



City of Madison

City of Madison
Madison, WI 53703
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Meeting Minutes - Approved COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE

Thursday, October 4, 2012

5:00 PM

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

CALL TO ORDER / ROLL CALL

CDBG staff - Kenny, Charnitz, Miller, Spears, and Rhodes.

Markofski called the meeting to order at 5:11 p.m.

Present: 7 -

Tim Bruer; Lauren Cnare; Matthew J. Phair; Monya A. Choudhury; Daniel A. O'Callaghan; Justin O. Markofski and Russ Whitesel

Excused: 2 -

Robert M. Hunter and Liz Dannenbaum

APPROVAL OF MINUTES

Ald. Cnare moved to approve all minutes; Phair seconded. Unanimous.

PUBLIC COMMENT

Joe Reinhart said he worked for Operation Fresh Start (OFS) six years ago. He said he was recently incarcerated for three felonies. He came from somewhat of a broken home with two mentally ill parents. OFS was a foundation for him because he didn't really have a support system. Not only were they teaching him a skilled trade and useful tools in society, they were also helping him through day-to-day life, helping him manage his money, get an apartment, and with college. He got his high school diploma while working with OFS. OFS gave him the tools to be a contributing member of society. The supervisors care very much for the young people in this community. He now has a full time job as an assistant general manager with a sports bar where he applies all the tools OFS gave him while he worked for them. He said he meets past participants from OFS, and he can see that the program has helped them too. He said that everyone meshes well together within the program and gets along really well. He said he's hosting a benefit for OFS in October.

Zak Moen said he has been with OFS since January, 2011. Since he's been with OFS, he's gained his high school equivalency diploma and is on his way to getting his high school diploma and continuing his education. He's preparing to take a real estate license exam. OFS is a lot different than the traditional high school because they really push toward goals and provide a lot of

encouragement. They really helped him with his work ethic. Before OFS he did the least amount possible, and now he strives to do more and get the job done. They helped him with teamwork also and encouraged him to attend MATC. They helped him see that with a blueprint, you can turn something into the real thing, and he applies that to his own life with making a plan and acting on it.

David Lehrer said he has been a volunteer with OFS since 1995. He has been on the board since 1995 and has been OFS Board President for the last year-and-a-half. This proposal will allow the program to continue full steam ahead. They've been a very thoughtful steward of the funds the CD Office has entrusted with them. The downturn in the housing market was very difficult for OFS, but it taught them some good lessons also, one of which was to collaborate with other organizations. OFS is expert at working with youth, and this partnership with Wisconsin Partnership for Housing Development (WPHD) will allow them to be more successful as an organization.

Gregory Markle, Executive Director of OFS, thanked the staff for their hard work in helping OFS hone the proposal. He said he thinks it's soup, or close to soup, but he said he thinks there's an ingredient missing in the soup. What's missing is the 2012 funding allocated to OFS. They were funded for four houses and have been holding off on those while this discussion process has been going on. At this point, the staff recommendation is not to include those units in the lease purchase program even though the lease purchase program is the best avenue for OFS building houses and providing affordable housing to the community. The option for 2012 is that OFS will build two homes and try to market them as they are being built, and once those are sold, then OFS would have the opportunity to build two more houses. OFS is willing to go ahead with this and try to make it work, but he thinks it's not the best answer. For one thing, they will be competing with WHPD for buyers for the 2012 houses, creating duplication and inefficiency. Also, the houses that they rehab are the worst of the worst. He doesn't know how they will be able to succeed in marketing houses during rehab. He showed some pictures of a house as it was being remodeled and noted that OFS would have a difficult time marketing a house in such a state.

Brenda Konkel registered to speak on the 2013 Action Plan. She noted that on page one the Common Council was left out of setting the priorities, and she thought they ought to be included in the process. On page two, under the rental housing piece, that's a million dollar reduction for rental housing. This seems not the time to be reducing money for rental housing because of the need out there for addressing long-term issues for affordable housing. She said she tried to compare this to page 16, which has four rental projects listed but couldn't find where the number of individuals who receive rent assistance is listed, so she doesn't know where that number is coming from. She said the other thing that looks really bad in this report is that it looks like administration is getting a whole lot more money on page three, while rental housing is getting a whole lot less. The other thing is that on pages eight and nine, the report lists that people involved in the Homeless Consortium discuss this plan, but the Consortium never discusses this sort of thing, and that's another missed opportunity for public participation. On page 16, the report says the Division will create five to eight affordable units next year, but those numbers don't match the numbers in the back. Page 31 is her biggest concern because this is the closest the City has to an anti-poverty strategy, and it's kind of weak. She said the Division should revisit this to create more public comment

on what the City's anti-poverty strategy should be. On page 32, on the barriers to affordable housing, there may be a sentence or two the Committee would want to add to this section. One of the biggest barriers she sees to affordable housing is the low vacancy rate, which makes it extremely difficult for case managers to assist people in finding housing. A lot of it has to do with the changes in law that the state government passed. On page 35 under Homeless Prevention, the section doesn't talk about prevention at all; it talks about people who are already chronically homeless. Under the Discharge Policy, the report mentions the Mainstream Resources Committee, which she thinks doesn't exist anymore. She also said that hospitals are discharging people directly to the streets when they have no place to go, so the paragraph doesn't reflect reality.

