

CITY OF MADISON
OFFICE OF THE CITY ATTORNEY
Room 401, CCB
266-4511

Date: September 3, 2010

MEMORANDUM

TO: Mayor David J. Cieslewicz
Members of the Common Council

FROM: Anne Zellhoefer, Assistant City Attorney *Anne Z.*

RE: FILE NO. 17266 – AFFORDABLE HOUSING TRUST FUND
ORDINANCE, SECTION 4.22, MGO

This memo summarizes the material changes contained within the several recommended versions of proposed amendments to Sec. 4.22, MGO, the Affordable Housing Trust Fund ordinance.

Version 1 (Sponsored by Aids. Schumacher and Kerr)

- a. Expands the use of the Fund to include repair and preservation of affordable units. The existing ordinance allows use of the Fund for the creation of affordable units only.
- b. Provides that assisted rental units are to be made available only to those households whose gross income is at or below 60% of Area Median Income. The standard in the existing ordinance is 50%.
- c. Limits distributions from the Fund for any one project to up to 25% of the balance of the Fund. The existing ordinance does not limit the amount that may be disbursed to any one project, but rather limits total annual distributions to all projects to no more than 25% of the deposits to the Fund in the previous year, when the Fund balance is less than \$10 million. (The Fund balance as of January 1, 2010 was \$4,102,613.)
- d. Limits distributions from the Fund for professional costs to 15% per project. The existing ordinance is silent as to this issue.
- e. Permits the Fund to be used for operating costs attributable to an Assisted Unit. The existing ordinance does not allow this use.
- f. Permits the Fund to be used for grants in limited circumstances. The existing ordinance permits grants to be disbursed when the Fund balance exceeds \$10 million.
- g. Provides that if an Assisted Unit is no longer affordable, a loan shall be repaid with interest, as determined by the CDBG Committee. The existing ordinance provides that a loan shall be repaid along with a pro-rated percentage of the Affordable Unit's appreciated value.

- h. Deletes an inclusive list of building standards from the existing ordinance.
- i. Deletes the goal of creating one accessible unit out of every five units, and instead provides that preference shall be given to loan applicants whose housing will meet the highest accessibility standards.

Version 2 (Recommended by CDBG Committee and Housing Committee)

- a. Expands the use of the Fund to include repair and preservation of affordable units.
- b. Provides that assisted rental units are to be made available only to those households whose gross income is at or below 60% of Area Median Income. The standard in the existing ordinance is 50%.
- c. Limits total annual disbursements from the Fund to 50% of the balance of the Fund. The existing ordinance permits disbursements of only 25% of the Fund's deposits from the previous year when the Fund balance is less than \$10 million.
- d. Limits disbursements from the Fund for any one project to 25% of the balance of the Fund.
- e. Requires that until each September 1st, at least 50% of funds eligible for disbursement annually shall be loaned to nonprofits. This provision is included in the existing ordinance, but with a date of October 1st.
- f. Requires that 60% of the amounts loaned from the Fund are to be used to create units for those whose gross income is at or below 60% of Area Median Income.
- g. Allows up to 50% of interest income earned by the Fund to be used for grants to recipients to pay for direct assistance to renters or homebuyers, such as security deposits or down payment loans.

Board of Estimates

The Board of Estimates recommended revising Version 1 to restore existing language that prohibits the use of the Fund for operating expenses. Version 2 had not been created at the time BOE made its recommendation. BOE recommended restoring the following language to Section (4)(c) and to (4)(a), respectively: "Trust Fund moneys may not be used for operating expenses of any program, or supporting services such as child care or any other social program" and "Unless authorized by a vote of the Common Council."