



City of Madison Meeting Minutes - Final

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

Thursday, November 3, 2005

5:00 PM

215 Martin Luther King, Jr. Blvd.
Room 260 (Madison Municipal Building)

ROLL CALL

Present: Ald. Austin W. King, Ald. Cindy Thomas, Ald. Santiago Rosas, Kristina L. Dux, Arthur V. Robinson, Sophia Angelina Estante, Steven C. Bartlett, Carl G. Silverman, Justin O. Markofski and Charlie R. Sanders

Excused: Richard V. Brown, Sr.

Others present: Mary Charnitz, Pam Rood, Sue Wallinger

WELCOME

Co-chair Silverman called the meeting to order at 5:05 p.m. (Chair Estante arrived at 5:10 p.m.) Silverman moved the Commission ahead to Item 4 on the agenda.

REQUEST FOR MAJOR CHANGES IN CURRENTLY FUNDED PROJECTS OR FUNDING FOR NEW PROJECTS

A. Atwood Community Center, Becky Steinhoff, Executive Director

Steinhoff explained Atwood's request to subordinate their CDBG loans on 2425 Atwood Avenue to allow Atwood to increase their current line of credit from \$80,000 to \$160,000. Steinhoff explained that Atwood's programs have increased significantly in the past several years and that their current monthly operating budget is about \$160,000. She further explained that most of Atwood's income is through reimbursements for services already provided and that there is a six-to-eight week lag between requesting a reimbursement and receiving the payment for services rendered. She said that Atwood is also on the verge of a new building project, preparation for which has increased costs for staff time.

(Estante arrived during Atwood's presentation at 5:10 PM and assumed the Chair.)

Bartlett asked what Atwood's current CDBG loan balance is. Charnitz replied that Atwood has three different CDBG loans totaling \$313,778 with differing loan-to-value ratios for projects at 2425 Atwood Avenue. Charnitz said that Atwood has other loans with the CD Office on two other buildings. Bartlett asked if the line of credit would be secured on all buildings, to which Steinhoff replied that the line of credit would only be secured on 2425 Atwood Avenue. Rosas asked whether CD has a list indicating Atwood's program growth over the years. Charnitz replied that the CD Office has received budgets from Atwood since 1999 that show how Atwood's programs have grown in that time. Robinson asked whether Atwood had received documentation of the appraisal yet. Charnitz replied that the appraisal documentation has not yet been received. Steinhoff said that the building was appraised at \$550,000 in 1999 and that Atwood's appraiser said that the building should increase in value approximately 4% per year, which would put it at about \$630,000 now.

Bartlett motioned to approve the staff recommendation to subordinate CD's loan to the additional \$80,000 line of credit pending receipt of the certified appraisal on 2425 Atwood Avenue. Silverman seconded. The motion passed unanimously.

Estante suggested the Commission continue with Item 4B.

B. Tellurian Williamson Street Addition: Katrina's Impact, Mitch Vesaas

Vesaas explained Tellurian's request for additional funds to cover anticipated cost increases based on contractor estimates. He said that the architects have told Tellurian that they do not have enough funds to build the SRO facility as planned. Vesaas said that increased costs are due mostly to Hurricane Katrina's negative impact on building supplies that come from the area affected by the hurricane. Markofski asked Vesaas how Tellurian will handle the remaining \$11,502 shortfall. Vesaas said they will make up the shortfall by choosing less expensive elements in the finishing touches, such as cabinetry and other fixtures.

Thomas asked what other bodies provided funding for the SRO project, and Vesaas said they have received funding from HUD, WHEDA, the Dane Fund, CDBG, and private donors. Bartlett asked if the other funders were being asked for more money. Vesaas said Tellurian has not asked the others for more funds yet for a variety of reasons: SHP funds from HUD are only provided once a year; borrowing from the Dane Fund would incur more debt; and the WHEDA funds were a one-time \$20,000 grant. Bartlett asked if Tellurian has firm bids yet, and Vesaas said they do have the bids but do not have a signed contract yet.

Thomas said she is concerned with the increase to \$60,000 per unit because it exceeds the \$50,000 per unit limit set forth in the Framework. Thomas asked Wallinger why staff is recommending going over the Framework limit. Wallinger said that construction costs are very high and said she believes this project merits the extra money per unit because it meets the Framework priorities of creating more affordable rental units for low-income individuals. Thomas said she would like it stated in the minutes that if the Commission approves the \$60,000 per unit, it is because the project meets a Framework priority and not because more money is needed based on extra construction costs. Thomas stated that it is important for agencies to understand that the Commission makes its funding decisions based on how well projects meet Framework objectives and not based on whether costs have gone up for one reason or another. Bartlett said he had the same concerns as Thomas and said that many projects are affected by increased costs due to Hurricane Katrina or other causes. He said that he believes Tellurian's project merits more funds because it meets Framework priorities by creating more affordable rental housing. Markofski asked if more money would be needed for operations. Vesaas said that operating costs would be covered by SHP funds, in addition to rent paid by tenants.