DISCLOSURES AND RECUSALS

There were no disclosures or recusals.

DISCUSSION ITEMS

[27673](#)

Approving the Community Development Division's HUD required 2013 Action Plan.

Markofski asked Charnitz to give an overview of the plan.

Charnitz apologized for getting the plan out so late. The office had hoped to have it out at least by yesterday. Just recently staff looked at the numbers and realized they weren't reflecting, what was actually discussed in the Summer Process. Most recently, the Mayor's budget came out on Tuesday, and CDD wanted to make sure that all his recommendations were incorporated in the plan. The plan needs to be approved so that it can go to Council for approval and then on to HUD. Charnitz said it's a HUD format. She said several of Konkel's comments are the result of the format and how the report is structured. For example, the number of people receiving rent assistance isn't listed under the rental housing portion of the report; it's listed later on under the Access Goal.

Whitesel suggested referencing that there's additional information on the rental assistance piece under the rental housing category.

Charnitz said that Konkel's comments were good and were appreciated and that CDD needs to look at a better system and process for getting the plan done sooner and for getting public input other than just by holding a public hearing.

O'Callaghan asked for clarification on the plan. Charnitz said that the plan reflects what the Committee made funding decisions on this summer and that it was not a strategic plan. O'Callaghan said the Committee should be focused on the plan much earlier than it was this year. The conversations about the Committee's priorities need to come much sooner than when the Committee gets to the Action Plan each fall.

Choudhury said that the plan is a really great grant report because it tells HUD as the funder exactly how the City is meeting the funder's priorities.

Ald. Cnare asked what the Committee does if it doesn't get the funding amount from HUD that it's anticipating. She asked if the Committee would then cut agencies proportionately across the board. Charnitz said that staff would bring it back to the Committee for discussion and decision.

Ald. Cnare said that she was pleased with the number of jobs created under the business development and job creation heading. She was happy that more jobs were to be created with less money.

Ald. Cnare also commented on the Geographic Distribution/Allocation Priorities heading and said she liked the discussion and specificity in the report. She also said she had some grammatical edits to the document.

Charnitz pointed out the written comments from Greg Markle on the Action Plan and asked them to read and accept it.

O'Callaghan said that Markle made a very good suggestion and recommendation that the Committee "leverage funds across Action Plan Goal areas providing prioritization to projects that effectively reach more than one Action Plan Goal." He would suggest the Committee incorporate that into the Action Plan.

Ald. Cnare said it's important to note that there have been some very big changes to state law regarding housing.

Choudhury said regarding the anti-poverty response, what she sees is a really appropriate grant report given the limitations that HUD places on these reports and to keep in mind that this is in no way a comprehensive anti-poverty strategy.

O'Callaghan moved and Ald. Cnare seconded approval of the Action Plan with the following amendments:

On page 1, amend the second sentence under 2013 Action Plan Executive Summary to include "Common Council," so that it reads, "The City developed these funding decisions based up on Mayoral priorities, Common Council priorities, CDBG Committee recommendations, Community Development Division (CDD) staff analysis, public hearing comments, program performance information and consultation with various service agencies, stakeholders, other funders, the Madison Metropolitan School District and business leaders and developers."

On pages 6-7 under Leveraged Funds, the phrase "providing prioritization to projects that effectively reach more than one Action Plan goal" should be added to the paragraph so that it reads, "The City of Madison will work with community agencies, neighborhood groups, private businesses, and public sector partners to leverage its community development resources where possible and appropriate, providing prioritization to projects that effectively reach more than one Action Plan goal, in order to achieve effective results."

On page 32 under 2013 Action Plan Barriers to Affordable Housing Response

add the paragraph, "The Division will review the impact the current very low vacancy rate has on the ability of lower income individuals to locate affordable housing. The Division will also review changes in State law that have made it difficult for lower income individuals to secure affordable housing and work to remove these barriers so households have a greater opportunity for affordable housing," between paragraphs 4 and 5.

On page 55, staff will add an updated map of CDBG Target Areas and Scattered Site Locations when they receive it from the Planning Department.

Throughout the entire document, give staff the authority to make appropriate changes to numbers so that they are accurate, as well as appropriate editorial and grammatical changes to update the document.

