



City of Madison Proceedings - Final

City of Madison
Madison, WI 53703
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COMMUNITY DEVELOPMENT BLOCK GRANT COMMISSION

Thursday, September 6, 2007

5:00 PM

215 Martin Luther King, Jr. Blvd.
Room 120 (Madison Municipal Building)

CALL TO ORDER

Sanders called the meeting to order at 5:06 PM.

ROLL CALL

Present: Marsha A. Rummel, Monya A. Choudhury, Arthur V. Robinson, Lina Trivedi,
Carl G. Silverman, Justin O. Markofski and Charlie R. Sanders

Absent: Tim Bruer

Excused: Thuy Pham-Remmele, Kristina L. Dux and Steven C. Bartlett

Staff present: Hickory Hurie, Mary Charnitz, Pam Rood

PUBLIC COMMENT

No one wished to make a comment.

WELCOME-CHAIR'S REPORT

There was no report.

Hurie reminded the Commission of Wexford's upcoming groundbreaking ceremony.

Hurie discussed HUD's HOME review letter that the office received today.

STAFF REPORT FOCUS ITEM

Walk-Through of Projects Status

Hurie handed out a spreadsheet listing all CDBG Office projects active in 2007 grouped by Framework objective. The list also describes the status of each project as of September, 2007 and the original amount budgeted for the project and total expenses to date.

Hurie then reviewed projects in each objective category. Objective A projects (improvements to existing owner-occupied housing) are mostly on target; with deferred payment loans through CED a little under target. Objective B projects (homeownership) are in various states of completion, as are Objective D (rental housing) projects. For business expansion, Objective E projects, Common Wealth's Neighborhood Development project and Madison Development Corporation's Business Loan project are on target; but Common Wealth's Public Market and Arts Incubator projects require more outside funds in addition to ours before they can proceed. Hurie said that Genesis is behind schedule with their goals. They are losing a couple of big tenants, which leaves a hole in Genesis's spreadsheet. Genesis is also working with other lenders to strengthen their situation. Hurie discussed the issues that have delayed both AABBA and LCC projects under the Microenterprise category, Objective F. Gardens, which are

part of Objective G, are on target. Access to Information projects that began their contracts at the beginning of the year are on target. Other projects on a June to July calendar are just beginning their year. For facility improvement projects, some are newly approved, while others are moving along by and large. Some have been delayed due to design issues.

APPROVAL OF MINUTES

of both the July 5 and July 26, 2007 meeting minutes.

A motion was made by Markofski, seconded by Choudhury, to Approve the Minutes. The motion passed by acclamation.

REQUEST FOR RESERVE FUNDS OR MAJOR CHANGES IN PREVIOUSLY APPROVED PROJECTS.

Authorizing the subordination of previously approved CDBG loans to the Urban League of Greater Madison to a first mortgage holder to reconfigure a financing package that included Low Income Housing Tax Credits and authorizing the Mayor and the City Clerk to sign agreements to effect such a change.

Sponsors: Thuy Pham-Remmele and Marsha A. Rummel

Trivedi, an employee of Urban League of Greater Madison, left the meeting room at 5:45 PM at the beginning of discussion of this item.

Hurie described the problems that ULGM has recently encountered with their single-family rent-to-own program. He said that for 13 years ULGM had successfully used Low Income Housing Tax Credits through WHEDA to provide debt equity for the 10-15 year rent-to-own phase of their program, but because WHEDA rejected their proposal for tax credits in 2008, ULGM now has to come up with a new funding strategy for their project. Hurie said that the CD Office is going to work with ULGM toward a different solution without tax credits. Hurie explained that ULGM will substitute bank financing as the first mortgage rather than tax credits. Because this will raise costs and shorten rental time periods, ULGM might see changes in the AMI served next year. Clients served this year won't be affected.

Discussion highlights:

- WHEDA wanted more homes done per year by ULGM (more than four or five) to give them tax credits, but ULGM said they would need more time to adjust their project than WHEDA was willing to give them.*
- ULGM also competed for tax credits against larger for-profit developers in this category.*

A motion was made by Markofski, seconded by Silverman, to RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER staff recommendations to change ULGM's funding source from Low Income Tax Credits to bank financing. The motion passed by acclamation.

Trivedi returned to the discussion at 6:00 PM.

Approving \$200,000 in Federal HOME funds to provide additional down payment assistance to qualified homebuyers as part of the American Dream Down payment program

Sponsors: Marsha A. Rummel and Thuy Pham-Remmele

give the CD Office approval to use HOME funds for ADDI loans in case we get a large batch of applications before Congress acts.

Discussion highlights:

- Because the ADDI program is only two years old, no data exists yet as to how people are doing with their mortgages, but Rood said she was unaware of any foreclosures.
- First mortgages can be adjustable, but the CD Office has a number of underwriting guidelines that must be met.
- Many big lenders in Madison have worked with the CD Office to assist clients with ADDI second mortgages.
- ADDI applicants are recruited through education sessions with lenders educating the public, homebuyer's round tables, and newspaper and television ads. Generally, referrals have come from lenders, and applicants have to be approved for a first mortgage. The City has tried targeted marketing, but the door is open to anyone eligible and tenable.
- ADDI loans are given out on a first come first served basis.

Silverman moved to approve staff recommendations that \$200,000 of general HOME funds be allocated to the American Dream Downpayment Initiative program for immediate use. Rummel seconded.

Further discussion:

Robinson asked if the funds would be just for 2007 or would carryover to 2008. Rood said they would carry over to 2008. Robinson then suggested approving only \$100,000 now and waiting to see what Congress does before approving the rest.

