


COUNCIL COMMUNICATION

	Number:	21-346	Meeting:	August 9, 2021
	Agenda Item:	31	Roll Call:	21-1224
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

Approve and execute amended HOME Investment Partnership Program (HOME) promissory note and mortgage with The Rose of Des Moines, 1330 19th Street, Des Moines, IA.

SYNOPSIS:

In 2004, the City of Des Moines and the Iowa Economic Development Authority (IEDA), formerly known as the Iowa Department of Economic Development (IDED), provided \$800,000 in HOME Investment Partnership Program (HOME) funds to construct 52 units dedicated for senior housing at The Rose of Des Moines located at 1330 19th Street. The interest from the initial HOME loan has accrued to almost \$800,000 as well, making the outstanding repayable amount more than \$1.5 million. The Rose of Des Moines has requested relief from the high interest accrued.

FISCAL IMPACT:

Amount: Forgiveness of past compounded interest of \$793,540 and forgiveness of any future interest.

Funding Source: HOME Program, U.S. Department of Housing and Urban Development (HUD).

ADDITIONAL INFORMATION:

- As mentioned, the City and IEDA contributed HOME funds to the rental construction of this project. The City's HOME contribution was \$150,000 for three (3) HOME units, and IEDA's contribution was \$650,000 for 13 HOME units totaling \$800,000 in assistance.
- In 2004, the \$800,000 HOME loan included an interest rate between 4.68% and 4.83%, which was the applicable prevailing federal funds rate at the time the loan commenced. As of 2021, the current deferred accrued HOME interest totals \$793,540.
- The accruing interest rate was not intended when the Developer initially applied for HOME funds. The Developer also requested Low-Income Housing Tax Credits (LIHTC). After LIHTC financing had been awarded, the Developer was told that the tax credits would be available only if the HOME funds carried deferred interest at the prevailing federal rates.
- The Developer debated ceasing the project but was under the impression that the HOME interest and loan would be forgiven.

- The Rose of Des Moines is now looking to restructure its loans to avoid future financial burden so that it may maintain affordable housing units for senior residents in Des Moines.

PREVIOUS COUNCIL ACTION(S):

Date: December 6, 2004

Roll Call Number: [04-2625](#)

Action: Execution of HOME Documents for the Rose of Des Moines Development Project ([Council Communication 04-610](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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