The motion passed unanimously

27758

Amendment to Resolution #25646 authorizing the Mayor to sign an application for funds from the State Division of Housing and authorizing the Mayor and City Clerk to execute agreements with specific non-profit agencies changing the amount awarded to Community Action Coalition of South Central WI, Inc. from \$222,166 to \$224,208.

Markofski said this involves strictly a typo in the amount of money to be allocated to CAC and asked Charnitz to further explain. Charnitz said that when the CDD received funds from the State, staff brought recommendations to the Committee along with a list of projects, and there was an error in one of the amounts listed for CAC. The total grant amount is the same as what was received in the past with just the correction to CAC's amount.

Whitesel moved to change the amount awarded to Community Action Coalition of South Central WI, Inc. from \$222,166 to \$224, 208. Choudhury seconded. Unanimous.

27744

2nd SUBSTITUTE - Authorizing the allocation of up to \$214,000 from the Housing Reserve Fund to support the development of four (4) owner-occupied Lease-to-Purchase housing units by Wisconsin Partnership for Housing Development in 2013.

Bill Perkins said he appreciated the questions staff had asked of WPHD in reviewing their proposal. He said WPHD is very excited about doing the project in partnership with OFS. It represents a way for them to do what they do best and for WPHD to do what it does best. The lease-to-purchase option is a better solution for some folks in Madison to become homeowners than the traditional path to homeownership. It's also a better solution to simple rental housing where there's no investment at the end of the lease.

Charnitz said that Mayor's Executive Budget included \$120,000 of City money for OFS for Employment and Training. On its B-list of recommendations, the CDD had asked for City money, which is more flexible in its conditions for usage.

Rhodes said that she received the Mayor's recommendation for \$120,000 after she made her staff review. She talked with WPHD today about the proposal. The amendment has the request at \$214,000. The Operating Budget won't be

approved until November, so WPHD's request will remain at \$214,000. However, what the CDD Office would like the Committee to remove from the resolution is the information about the 50% forgivable for the Employment and Training because the Employment and Training could be paid simply from the City's budget if it passes. The CDD Office would then pay for just the development, similar to what the Office does now in Housing Development for housing costs.

Charnitz said it may turn out to be less than the \$214,000 since the Office may have the additional funds to work with.

Markofski said, to clarify, that what staff wants changed in the recommendation is the 50% or \$22,734 forgivable loan for each unit to be taken out.

Markle said that it is in the Mayor's budget to supply \$120,000 to OFS for Employment and Training, which OFS appreciates. Up until this last year, OFS has averaged funding from the City as the programming side of CDBG of about \$220,000 per year, and that goes back eight years. So what happens is with the Mayor's side and this side of it, OFS only gets back to where it was. If the City does only one half or the other, it's still a 50% cut to OFS's funding. Markle doesn't think it's appropriate for OFS to take such a cut when no other agency is doing so. The second point is that throughout the Summer Funding Process, OFS had the opportunity to apply to specifically separate funding pots: adult employability, youth employability, and affordable housing. And throughout the process, OFS was told that these were specifically separate funding pots with separate decision-making criteria, and the reason this wasn't funded in the Summer Funding Process was because the Committee found that as a housing project it didn't reach the level of soup yet. OFS asks that the Committee address this as a housing application as it was addressed in the summer and as it should be addressed as a separate pot. The playing field the Committee has created is that those are separate pots, and he doesn't think it's fair at this point to change that playing.

Ald. Cnare asked what OFS would do with the \$120,000 in the Executive Budget if nothing were changed here. She also asked how this figures in with the money from Parks, which should be separate. Markle said that the Parks' \$25,000 is in Youth Employability now. They moved it from Parks into Youth Employability. He said that with the \$120,000, OFS could do more conservation activities, more affordable housing, and other projects in the community that require building skills. OFS is talking to different folks about capital campaigns that they're looking at and about being able to lower their costs in capital campaigns by OFS's Employability Training or partnering with other organizations in the educational farm, which would provide additional assets as far as food resources and understanding food systems. Basically, OFS could grow its program and serve more people and match that money with additional Youth Build funding to increase their program exponentially. They have a partnership with the school district where they're providing funding for graduates, and OFS could work to increase that partnership. Markle reported that the \$120,000 could grow their program by 40-50 youth. He also states that OFS can leverage \$10 additional for every \$1.00 provided by the City.

Ald. Cnare asked if it's clear in the Mayor's budget what the money is to be used for.

Markle said that it's funding for adult employability training. It's focusing specifically on the ability to get jobs. It could also fund the education side of OFS's program.

Ald. Cnare asked how it would make sense to use the money for affordable housing given the current market conditions.

Markle said it would make sense for OFS to partner with other agencies in doing affordable housing, such as MACLT, The Road Home, Porchlight, etc.

