


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	23-169	Meeting:	April 10, 2023
	Agenda Item:	23	Roll Call:	23-0491
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

Approve Subordination Agreement of Existing HOME Investment Partnership Program (HOME) Mortgage on 1211 Forest Avenue to Central Bank Construction Loan to Home Opportunities Made Easy (HOME, Inc.).

SYNOPSIS:

The City of Des Moines made a HOME Award of \$34,000 to HOME, Inc. in October 2022 to construct an affordable single-family house on 1211 Forest Avenue, in the form of a forgivable HOME loan secured by a mortgage. Central Bank has made a construction loan to HOME, Inc. to fully finance the project. A subordination request was made by Central Bank and reviewed by Neighborhood Services staff. This Council action is to approve the execution of a Subordination Agreement, moving the City's mortgage position below Central Bank. The restrictive covenants will not be subordinated.

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

- The City receives an annual allocation between \$750,000 and \$1 million in HOME funds from US Department of Housing and Urban Development (HUD). HOME funds are designated to either construct or rehab affordable homeownership and rental housing.
- The home will be sold to income-eligible homebuyers. To be eligible, buyers must earn below 80% of the area median income (AMI). For example, a family of four (4) earning less than \$78,800 would be income eligible. Homebuyers are also required to attend classes regarding credit counseling, financial literacy, and homebuyer education.
- The proposed house will have 1,531 finished square feet. It will have three (3) bedrooms and two (2) bathrooms. This specific house at 1211 Forest Avenue will be sold to a homebuyer through HOME Inc.'s lease purchase program.
- In October, Neighborhood Services executed a HOME Award with HOME Inc., in the amount of \$34,000 to construct an affordable single-family home at 1211 Forest Avenue. The HOME Award is secured with a Mortgage and Restrictive Covenant to guarantee an eventual sale to a household earning below 80% AMI.

- Central Bank, who has chosen to partner with HOME Inc., will be the construction lender and their loan terms were reviewed by Neighborhood Services.

PREVIOUS COUNCIL ACTION(S):

Date: March 23, 2020

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

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.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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