repair services to over 1500 elderly and disabled persons per year and a large need has been created since CHDC discontinued the program as of July 2009.
- **Ending the staff and cost sharing** between CHDC and Neighborhood Development Corporation (NDC) in mid-2009 made the continuation of the CHDC more difficult. The partnership which included shared staff, office equipment, and office space, added another level of fiscal complexity to determining the sustainability of CHDC's programs and masked some of CHDC's true costs.





Due to the conditions set out above, CHDC is requesting the City alter the conditions of the original agreement to allow no more than \$64,000ⁱⁱ of the 1317 Clark proceeds to be applied to the holding costs of CHDC's properties from August 2008 to August 2009. CHDC's Board of Directors greatly appreciates your consideration in this request. If you have any questions concerning the request or the circumstances that necessitated the request, please feel free to contact us.

Respectfully,

Lawrence E. James, Sr.
Interim Consultant
Community Housing Development Corporation

Gary Lozano
Board Chair
Community Housing Development Corporation

ⁱ The exact amount is still to be determined by CHDC staff, Denman & Company LLP, and the Community Development staff at the City.
ⁱⁱ Ibid.