O'Callaghan said that he appreciates Markle taking the time to come to tonight's meeting and that the Committee hears his concerns. This Committee has been working really hard over the last two months to address those concerns, and that is reflected in staff's work. He said he understands that OFS could use more money to fulfill their mission, which is primarily working with youth and doing youth training. Where the Committee struggles is with the vehicle that OFS uses in its model to train youth, which is construction of affordable housing. Though OFS's youth program is extremely successful, the by-products of the training are houses that do not sell, and consequently OFS has a mounting inventory of unsold homes. WPHD has stepped forward with a really innovative proposal to help address that, but he said he didn't know if it makes sense to continue funding production of additional dwelling units that are going to be tough to sell. This issue has weighed heavily on the Committee. The Committee talked at great length about it at its last meeting.

Markle said he doesn't imagine OFS using employability money to build additional affordable housing that isn't in partnership with the City. Basically, all the housing is going to be within the lease purchase program or some other partnership, and the employability funds will support OFS's overall program in providing employability training.

Whitesel would suggest in some way holding the 50% out until after the Council acts on the Mayor's budget piece.

Markofski clarified that the \$120,000 on the Mayor's budget is from the CDD Office B-list and the Committee.

Choudhury wanted clarification on the partnership between WPHD and OFS. She said that her understanding on the proposal is that WPHD could possibly terminate the subcontract with OFS at anytime.

Charnitz clarified that it's a partnership proposal between WPHD and OFS and that the contract would be with WPHD, but there would be language in the contract about WPHD using OFS as their subcontractor. If they decided they didn't want to use OFS any more, they would have to come back to this Committee for approval.

Ald. Phair asked what the B-list allocation request was. Markle said that there were two things on the B-list: \$80,000 for employability and \$240,000 for housing. He said they are two separate entities, and the Committee B-listed both of them.

Charnitz clarified that one was for federal funds and one was for City funds,

but they were exactly the same proposal, not two different proposals. Markle said it was for two separate B-list items. Charnitz stated that the \$120,000 needs to be clarified as to whether it's for employability without a housing component or whether it's more related to the housing proposal.

Markle said there was somewhat of an answer. He said that in the Mayor's budget it's listed as employability funding and not listed as housing at all.

O'Callaghan said that the proposal for \$214,000 before us is for WPHD to do housing in partnership with OFS. O'Callaghan asked what Markle intended to do with the \$120,000 in the Mayor's budget, and Markle said that's going to be for employability. O'Callaghan said essentially that Markle wants both the \$214,000 from the Committee and the \$120,000 from the Mayor's Office, and Markle said yes.

Markle said that getting one or the other represents a 50% decrease in their budget over the previous years.

O'Callaghan asked Markle if he objected to the notion that the Committee would wait on the \$214,000 in case OFS gets the \$120,000, in which case the Committee may reduce the \$214,000, and Markle said yes because all through the process they've been separate entities and separate processes. The other thing is that the Council could choose to take the money out of the Mayor's budget.

Ald. Cnare asked staff to advise the Committee on how to best say if the \$120,000 is approved, then we do this or that.

Charnitz said the Committee ought to approve the \$214,000 to move the proposal forward, and when the Committee gets more specific information on the \$120,000—whether it's approved, what it was intended for, and how it's to be used—then the Committee should make a decision on whether to go with the full amount of \$214,000 or whether to go forward with a reduced amount. For now, the Committee should go forward with the \$214,000 so that WPHD has up to that amount to use for the project.

Ald. Cnare asked if the Committee should strike the clause with the 50%, and Charnitz said yes. She said the 50% is only if it's an employment program the Committee is funding. If the Committee is taking the employability piece out, then the 50% shouldn't go forward.

Charnitz said OFS may end up with both the \$214,000 and the \$120,000, but that remains to be determined.

O'Callaghan asked what happens to the \$214,000 if the Committee doesn't use it in its entirety, and Charnitz said that what isn't used stays in the Reserve Funds, which is available on a monthly basis for anyone to come in and with an affordable housing proposal.

Whitesel withdrew his motion.

Markofski said the Committee has been enthusiastic about the work OFS does with youth in training and educating them. Part of what the Committee has hoped for and championed is expanded resources for the training program. He

said he would rather give a clean decision about the money here in this body without contingencies and let the Council decide what that \$120,000 should be used for.

Ald. Bruer said that the \$120,000 is an earmark, and the political appetite on the Council for earmarks—particularly from the executive office—is at an all-time low. What could happen if the Committee doesn't clearly outline its intent in the motion is that the Council could open this up for more competition and objectives and then kick it back to this body.

Markle said that he wouldn't call the \$120,000 an earmark. He said what the Committee is looking at with the \$214,000 is doing something adverse and different than what's been the history of this Committee with projects that include an employability element in them. He said in employability projects, the 50% was always included.

