



Operation Fresh Start, Inc.

Member YouthBuild Affiliated Network

People & Houses

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November 27, 2007

Barb Constans
Grant Administrator
City of Madison CDBG
215 Martin Luther King Jr. Blvd
Madison, WI 53703

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Dear Barb:

On November 16, 2007, I met with you and Hickory to discuss policy exceptions which I feel can help OFS overcome serious financial challenges brought on by the current, unprecedented housing market downturn. I am writing to request that you place these policy exceptions, to which you and Hickory agreed, on the CDBG Commission's December 6, 2007 agenda.

To recap the discussion, OFS currently has 11 houses for sale, 9 of which are in the City. We currently have an additional 9 units under construction, and we must plan to purchase properties for 2008 construction by early spring at the latest. We must purchase these additional properties to have service projects available for the young people we train, and we must 'hold our place' in the CDBG program, which surely would be filled by some other agency if we failed to participate.

To complete these 11 projects and pay holding costs, OFS has spent \$200,000 of its own cash - funds which in the past have functioned as cash flow. Without these funds at our disposal, we find our agency in the situation of holding \$100,000 in operating expenses and \$80,000 in housing expenses that are 30-90 days overdue. Never in OFS' 37 years have we operated so severely in arrears.

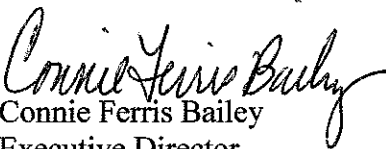
To help address this problem, we request that OFS be permitted to sell 3 of our 9 city houses at \$16,150 - 18,700 below their appraised value at the time of completion. These houses are located at 4723 and 4805 Freese Lane and 100 Morningside Drive. Each of these houses has been on the market for 1-2 years. This step was recommended to us by real estate professionals who feel that listing these houses at the required appraised value amount, regardless of the existence of deferred seconds, is a great disadvantage in the current market.



Second, we request that OFS be permitted to retain the approximately \$16,150-18,700 of HOME funds that would have been passed on as a second mortgage to the homebuyer. According to this approach, the buyer will benefit from the lower cost; long-term affordability will still be maintained; and, OFS will not lose this additional amount on each property.

I am looking forward to discussing this request with the Commission. If you have questions in advance of the meeting, please feel free to call me.

Sincerely,


Connie Ferris Bailey
Executive Director

Cc: Hickory Hurie, Community Development Supervisor
OFS Board of Directors