

Purpose of the Section 32 Homeownership Plan

The Quality Housing and Work Responsibility Act permits the City of Madison to make available public housing units for sale to low-income families through Section 32 of the U.S. Housing Act of 1937 to use as a principal residence. Under this legislation, the City may make available all or a portion of any public housing development to eligible persons who may or may not be current residents of public housing or the public housing development in which the unit is to be sold. Through this Section 32 Homeownership Plan the Madison Community Development Authority intends to facilitate ownership opportunities for 12 families in single-family residences within the City of Madison.

In the City of Madison, homeownership opportunities are disproportionately available to moderate to high-income households, whom occupy 75 percent of all owner-occupied units while only representing 51 percent of City households. Additionally, most homeownership opportunities for low-income households are unevenly distributed, precluding ownership opportunities based on geography. Realizing the need for low-income homeownership opportunities within the City, as well as recognizing homeownership as the primary means of wealth-building and economic security for most American families, the City of Madison is committed to providing homeownership options to these households. No family should be precluded from the benefits of homeownership should they have the economic standing to make requisite payments.

Neighborhoods work cohesively to provide stability and engagement in the lives of residents, and homeownership is a key aspect to developing civic involvement in many communities. However, opportunities for homeownership have decreased as the Madison real estate market has tightened, placing ownership out of reach of the majority of low-income households. Well-documented historical disparities in lending patterns and neighborhood private market investment have precluded many in disadvantaged communities from the housing market, decreasing the availability of generational wealth and increasing potential for negative public health, education, and attainment outcomes. Knowing the positive benefits of homeownership, the CDA's Section 32 Homeownership Plan attempts to address these issues by prioritizing households already served by the Agency in beginning to acquire long-term intergenerational advantages that are traditional and known benefits of ownership.

As first-time homeownership is a priority for the U.S. Department of Housing and Urban Development as well as the CDA, the CDA is requesting the approval of this Section 32 Homeownership Plan from the US Department of Housing and Urban Development. The CDA has carefully analyzed all required aspects of the plan, and is of the belief that the plan will substantially further housing opportunity for low-income residents of the City. The policies and procedures determined by the CDA are consistent with standing that the program as outlined in this document will further fair housing in the City, but all policies and procedures are available to change or amendment to better comply with applicable federal, state, or local policies now or throughout the applicability of the plan. Should modifications of the plan require implementation, the City of Madison will seek approval from HUD before any such changes are made.

Section 32 Homeownership Plan

I. Homeownership Opportunities

The CDA Section 32 PHA Homeownership Plan consists of four (4) main components:

1. Option for **discounted pricing model** at the discretion of the CDA to ensure continued affordability to families through the entirety of their tenure at the property.
2. Partnerships with the City of Madison and other agencies that offer **down payment assistance** to eligible families in the form of forgivable second mortgages to eligible first-time homebuyers.
3. Connections to City of Madison funding programs to provide owner-occupied **rehabilitation and/or repair**, as necessary, to ensure health, safety, and continued affordability of the unit.
4. **Deed restrictions** placed upon the property to ensure family stability and anti-speculation requirements.

II. Neighborhood/Property Description

Neighborhoods

The CDA will offer 12 units for sale in Spring Harbor, Glen Oak Hills, Sunset Village, Allied Dunn's Marsh, and Burr Oaks neighborhoods on the West and South sides of the City of Madison. The West side of Madison, in general, offers beneficial resources for homeownership opportunities, displaying in general highly ranked public schools, higher median household incomes, low rates of poverty, and a more competitive housing market with higher priced units-for-sale, which often precludes low-income households from the positive benefits associated with access to neighborhood amenity as well as homeownership. Many of these neighborhoods display lower-than average vacancy rates, also known to be a barrier to geographic choice for low-income households in tight rental markets. Assessing each individual neighborhood shows additional opportunity to promote homeownership to low-income families to realize maximum benefit of the existing neighborhoods and homes:

Spring Harbor neighborhood is:

69.4% owner-occupied housing, with an average home value of \$353,821. Fairly well connected to transit opportunities, 91% of land is located within .25 miles of a regularly scheduled transit stop. 21% of all households are families with children, and the neighborhood provides excellent access to education opportunities for family households, including schools based within the neighborhood. The median household income for the area in 2016 was above the City average, with a value of \$62,715. Spring Harbor neighborhood is an excellent candidate for the City to promote homeownership opportunities to low-income households and families.