Rhodes said that part of the budget for the \$214,000 was for about \$90,000 of it to go toward employability and training. Now that the City has allocated \$120,000 toward employability, the Committee has to consider whether the project needs the full \$214,000. She said she has to do an analysis for HUD for each property that is built, and she would have to justify using the full \$214,000 in HOME funds for housing along with the \$120,000 for employability.

Ald. Cnare asked what the danger is in referring this to the December meeting at which point the budget will be settled.

Rhodes said that there is not a BOE meeting following the Committee's December meeting, so the funding for the project would be delayed until sometime in January.

Perkins said they were anxious to start the activity as soon as possible, but the world would not end if this didn't get done for a couple of months.

O'Callaghan said maybe the Committee should not worry about what the Council is going to do with the money and just take a vote on the proposal.

Whitesel said he was unclear about the 50%.

Rhodes said the request to remove the 50% was because it may be funded with the \$120,000 for employability.

Regarding the proposal, Choudhury said the resident selection criteria and the requirements of the leaseholders seem extreme given the target population and asked how they chose the selection criteria and leaseholder requirements.

Perkins said that they borrowed very heavily from lease purchase programs that have been successful in other parts of the country. They also learned from some programs that have not been successful. When lease purchase programs have not worked, one of the biggest reasons is that the residents are not ready or willing to take over the responsibilities of homeownership. The longer the homeownership aspect is put off, the harder it is for the resident. Lease purchase does not necessarily work for everybody.

Choudhury said that most of low-income clients will likely be the fifth

generation having grown up in poverty. Screening tools such as criminal background checks could make it difficult for fifth generation low income households to pass. She said what she's hearing is that WPHD is working with clients with a higher level of functioning and mainstreaming for the program. She asked Perkins what the process was that brought WPHD to target 50-80% AMI or 60-90% AMI.

Perkins said that they looked at experience both within the county and outside. This opportunity probably works better for people not at the lower end of the income spectrum. There are certain things people have to be willing to do to be homeowners. With HOME money, programs have three years to turn people into homeowners, whereas with Low-Income Housing Tax Credits (LIHTC) programs, people have 15 years to make that transition. WPDH has to set its sights realistically for the three-year period.

Ald. Cnare asked for the motion to be read back.

Charnitz said that Whitesel moved to approve the resolution as stated, recognizing that it's up to \$214,000 as indicated and may include the 50% grant amount depending on final Council action on the Mayor's \$120,000. Decisions will be made through the contracting process. Bruer seconded the motion.

Ald. Cnare asked about the 50%.

Charnitz said that the 50% may or may not be included depending on the specifics of the project. This will be discussed further during the contracting process.

Whitesel moved to approve the resolution as stated, recognizing that it's up to \$214,000 as indicated and may include the 50% grant amount depending on the final Council action on the Mayor's \$120,000 allocated to OFS and that decisions will be made through the contracting process. Bruer seconded. Unanimous.

[27742](#)

Authorizing the amendment of the Operation Fresh Start: Employment and Rehab 2006, 2008, 2009 and 2011 HOME contracts. The amendment includes a change of use of HOME funds and change of ownership for seven (7) properties currently titled to Operation Fresh Start

Ald. Bruer asked staff to review the recommendations for the record.

Rhodes said that in the lease purchase model developed by OFS and WPHD, WPHD will purchase and construct or rehab housing using development funds through the CDBG Office. The contractor to be used for each property will be OFS Youth-Build program. WPHD will identify prospective tenants to lease the property with the intent of purchasing it within three years. The CDD Office will review the appropriate documentation and make sure all costs are covered with each transaction. This resolution would authorize the CDD Office to say yes to the leased properties. The only risk that staff sees in the lease-to-purchase model is that the CDD Office is still developing small processes with the program and what's going to go into the contract of what staff expects from WPHD.

Charnitz said the other risk would be that the WPHD has difficulty finding

tenants / potential homeowners who want to enter into the lease purchase agreement, in which case WPHD would then own these properties that they couldn't lease and they would then have a large inventory of rental housing.

Markofski said that if the houses aren't purchased within three years, they automatically become rental properties per HUD's new regulations. Charnitz said that's correct.

**Bruer moved adoption of staff recommendations; Choudhury seconded.
Unanimous**

27792

Discuss Review of Request for Proposal Process for Fund from Affordable Housing Trust Fund.

Charnitz gave a brief background. The CDD Office did an RFP with a due date of August 10, 2012. The Office received two proposals, one from the CDA for \$180,000 and the other from Housing Initiatives for a rental project. Housing Initiatives has withdrawn their proposal and decided they would come through the reserve fund process where they would then have a long-term deferred loan as opposed to an installment loan. Since only one proposal was received using only a small percentage of the money, the Office would like to go out with another RFP immediately and really try to pound the streets and find anyone with interest in the funds. Ald. Bruer asked if the Committee needed to do any special action to start that process, and Charnitz said the committee should move approval to reissue the RFP.

