



# City of Madison

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

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Thursday, October 1, 2009

5:00 PM

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

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### CALL TO ORDER / ROLL CALL

**Present:** 6 -  
Shiva Bidar-Sielaff; Marsha A. Rummel; Charlie R. Sanders; Arthur V. Robinson; Justin O. Markofski and Russ Whitesel

**Absent:** 2 -  
Steven C. Bartlett and Daniel A. O'Callaghan

**Excused:** 2 -  
Tim Bruer and Monya A. Choudhury

STAFF: Clingan, Charnitz, Constans, Kenny, Rood, Short

OTHERS: Joyce Behrend (Independent Living Inc.), Dennis Tiziani (Cherokee Park, Inc.), Craig Makela (Cherokee Park, Inc.), Ann Miller (Goodwill Industries of South Central WI, Inc.), Barbara Leslie (Goodwill Industries of South Central WI, Inc.), Elena Golden (Goodwill Industries of South Central WI, Inc.), Timothy Johnson, Cindy Thomas, Janet Dyer (MSCR), Howard Mandeville (Movin' Out, Inc.), and Steven Schooler (Porchlight, Inc.)

CALL TO ORDER: Sanders called the meeting to order at 5:00 pm.

### APPROVAL OF MINUTES

**Rummel moved to approve the minutes from September 3, 2009/Markofski seconded, with an amendment to show that Markofski was excused on page 9. (He was excused from the meeting.)**  
Unanimous approval

### CALL TO ORDER / ROLL CALL

Steve Barlett arrived.

**Present:** 7 -  
Shiva Bidar-Sielaff; Marsha A. Rummel; Charlie R. Sanders; Arthur V. Robinson; Steven C. Bartlett; Justin O. Markofski and Russ Whitesel

**Absent:** 1 -  
Daniel A. O'Callaghan

**Excused:** 2 -  
Tim Bruer and Monya A. Choudhury

## PUBLIC COMMENT

No one wished to make any Public Comments.

## DISCUSSION / ACTION

### 5. Shared Appreciation

Schooler, who is from Porchlight and also represents the Third Sector, explained problems that shared appreciation has caused:

- Never really clear what the amount owed is on the property when it is necessary to refinance;
- Over time, hard work has gone into maintaining properties in order to make improvements and build equity without the City's financial help.

Schooler said the City has discussed various ways to address problems with shared appreciation, but without success. If the policy objective has been to get growth in equity, staff has shown that shared appreciation would not be worth it; it also would not be helpful to have some projects as shared appreciation while others are not, depending upon criteria as set forth in shared appreciation.

Whitesel wondered what the recommendations would be for projects where shared appreciation would be appropriate, i.e. where the risk is great and the benefit is low.

Schooler asked under what circumstance the risk would be too great. He said the real decision should be a yes/no to the project apart from shared appreciation.

Bartlett wondered if shared appreciation could stay as it is, with the Committee discussing it on a case-by-case basis when a specific project comes before the Committee.

Schooler noted that it would continue to present problems.

Constans noted that with regards to shared appreciation, initially different language was used; most current Promissory Notes use either a greater percentage of value or a percentage of appraised value.

Rummel said that generally we just reinvest the dollars in the next project for agencies who sell a property to buy another property.

Clingan echoed Schooler's thoughts that a case-by-case basis of shared appreciation would set up contention between agencies. He stated that there is a need for a general policy to follow and that we must also keep in mind the workload.

Bidar-Sielaff wondered what was proposed on the table from the previous meeting.

### CALL TO ORDER / ROLL CALL

Dan O'Callaghan arrived.

**Present:** 8 -

Shiva Bidar-Sielaff; Marsha A. Rummel; Charlie R. Sanders; Arthur V. Robinson; Steven C. Bartlett; Daniel A. O'Callaghan; Justin O. Markofski and Russ Whitesel

**Excused:** 2 -

Tim Bruer and Monya A. Choudhury

### Shared Appreciation

Clingan noted that the long-time policy has been a source of contention for awhile.

