

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF MADISON, WISCONSIN

Resolution No. 4181

Authorizing the CDA Executive Director to offer deferred loans to two homebuyers at Mosaic Ridge with incomes below 50% of AMI

Presented April 14, 2016
Referred _____
Reported Back _____
Adopted April 14, 2016
Placed on File _____
Moved By Kelly Thompson-Frater
Seconded By Sariah Daine
Yeas 4 Nays 0 Absent 3
Rules Suspended _____

WHEREAS, The Community Development Authority of the City of Madison (the "CDA") is undertaking the development of single-family homes at Mosaic Ridge; and,

WHEREAS, at its meeting of October 16, 2012, the Common Council authorized the commitment of \$180,000 in Affordable Housing Trust Funds to be provided to the CDA for use as construction financing at the Mosaic Ridge subdivision; and,

WHEREAS, the CDA was awarded an additional \$100,000 through the Community Development Division's funding process to make long-term deferred loans of \$50,000 for two homes sold to buyers who are at or below 50% of AMI; and,

WHEREAS, funds were intended to support the development of a mixed-income community in the Allied Drive area, and were designated specifically for two homebuyers at or below 60% of Area Median Income ("AMI") and two homebuyers at or below 50% AMI; and,

WHEREAS, the CDA has subsequently determined that households at or below 50% AMI, even those who are credit-ready and able to secure private financing, still have a gap in the amount of financing they can secure from private lenders to cover all construction costs; and,

WHEREAS, this is due in part to the fact that although homebuyers may convert Section 8 rental assistance to mortgage payments and can thus actually afford associated payments, private mortgage lenders do not consider housing assistance reductions when calculating debt-to-income ratios; and,

WHEREAS, this means that additional long-term deferred financing is necessary to enable homebuyers at or below 50% AMI to obtain private mortgage financing for homes in Mosaic Ridge; and,

WHEREAS, on March 17, 2016 the CDA agreed to return the \$180,000 commitment from the Affordable Housing Trust Fund as a condition of the sale of two lots at Mosaic Ridge to the City of Madison for \$350,000 and the forgiveness of a \$392,000 note.

NOW, THEREFORE, BE IT RESOLVED, that the CDA hereby authorizes the Executive Director to offer long-term deferred loans of \$50,000 for two homes sold to buyers who are at or below 50% of AMI; and,

BE IT FURTHER RESOLVED, that the Executive Director is authorized to increase the loan amount up to a total of \$70,000 each if the buyer demonstrates a gap in financing; and,

BE IT FURTHER RESOLVED, that any unpaid loan amounts will be repaid when a homebuyer sells or transfers the property, or when the unit is no longer owner-occupied; and,

BE IT FURTHER RESOLVED that the Executive Director is authorized to execute, deliver, accept and record any and all documents and take such other actions as shall be necessary or desirable to accomplish the purpose of this resolution in a form approved by the City Attorney.