Ald. Bruer moved to go out with a new RFP for the Affordable Housing Trust Fund with the same terms as the previous RFP; Choudhury seconded.

Whitesel asked if it would have the same terms.

Charnitz said that the Office would prefer to send it out with the same terms, and then depending on the response, the CDD Office may need to look at the RFP or revisit the AHTF ordinance.

Choudhury said that it makes sense to her that the CDD Office didn't receive many proposals given the Summer Funding Process that was going on and the fact that Federal proposals were due about the same time.

Ald. Cnare asked whether or not the Office had expected such a low response to the RFP.

Charnitz said no; she estimated the Office would receive a half dozen proposals. The one RFP requirement she's a little concerned about is the installment loan requirement. She heard from a few applicants that they were not applying because they couldn't afford the debt service. She said she recommend the Committee try one more time with the RFP as it is and then perhaps look at changing the RFP if response is again low.

The motion passed unanimously.

27743

Authorizing \$180,000 from the Affordable Housing Trust Fund (AHTF) to the Community Development Authority. The loan will partially finance up to six (6) owner-occupied units at Mosaic Ridge subdivision, part of the Allied Drive

Redevelopment Plan.

Charnitz said that the Committee received the rating sheet for the CDA's proposal and noted that the proposal rated very high.

Rhodes explained the CDA's request is for six of the owner-occupied units in the Mosaic Ridge subdivision.

Rhodes said the CDD Office would fund three first and once those have sold, fund another three. She said the risk is very low.

Charnitz said there are two exceptions staff is requesting, one is the waiver of the ordinance language requiring the 30-year affordability period and the other is a waiver on the interest for those households that are less than 50% AMI.

Ald. Cnare asked if there was another affordability period that staff is recommending for the homes.

Rhodes said that resale burdens are really high right now, so the CDD Office wants to reduce that by eliminating an affordability period. With an affordability period, the owners would have to market to a certain income level as well.

Natalie Erdman, Director of the CDA, said she thought staff did a great job on the staff review. She said that the portion CDA is asking for is really a small part of a much bigger objective, which is to do 24 single-family homes on Allied Drive. By ordinance, they are required to do one-third of those homes for families at or below 50% AMI, one-third for families at 60-80% AMI, and one-third non-income restricted. Their goal on Allied Drive is to add an owner-occupied component to the neighborhood that doesn't currently exist and also to get better integration of diverse incomes in the neighborhood. She said that households at 60% or below AMI will most likely be getting \$20,000 in downpayment assistance through two existing programs: Home Buy and American Dream Downpayment Initiative (ADDI). The CDA will also be providing \$15,000 to \$30,000 of subordinated assistance to families in terms of a soft loan with an amortization as a forgivable loan over 10 years. She said that homebuyer readiness is key to this project, so they've set up a robust homebuyer readiness and education program. Their two preferred lenders were saying they couldn't provide construction financing for these homebuyers, so CDA identified the gap in financing for very-low income buyers.

Choudhury expressed concern about taking the long-term affordability out of the project in terms of the 30-year affordability requirement. She said it's the only thing that jumped out at her in the proposal as something that makes her uncomfortable. Otherwise, it's a good use of Trust Fund dollars.

O'Callaghan asked about the affordability below 50% AMI and how that works in terms of a mortgage payment. Erdman explained the CDA's pricing of homes and lots and said that a smaller home would sell for about \$195,000 and a much larger home for \$206,000. They would ask the buyer to come up with 1% down, in addition to qualifying for \$10,000 from ADDI and \$10,000 from Home Buy, and if they're at 50% or below AMI, they qualify for \$30,000 from CDA. That brings them down to a certain amount that needs financing as a 30-year

mortgage at 4% interest for the principle and interest, along with taxes and insurance for the PITI. Then CDA compared that amount to what a family of four to six could afford. Right now, they're about \$100 off of what a 50% or below AMI family can afford. They're pretty sure they can pick DPP or AHP money, but they may have to do value engineering on those houses and/or look at asking other organizations in the city of Madison to sponsor those very low income households with a bit more downpayment.

O'Callaghan asked if CDA is anticipating that incomes will rise over time for these low-income homeowners, and Erdman said no, they would need to be in an affordable position from day one. That's why they talk about upfront subsidy as the best solution.

Erdman said that all the homes will be Wisconsin Green Built to keep energy bills low. They're looking at a higher quality home than would usually be built.

O'Callaghan asked what the appraised value would be, and Erdman said she hoped they'd be about the sales price. She said they can't be built for less.

O'Callaghan asked about the models and whether they will go through any kind of City design review process.

Whitesel asked what takes the place of the 30-year affordability requirement.