Glen Oak Hills neighborhood is:

78.8% owner-occupied housing, with an average home value of \$230,426. Extremely well connected to transit opportunities, 100% of land is located within .25 miles of a regularly scheduled transit stop. 18.1% of all households are families with children, and the neighborhood provides excellent access to education opportunities for family households, with schools based within the neighborhood. The median household income for the area in 2016 was above City average, with a value of \$87,615. Glen Oak Hills neighborhood is an excellent candidate for the City to promote homeownership opportunities to low-income households and families.

Sunset Village neighborhood is:

79.2% owner-occupied housing, with an average home value of \$292,796. Very well connected to transit opportunities, 98.9% land is located within .25 miles of regularly scheduled transit stop. 20.3% of all households are families with children, and the neighborhood provides excellent access to education opportunities for family households. The median household income for the area in 2016 was above City average, with a value of \$64,495. Sunset Village neighborhood is an excellent candidate for the City to promote homeownership opportunities to low-income households and families.

Allied Dunn's Marsh neighborhood is:

27.6% owner-occupied housing, with an average home value of \$148,806. The neighborhood is very well connected to transit options, 99.1% of land is located within .25 miles of a regular transit stop. 39.6% of all households are families with children, and the neighborhood has access to adjacent highly ranked education opportunities for family households. The median household income for the area for 2016 was \$35,278. Due to a comparatively high median household income for homeowners in the area being \$69,924, this indicates that many low-income households may be precluded from the ownership market in Allied Dunn's Marsh neighborhood, making it an excellent candidate for promoting low-income homeownership opportunities.

Burr Oaks neighborhood is:

19.9% owner-occupied housing, with an average home value of \$143,020. The neighborhood is very well connected to transit, with 99.6% of land within .25 miles of a regularly scheduled transit stop. 35.3% of households are families with children, and the neighborhood has excellent access to education opportunities for family households, with schools located within the neighborhood. The median household income for the area in 2016 was \$32,173. Due to the comparatively high median income for owner households in the area of \$52,045, this indicates that many low-income households may be precluded from the ownership market in Burr Oaks neighborhood, making it an excellent candidate for promoting low-income homeownership opportunities.

Property Offerings

The units to be sold to eligible program participants are all within neighborhoods as described in the prior section, within the municipal boundary of the City of Madison. The properties are single-family dwelling units, ranging from 2 bedrooms to 4 bedrooms. Homes for sale through the program were constructed between 1981 and 1991, and are in a general condition of satisfactory upkeep under administration of the Community Development Authority. Individual property identifiers and general information are included in the table below:

PIC#	Address	Unit Count	Constructed	Bedroom Size	Garage	Fair Market Value*
0700001	2402 Catalpa Road	1	1981	3	Yes	
0700002	2406 Catalpa Road	1	1981	3	Yes	
0700003	2410 Catalpa Road	1	1981	4	Yes	
0700004	1005 Sequoia Trail	1	1981	3	Yes	
090041	5301 Shaw Court	1	1981	2	Yes	

100001	222 N Blackhawk Avenue	1	1991	3	Yes	
100002	302 N Blackhawk Avenue	1	1991	3	Yes	
100011	4273 Doncaster Drive	1	1991	3	No	
100012	4309 Doncaster Drive	1	1991	3	Yes	
100013	5601 Elder Place	1	1991	3	Yes	
100025	5305 Shaw Court	1	1991	3	No	
100026	1302 Temkin Avenue	1	1991	3	No	

**Fair Market Value to be determined through during the next date of inspection after the adoption of this plan.*

These properties will be sold through the CDA's Homeownership team in compliance with Section 32 regulations, principles, and procedures. The properties all meet, at a minimum, Federal, State, and City standards for occupancy and environmental compliance.

III. Repair/Rehabilitation

Determination of Need

The units covered under this plan are scattered site public housing units administered by CDA, and as such are annually inspected to ensure health, safety, and general livability of the units. All units meet and exceed Housing Quality Standard (HQS) inspections, and all deficiencies that have been found through past inspection have been promptly corrected by the CDA. In anticipation of sale, CDA staff will continue routine HQS inspections as required to ensure continued compliance with HQS standards while units are in operation. Inspections that occur from adoption of this plan until sale of each individual unit will be used to assess marketability for sale, fair market value, and estimate the remaining usable life of all major systems. Appropriate action will continue to be taken to correct deficiencies in HQS should they be found in subsequent inspections, including necessary repair to major systems and appliances.

Prior to signing a contract-for-sale, an independent third party selected by either lender or borrower will conduct a home inspection to determine necessary repairs or rehabilitation outside of normal and expected "wear and tear" of the structure and furnishings. A written report will be provided from this inspection identifying perceived deficiencies of the unit and mechanical components. This inspection will be funded through the CDA as to not place undue burden upon the borrower. Should this inspection report identify necessary repairs to either structure or furnishing, such repairs will be incorporated into the sale contract to sell the unit "as-is", to be addressed post-closing through City of Madison partner programs which fund owner-occupied rehabilitation and repair.