Clingan said he met with the Third Sector in April and agreed to look at shared appreciation and further agreed to look at it after the YWCA's recent request for loan consolidation.

Constans said the purpose was two-fold:

1. Make sure the City is protected;
2. The office could recover current value at the sale so that the office could have the opportunity to put the dollars back out into the community in another project by rolling the shared appreciation ahead to the next project.

Clingan noted that HUD also allows us to count the money again, which helps with our overhead.

Rummel asked how much money was generated.

Constans and Short did not know.

Whitesel wondered if it was accurate to say that staff could add shared appreciation at a later time to various projects if they fit the shared appreciation model.

Constans said that they could, but the committee also could just deviate from the program framework and recommend shared appreciation, if it were removed from the current framework.

Whitesel said that he would be comfortable with the language as is.

Constans said that banks typically look at how much you owe prior to our loan, and foundations like WHEDA are different because they do not want to add value to a property that the City owns.

Bartlett said that banks now are more concerned about the applicant's ability

to pay rather than secondary encumbrance.

Charnitz noted that regarding the Goodman transaction, we ended up receiving some of the money back as not all of it was rolled forward.

Markofski wondered if staff could elaborate on the historical process for shared appreciation.

Constans said that after listening to the Third Sector and how shared appreciation impacts them, she wondered if we are losing money in the long term if shared appreciation would no longer be in use.

Schooler noted that he didn't see the benefits of making building improvements when it would be time to sell.

Mandeville, who is from Movin' Out and the Third Sector, discussed the following issues:

- The current policy generates accounting and auditing headaches for non-profits;
- Shared appreciation reduces our net equity as it is difficult to know what we owe on buildings due to the uncertainty of the current value of the buildings;
- The loans puzzle our auditors and it is difficult to determine what we actually owe on a building;
- During good real estate years, there is a comparable cost issue where shared appreciation actually is more costly than a bank loan;
- Other jurisdictions don't do shared appreciation; however, they do interest loans. Fixed interest loans would be preferable to shared appreciation loans.

O'Callaghan noted that for him this issue comes down to fundamental philosophy for loaning money and how our goals and objectives are most effectively and efficiently met. O'Callaghan said he was not sure that shared appreciation would meet the goals of effectiveness and efficiency; interest rates could replace shared appreciation. O'Callaghan noted that we are not a bank and, therefore, are not interested in making money off the loan.

O'Callaghan went on to say that he didn't think shared appreciation was fair; he has heard people say that it was detrimental to their missions. Their mission should be our mission.

Whitesel noted he was still troubled by circumstances that would come up other than for non-profits, e.g. relative to assisting people in the purchase of single-family homes, we are entitled to a share of the appreciation of the property that we have helped people purchase.

O'Callaghan said that the issue of single-family homes is a different circumstance because they are not in the business of non-profits helping the community.

Constans said that henceforth equity from shared appreciation would go to

the agency rather than back to the City; we could re-write the policy to require the agency to get money back at the sale rather than give it to the homeowner (which it is how it is written now).

Bidar-Sielaff agreed with O'Callaghan in that it goes back to our philosophy and mission that we are not about making money off a building, but rather in helping the mission of the agency.

Markofski noted that the question is whether the agency could let homeowners have all the equity or if the agency recaptures some of it.

Constans noted she would like Atty. Anne Zellhofer to help draft the language because it's different from what is before the Committee at this meeting.

Bartlett said that if the end out beneficiary is non-profit, then we should have no shared appreciation. If it is citizen or for-profit, then we would have shared appreciation as part of the project.

Bidar-Sielaff said she would like to have one resolution rather than changing part of this resolution.

16062

SECOND SUBSTITUTE - Amending the 2009-2010 Community and Neighborhood Development Program Funding Framework to delete the shared appreciation requirement for non-profit agencies.

