

City of Madison Community Development Division - CDBG Office
Response to Framework Questions from Brenda Konkel

February 24, 2012

Background: In an e-mail dated February 1, 2012, Brenda Konkel submitted a list of questions regarding the Framework as introduced to the CDBG Committee in the Agenda for meeting of February 2, 2012. CDD staff were instructed to respond to these questions. The Common Council will receive a copy.

1. What is the HOME assessment limit for single family homes? & 2. What is the HOME purchase price?

The current HOME assessment, purchase price and after-rehab value limits went into effect January 2011 and are as follows:

1 unit \$223,250;
 2 unit \$256,248;
 3 unit \$309,744;
 4 unit \$384,936;

In early February 2008, FHA issued Section 203(b) mortgage limits based upon the methodology that existed before the Economic Stimulus Act and HERA became law. The City of Madison continues to use these February 2008 Section 203(b) mortgage limits as the purchase price or after-rehabilitation value limit for their HOME funded homeownership activities.

The new Proposed HOME Rule will limit the assessment, purchase price and after-rehab value limits of projects funded with HOME funds to 95% of the median sales price in Dane County. If this becomes the Final HOME rule (enactment anticipated Fall 2012, in advance of 2013-2014 implementation) the maximum amounts would be as follows:

1 unit \$199,975;
 2 unit \$256,011;
 3 unit \$309,458;
 4 unit \$384,580;

The chart is located at

<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/maxprice.cfm>

The maximum value is also updated yearly in all underwriting guidelines, brochures and other forms of literature relating to the homeownership programs qualifications.

3. Is there a chart that compares purchase price, assessment price and rents for various CDBG, HOME, Affordable Housing Trust Fund, ADDI and HOME-BUY programs?

These limits are only imposed on HOME funded homeownership activities.

4. What are the affordability targets mentioned here

“ 5.6. Projects may not exceed a total secured funds-to-value ratio greater than 115% from all sources. (Projects where a community land trust serves as owner of the underlying land will be permitted to meet a higher ratio of 125% secured funds-to-value ratio for the entire project of land and property, or 150% of secured funds-to-value ratio for the land alone if the ground lease meets the conditions of affordability and 100% of the full value of the land is secured by a mortgage to the City.”

The ground lease must be 99 year leasehold and have permanent affordable housing restrictions to meet the conditions of affordability.

5. Do these exist now, and if so, where are they?

“Additional policies and underwriting guidelines, approved by the CDBG Committee, will apply to all down payment programs (except for the Home Buy program whose guidelines are approved by the CDA).”

Yes. Underwriting guidelines were established in the CDBG office in 2005 and are updated annually with CDBG Committee approval. (2012 version will be going to April CDBG Committee). A copy of the down payment assistance program’s underwriting guidelines can be found on the City’s website at <http://www.cityofmadison.com/cdbg/addi/>

For homebuyer down payment administered by a non-profit agency, the agency is sent a copy of the updated guidelines each year to use to administer the funds.

6. Does this include the Affordable Housing Trust Fund?

“A minimum of 85% of all funds received shall be applied to capital costs including acquisition and closing costs (including an appraisal), rehabilitation, labor and materials, design and engineering costs and relocation costs. A maximum of 15% of the total CDD funds received may be applied to staffing and other service delivery costs.”

An RFP for the Affordable Housing Trust Fund will be presented to the CDBG Committee at their March meeting. These same requirements are proposed in the draft.

7. Why are you removing the 50% ami level targets for affordable rental housing?

Preferences or primary focus/target levels (e.g. primarily less than 50% CMI) were removed in most of the Framework based on the fact there was no systematic method of comparing projects and allocating funds based on preferences.

8. What are the HOME rent levels currently?

Low and High HOME Rent Limits Effective as of February 9, 2012								
Maximum Rents including utility allowance Based on Number of Bedrooms in Unit								
	SRO**	Efficiency	1	2	3	4	5	6
Low HOME Rent Limit	\$432	\$610	\$762	\$899	\$1,078	\$1,202	\$1,326	\$1,450
High HOME Rent Limit	\$432	\$610	\$762	\$899	\$1,206	\$1,458	\$1,625	\$1,781

See more detailed info on HOME rent limits including 2011 at:

http://www.cityofmadison.com/cdbg/doc_library.htm

9. Are there any more requirements than this written down anywhere? Does the level of affordability or number of units make a bigger impact on this evaluation?

“4.3. The CDD will evaluate all proposals based on the project’s contribution to increase the affordable housing stock, project’s financial need, type of project (acquisition, rehab. or new construction) and availability of resources to determine the appropriate level of funding up to a maximum investment of \$54,000 per unit.”

RE More Requirements: Yes. Each Housing and Urban Development (HUD) funding source has multiple sets of related program regulations, eligibility requirements, subsequent policy guidance, and numerous cross-cutting regulations which are referenced at the bottom of each objective and/or in Section 4: General Criteria and Cross-Cutting Policy. While not all requirements are listed in detail in the CDD Goals and Objectives, they are referenced in the project or program contract.

RE Evaluation: Yes. The level of affordability and number of units make an impact on the CDD’s evaluation as referenced in *“project’s contribution to increase the affordable housing stock”*. Each project or program is evaluated and recommended for funding based on the “gap” that exists if not for the funding requested from the City.

10. Why are you removing giving more money if the units if there is a longer period of affordability? Why not include deeper level of affordability as an incentive to get additional money?

