

MEMORANDUM**TO:** Bill Clingan, Pam Rood, CDBG Committee**FROM:** 3rd Sector Housing Group**DATE:** March 26, 2010**RE:** Community Development Program Goals and Priorities on per unit limits for HOME/CDBG Funding

Thank you for this opportunity to provide feedback on the 2011-2012 Community Development Program Goals and Priorities document. At the 4/13/10 meeting of the 3rd Sector Housing group we discussed the current language related to per unit limits in the document – Page 4, Goal One: Affordable Housing, Outcome Objective A & B:

“The CD Office will consider an investment of up to \$54,000 per unit (approximately 25% of the HOME single-family value limit, a benchmark standard that will change over time), and will evaluate all proposals based on the project’s contribution to increase the affordable housing stock, upon project need, and availability of resources to determine the appropriate level of funding.

Projects that include accessibility or energy efficiency improvements, involve lead paint reduction or asbestos removal, or assure a period of housing affordability that is greater than HOME affordability requirements shall be considered for amounts greater than \$54,000 per unit based on increased costs to provide these features, up to a maximum total of \$60,000 per unit.”

The 3rd Sector organizations recommend that the revised document set an average subsidy amount in its contracts with non-profit partners, but allow use of HOME/CDBG funds up to the maximum per unit amounts allowed by HUD as of January 1, 2010. The 3rd Sector organizations recommend an average subsidy amount of \$60,000.

The most recent update of these values can be found in Federal Register/Vol. 75. No. 23/Thursday, February 4, 2010/ Notices. For example in this notice, the table for Multifamily Loan Program – Section 221(d)(4) allows for a 1 bedroom unit the maximum of $\$50,935 \times 2.65$ (Statutory Mortgage High Cost Percentage for Dane County) = $\$134,978$ per unit in a non-elevator building and $\$55,565 \times 2.65 = \$147,247$ per unit in an elevator building.

As you can see the maximum allowed by HUD is substantially higher than what is currently allowed in CD policy. 3rd Sector members agree that a variable per unit amount allows flexibility to tailor the subsidy to the affordability and financing challenges of a specific project. Maintaining an overall average subsidy amount in your contract with a non-profit partner assures the city predictability and a sense that its allocations are equitable. With this approach, the City creates an incentive for its non-profit partners to

use no more subsidy than what a particular project requires, because the reward for a lower-than-maximum subsidy in one project is that the non-profit can apply a larger subsidy in another project that requires a larger subsidy.

Thank you.