**Bidar-Sielaff moved referral to the November 5, 2009 Committee meeting to make sure the resolution is quite clear / O'Callaghan seconded.**

**Bidar-Sielaff pointed out that the reason for referral was due to the need for clear documents, but noted that she also agreed with the policy change.**

**Rummel agreed with O'Callaghan's previous statements.**

**Whitesel noted that he still had concerns with shared appreciation altogether and would like more discussion on the topic.**

**Unanimous approval.**

## **REQUEST FOR FUNDS OR MAJOR CHANGES IN CURRENTLY FUNDED PROJECTS**

### **1. Independent Living, Inc.**

Charnitz handed out the staff review.

Behrend, who is from Independent Living, Inc., asked the Committee to table this item since the staff review showed there was only \$4,140 available in Future Funds.

Charnitz said that the first staff recommendation had a recommendation for additional money from the Housing Trust Fund, and it is now known that we have no Housing Trust Funds available.

O'Callaghan wondered if there would be any other funding sources available.

Charnitz stated that Clingan has said there are not more funds available.

Bidar-Seilaff requested a year-to-date reporting of what funds been received and those that have been spent and a summary of the current funding status of the office. The Committee also requested this information be provided on a monthly basis.

The Committee discussed giving \$4,140 now and asking Independent Living, Inc. to return to the Committee in the future for more money.

16132

Authorizing the provision of \$4,140 in CDBG funds to Independent Living to support a portion of the pre-development costs associated with the construction of 148 units of affordable senior housing in the Cherokee area.

**Bidar-Sielaff moved approval/Robinson seconded.**

**Discussed and continued to November 5, 2009 CDBG Committee meeting.**

**2. Goodwill Industries of South Central Wisconsin, Inc.**

Golden, Miller and Leslie, who are from Goodwill, were available for questions.

Bartlett wondered if there were any problems associated with zoning or the Alderperson.

Goodwill had conversations with zoning, and the Alder was in favor.

Bidar-Sielaff moved approval/Robinson seconded.

Unanimous approval.

16012

Approve Goodwill Industries of South Central Wisconsin, Inc's request for up to \$200,000 in HOME funds for a vacant parcel at 4829 Anniversary Lane for the purpose of constructing seven 1-bedroom units for persons with mental illness and one 2-bedroom unit for a resident manager; HOME funds shall be provided in the form of a 15 year forgivable loan secured by a mortgage, promissory note and Land Use Restriction Agreement.

**This Resolution was Return to Lead with the Recommendation for Approval to the BOARD OF ESTIMATES**

**3. Timothy J. Johnson, 5714 Russett Rd.**

Johnson passed out letters of support and presented his 5714 Russett Road request.

Johnson said that he had assistance in purchasing the home through the NOAH program, but has had a major change in circumstances since then.

Johnson noted that his friend in California and he will have twins in February of 2010, and he would like to move to California. However, he would have

to pay \$62,000 plus interest to the City of Madison before he could leave his NOAH home. Johnson said he has met goal in the past six years of charging units \$650 for rent and now requests that the City should either forgive, reduce or modify the NOAH loan.

Johnson disputed the statement contained in the staff review, point #9; his appraisal has dropped since 2003 (\$350,000 down to \$296,000), and two other properties sold at below market value. Johnson said he would be lucky to break even if he sold his property now.

Short said that he wouldn't owe the money until the building is sold, but at that point then he would have to repay the \$62,000.

Markofski wondered if it would be possible to let Johnson out of the owner-occupancy portion.

Constans said that to be considered owner-occupied; property has to be the primary place of residence 51% of the time.

Thomas presented her comments to the Committee. Thomas said that she was a member of the Committee at the time of the loan and that when the loan was made it served to improve the neighborhood; the neighborhood needed stability. Thomas pointed out that we would lose in Johnson's moving away, but hopes the Committee can be flexible in meeting the goals of the program by assisting Mr. Johnson in his need to renegotiate his note.

