



# Council Communication

Office of the City Manager

Date

July 28, 2008

Agenda Item No.      Extra Item 1  
Roll Call No.          08-  
Communication No.    08-462  
Submitted by: Larry Hulse, Director  
Community Development Department

## AGENDA HEADING:

Authorization to develop, execute and administer an agreement with the Neighborhood Finance Corporation to fund a voluntary flood acquisition program; Approval to proceed with acquisition of eligible flood damaged properties in the Birdland area; and authorization to allocate funds for the Home Restoration Program to be administered by the Polk County Housing Trust Fund to rehabilitate flood damaged properties in the Birdland area.

## SYNOPSIS:

The City of Des Moines, in partnership with Polk County, Neighborhood Finance Corporation, Polk County Housing Trust Fund and Greater Des Moines Habitat for Humanity, will provide a recovery program to immediately assist residents of the Birdland area through the use of local funds. The program consists of a voluntary acquisition program, rehabilitation assistance for major repairs, assistance for investor owner properties, and volunteer assistance from Habitat for Humanity. The Neighborhood Finance Corporation is proposing to provide \$1,000,000 in funding for the Voluntary Acquisition Program. The City of Des Moines will contribute \$125,000 to Polk County Home Restoration Program to assist with home repairs for Birdland property homeowners. The City will use existing CDBG funds to provide assistance to investor owners. As part of this program, the City will require the participating property owners to disclose any other financial assistance previously received. The City will ensure that no duplicate payments are made as part of the voluntary acquisition program. Due to the limited amount of funds, the voluntary acquisition program will only be offered to owner occupants of residential properties at this time. If additional funding is identified in the future, then the City will also look at the feasibility of purchasing investor owned properties on a voluntary basis.

## FISCAL IMPACT:

Amount: \$1,000,000 to be received by the City, plus \$125,000 MHGB contribution to the Polk County Trust Fund (see Municipal Housing Governing Board Extra Item 1).

Funding Source: Neighborhood Finance Corporation

## ADDITIONAL INFORMATION:

On July 14, 2008 by Roll Call No. 08-1274 the City Council authorized staff to submit an application for funds for a voluntary-buy out program for flood-damaged residential properties and to supplement the existing home repair programs with priority to repair flood damaged properties. The majority of these funds would have been targeted to the Birdland area. Additional information is now available which

indicates that these funds will not be available in the near future and indeed may be very limited for Des Moines due to the major devastation in the eastern part of the State.

Since the last Council action on July 14, 2008, elected officials, City and Polk County staff, local housing nonprofits (Polk County Trust Fund, Neighborhood Finance Corporations and Habitat for Humanity) have been working together to identify local funds and resources that are available immediately and of a flexible nature to respond to the needs of the residents of the Birdland area.

In addition, City and County Rehabilitation staff conducted an on-site Feasibility Analysis of each home in the Birdland area. Through a complete inspection of the structure, the analysis identified the immediate repairs and total scope of rehabilitation needed to result in a safe, healthy, comfortable dwelling. The assessment also includes a preliminary cost estimate of the total repairs. Through this process, staff was also able to meet with individual property owners and further assess the actual needs of each of the structures in the Birdland area. Based on these assessments, there are 40 properties damaged from the June 2008 floodwaters consisting of:

1. 26 Owner Occupied structures, of which, 16 are homeowners that need assistance with rehabilitation, and the remaining 10 property owners have over 60% damage to the structure and the homeowner is interested in a voluntary buy out program.
2. 14 Investor Owners properties that may need assistance to repair their property.

Staff is recommending a local recovery program be provided to meet the immediate assistance needs of the residents so they may be able to return their lives to normal as soon as possible. The local program will have two components 1) A voluntary acquisition program and 2) Home repair assistance. These two programs will be funded by the City, County and the Neighborhood Finance Corporation.