For HOME funded projects, HUD requires a prescribed minimum Period of Affordability (POA). CDD loans are long-term deferred with affordability restrictions in place until the time of sale, transfer or change of use. Therefore, because the CDD requires that the affordability restrictions remain in effect for the life of the loan, there is not value in providing additional funds to accomplish this goal. The non-profit housing providers’ mission to provide affordable housing results in infrequent sales or changes in use.

11. What does this mean?

“In areas of priority to the City, including Neighborhood Resource Team (NRT) areas, the CDD will only fund rental projects that improve the quality of rental units or help stabilize the area.”

CDD staff’s intention here is to proactively recognize the Mayor’s NRT initiative and be prepared to fund projects in areas of high priority to the City. NRT’s are characterized by

low homeownership rates and high rental rates. The intent is to not further the lack of homeownership units in these areas by creating more rental units unless the project improves the quality of the existing units or in some way improves the neighborhood.

12. How do I know what areas have a "high concentration of lower income housing" without a map, what is considered a "high concentrations"? 10%, 15%, 20%, 5%??

To comply with HOME regulations, the City is required to carefully evaluate "Site and Neighborhood Standards" for new construction of rental housing to ensure compliance with the Civil Rights Act of 1964, the Fair Housing Act, several Executive Orders, and other HUD regulations related to greater choice in housing opportunities. See [24 CFR 983.57 \(e\)](#). CDD staff are in the process of obtaining updated census information which will be used to create maps to address this question. Our goal is to have this ready to fund 2013 proposals.

13. What's this 24 CFR part 92? Can you just put the language in the plan in parentheses after that description?

14. Same as 13 for this - 24 CFR 576 - and this - 24 CFR 570 and this - 24 CFR 583

Yes. We have added funding source descriptions [and hyperlinks] for all referenced funding sources. Again, please keep in mind that subsequent sources of HUD policy guidance and other cross-cutting regulations affect the implementation of all federal funding sources.

[24 CFR 92](#) HOME Investment Partnership Program

[24 CFR 570](#) Community Development Block Grant

[24 CFR 576](#) Emergency Shelter Grants (now Emergency Shelter Grants as amended by the [HEARTH Act](#))

[24 CFR 583](#) Supportive Housing Program

15. What is the purpose behind this statement?

"The CDD will not consider investments in projects that convert owner-occupied units to rental units."

This condition was added in an effort to better integrate the CDD's goal of promoting home ownership with our goal of increasing the affordable rental housing stock. As a general rule, increased rates of homeownership lead to increased neighborhood stability. We do not want to undermine this effort by converting owner-occupied units to rental units. Applicants always have the option of presenting evidence to the CDBG Committee that a waiver is merited due to special circumstances.

16. This seems odd, are you trying to get to 80% AMI, or is it just an option?

At least 90% of the CDD investment in a project must assist households at or below 60% Area Median Income (AMI) at the time of initial occupancy or

investment. The remaining 10% of funds must assist households at or below 80% AMI.

It is a HUD requirement that 90% of the HOME funds invested assist households at or below 60% AMI at time of occupancy. It is just an option to use the remaining 10% of the funds for households between 61-80% AMI.

17. What about people who are at 30%, where do they get served?

The statement referenced in Question 16 does not preclude 100% of the funds being used for households at 30% AMI. In fact, over the past ten years, more than half of the CDD funded rental housing units serve households at or below 30% CMI. This occurs mostly through rental housing development assistance to agencies such as Porchlight, the YWCA, Housing Initiatives, Movin' Out, Inc., The Road Home, Independent Living, Rodney Scheel House, Wexford Ridge and Quaker Housing.

For more detailed tables of CMI & HUD income limits, go to:

http://www.cityofmadison.com/cdbg/doc_library.htm

18. Am I correct that very low income = <30% AMI, low income is 30 - 50% AMI, moderate income is 50 - 80%AMI? or did I get that screwed up . . . I want to make sure my terminology is the same as yours and I know it has created problems in the past with HUD programs using different definitions.

Extremely Low Income = 0-30%, Very Low Income =31-50% & Low Income = 51-80%

19. I don't understand the %s in the charts on page 14 of the report (17 in the pdf), what are the percentages referring to under the columns? If I understand it correctly, and I'm not sure I do, is this modified from time to time by staff? For instance, ESG funds being used in the X area?

The percentages refer to the percent of anticipated funds available that are targeted to the specific objective. For example, it is proposed that 34% of the 2013 CDBG available funds will be targeted to owner-occupied rehab projects. It is updated with each Framework based on the proposed priorities.

Objective Area X is funded with both City levy and ESG Funds (now Emergency Solutions Grant). Agencies may qualify for both funding sources. How these funds are divided depends on numerous variables (applications, availability, eligibility, etc.) in each funding cycle.

20. Are you no longer buying the IZ houses when they come back on the market? Seems like a waste to let those 40 affordable housing units go.

The adopted 2011 City budget closed the Inclusionary Zoning Special Revenue Fund, and deposited the remaining balance in the General Fund. There are no alternative funds set aside currently to purchase any of the IZ units. A homebuyer will have to

contact the Community Development Division when attempting to sell and a review will be completed with the CDA to see if the City of Madison is interested in buying the unit.

21. Did you get the plan to affirmatively further fair housing done yet?

The CDD has a consultant contract to complete the Analysis of Impediments to Further Fair Housing. We expect to have the Final Report by late Spring or early Summer.

22. Why are you doing this? Does it add requirements to the fund? What is the purpose of the move to this fund?

“Funds from the Affordable Housing Trust Fund shall be allocated to the Housing Development Fund.”

This simply specifies that the Affordable Housing Trust Fund funding process will not be part of the “Summer Funding Process” and instead be part of SECTION 5 which describes the use of an RFP process to allocate AHTF funds.