

CITY OF MADISON

INTER-DEPARTMENTAL

CORRESPONDENCE

TO: CDBG Commission
FROM: CDBG Office Home Owner Team
SUBJECT: Removal of the Resale and LURA Requirement for Homeowner Loans
DATE: January 23, 2009

Recommendation:

For the 2009/2010 Program Framework, and any new CDBG Office 2009 contracts, the Home Owner Team recommends that the requirement that a Land Use Restriction requiring the resale of a property to another LMI household be taken on the property be eliminated, but that requirement for repayment of the City assistance at the full appreciated value be retained. We would continue to require a promissory note and mortgage be taken on each assisted property to assure repayment of the City's long term deferred loan at the time of sale.

Background:

The HUD HOME regulations require that a family, at sale of their unit, either sell the property to an LMI owner (resale) or repay the amount of HUD funds provided as assistance (recapture).

To date we have required a family to resell to another income eligible family and have used the funds they repaid to us from our acquisition loan to assist in that sale. We have determined that requiring resale to an income eligible household places an undue burden on families because they cannot sell their units to any willing buyer but must find an income-qualified buyer.

Our recommended change in terms will continue to meet HUD's resale/recapture requirement for HOME funds while meeting two City goals. First, we believe it will assist agencies such as OFS to sell developed properties and second, we believe it will make the sale and transfer of those properties easier for the original buyers at the point in the future when they want to sell.

Thank you for your consideration of this change.