### **Voluntary Acquisition Program**

The City's Real Estate Division of the Engineering Department will administer the 2008 Flood Voluntary Acquisition Program, and the program guidelines will be based on previous City sponsored flood acquisition programs. Since the program is completely voluntary and eminent domain will not be used, the City is exempt from the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (hereinafter referred to as URA).

#### **Criteria for participation in the program is as follows:**

1. Must be located in the Birdland area that is located in the 500 year floodplain area
2. Must have sustained 60% or more damage to the property. Such damage shall be determined by the rehabilitation estimate completed by either the City or County rehabilitation staff.
3. Holds legal title to the property with valid deed or valid real estate contract, and will certify to having lived in the house as his/her/their primary residence, as of June 14, 2008.
4. Continues to hold title to the property to the date of the City's offer to purchase.

#### **Purchase Price will be calculated as follows:**

The City is utilizing the pre-flood assessed value of the property (as of June 18, 2008) for this voluntary acquisition program. In making its determination of the voluntary purchase value, the City shall offer two options to the property owner:

1. Option 1 – Through the County Assessor's records and other public information, the City will use the January 1, 2008, full assessed value (unchanged since January 1, 2007) times a 1.10 multiplier to offer a fair market value at June 18, 2008.
2. Option 2 – Based on a competitive bid process, the City will hire an independent appraiser to contact the property owner for an appointment to view the interior and exterior of the home and complete a valuation with an effective date of valuation of June 14, 2008. This method will take several additional weeks and may result in an offer higher or lower than Option 1. The owners will be offered the appraised value.

If the appraised value is determined to be more than the January 1, 2008, full assessed value times the 1.10 multiplier, the City will make a revised offer for the amount of the appraised value and pay for the appraisal costs.

If the appraised value is determined to be less than the January 1, 2008, full assessed value times the 1.10 multiplier, the City will continue to acknowledge the original offer, but the appraisal costs will be deducted from the seller's proceeds at closing.

In addition to the purchase price, all participants will be eligible to receive a fixed relocation benefit to assist with moving and replacement housing costs. The additional relocation payments will average \$10,000 to \$12,000 based on the fixed payment calculation.

If the Offer to Purchase is rejected and the property owner chooses not to sell the property, the acquisition funds will be de-obligated and made available for additional acquisitions.

The City will send a certified letter to the owner of the properties that were identified as sustaining 60% or more damage based on the rehabilitation assessment completed by either the City or County rehabilitation staff in July of 2008. Residents will have until October 31, 2008 to apply to the City for the voluntary acquisition program.

The Neighborhood Finance Corporation is proposing to make available one million dollars to the City for the Voluntary Acquisition Program in the Birdland area.

Neighborhood Finance Corporation (NFC) realizes the 2008 flood has had an overwhelming impact on some households in the flood devastated areas. Neighborhood Finance Corporation is prepared to work with the City of Des Moines and Polk County to help remedy these residents' situations.

NFC receives funds from the City of Des Moines and Polk County each year through a 28E agreement. Throughout the years, NFC has strived to use the funds in accordance with 28E guidelines. Furthermore, through prudent underwriting, seeking repayment on loans and recovery of unforgiven portions of forgivable loans, NFC has been careful to minimize losses of the funds from the City and County. Due to this vigilant stewardship of the funds, NFC is able to help the City and County with financial assistance with flood relief efforts, and embraces partnering with the City, County and other not-for-profits to facilitate.

## **Rehabilitation Program for Flood Victims**

The Polk County Housing Trust, working with the City and County elected officials and staff, has developed a special program to assist homeowners with flood damaged properties. Assistance is being provided to those residents affected by the 2008 flood in the form of gap funding determined by the difference in the total cost of the rehabilitation and the funds received from FEMA, Polk County Emergency Repair and City funding. Polk County will be the lead agency in assisting the 16 households that have been identified through rehabilitation assessments conducted by City and County staff.

