

**2009 STAFF REVIEW OF PROPOSALS FOR
COMMUNITY/NEIGHBORHOOD DEVELOPMENT RESERVE FUNDS
(Housing Development Funds, Affordable Housing Trust Funds, Facility Acquisition/Rehab Funds, Futures
Funds)**

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1. **Project Name/Title:** Timothy J. Johnson Loan Reduction
2. **Agency Name:** Project Home, Inc.
3. **Requested Amount:** Reduction of \$22,000
4. **Project Type:** New or Continuing
5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**
D: Rental Housing; Expand the number of affordable housing rental units and/or improve the quality and/or diversity of units available to lower income individuals throughout the community.
6. **Product/Service Description:**
Tim Johnson provides two units of affordable rental housing for low-income households at a four unit building at 5714 Russett Rd. He received a loan of \$62,000 in CDBG funds to purchase the building in 2003. .
7. **Anticipated Accomplishments (Numbers/Type/Outcome):**

8. Staff Review:

Tim Johnson received \$62,000 in CDBG funds through the Neighbor Owned Affordable Housing (NOAH) program. One of the conditions of that program was that he rent two of the apartments to low-income tenants at affordable rent. Another condition was that he live in the building himself. Mr. Johnson plans to move from the building in December 2009 so will be obligated to repay the City loan at that time.

The CDBG loan is a long-term deferred loan with repayment equal to 19.63% of the appraised value of the property or \$62,000 whichever is higher. The property has decreased in value from \$315,800 in 2003 to \$296,000 in February 2009 so the amount due will be \$62,000. The City's mortgage is second to a first mortgage of \$202,000.

Mr. Johnson has requested that the City either forgive the CDBG loan entirely or reduce the amount due to \$15,000 for the following reasons:

- He charged lower rent for the apartments than allowed in order to provide affordable rental housing
- He believes the 12% interest allowed if he defaults on the loan to be excessive.
- A lower loan repayment would make it easier for him to repay the loan and move out of state to be near his family
- He would like compensation for his many volunteer efforts in the neighborhood

Total Cost/Total Beneficiaries Equals:

CD Office Funds/CD-Eligible Beneficiaries Equals:

CD Office Funds as Percentage of Total Budget:

Staff recommendation:

9. Deny Mr. Johnson's request to reduce the amount due on the CDBG loan. The conditions of the NOAH program were set in 2003 before the loan was approved and should not be changed now. There appears to be enough value in the property to repay the first mortgage lender and the City. While Mr. Johnson has provided excellent volunteer service to the neighborhood, that service was not connected to the CDBG loan.

Technical and Regulatory Issues	Project information
Within unit, capital, mortgage limits	Yes
Within Subsidy layering limits/ analysis	Yes
Environmental Review issues	No
Eligible project	Yes
Conflict of interest	No
Church/State issues	No
Accessibility of program	No
Accessibility of structure	No
Lead-based paint issues	No
Relocation/displacement	No
Zoning restrictions	No
Fair Labor Standards	No
Vulnerable populations	Yes
Matching Requirement	No
Period of Affordability for HOME funds	No
Site and neighborhood Standards	Ok
Supplanting issues	No
Living wage issues	No
B.A.D. building process	No
MBE goal	No
Aldermanic/neighborhood communication	No
Management issues:	No