Commitment to Long-Term Affordability

At the time of sale all units must be in good condition and repair, with all major components having an estimated useful life of at least five (5) years. If repairs or component replacement is determined to be required by inspection to ensure proper period of useful life, a contract for repairs will be completed as a condition of closing. All repairs covered under this contract will be funded through City of Madison partner programs that offer repair and rehabilitation assistance to low-income owner-occupied households. At the discretion of the CDA, as part of the sales contract, CDA may allow the purchaser may opt to waive funding assistance through grant and loan programs from the City of Madison to address deficiencies determined by the Written Report of the independent inspector should the purchaser wish to control the method of improvement. All HQS deficiencies must be corrected prior to closing, but

livability or repair/replacement of mechanical components may be corrected within the contractually obligated time by purchaser either through CDA / City of Madison funding partnerships or the purchaser's own means.

Lead-based Paint

By the time of sale for the unit, as an aspect of inspection, the unit will have been tested for lead-based paint. The CDA will make a determination as to the presence of lead based paint, and if paint is found to be present, remedial action will be taken to an extent as required by the Lead-Based Paint Poisoning Prevention Act, the Residential Lead-Based Paint Hazard Reduction Act, and regulation 24 CFR part 35 applicable subparts, as well as any other regulation as required. No lead-based paint is anticipated to be found or has been found in the units, as all homes covered under this plan were constructed post-1978.

Accessibility

Families purchasing any unit will have the option to request accommodations under the Americans with Disabilities Act to have improvements made that ensure compliance. When a purchaser or family member of a purchaser with disabilities requires accessibility improvements to a home for sale under this program, the features will be added to the property as a reasonable accommodation.

Available Funding Sources for Repair and Rehabilitation

Necessary repair and rehabilitation will be funded through a variety of sources, including partnership with City of Madison Divisions and Programs, notably a partnership with the City of Madison Community Development Division. This partnership will utilize a variety of funding sources as necessary and appropriate, including federal, state, and local grant allocations and other sources as they become available, including both HOME and CDBG grant sources. This partnership allows continued affordability to purchasers through ownership assistance in the City of Madison's Community Development Division, prioritizing purchasers through this Section 32 plan in the applicant list for funding.

IV. Purchaser Eligibility and Selection Procedures

Eligibility

To be eligible for program participation as outlined by this plan, as well as eligible to receive funding through special arrangement with City of Madison programs, a borrower must meet all following criteria at the time of closing:

1. The household's annual gross income cannot exceed 80% of the HUD Area Median Family Income, adjusted for household size, as determined by the current HUD FY Income Limits for the Madison, WI Metropolitan Area.
 - a. Household Income consists of all income earned or received by any household member over 18 years of age, or any individual who will reside in the household immediately post-purchase, in aggregate for the household.
 - b. Income will be initially verified at time of application, and re-verified immediately prior to closing in order to maintain compliance with regulations, as well as to maintain the City of Madison's goal of advancing low-income homeownership opportunities through the program.

- c. Household must have a regular source of income evidenced for at least 12 months in order to qualify for CDA Section 32 homeownership assistance.
2. The prospective purchaser must have an acceptable credit history, as determined by the CDA. If a private first-mortgage is financed, the CDA will consider the applicant to be credit-worthy.
3. The borrower must be able to provide, at minimum, 1 percent of sales price into the transaction toward down payment at time of closing from their own resources.
 - a. This requirement may not be met through use of grants, gifts, contributions, or other similar amounts.
4. The borrower must be a first-time homebuyer, which includes the following:
 - a. Individual who has not owned property in the last 3 years
 - b. Any single parent with a minor dependent child
5. The borrower must have income sufficient to qualify for first-mortgage financing and to maintain household expenses, defined as:
 - a. Maximum ratio of 35% of applicant's average adjusted monthly income paid toward mortgage principal and interest, insurance, real estate taxes, utilities, maintenance, and other recurring homeownership costs
 - b. Housing to income ratios of less than 25% will be considered ineligible unless granted an exception
 - c. First mortgage must escrow taxes and insurance as calculated in this requirement
6. The borrower cannot have greater than 12 months of Principal, Interest, Taxes, and Insurance in liquid assets after closing. Any amount greater than 12 months PITI must be included as required down payment to remain eligible for the program.
7. The borrower must occupy the home as their principal place of residence, and define the property as their homestead for tax purposes during the entire term of program assistance.
8. The borrower must attend a HUD-approved homebuyers' training and/or counseling session, and must submit certified certificate of completion form prior to entering in to a contract with the CDA.
9. The borrower, once eligibility is approved, will enter into a Section 32 participation agreement with the CDA which will outline required actions to fulfill obligations of the sale of the unit.