Rood said the actual time frame for spending the \$200,000 is difficult to predict and depends on the housing market. She said the CD Office would like to have funds available in anticipation of the housing demand in spring.

Hurie said that Operation Fresh Start has two units available for sale in the Allied area, and the CD Office wanted to make sure that about \$7,000 for each unit (\$15,000 total) is available for ADDI loans when those units are sold.

Sanders said that this is a successful program and works well, especially within a buyer's market as the market is these days. He said it will be good for buyers if we are able to help broker these loan deals while the market is depressed.

Trivedi said that she would like to see more diversity in race and ethnicity of individuals who receive ADDI loans.

Silverman clarified his first motion.

Rummel asked whether other agencies might apply for the HOME funds before they are used for ADDI and whether the remaining \$70,000 in HOME funds would be enough to fund a project if it comes along. She said she was also concerned with the seasonality of the market and wondered whether many ADDI applications would come along in January.

Robinson asked if the \$200,000 were proposed for just the spring of 2008, and Hurie clarified that the funds would be used in all of 2008. Sanders said that spring is the hot housing market and the Commission can't be sure if a better proposal for the money will come along in the meantime.

A motion was made by Silverman, seconded by Rummel, to RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER again to accept staff recommendations to allocate \$200,000 of general HOME funds to the American Dream Downpayment Initiative program for immediate use. The motion passed by the following vote:

Absent: Bruer

Excused: Pham-Remmele, Dux and Bartlett

Recused: Sanders

Aye: Rummel, Choudhury, Trivedi, Silverman and Markofski

No: Robinson

OTHER BUSINESS FOR ACTION

Issues and/or referrals to or from the Common Council

Amending Section 4.22 of the Madison General Ordinances to update language and terms in the Affordable Housing Trust Fund ordinance.

Sponsors: Brenda K. Konkel

Discussion highlights:

- Infrastructure costs of new developments would not be eligible under new or old ordinance language.
- New language is ambiguous regarding coverage of ancillary costs in the rent and administrative costs of developers.

A motion was made by Robinson, seconded by Markofski, to Place On File Choudhury proposed a friendly amendment to refer the resolution pending the availability someone to answer questions whether it be next month or later on, which both Robinson and Markofski accepted. The motion passed by acclamation.

That the City of Madison should establish a capital borrowing program for affordable rental housing.

Sponsors: Brenda K. Konkel and Satya V. Rhodes Conway

Hurie said if the Commission approves this resolution, then they also have to appoint someone from the CDBG Commission to work with the Housing Committee on details of the program.

Hurie discussed the proposed program, which would entail the City borrowing money at a low interest rate and loaning that money to developers who would repay the loan, plus interest and fees, when their projects are completed. The funds are not tax exempt, but they are at a lower, more favorable interest rate than developers could get by borrowing the money themselves.

Hurie said that part of the impetus behind developing this program was the inability of IZ to address affordable rental housing due to state laws prohibiting IZ from setting rents.

Discussion highlights:

- The asset in this program would be a security on the rental property.
- The money would be used as either stand-alone funds or layered with other funds to lower the AMI.
- No funding for this program would be provided by the Affordable Housing Trust fund.
- The City cannot borrow money to use for purchasing houses.
- The CD Office would administer the program but would not need to hire more staff to do so. The CD Office would also do underwriting and management of the loan portfolios.
- The target of the program is mix-income use.
- These funds would be another tool to assist affordable housing in the city.
- The CDBG Commission would set up a subcommittee along with Housing Committee members to work on the details of this program.

A motion was made by Robinson, seconded by Rummel, to RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER staff recommendations to establish a capital borrowing program for affordable rental housing as outlined in the resolution. Robinson also volunteered to serve on the subcommittee, and Rummel said she would be interested in developing guidelines for the program. The motion passed by acclamation.

Markofski and Trivedi left the meeting for discussion of this item.

Approving the provision of Emerging Neighborhood Funds to several agencies and authorizing the Mayor and the City Clerk to enter into agreements with those agencies to implement the project.

Sponsors: Lauren Cnare and David J. Cieslewicz

Hurie said staff recommends sending this item back to the Common Council for an explanatory note because CDBG should not be a referral agency. to refer this item back to the Common Council for an explanatory note.

A motion was made by Rummel, seconded by Choudhury, to RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER refer this item back to the Common Council for an explanatory note. The motion passed by acclamation.

Robinson had to leave the meeting at 7:15 PM.

Markofski and Trivedi returned to the meeting at 7:16 PM.

Reports from committees with CDBG Commission representation and designation of Commission representatives.

1. *Gardens Committee (Choudhury)*

There was no report.

2. *Martin Luther King Humanitarian Award Committee*

There was no report.

3. *Committee on Office of Neighborhood Support (Sanders)*

There was no report.

4. *Other Commission representation or relationships*

There were no reports.

Update on Allied strategies.

STAFF REPORT

September Staff Report (2007/09-A)

A. Trends in national, state and local community/neighborhood development issues and budgets, including Allied initiatives.

The Commission discussed the actions of the Council regarding Allied. The group applauded Rummel's motion from the floor to add the CDBG Commission as a formal review body for the CDA/City negotiation proposal.

The Commission asked that CDBG staff notify them of the next Allied Task Force meeting.

Hurie handed out a memo on the negotiations on the Allied Resolution with comments added from Trivedi.

Hurie said that the CDA has to come up with a proposal by mid-October, so the CDBG Commission should meet with the Mayor or see the proposal before then.

ADJOURNMENT

A motion was made by Silverman, seconded by Markofski, to Adjourn at 7:45 PM. The motion passed by acclamation.

*Respectfully submitted,
Anne Kenny*