Whitesel wondered what would happen to the property if it was sold.

Bidar-Sielaff noted that it would leave the NOAH program unless there would be another NOAH buyer.

Rummel wondered how many NOAH buyers there were.

Short said there are ten out there. The NOAH program is not active at this time; Project Home is trying to sell the property for Mr. Johnson - hoping for a NOAH buyer.

Whitesel asked if the City would hold the note.

O'Callaghan said that when Johnson borrowed \$62,000, the deal was that it would be paid back at the time it would be sold plus appreciation.

O'Callaghan said that since Johnson borrowed \$62,000 he needs to repay it.

**16061**

Review the request of Timothy J. Johnson to forgive or reduce the repayment amount of the \$62,000 CDBG loan provided to him to purchase 5714 Russett Road.

**O'Callaghan moved to place the item on file/Markofski seconded.**

**O'Callaghan recognized the hard work that Mr. Johnson has put into the property, neighborhood and NOAH program, but that although we recognize**

these contribution we cannot recommend renegotiation. We would suggest that Mr. Johnson present his request to the Comptroller and Common Council with the Committee's recommendations.

Unanimous approval.

Rummel pointed out that a person would only need to be in residence 51% of the time for that residence to be considered a person's primary residence.

#### 4. MSCR / Meadowood Neighborhood Center

Dryer, who is from the Madison School & Community Recreation (MSCR), appeared on behalf of the Meadowood Center's request.

Meadowood Center is in partnership between the City and the School District and is located at Whitney Way and Raymond Road.

- Since the pilot center opened it has served over 500 persons, thereby meeting goals of serving youth from the area.
- Calls regarding juvenile issues in the mall area have decreased by 30%.
- The center serves many neighborhood organizations and MSCR classes.
- During the first seven months, the center has formed coalitions with many groups.

Rummel wondered if MSCR would continue to provide funds.

Dryer said that it would; MSCR would contribute \$95,000 plus assign staff to the site.

Markofski noted that we have a 15% cap on public services. Markofski said that since the Mayor's Office originally funded this they should continue to fund now. Markofski wondered how we would have money now.

Short noted that we have extra funds in the 2009 CDBG allocation.

Markofski noted his concern regarding the future of funding for this site.

Constans said this funding would be available only for now, but there would be no guarantee into the future.

Bidar-Sielaff wondered who the Meadowood Center was currently serving and if the Latino population was served.

Dryer said that the center was hopeful to serve more of the Latino population as well as to expand their translated services and incorporate ESL for Hmong classes.

Bidar-Sielaff was very supportive of Meadowood's request, but suggested more outreach and fundraising as the process for funding did not seem to be totally equitable.



Short said that the City's intention was to get this into same funding cycle with other centers.

Whitesel noted that Meadowood is a very valuable center.

16063

Meadowood Neighborhood Center is requesting \$71,850 in CDBG funds to assist with the operating of the center and to create a more permanent service and transfer funding to the CDBG program.

**Bidar-Sielaff moved approval of the staff recommendation/Rummel seconded.  
Unanimous approval.**

**DISCUSSION / ACTION**

**6. 2010-2014 Consolidated Plan and 2010 Action Plan**

Rood reviewed changes to the Plan. These changes included adding more information and revising numbers to be more accurate.

Rood said that Committee approval would be necessary in order to submit the Plans to HUD.

Bidar-Sielaff suggested adding the version number to each document so that we all could be working on the same one for all future documents that have successive versions.

**16066**

Approving the Community Development Division's HUD 2010 - 2014 Consolidated Plan and 2010 Action Plan.

**A motion was made by Bartlett, seconded by Robinson, to Refer to the BOARD OF ESTIMATES. The motion passed by voice vote/other.**

**ADJOURNMENT**

**Whitesel moved adjournment at 7:40 pm / Markofski seconded.  
Unanimous approval.**

Respectfully submitted,  
Anne Kenny and Barb Constans recorder.