Erdman said that CDA will have families meeting the income qualifying requirements when they move in, and they will have a variety of second mortgages. ADDI and Home Buy require repayment at sale, but AHP and DPP are forgivable after five years. CDA will most likely have a 10-year period for the loan to be forgivable. If sold before that period, the loan becomes due and CDA rolls it back into another home loan. Erdman said CDA is asking CDD for short-term money to get low-income families into homes in a neighborhood that really needs the stability of homeownership. Then CDA will repay the AHTF money and return to the Committee for another loan to do more affordable housing.

Whitesel said there is no affordability term on the AHTF money, and Erdman said that's correct.

Whitesel asked who holds the title, and Erdman said the homeowner, with CDA having a subordinated mortgage on the property. The first mortgage lender will lend the amount the family can afford, and CDA and the City will have soft second mortgages behind them.

Ald. Bruer gave an example of a project in his district—Waubesa Woods—where people thought no one would buy condos, and the concern was that people could buy these condos and turn around and sell them for a profit in two or three years because they escalated in value. Interestingly, this neighborhood provided some of the most affordability in the city, and an analysis of the turnover shows that there hasn't been that flip for profit that was expected.

Charnitz said that it's very typical of how the CDD Office uses its HOME money where if the owner moves, they pay the money back and have no restrictions on resale.

**Whitesel moved approval of staff recommendations; Bruer seconded.
Unanimous**

[27762](#)

Approve the request of Movin' Out, Inc. to waive the CDBG Program Funding Framework loan-to-value ratio for the Harbor House Condominium project.

Howard Mandeville, Executive Director of MOI explained that they have \$1.6 million in HUD 811 money that they're using to purchase 11 condominium units at Harbor House on the south side of town. The HUD allocation comes in the form of a 40-year forgivable loan. Ten percent of the financing for the project is City HOME funds. Using HUD 811 adds a huge amount of soft costs in terms of legal bills, environmental requirements, etc. that don't get reflected in the appraised value, so MOI has a loan-to-value issue. The upside is that tenants will have very affordable housing where they'll only have to pay 30% of their income for rent. These 11 units will always be occupied, and demand is intense. The neighborhood and the community will benefit from this project. This is similar to the Stonebridge project approved in 2009.

ROLL CALL

Alder Bruer left the meeting, will return.

Present: 6 -

Lauren Cnare; Matthew J. Phair; Monya A. Choudhury; Daniel A. O'Callaghan; Justin O. Markofski and Russ Whitesel

Excused: 3 -

Tim Bruer; Robert M. Hunter and Liz Dannenbaum

[27762](#)

Approve the request of Movin' Out, Inc. to waive the CDBG Program Funding Framework loan-to-value ratio for the Harbor House Condominium project.

Spears said that MOI came to the CDBG Committee for an extension for these funds last summer in order to qualify for HUD 811 funds and ended up not needing the full amount of HOME funds requested. They've been successful with another 811 project in Madison, and this is the last 811 project to be undertaken like this because the funding requirements for the program have changed. So, this is a good opportunity to take advantage of \$1.6 million in HUD funds.

Mandeville said they would close on the properties in November, fix them up, and have people living there by March.

**O'Callaghan moved approval of staff recommendations; Ald. Cnare seconded.
Unanimous**

[27797](#)

Approve up to \$51,682 in previously authorized 2012 Movin' Out, Inc. HOME funds to assist Movin' Out, Inc. to acquire the land at 805 Troy Drive for use as affordable rental housing.

Marianne Morton introduced herself as a representative of Madison Area

Community Land Trust (MACLT) to talk about this project. Mandeville explained the unique situation. This was owner-occupied housing at 805 Troy Drive supported by HOME funds for the land. The homeowner made arrangements that upon his death that the home would be turned over to MOI. The last few years he lived in the home, he'd been able to meet his housing costs by having a renter live with him. The housemate then needed to bring in another renter to help him with costs when the homeowner died. The City clarified that the HOME funds in the property were for owner-occupied housing, not for rental housing. CDD staff suggested repayment of the owner-occupied HOME funds by MACLT with HOME rental funds that will zero out the MACLT loan. The land underneath the improvements will then pass to MOI, which now owns the home, and they'll be able to operate it like they operate their other rental properties throughout Madison. The housing is affordable to the tenants.

ROLL CALL

Alder Bruer returned to the meeting.

Present: 7 -

Tim Bruer; Lauren Cnare; Matthew J. Phair; Monya A. Choudhury; Daniel A. O'Callaghan; Justin O. Markofski and Russ Whitesel

Excused: 2 -

Robert M. Hunter and Liz Dannenbaum

27797

Approve up to \$51,682 in previously authorized 2012 Movin' Out, Inc. HOME funds to assist Movin' Out, Inc. to acquire the land at 805 Troy Drive for use as affordable rental housing.