In addition to these eligibility requirements, the CDA will also consider:

1. Landlord/rental history for the prior two-year period
2. Background check for housing-related activity
3. Credit history check

If it is found through any check that prospective purchasers have unfavorable information in their history, consideration will be given to the nature, extent, and time elapsed since these factors. The CDA recognizes that prior history is not a conclusive indicator of current ability or future probability, and will make all reasonable accommodations to determine eligibility of purchasers under the program. Final determination of eligibility for the first mortgage shall lie solely within the purview of the primary lender, and all eligibility requirements as outlined are solely for consideration of CDA assistance and/or approval. Initial eligibility will be determined through purchaser completion of a Section 32 program application form submitted, but final determinations of eligibility will be dependent upon preapproval for a private first-mortgage.

Selection Procedures

The CDA wishes to provide every possible opportunity for homeownership to low-income households currently receiving housing assistance through the Community Development Authority. For this reason, the CDA plans to prioritize eligible participants through preferences for:

1. The current tenant of the housing unit placed for sale under direction of this plan
2. Low-income families receiving housing assistance through any other program administered by the CDA;
3. Low-income families residing in the City of Madison whose income does not exceed 80% AMI as adjusted for family size.

V. Method of Sale and Financing

This homeownership program is designed with the purpose to assist households whose incomes are less than or equal to 80% of the HUD Area Median Family Income as adjusted for family size by Fiscal Year. For this reason, units for sale under this plan will be marketed and sold by the CDA directly to low-income families. Qualified public housing residents, Housing Choice Voucher Participants, and all other low-income eligible persons who are not currently receiving assistance from the CDA are all eligible participants. All methods of sale will be a direct fee simple transaction between parties.

The exiting resident of a unit will be offered the first right of refusal to purchase the unit in which they reside, as long as they meet all other eligibility requirement outlined by this plan. Existing residents of units for sale have the option to buy any unit for sale, although only given the right of first refusal for the unit in which they currently reside. All purchasers must have current sources of income enough to ensure that monthly mortgage payments including taxes, insurance, utilities, maintenance, and other fees associated with homeownership will not exceed 35% of the purchasing household's adjusted gross income.

1. Units will be sold for between 80% and 100% of their full appraised value to further guarantee affordability to the borrower. The final amount of sale, as a percentage of appraised value, will be determined in part by the amount the purchaser is able to secure in the form of a first mortgage through a private lender, and will be calculated under full discretion of the Community Development Authority. Full appraised value will vary depending upon home size and location.

Purchasers must qualify for and obtain private mortgage financing with the balance of the purchase to be financed as follows:

- a. The purchaser must make a down payment of at least one percent (1%) of the full purchase price utilizing the borrower's own personal resources;
- b. The CDA will refer purchasers to the City of Madison Community Development Division, which has agreed to give priority to applicant purchasers through this Section 32 Plan, offering up to \$20,000 of down payment assistance per household;
- c. Eligible purchasers may receive a grant of variable amount from the CDA to pay closing costs associated with the sale of the property, as deemed appropriate by CDA;
- d. The purchaser may use any other grants or subsidies that may be available to them through any other applicable state, federal, or local program, but additional assistance will not count towards the one percent purchaser down payment requirement.

VI. Anti-Speculation, Resale, and Recapture

Anti-Speculation and Below-Market Financing Recapture

Fee simple title to all properties sold under this Section 32 Homeownership Plan will be conveyed by general deed including a declaration of conditions and covenants placed upon the deed of the property. As required under this plan, all deeds to transfer of real property under the guidance of this plan will contain restrictions

1. Requiring the property be occupied as the purchaser's principal place of residence, and define the property as their homestead for tax purposes during the entire term of program assistance;
2. Providing for recapture of net proceeds attributable solely to appreciation of market value in the event of sale by the purchaser;
3. Providing for recapture of any below-market financing offered to the purchaser and outlined in the contract for sale.