Thomas moved to approve staff recommendations to waive the maximum \$50,000 per unit amount and approve an additional \$128,000 in HOME funds as a long-term deferred loan with the stipulation that the Commission is waiving the Framework limit and approving \$60,000 per unit because the project reflects Framework priorities and not because costs of construction have risen due to unforeseen circumstances, such as Hurricane Katrina. Bartlett seconded. King had stepped out of the meeting and was not present to vote. Rosas voted "present" but did not vote "yes" or "no" on this motion. All other commissioners voted yes.

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SUBSTITUTE: Authorizing the provision of Federal HOME/Housing Trust Fund funds to assist Tellurian UCAN develop housing in ways that address City Community and Neighborhood Development Objectives.

Sponsors: Cindy Thomas, Santiago Rosas and Austin W. King

Return to Lead with the Recommendation for Approval to the BOARD OF ESTIMATES

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C. Building Wisconsin, Inc. Acquisition of South View Apartments

Charnitz informed the Commission that Building Wisconsin, Inc. (BWI) requested that this item be referred to the December meeting. Thomas asked why BWI had requested the postponement. Charnitz said she was not sure because BWI had spoken to Hickory Hurie, who was not present at this meeting, and not to her.

Rosas moved to refer this item, but Bartlett said he would like to discuss the application and staff review because he had questions that staff might be able to answer for the next meeting.

(King returned to the meeting at this time, which was 5:35 PM.)

Rosas said he preferred not to discuss the application without the applicant being present, and Bartlett said he was mostly interested in discussing the staff review for clarification. Charnitz said the applicant need not be present for the Commission to discuss their request. Estante asked the commissioners to phrase some comments or questions for staff to answer for the next meeting.

The commissioners came up with the following list of questions and concerns about the project:

- 1. Is Building Wisconsin, Inc. (BWI) a new non-profit?*
- 2. Is their non-profit status firm?*
- 3. Are they exempt from real estate taxes?*
- 4. What is their track record?*
- 5. Is this their first project?*
- 6. What is the current vacancy rate on the property they want to acquire?*
- 7. This project seems an extremely aggressive one for an agency that has never done anything like it before.*
- 8. Do they have capitol for improvements?*
- 9. Have any market studies been done?*
- 10. Are they estimating a lot of their numbers low?*
- 11. Will two bedroom apartments be sufficient to house families?*
- 12. Have they thought about renovations to create larger units for families?*
- 13. More information on services they plan to provide would be helpful.*
- 14. Would services follow immediately after sale?*
- 15. What about case management and the costs of case management, as talked about by the developer?*
- 16. What is their timeline?*
- 17. Their goal setting is vague.*
- 18. What is the payoff in providing units at \$525 and \$600 when rents are currently at \$600-\$630 per month, which is already low?*
- 19. Is it legal to target only Latinos?*
- 20. Can CDBG direct its money to one sector of the population?*
- 21. Would they adjust the number of assisted units to avoid Davis-Bacon?*
- 22. Abandoned cars are an issue at the property. Is the current management company doing anything to correct this issue?*

Charnitz briefly answered some of the above questions. She said that the vacancy rate for the past five years has been about 15%. She said BWI proposed targeting 13 units to low-income individuals, but the CD Office recommended assisting them with 11 units to avoid Davis-Bacon. She said that BWI could not selectively assist only Latinos but would have to assist all low-income individuals regardless of ethnicity.

Markofski said he attended the open house at the South View Apartments. He said the units are small with small rooms and small bedrooms. He said the units are not conducive to larger families. He also said there was nothing about the property that made it stand out as a property to acquire. Bartlett asked Markofski how many units he visited. Markofski said he visited one that had been rehabbed and one that had not. Rosas asked Markofski what he estimated the square footage to be. Markofski said the units were about 700 or 800 square feet.

Bartlett said that BWI has an exceptional board of directors. He said their members are good at leveraging projects. Rosas asked whether BWI is contributing any funds to the project. Charnitz said they have no money to contribute, but she also said that the staff recommendations call for a \$300,000 equity contribution to the project.

Estante said she would like specifics regarding the programming, such as who is doing what and when and who has committed to doing what so far. Bartlett commented that the property already assists CD target populations.

