



**Roll Call Number**

23-0591

**Agenda Item Number**

31

**Date** April 24, 2023

**APPROVING SUBORDINATION AGREEMENT OF EXISTING HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) MORTGAGE ON 3806 8TH STREET TO CENTRAL BANK CONSTRUCTION LOAN TO HOME OPPORTUNITIES MADE EASY (HOME, INC.)**

**WHEREAS**, the City has entered into an Agreement with United States Department of Housing and Urban Development ("HUD") for funding of its HOME Program pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act; and

**WHEREAS**, the City's HOME Program is designed to provide affordable rental and home ownership opportunities for low- and very-low income households through acquisition, rehabilitation, and new construction; and

**WHEREAS**, the construction of new affordable housing is consistent with the City's 2020-2024 Consolidated Plan, which was approved by City Council for submission to HUD on November 4, 2019 by Roll Call 19-1792; and

**WHEREAS**, on March 23, 2020 by Roll Call 20-0526, City Council approved a five-year financial commitment, totaling up to \$1,875,000 of HOME funds in the form of forgivable loans, to HOME, Inc. (the "Borrower") to construct at least 10 homeownership housing units for low-income households and provide homebuyer assistance for 22 low-income homebuyers between 2020 and 2024; and

**WHEREAS**, Neighborhood Services approved a HOME Award of \$200,000 with Borrower on October 12, 2022 to construct a single-family home on a vacant lot at 3806 8th Street (the "Property"), secured by a forgivable HOME Mortgage in the same amount (the "City's Mortgage"); and

**WHEREAS**, in order to fill a gap in financing, Borrower is required to take out construction loans from private lenders and has applied and been approved for a construction loan in the total amount of \$223,000, from Central Bank in Ankeny, Iowa (the "Construction Loan" and "Construction Mortgage"); and

**WHEREAS**, as a condition of the Construction Loan, Central Bank has requested that the City subordinate its Mortgage to the Construction Mortgage and has submitted a formal request to Neighborhood Services staff to subordinate the City's HOME Mortgage to Central Bank's construction mortgage on the Property; and

**WHEREAS**, Neighborhood Services staff has reviewed the subordination request and determined it satisfies the City's criteria for subordination and has accordingly prepared Subordination Agreement in form on file with the City Clerk.

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NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Des Moines, Iowa, that:

- 1. The Subordination Agreement whereby the City will subordinate its forgivable HOME Mortgage to Central Bank's Mortgage on 1211 Forest, is hereby approved.
2. City Manager is hereby authorized to execute, on behalf of the City, said Subordination Agreement following approval as to form by the Legal Department, and to execute any other document necessary to implement the Agreement.

(Council Communication No. 23-214)

Moved by Gatto to adopt,
Second by Boesen

FORM APPROVED:

/s/ Gary D. Goudelock Jr.
Gary D. Goudelock Jr., Assistant City Attorney

Table with 5 columns: COUNCIL ACTION, YEAS, NAYS, PASS, ABSENT. Rows include COWNIE, BOESEN, GATTO, MANDELBAUM, SHEUMAKER, VOSS, WESTERGAARD, and TOTAL. Includes 'MOTION CARRIED' and 'APPROVED' checkboxes.

CERTIFICATE

I, LAURA BAUMGARTNER, 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.

J. M. Frankin Cownie Mayor

Laura Baumgartner City Clerk