The deeds used in the Section 32 program will contain restrictions as follows:

- 1. Grantee, by acceptance and recordation of this instrument, warrants and represents that the Property will be used as Grantee's principal place of residence, as required by Section 32 regulations at 24 CFR 906.15(b).**
- 2. Grantee, by acceptance and recordation of this instrument, understands and agrees the term "net proceeds" as used below shall have meaning as given to such term in 24 CFR 906.27.**

To the extent Grantee shall be entitled to receive net proceeds from a future sale of the Property, the following description of net proceeds shall be due and payable to Grantor:

- i. If the sale occurs prior to the first anniversary date of this deed: 100% of net proceeds payable to Grantor**
- ii. If the sale occurs on or after the first anniversary date of this deed but prior to the second anniversary date: 80% of net proceeds payable to Grantor**
- iii. If the sale occurs on or after the second anniversary date of this deed but prior to the third anniversary date: 60% of net proceeds payable to Grantor**
- iv. If the sale occurs on or after the third anniversary date of this deed but prior to the fourth anniversary date: 40% of net proceeds payable to Grantor**

- v. If the sale occurs on or after the fourth anniversary date of this deed but prior to the fifth anniversary date: 20% of net proceeds payable to Grantor
- vi. If the sale occurs on or after the fifth anniversary date of this deed: 0% of net proceeds payable to Grantor

- 3. Grantee, by acceptance and recordation of this instrument, understands and agrees the term below-market financing as used below shall have meaning as given to such term in the contract-for-sale, as the amount of recorded fair market value at time of closing less recorded purchase price.

To the extent Grantee shall be entitled to receive gain from benefit of below-market financing from a future sale of the Property, the following description of gain from below-market financing shall be due and payable to Grantor:

- i. Upon the sale 100% of gain from benefit of below-market financing shall be due and payable to Grantor

Description and Payment Requirements of Forgivable Subordinate Mortgage
Not Applicable

VII. Consultation With Residents and Purchasers

The CDA's marketing strategies for the sale of homes covered under this ownership plan will consist of:

- 1. Outreach to current tenants of the properties in question to notify the household of the intended sale of the property, as well as assessing interest in tenant purchase.
- 2. Should tenants in homes covered under this plan not be interested or qualified under eligibility criteria to begin application approvals as a purchaser, outreach will be made to other scattered-site housing tenants, current public housing tenants in all units, and all other households receiving tenant based rental assistance administered by the Community Development Authority.
- 3. Should step 1 or 2 not create a comprehensive list to ensure sale of the units covered under this plan, outreach will be made to the general public in the City of Madison who are low-income households that would qualify under all eligibility requirements of this plan.

The CDA utilizes and regularly updates a well-maintained website for the purpose of communicating information to both tenants and the general public.

Fair Housing and Marketing Procedures

The CDA's marketing strategies for the sale of homes covered under this ownership plan will consist of:

- 1. Outreach to current tenants of the properties in question to notify the household of the intended sale of the property, as well as assessing interest in tenant purchase.
- 2. Should tenants in homes covered under this plan not be interested or qualified under eligibility criteria to begin application approvals as a purchaser, outreach will be made to other scattered-site housing tenants, current public housing tenants in all units, and all other households receiving tenant based rental assistance administered by the Community Development Authority. Program information will be distributed through the CDA website, or other means or notification

to ensure equal opportunity to access for all households. Outreach will be performed only after all households from step 1 complete the program or be deemed ineligible.

3. Should step 1 or 2 not create a comprehensive list to ensure sale of the units covered under this plan, outreach will be made to the general public in the City of Madison who are low-income households that would qualify under all eligibility requirements of this plan. Eligible low-income households will be referred to this program through partnership with City of Madison Community Development Division home-buy assistance, in addition to lending institution referral.

Applicants of all types will be processed in the order of which applications are received, by priority of household type as listed in the preference section of this plan.

Affirmative Fair Housing Marketing Strategy

The CDA utilizes and regularly updates a well-maintained website for the purpose of communicating information to both tenants and the general public. Information regarding the sale of properties will be listed on the website, and featured as to be easily accessible for anyone seeking CDA services. In addition to the website for the CDA, additional notice will be posted through flyers and announcements posted at various offices, sites, and other areas which contain lists of available City resources. The CDA will offer priority access to these materials to fair housing providers in the Madison area to ensure outreach to low-income populations who may not be likely homeowners considering the competitive housing conditions current and projected in the City.

The City of Madison's marketing strategies will adhere to all fair housing laws and incorporate all aspects of fair housing guidance into this homeownership plan. The CDA does not discriminate and offers full protections to all Federal protected class designations. Additionally, the City of Madison designates protected classes by race, color, religion, sex/gender, national origin, handicap/disability, perception of disability, familial status, sexual orientation, marital status, ancestry, lawful source of income, age, status as a victim of domestic abuse sexual abuse or stalking, physical appearance, political beliefs, status as a student, arrest or conviction record, type of military discharge, refusal to disclose social security number, domestic partnership status, citizenship status, gender identity, genetic identity, and receipt of rental assistance. With exception in specific situations due to requirements of public assistance as administered under Federal regulation, additional protected classes are ensured to be free from discrimination in all marketing, programs, and practices from all City divisions.

