



CITY OF MADISON

**Community
Development
Division**

CDBG

2015-2016
COMMUNITY DEVELOPMENT PROGRAM
GOALS AND OBJECTIVES
(Framework)

Adopted by the Common Council on XX/XX/2014

PROPOSED FINAL
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CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION

2015-2016 COMMUNITY DEVELOPMENT PROGRAM GOALS AND OBJECTIVES [\(Framework\)](#)

CONTENT

This two-year Goals and Objectives document is organized into four sections:

1. Introduction to Goals and Objectives
2. Priorities, Strategies and Conditions
3. General Criteria and Cross-cutting Requirements
4. Allocation of Funds and Application Process

Questions or comments and suggestions about these Goals and Objectives are always welcome.



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SECTION 1: INTRODUCTION TO GOALS AND OBJECTIVES

This document is a proposed plan of action intended to guide the use of specified financial resources available to the City of Madison's Community Development Division. The purpose of the Community Development Program is to help to make Madison **"a more viable urban community by providing decent housing, a supportive living environment and enhanced economic opportunities for low- and moderate-income persons (defined as individuals/households whose incomes do not exceed 80% of the area median income)."** The Program aims to aid and support the efforts of non-profit organizations, businesses, neighborhood groups, labor unions, funding partners, [volunteers, other governmental entities](#) and ~~others~~ [the general community](#) to plan, develop and invest in projects which contribute to the goals and objectives set forth in the City's Consolidated Plan. The Consolidated Plan is a longer-term (5-year) planning document formulated by the City's CDBG Committee, the Mayor, and Common Council in consultation with Madison citizens. Its content also reflects and reinforces the City's broader goals and objectives articulated within its Comprehensive Plan and related neighborhood plans.

This document sets forth the three primary goal areas and eight objectives upon which available funds will be focused. They address community needs related to affordable housing, economic development and employment, and neighborhood assets. The document also describes how the City will allocate the nearly \$2.5 million it anticipates receiving in new federal awards and \$1.8 million in City levy in 2015 and 2016 to support these goals and objectives. The funds are derived from three Federal programs administered by the Department of Housing and Urban Development (the Community Development Block Grant Program, the HOME Investment Partnerships Program and the Emergency Solutions Grant Program.) Importantly, the \$4.3 million total is an estimate of new funds that will be available from these sources. The City's actual awards will hinge on decisions made by Congress and Common Council as part of future federal and City budget deliberations.

Funds administered by the City, with some exceptions, will be made available for use by eligible organizations through a two-year funding application process. That process is detailed in the following pages. It includes descriptions of the conditions and criteria that will guide and govern funding decisions and the use of program dollars from all sources. It also identifies regulatory requirements that will accompany receipt of awards.

Copies of Five-Year Consolidated Plans are available on the City's website at www.cityofmadison.com/cdbg or may be obtained from the CDD by calling 266-6520 or e-mailing cdbg@cityofmadison.com.

**CDD GOALS AND OBJECTIVES
2015-2016**

Primary Goal Area	Objective (Action/Target Group)
1. AFFORDABLE HOUSING: <i>Provide decent, safe, sanitary and affordable housing opportunities for low- and moderate-income households in order to enhance household, neighborhood and community stability.</i>	1.1 Housing Supply Preserve, improve and expand the supply of affordable housing for homeowners and renters.
	1.2 Housing Assistance Improve housing stability for homebuyers, renters, homeless and special needs populations.
2. ECONOMIC DEVELOPMENT & EMPLOYMENT OPPORTUNITIES: <i>Expand employment opportunities and enhance neighborhood vitality by supporting new and existing businesses.</i>	2.1 Job Creation and Community Business Development Create jobs, particularly for underrepresented individuals, by supporting new or expanding businesses.
	2.2 Small Business Development Assist entrepreneurs, particularly those from populations that are underrepresented, seeking to start or grow small businesses and micro-enterprises (as defined by HUD) that create jobs.
	2.3 Adult Workforce Preparedness Provide needed support and opportunities to help individuals overcome barriers to gainful employment and achieve economic stability.
3. STRONG & HEALTHY NEIGHBORHOODS: <i>Strengthen neighborhoods through strategic investments in physical assets and amenities like neighborhood centers, community gardens or other community facilities, as well as other planning and revitalization efforts.</i>	3.1 Neighborhood Centers & Community Gardens Create, enhance, or sustain the development and operation of physical assets, such as neighborhood centers, community gardens or other physical amenities that help bring people of diverse backgrounds together, serve as neighborhood focal points, or help residents develop skills or take advantage of opportunities that will strengthen neighborhoods.
	3.2 Capital Improvements for Community Organizations Create or improve safe, accessible, energy efficient and well-maintained community and neighborhood facilities.
	3.3 Neighborhood Revitalization Plans & Projects Help residents within designated neighborhoods identify, plan for and implement projects and activities that promise to enhance the quality of life for neighborhood residents.
<u>ADMINISTRATION:</u>	<u>Administer the Community Development program to meet the community needs and funder requirements.</u>

SECTION 2: PRIORITIES, STRATEGIES AND CONDITIONS

The following section describes in more detail the priorities, strategies and conditions associated with each goal and objective of the Community Development Program.

