

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

02-353

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

AGENDA:

JULY 8, 2002

SYNOPSIS -

Approval of new 28E Agreement with Neighborhood Finance Corporation (NFC), the City of Des Moines and Polk County.

SUBJECT:

28E AGREEMENT
WITH
NEIGHBORHOOD
FINANCE
CORPORATION AND
POLK COUNTY

FISCAL IMPACT -

Approval will facilitate making at least \$5 million of City funds available over five years for NFC, contingent on approval of the County for a commitment of \$5 million. The City and County participation will be tied to the amount of loan and grant dollars generated by the NFC so that the City's and County's participation may increase annually to a maximum of \$5.9 million dollars each during the five year period.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

Approval.

SUBMITTED BY:

JAMES GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

BACKGROUND -

The 28E Agreement among the City of Des Moines, Polk County and the NFC is up for renewal this year as the present agreement expires on June 30, 2002. The original agreement was signed in 1990 and renewed in 1997.

The primary difference between this agreement and those previous is the increase in funding levels from both the City and County. Previously, the funding amount had been capped at \$1 million each from the City and County. In this agreement, the funding level is tied to the performance of the NFC. If NFC originates a higher amount of loans and grants, additional governmental source monies will be available. For example, if the NFC generates at least \$12 million of loans and grants during the calendar year ending December 31, 2002, the City shall pay \$1.1 million to the NFC during the City's fiscal year

ending June 30, 2004. If the NFC generates \$13 million of loans and grants during the calendar year ending in 2003, the City will pay \$1.2 million to the NFC in the fiscal year ending June 30, 2005.

The minimum amount the City is obligated to pay the NFC under this agreement is \$5 million dollars, at \$1 million dollars annually. The maximum amount the City is obligated to pay the NFC under this agreement is \$5.9 million dollars, \$1 million the first year, \$1.1 million the second year, \$1.2 million the third year, \$1.3 million the fourth year, and \$1.3 million the fifth year. The NFC officers expect that they will generate enough loans to receive increased funding in years two through five. Since its inception to June 30, 2002, NFC has generated over \$90 million in loans and grants in the City of Des Moines.

The new agreement also includes a new Section 7 regarding investment of government source monies in segregated accounts, consistent with the NFC's investment policy. Lastly, the agreement adds a conflict of interest policy in Section 8 to ensure that no NFC or employee receives an improper personal gain or benefit from monies contributed by the City of Des Moines or Polk County.

The agreement has been reviewed and recommended for approval by the Neighborhood Revitalization Board at its June 19, 2002 meeting. The Neighborhood Finance Corporation Board approved the agreement at its June 27, 2002 meeting. The Polk County Board of Supervisors will discuss the agreement at its July 10, 2002 meeting and vote on the agreement at its July 16, 2002 meeting.