Documentation of Outreach

Initial notification of purchase opportunity will be made directly to current residents of the units for sale under this program. If necessary, additional outreach will be performed under the above outlines preferences and strategies for prioritizing sale. Documents regarding the CDA's marketing efforts will be collected and filed as evidence to the scope and scale of marketing and outreach efforts. Information posted to the CDA website will be documented and archived in addition to all printed materials, posters, fliers, and mailings. Any presentations or staff time spent in marketing the program in-person will be documented with the number of persons in attendance to ensure a full count of program reach. Applications from existing public housing residents will not affect their program status. The CDA Homeownership staff will process all documents and applications separately from the receipt of other for of assistance to ensure compliance in separation. Additionally, application for homeownership opportunities through this program will not affect any individual or household's ability to apply for

assistance through any other City program, and will not affect placement or position on any waitlist or other opportunity for housing through CDA programs.

VIII. Application Review Timeline

The CDA will conduct screening of all program applicants and determinations of eligibility in accordance with this plan. The following section outlines generalized steps which will be followed in order to administer the program. These steps are able to modified or changed with the approval of HUD as the plan continues under administration by the CDA.

1. Marketing of the program will be made available through the CDA in print and in web form, informing eligible participants of the program and its implementation.
2. A pre-screening system will be implemented for interested prospective buyers.
3. CDA staff will meet with prospective purchasers to review the initial application and answer questions pertaining to the program. This will include full descriptions of all necessary documents, timelines, expectations, and an overview of the qualifications process.
 - a. No final determination of eligibility will be made from initial meetings or applications, but will be used to determine a baseline recommendation of eligibility for the program.
 - b. Purchaser preapproval for a first-mortgage is a requirement of the program in submitting a final application. CDA staff will refer interested applicants to a list of lending institutions to assist them in completing this requirement.
 - c. CDA staff will refer interested applicants to a HUD Certified Housing Counseling Agency for completion of homebuyer education requirements.
4. Files will be created to house all documents for each individual interested applicant and continually updated to have the most recent and relevant applicant information.
5. Applicants will submit final application, including proof of first-mortgage preapproval, certificate of completion from a HUD Certified Housing Counseling Agency, and proof of application to City of Madison down payment assistance programs if requesting financial assistance.
6. Prior to sale, the unit will be appraised and inspected by private parties appointed by either the primary lender or purchaser.

IX. Counseling

The CDA partners with Movin' Out, a HUD Certified Housing Counseling Agency to provide homebuyer education, credit counseling, money management courses, and down payment assistance guidance. Interested applicants under this plan will be referred to Movin' Out to complete a certificate of completion in housing counseling, a requirement for plan eligibility. Courses are offered monthly to easily accommodate interested households, and include seven (7) hours of classroom instruction including individualized assessments and recommendations.

X. Sale via PRE

The Community Development Authority will not be utilizing a Purchase and Resale Entity for the purpose of selling any units included in this plan.

XI. Non-Purchasing Residents

Should the resident of a property to be sold decline purchase or is found to be ineligible for purchase, the purchaser will be a non-resident of the property. The Community Development Authority will not

displace the tenant residing in the unit until a written notice is provided to the tenant. The tenant will be provided notice at least 90 days prior to the date of displacement from the property. The notice will serve to advise that:

1. The unit in which the tenant resides is to be sold;
2. No transfer of possession of the unit will occur until the tenant is relocated;
3. The tenant will be relocated to comparable housing as to meet the requirements of 24 CFR 906.23;
4. The CDA will provide for the real costs and reasonable relocation expense for the tenant;
5. Counseling will be provided to the tenant regarding their legal right to comparable housing, including rights provided under the Fair Housing Act in accordance with nondiscrimination provisions.

XII. Sale Proceeds

The Community Development Authority is committed to the longevity of affordable housing currently under operation, as well as expanding affordable housing opportunity throughout the City. To this purpose, in accordance with 24 CFR 906.31, the proceeds from sale of property under this plan will be held by the Madison CDA in an account subject to an escrow agreement and/or HUD depository agreement as required by the Milwaukee Program Center. These proceeds will be used for the general purpose to expand and improve affordable and low-income housing in the City of Madison, including but not solely limited to improvements to existing public housing stock not covered by this plan. Additional proceeds from sale may be utilized to fund administrative costs incurred through this program, relocation for households, closing cost assistance, repair and rehabilitation of properties, and grants toward various low-income housing programs.

The term “sale proceeds” refers to all receipts received by the Community Development Authority through sale of property under this plan, including funds received through recapture and anti-speculation provisions.