With Rosas's motion to refer still on the table, Silverman seconded. The motion passed unanimously.

CHAIR'S REPORT

Estante returned the Commission to agenda Item 2, the Chair's Report.

A. News and announcements

Estante asked all the members to introduce themselves once again for the benefit of new members who might have been absent previously. She also asked the Commissioners to turn in their comments/feedback questionnaires on the Homeless Consortium's Plan to Prevent and End Homelessness, which was presented at the October meeting. She then asked commissioners for any announcements.

King said that Eileen Newman has organized a collection drive for personal care items with donation sites at various places.

King also informed the Commission that a resolution to repeal the IZ ordinance was introduced at the Council meeting on Tuesday, November 1, with five co-sponsors. It has been referred to the Plan Commission, Housing Committee, and CDA, but not to the CDBG Commission.

B. Possible visits to funded sites

Estante asked the commissioners whether they would be interested in making site visits to funded projects. She said the purpose of the visits would not be for inspections but for learning more about the agencies that Community Development funds. She said the visits would have to be announced in case there were to be a quorum of the CDBG Commission present.

Thomas said that the Commission used to hold their monthly meetings at different funded agencies' facilities. She also said that Hickory Hurie used to do daytime van

tours of funded spots. Silverman said he likes the idea of incorporating visits and tours into the Commission's monthly meeting schedule. Bartlett asked how many sites are capable of hosting a meeting. Charnitz estimated about fifteen have the capability.

Rosas said that site visits are an excellent idea. He said the Parks Commission hires buses and invites commissioners and the public to tour public parks.

Estante said that holding meetings at different sites could be problematic. She said people are more likely to be late if they have to find unfamiliar sites and the Commission is less likely to have a quorum. She also pointed out that presenters might have difficulty getting to meetings held at unfamiliar sites. Markofski said he would prefer to keep monthly meetings here in the Madison Municipal Building and have the tours be voluntary. Thomas asked how many members would be interested in doing daytime tours, and several commissioners said they would. Bartlett suggested leaving it on the agenda for December.

C. Website revamp

Estante asked Charnitz to comment on the revamp of the CDBG Website. Charnitz said the Website has some new information on it, specifically a new section on inclusionary zoning. She invited commissioners to check out the Website and submit their comments to the CD Office.

D. Roberts' Rules of Order summary

Estante handed out information on Roberts' Rules of order.

E. Protocol for agency's verbal presentation for requests to the Commission for funding purposes

Estante asked commissioners for their input on how to make presentations more informative by agencies seeking CD funds. She asked whether the commissioners would like to encourage visuals.

King suggested formalizing questions for agencies about their proposals ahead of time. Bartlett said that commissioners do not receive their packets soon enough to do that.

Charnitz said it would be helpful to staff for commissioners to tell them what information they are looking for and to set parameters so that staff can tell agencies what information to prepare for presentations.

Thomas said she believes the some commissioners do not read packets much before the actual meeting and suggested that agencies continue to provide summaries of their proposals prior to the commission discussing the project and asking questions. Silverman said he likes the present system and sees no reason to change it.

King left the meeting at this time, 6:25 PM.

STAFF REPORT - FOCUS ITEMS

A. Suggested change in underwriting guidelines for initial sale, Pam Rood

Rood explained the rationale behind changing the qualifying rules. She said the CD Office is having to disqualify people for loans based on housing debt ratio, which is currently set at 33%. She said staff is recommending using a combined housing and total debt-to-income ratio to determine whether applicants qualify for loans. Silverman

asked whether total debt is calculated in the same way as housing debt. Rood said that it is. Silverman then asked whether there are instances where people have enormous debt but have nominal payment plans making for an affordable monthly debt. Rood said that the CD Offices looks at monthly debt and monthly payments when determining whether applicants are qualified.

Rood said the bottom line is that the office has had to deny people based on housing debt and that it is better to go with a combined debt as the determining factor. Rood said that other lenders are going more with this total debt ratio plan. Charnitz said that the office wants the flexibility to approve people with minimal total debt.

Rosas asked Rood to clarify how the debt ratio is determined. Rood said that the housing debt ratio is calculated by dividing an applicant's proposed PITI payment by their total income. The total debt ratio is calculated by adding the applicant's monthly housing costs to all their other monthly debt (such as credit cards, car payments, student loans, etc.) and dividing that total by their total income. Charnitz gave an example of an applicant whose total income is \$30,000 per year. The most debt that applicant could have would be \$900 per month, which is a 36% debt-to-income ratio.