To ensure all affected homeowners and residents receive the necessary assistance and are able to return to a pre-flood environment, there will be no income or value guidelines to qualify for assistance.

The assistance will be in the form of forgivable loans. Funds will be paid directly to contractors at the completion of the project or as reimbursement to self-rehabilitators at the completion of the project.

Those units found to have children less than six years of age will be inspected by a Certified Lead Inspector/Risk Assessor to determine potential lead hazards. Should lead hazards be identified, the use of a contractor certified in Lead Safe Work Practices will be required.

The program is being funded by:

1. Ridin' the Storm Out proceeds

The \$550,000 committed from the "Ridin' the Storm Out" concert sponsored by Prairie Meadows and Polk County will be utilized to provide long-term rehabilitation assistance.

2. Embrace Iowa

Initial application for \$125,000 will be submitted by Polk County Housing Trust Fund to fund immediate needs. (i.e. reimburse Polk County Emergency Repair Program). Applications will be submitted for any additional funds available from this program as available and needed.

3. Polk County Emergency Repair Program

Program guidelines relating to income and assessed value were suspended on June 12<sup>th</sup> to allow the immediate needs of affected homes to be met. Polk County has expended funds in excess of \$90,000 to date and anticipates additional expenditures in excess of \$100,000.

4. City of Des Moines

The City of Des Moines is being asked to contribute \$125,000 of non-federal funds for repairs to properties in the Birdland area because these properties have a greater need. This will lessen the gap needed to be provided by the Home Restoration effort.

The City's Community Development Department is currently giving priority to homes damaged by the flood in the City's Neighborhood Conservation Program Minor Repair program, which is available city wide to residents who have an income below 50% of the median income. However, in the Birdland area there is a need for more comprehensive rehabilitation assistance for homes that sustained major damage due to the floodwaters.

### **Rehabilitation Assistance for Investor Owner Properties**

Based on the rehabilitation assessment completed in July 2008, 14 or 35% of the 40 properties damaged by the flood are rentals. Staff is recommending an outreach be made to the investor owners who

currently own rental properties in the area in order to ensure the overall investment in the neighborhood is realized. Currently the Neighborhood Conservation Program has reserved \$150,000 in the Neighborhood Conservation Investor Owner Program for Landlords in the Birdland area.

The NCS program is based on a gap analysis and requires the landlord to rent to low and moderate-income persons in the first year. The program, funded by CDBG dollars, requires a financial analysis of the costs of rehabilitation and the costs of operation and maintenance of the structure. Generally, a portion of the CDBG funds are repaid and a portion forgiven over a ten year time period. All work must comply with HUD lead paint requirements and staff will review the landlord's rental record with the Neighborhood Inspection Division before providing funding. Staff will send a certified letter to all landlords of flood damaged properties and they will have until October 1, 2008 to apply for rehabilitation funding. At a later date there may be a need to seek additional funding to acquire rental properties that are not feasible to rehabilitate.

### **Additional Assistance from Greater Des Moines Habitat for Humanity**

Greater Des Moines Habitat for Humanity considers the Birdland area their "neighborhood." Their Office and the Restore is located at 2341 2nd Avenue and was flooded just like the area residents. Habitat for Humanity is offering to provide carpet at no cost, and flooring, paint and possible appliances at a minimal cost through national contributors to the Restore and Habitat.

In addition, there are some individual residents that have serious damage and may need special assistance in repairing or replacing their home. City and County staff will be referring these homeowners to Habitat for Humanity for additional assistance which may include rebuilding a home on the existing site using Habitat for Humanity volunteers and funding sources.

### **PREVIOUS COUNCIL ACTION (S):**

Date: July 14, 2008

Roll Call Number: 08-1274

Action: Authorization to request Emergency Community Development Block Grant Funds from Iowa Department of Economic Development to be used for a flood buy-out program. (Council Communication No. 08-419) Moved by Vlassis to adopt. Motion Carried 7-0.

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

### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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