XIII. Records, Accounts, and Reports

The CDA will keep and maintain all relevant records and documentation regarding homeownership activities under this plan in accordance with HUD guidelines and local standards. The CDA will make available all records pertaining to this plan to the Department of Housing and Urban Development Field Office and all other HUD offices upon request for documentation.

XIV. Budget

The Community Development Authority is organizationally prepared to integrate this Section 32 Homeownership Plan with minimal impact upon staff time or budget. The CDA already employs homeownership specialists for various homeownership programs, this plan will be implemented in coordination with other plans already administered. Additionally, all homes for sale under the program are single-family homes between 27 and 37 years of age. Due to the relatively new nature of the construction of the properties as well as their continued maintenance and compliance above and beyond Housing Quality Standards, it is not anticipated that the CDA should incur any costs associated with repair or rehabilitation.

In the event that rehabilitation or repair be necessary, the CDA will refer applicants to specialists with the City of Madison Community Development Division, which has agreed to prioritize Section 32

applicants in allocation of grants and other funds from various federal, state, and local sources to meet the highest standards of affordability and usable life for the property. The CDA does not project a need for use of capital or other CDA funds for any of the properties covered under the scope of this plan.

Due to the competitive nature of the Madison real estate market and the locations where properties are located being generally desirable and competitive sub-markets, it is difficult to anticipate the final value of the homes at fair market value as determined by appraisal. As the appraisal price is as of yet unknown, it is difficult to determine the full amount of subsidy that will be contributed by the CDA, and the amount will vary with each home dependent upon price and ability of purchaser to secure private mortgage financing.

XV. Timetable

The CDA has not yet commenced outreach to current tenants to inform them of sale of property, as the City's Section 32 Homeownership Plan has not yet been approved by HUD. As soon as approval is met, the City will initiate outreach to current tenants to gauge interest in ownership of their units, as the current tenant has designated right of first refusal for purchase. Once interest or intent of the current occupant is known, the CDA will begin broader outreach to all eligible households as described in the Affirmative Fair Housing Marketing Strategy.

As eligibility criteria under this plan are generally broad to best assist a majority of low-income households who are interested in homeownership opportunities, the CDA has a built-in screening prior to application screening with potential lists of buyers readily available in various program participants, namely public housing tenants and Housing Choice Voucher participants. The CDA employs two staff members serving as Homeownership Program coordinators, with experience in implementing and managing complex homeownership plans. This will ease implementation of the Section 32 plan, as staff have experience with assistance in enrolling participants in homeownership classes, performing screenings of purchasers, overseeing inspection of units, facilitating repair and rehab orders, and recording and managing appropriate lists.

Given the program experience the CDA already has in place in conducting homeownership applications and counseling, under this plan the CDA anticipates that the first closing could occur as early as March 1, 2019, upon approval of this plan, with hopes to close at least one (1) sale per year.

Supporting Documentation

I. Purchase and Resale Entity (PREs)

As the Community Development Authority will not be using a PRE under this plan, this section is not applicable.

II. Physical Assessment

The properties covered under this plan vary in time of construction from 1981 to 1991, after legislation banning manufacture of lead-based house paint in 1978. All properties under this plan meet and exceed local code requirements as well as HQS requirements. To further compliance with this plan as well as to further guarantee affordability, all properties will be inspected prior to sale and any additional findings will be addressed as discussed in this plan. These inspections will include assessment of general air quality as well as structural integrity. All inspection documents will be disclosed to the purchaser prior to sale, in conjunction with the inspection ordered by the purchaser or financing institution. No properties under the administration of this homeownership plan are currently accessible units, but the CDA will address any physical accessibility requirements as requests are made by purchasers with household members with documented disability.

III. Feasibility

The Community Development Authority owns and operates 742 units of public housing throughout the City of Madison. Based on tenant income as of June 30, 2018, current public housing tenants who would qualify for this program include:

- 700 income eligible households: 0-80% AMI
- 145 Households 30-80% AMI income eligible and having likely financial ability to purchase
- 42 Households 50-80% AMI income eligible and having likely financial ability to purchase

As the City of Madison has plans to provide 12 single family ownership opportunities to low-income households through the administration of this plan, with 145 households possibly eligible and 42 households likely eligible, the CDA considers this plan to meet the highest standard of feasibility in providing these opportunities to current public housing tenants.

Should the City of Madison exhaust eligible applicants who are current tenants of public housing, under this plan the City has the ability to open up eligibility to Section 8 Housing Choice Voucher participants, of which there are approximately 1,600 households at any given time. The City of Madison does not anticipate the need to offer sale to the general population given the amount of eligible families currently served through CDA programs, especially given the number of units placed for sale under this plan.

Should the City open opportunities to the general population of low-income households in Madison, the City estimates an additional 21,609 non-student renter households earning between 30-80% AMI to be potential candidates, with 11,604 non-student renter household with incomes 50-80% AMI to be likely qualified candidates for ownership under the program.