Silverman moved to accept staff's new underwriting guideline recommendations, which include eliminating the housing ratio requirement and using a combined housing and total debt-to-income ratio to determine whether applicants qualify for loans, with the acceptable combined ratio being 36% and an expanded combined ratio of 40% allowed with strong compensating factors such as good savings history, history of comparable rent expenses, excellent credit history, good rent history and stable employment. Bartlett seconded. The motion passed unanimously, minus King who had left the meeting.

B. American Dream Downpayment Program: policy changes and incentive plan, Pam Rood

Rood explained that the CD Office is asking for the same guidelines as discussed previously to apply to the American Dream Downpayment Initiative (ADDI) Program, in addition to allowing a debt ratio of up to 45% if strong compensating factors are met and the applicant has a median credit score of 720, which is WHEDA's standard.

Thomas asked how many people have applied for ADDI loans. Rood said the office has closed three loans so far. Four other loan applications are being reviewed, while eight applications have been denied so far due to ratios.

Thomas asked if the CD Office were also adding grants for inspections. Rood said that the office originally was asking people to pay for their own inspections but found inspection fees to be unaffordable for most people. Rood said the office would like to provide grants equaling up to 1% of the appraised home value to pay for inspection and other fees. Together with a 5% ADDI loan, the total an applicant can receive in ADDI funds is 6% of purchase price, with a limit of \$10,000 per loan.

Rosas asked what homes applicants are seeking to buy. He asked whether some homes are excluded based on the \$10,000 limit. Rood said that HUD limits the purchase price to 95% of median area value, which for Madison is \$203,200. She said more condos are affordable than houses, but she is still getting applicants who are looking for houses. Hickory Hurie has her tracking calls, but she is not sure about the market.

Rosas said diversity is not evenly distributed throughout the city because housing costs

are more affordable on the east side than on the west side. Rosas asked staff to report on the distribution of diversity and housing affordability throughout the city. He asked if there were clusters of affordability and diversity in certain areas, especially on the east side. He said the limit of \$10,000 in the ADDI program might have a negative effect on the distribution of diversity across the city. Rood said the CD Office has no choice in the limit because it was set by HUD. She said that one of the three homes purchased with ADDI assistance was on the west side, while the other two were on the east side. Silverman said he did not think ADDI is able to address diversity. Rosas agreed that might be true, but said he would still like a report to take to the Common Council for future action.

Silverman asked Rood if lenders have had success with raising the total debt ratio to 45%. Rood said she is not sure, but she said in the Home Buy Program, which is comparable to ADDI, over 50% of loans were to applicants over the 40% debt ratio, while the default in 15 years has been less than 2%.

Rosas moved to accept staff recommendations to change the ADDI underwriting guidelines as set forth in the Attachment 2005/11B. Bartlett seconded. The motion passed unanimously, minus King.

APPROVAL OF MINUTES

Thomas moved to approve the minutes from the October 6 meeting. Bartlett seconded. The motion passed unanimously, minus King.

OTHER BUSINESS FOR ACTION

A. Allied plan, Hawk option, and 2330 Allied Drive purchase

Charnitz reported that the Allied plan and the Hawk option had been approved and the city has \$100,000 to proceed. She also said that a private buyer purchased 2330 Allied Drive well above the anticipated purchase price.

B. Discussion of work plan items and Commission volunteers for joint Community Development/Community Services study proposed in the 2006 Executive Budget.

Estante asked to defer discussion of this item to the December meeting. She said the Mayor has expressed a desire to see the CDBG and OCS Commissions work together and set up a collaborative subcommittee of both. She said she needs more information from the Mayor before proceeding with the joint effort. Charnitz said the Mayor is interested in streamlining youth programs, but Estante said a lot of clarification is needed on what this means.

Rosas moved to refer discussion of this item to the December meeting. Silverman seconded. The motion passed unanimously, minus King.

REPORTS FROM COMMITTEES WITH CDBG COMMISSION REPRESENTATION

A. Housing Committee (King)
King was not present to report.

B. Gardens Committee (Estante)
Estante reported that she was not at the last meeting.

C. *Martin Luther King Humanitarian Award Committee (Estante)*
Estante said there was no quorum at the last meeting.

D. *Subcommittee on Inclusionary Zoning and Community Development Investment Issues*
Estante said staff would like to bring this issue back to the larger Commission.

E. *Other Commission Representation*
There was nothing to report.

STAFF REPORT

Charnitz said there was no staff report.

ADJOURNMENT

Silverman moved to adjourn. Thomas seconded. The motion passed unanimously (minus King), and the Commission adjourned at 6:55 PM.

Respectfully submitted,
Anne Kenny