

COUNCIL ACTION FORM

SUBJECT: PURCHASE OF 3305 MORNINGSIDE STREET WITH CITY AFFORDABLE HOUSING FUNDS IN CONJUNCTION WITH THE FY 2017-18 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM.

BACKGROUND:

As part of CDBG 2017-18 Action Plan Neighborhood Sustainability Program, the Acquisition/Reuse program component seeks to acquire properties to either rehabilitate or demolish/remove them for reuse for affordable housing. Of particular interest are the purchase of single-family properties that were rentals to convert them back into homeownership, and sold to low-income (80% or less of AMI) first-time homebuyers, utilizing the down payment funds in the Homebuyer Assistance Program. Also, as part of the program parameters properties can be sold to qualified non-profit organizations in the community for lower-income families as well.

Additionally, in 2016, the city requested and received approval from HUD to create a Neighborhood Revitalization Strategy Area (NRSA) designation for Census Tract 13.1, Block Group 2 in West Ames that includes the 321 State Avenue site. One of the main reasons for the designation request was to allow for the re-development of 321 State Avenue as a mixed-income residential development. With the NRSA designation other program activities were established to address the other needs for the area as outlined in the designation request. Those program activities include: Acquisition/Reuse, Public Infrastructure Improvements, Homebuyer Assistance, and Renter Affordability.

Due to the time lost in the process of seeking to work with a developer to re-development of 321 State, staff needed to switch to the implementation of the Acquisition/Reuse activity in order to meet the required timely expenditure of CDBG funds by May 2, 2018. Staff was able to identify four properties within the NRSA that met the requirement of the Acquisition/Reuse criteria and goals. Of the four, three owners were interested in selling their properties. Of the three, staff has secured purchase agreements with two of the property owners for 241 Village Drive and 3305 Morningside Street. **The total cost to acquire the two properties is approximately \$275,000.**

The FY 2017/18 Acquisition/Reuse program budget allocated \$170,000 for use in the purchase of homes. In accordance with our CDBG Citizen Participation Plan, program budget line items revisions can be made in amounts not to exceed \$100,000. Therefore, staff would be able to move \$50,000 from the Public Infrastructure Improvements and \$50,000 from the Single-family Housing Improvements Program and add it to the Acquisition/Reuse Program for a revised budget of \$270,000. **While a property at 241 Village Drive has been purchased, a shortfall of approximately \$5,000 will exist inhibiting the purchase of a second property at 3305 Morningside Street.**

In conferring with the HUD staff, the City can use non-CDBG funds to cover the gap and/or earmark funds from the FY 2018/19 CDBG allocation to repay itself for purchasing the properties.

Staff is recommending that we borrow \$5,000 from the Citywide Affordable Housing Fund available balance, which has a current balance of approximately \$571,000, to temporarily cover this shortfall. The \$5,000 will be repaid to the City as part of the next fiscal year's allocation of CDBG funds.

ALTERNATIVES:

1. The City Council can approve the borrowing of \$5,000 from the City-wide Affordable Housing Program to cover the shortfall to purchase the property at 3305 Morningside Street and have funds earmarked from the FY 2018-19 CDBG allocation to reimburse the fund.
2. The City Council can approve the use of \$5,000 from the Citywide Affordable Housing Program to cover the shortfall to purchase the property at 3305 Morningside Street and not require a repayment from CDBG funds.
3. The City Council can refer the item back to staff for more information.

CITY MANAGER'S RECOMMENDED ACTION:

The purchase of these two properties is consistent with the goals and priorities adopted in our 2014-18 Consolidated Plan, and is an activity in our FY 2017-18 Annual Action Plan under the Acquisition/Reuse Activity.

The purpose of this activity is to acquire for sale and/or vacant/abandon single-family properties to make available for low-income first-time homebuyers and/or sale to an eligible non-profit for them to sale to a low-income household. Both properties are located in our NRSA designation area, which is a priority area to implement this type of activity. **The 3305 Morningside Street property was originally purchased by parents for their children to attend Iowa State University in 1992, but for the last two years has been sitting empty and deteriorating.**

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby approving the loan of \$5,000 to the CDBG program for the purchase of the property at 3505 Morningside which will be repaid from the FY 2018/19 CDBG allocation when it is received.