The CDA has the ability under this plan to offer units for sale at a discount of up to 20% of the full-assessed value of the property, increasing feasibility of guaranteed affordability to qualified low-income households. This plan also offers flexible household limits of up to 35% income toward housing

payments. As of 2018 for the City of Madison, affordability limits at 30% of income toward housing payments capped a 50% AMI household of 4 to a purchase price of \$137,000 under FHA underwriting standards, and a 80% AMI household of 4 to \$220,400 under FHA underwriting standards. These standards include all housing related payments, including principal, interest, insurance, taxes, and utility payments. Considering the CDA's flexibility in offering financial incentives (discount in purchase price), partnership with the City of Madison for down payment assistance, as well as the range of affordability limits to income-eligible households, the City does not anticipate difficulty in finding qualifying households who meet all affordability and eligibility criteria of this plan.

The CDA does not at this time have values for fair market assessments of property to be sold under this plan, but property will not be priced at a level that exceeds affordability restrictions to low-income households. Additionally, the CDA has under this plan provided steps for any necessary repair or rehabilitation to be financed in large part outside of purchaser's savings.

The current number of income-eligible and likely qualified public housing tenants is more than three (3) times the number of units to be sold under this plan, indicating strong likelihood of success.

IV. PHA Performance in Homeownership

The CDA has a strong history of facilitating homeownership opportunities to low-income households, including households receiving assistance through CDA-administered HUD programs. Most notable, CDA operates a Section 8(y) Homeownership Plan which has assisted 44 households in achieving homeownership. This successful demonstration of ownership assistance to low-income households (median participant household income of \$17,796) demonstrates the ability of the CDA to work with participants of all income levels in achieving success and stability in owner-occupied housing.

V. Nondiscrimination Certification

As required by 24 CFR 906.40, the CDA hereby certifies that it will administer this plan on a nondiscriminatory basis, in accordance with the Fair Housing Act, Title VI of the Civil Rights Act of 1964, Executive Order 11063, all other authorities cited in 24 CFR 5.105(a), and all implementing regulations, and will assure compliance with those requirements by any other entity that may assume responsibilities in the implementation of the program.

Tom Conrad, Director of Housing Operations

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VI. Legal Opinoin

“the plan must include an opinion from legal counsel indicating it has reviewed the program and finds it consistent with all applicable requirements of federal, state, and local law, including regulations as well as statutes. At minimum, legal counsel must certify that the homeownership plan documents fully incorporate the sale to a low-income family, the resale reverter, and the restriction of use of resale proceeds (see 24 CFR 906.41(f) and 24 CFR 906.27).

To be attached once approved.

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VII. Board Resolution

A copy of the PHA's Board of Commissioners resolution evidencing its approval of the program. To be attached once approved.

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VIII. Section 8(y)

The City of Madison currently administers a Section 8(y) Homeownership Program. Participants of that program may use assistance as granted under Section 8(y) to purchase a property as described in this Section 32 Plan. The Community Development Authority hereby certifies that any Section 8(y) assistance provided to a family in conjunction with the Section 32 homeownership program will be provided in full compliance with Section 8(y) of the United States Housing Act of 1937 [42 U.S.C. 1437f(y)] and the 8(y) regulations contained in 24 CFR Part 982 Subpart M.

Community Development Authority

Tom Conrad, Director of Housing Operations

IX. Narrative Description of the Deed or Title Restrictions

The CDA will require three (3) deed restrictions of all transfers of sale under guidance of this plan.

1. Per requirement, the purchaser must use the housing unit be as their principal residence for all units sold under this plan. This requirement will be recorded via deed restriction upon sale of the property.
2. As allowable, the CDA has elected to retain all or a portion of gains from appreciation generated by the resale of property to the extent that there are net proceeds if the property is resold by the purchaser prior to the fifth anniversary date of closing. To this end, a deed restriction will be recorded to protect CDA investment such that 100% of gains from appreciation would be payable to CDA is the property is sold prior to the fifth anniversary date of the deed. If the property is resold on or after the fifth anniversary date of the deed, the CDA will recapture 0% of gains from appreciation generated by resale of the property.
3. As allowable, the CDA has elected to retain all gains from benefit of below-market financing from any future resale of the property to the extent that there are net proceeds if the property is resold by the purchaser. To this end, a deed restriction will be recorded to protect CDA investment such that 100% of gains from below-market financing would be payable to CDA when the property is resold. Below-market financing will be recorded in both the deed and contract-for-sale to have meaning as the recorded fair market price at time of sale, less recorded purchase price of sale.