Morton wanted to talk about it from the MACLT standpoint. She said they didn't want to displace the two very low-income residents of the property, but MACLT also didn't want to lose the land underneath the improvements. MACLT is not in the business of owning rental properties. It's also a little complicated because it's a duplex, but they checked with the other owner who has given their okay to the selling the land to MOI. The MACLT Board approved the sale of the land to MOI so the residents won't be displaced, but one of the things that they wanted to explore with the City and with MOI is having a right of first refusal, so that if the property ever is up for sale, then MACLT would have the opportunity to buy it back.

Whitesel asked if MACLT owned the land under both duplexes, and Morton said yes, but it's separated into two parcels.

O'Callaghan moved approval of staff recommendations; Choudhury seconded. Unanimous.

REPORTS

27747

Neighborhood Center Study Plan

Charnitz said that Lorri Wendorf-Corrigan was unable to be here this evening,

but she did ask her to pass on that the study is in its final stages and she hope to have it to the Mayor in the next week or so. The staff team that's been working on it has just received a draft of the report. Charnitz said Wendorf-Corrigan planned to have the CDBG Committee receive it at their November meeting as information. It will go to the Mayor first and to the center directors, and then the Mayor will probably refer it to the Council.

Whitesel asked what the typical thing the Council does with a report.

Ald. Cnare said it's a report that the Council accepts.

27750

CDBG 2012 October Staff Report

Financials
CDBG Committee Member Appointments
Mentoring Positive
Executive Operating Budget

Financials:

There was a spreadsheet included in members' packets for this month.

CDBG Committee Member Appointments:

Markofski noted that there are a few members due for reappointment, and all but Robert Hunter will be renewed. Hunter is stepping down from the Committee, which will be effective in 90 days, so he may be present at the November and/or December meetings.

Mentoring Positives:

Charnitz said that Mike Miller wrote a report on the work he's been doing with Mentoring Positives since the summer.

Ald. Cnare said the update is fabulous, and she thinks it will go a long way in showing the business development process with non-profits. She asked when they might be coming in for proposals.

Miller said the main goal was to create the foundation. There are three different skill sets: the business idea, the business plan, and the running of the business. What we're trying to put together with the help of WWBIC is a foundation for Mentoring Positives. WWBIC offers many classes for businesses, and those are the next steps for Mentoring Positives to get more technical assistance.

Choudhury asked if Mentoring Positives had their 501(3)(c) status at this time.

Miller couldn't say definitely, but he believes they have received their 501(3)(c) status based on information he received from the Mayor's Office. He will check and make sure.

Charnitz said there are two goals the CDD Office is working toward. One is trying to get the individuals who are interested in this business model working on it. And the other is to work with Mentoring Positives to help them develop a business plan for their organization.

Miller has linked them with a consultant who is helping them create a business

plan and get them to the point where they can write a proposal.

Charniiz believes the Committee will see an application coming in from Mentoring Positives within the next 3 months.

ROLL CALL

Choudhury left the meeting at 8:00 p.m.

Present: 6 -

Tim Bruer; Lauren Cnare; Matthew J. Phair; Daniel A. O'Callaghan; Justin O. Markofski and Russ Whitesel

Excused: 4 -

Robert M. Hunter; Ben M. Van Pelt; Monya A. Choudhury and Liz Dannenbaum

27750

CDBG 2012 October Staff Report

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Executive Operating Budget:

Charnitz said the Mayor released his Executive Budget on Tuesday. The CD Division as a whole received \$50,000 more than what was received last year in City levy. There was a \$4,800 cut in hourly positions at the Senior Center. The neighborhood centers were restored to their 2012 level, and the Centralized Intake RFP process receive money from the Mayor's Office so that the total amount including the amount CDD recommended is \$57,728. The Mayor also put in \$120,000 for Employment and Training to OFS, but what is actually done with it will have to be figured out.

Ald. Cnare asked if the \$57,728 for the Centralized Intake was sufficient to do that project.

Charnitz said she thought someone could do it for that amount.

O'Callaghan asked what portion the CDD Office put toward Centralized Intake, and Charnitz said \$17,269, and the Mayor increased it to the total for \$57,728.

Whitesel asked staff to pull out from the Summer Process the OFS Employment and Training recommendations from the Conference Committee to see what the conditions were on the money. He'd like to know what the Committee put on the B-list.

Charnitz said staff would work on that and get it all together.

27751

Report from committees with CDBG Committee representation.

1. Gardens Committee (Phair)

2. Martin Luther King Humanitarian Award Committee
3. Committee on Office of Neighborhood Support
4. Community Development Authority (Bruer)

Ald. Phair said that Gardens is in the process of putting gardens in parks and working with the Parks Department and the Parks Commission to see where the Gardens Committee fits in with this.

Ald. Bruer said that CDBG gave one of his neighborhoods a park, and they were the first to advocate for the first garden in a park.

ADJOURNMENT

Whitesel moved adjournment, and Ald. Phair seconded. Unanimous.

Anne Kenny, recorder