GOAL ONE: AFFORDABLE HOUSING

Provide decent, safe, sanitary and affordable housing opportunities for low- and moderate-income households in order to enhance household, neighborhood and community stability.

OBJECTIVE 1.1: Housing Supply

Preserve, improve and expand the supply of affordable housing for homeowners and renters.

Priorities and Strategies

1. Target assistance geographically to:
 - a. Maximize access to jobs, [workforce housing](#), transit, [education](#), and other key amenities,
 - b. Implement neighborhood revitalization plans,
 - c. Stabilize or improve areas of priority to the City, including NRTs, and/or
 - d. Promote dispersion of assisted housing units.
2. Increase the supply of rental units, especially:
 - a. For larger families needing affordable 3+ bedroom units,
 - b. For individuals needing affordable single room occupancy (SRO) or efficiency units,
 - c. With supportive services for special populations.
3. Expand homeownership opportunities.
4. Maintain affordability of housing stock through energy efficiency and/or accessibility improvements.
5. Improve safety through lead paint and asbestos mitigation.
6. Assist low- and moderate-income homeowners to continue to live in housing.

Owner-Occupied Housing Rehab

Conditions

1. Subsidies provided to homeowners through a minor home repair program shall not exceed \$3,600 in any 10-year period.
2. Loan assistance to homeowners for substantial rehab projects shall not exceed \$19,000. In addition to this amount, projects may also receive up to \$8,000 for energy efficiency improvements and up to \$12,000 for lead paint reduction or asbestos mitigation to reflect the additional rehab expenses for these activities. Any one project may not receive more than \$32,000.
3. Funds may not be used to repair or rehab a home in which the owner has previously received assistance through CDD-funded ownership assistance programs (excluding the Green Madison / REEIP programs). CDD staff may allow for individual exceptions to this one-time use restriction in circumstances where the repair is for accessibility improvements or for unforeseen repair needs, if deferral would result in further damage to the property and/or noncompliance with City housing codes, or would cause undue hardship. In instances where rehab or repair funds are provided to previously assisted homeowners, the total amount of the combined assistance shall not exceed \$54,000 (up to \$60,000 for cases involving lead paint, asbestos mitigation and energy efficiency).

4. The CDD shall secure amounts of assistance greater than \$3,600 with a mortgage and a promissory note. Subsidies of \$3,600 or less provided to existing homeowners are considered a grant and do not require a mortgage or promissory note.
5. All projects must comply with the relevant funding source requirements. The CDD will require that HOME-funded projects comply with the regulations in 24 CFR part 92, HOME Investment Partnerships Program, as amended, and that CDBG-funded projects comply with the regulations in 24 CFR 570 Community Development Block Grant, as amended. These federal regulations include, but are not limited to, the following:
 - a. Funds may be used only for housing units which do not exceed the HOME assessment limit designated by the Federal Department of Housing and Urban Development (HUD).

Owner-Occupied Housing Development

Conditions

1. The CDD will evaluate each proposal based on the project's contribution to increase the affordable housing stock, project's financial need, leverage of other resources, developer capacity, project readiness, 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.
2. Projects that incorporate accessibility or energy efficiency into the design or involve lead paint reduction or asbestos mitigation shall be considered for an amount greater than \$54,000 per unit based on increased costs to provide these features, up to a maximum total of \$60,000 per unit. This maximum of \$60,000 per unit will include the total of all federal, state and local funds provided by the CDD. The CDD may also offer a higher amount per unit as temporary financing to reduce holding costs.
3. 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.
4. A minimum of 85% of all funds received shall be applied to capital costs as defined by the CDD including acquisition and closing costs, rehabilitation, labor and materials, design and engineering costs. A maximum of 15% of the total CDD funds received may be applied to developer fees and other soft costs.
5. The CDD shall secure funding for capital costs with a promissory note and mortgage in the form of a non-recourse loan and a Land Use Restriction Agreement (LURA) if required by funding source. Funds will be provided in the form of a long-term deferred loan payable upon sale of the property, transfer or change of use of the property. The loan terms in the promissory note may be transferred to home owner.
6. All projects must comply with the relevant funding source requirements. The CDD will require that HOME-funded projects comply with the regulations in 24 CFR part 92, HOME Investment Partnerships Program, as amended and that CDBG-funded projects comply with the regulations in 24 CFR 570 Community Development Block Grant, as amended. These federal regulations include, but are not limited to, the following:
 - a. An agency designated as a developer cannot provide direct down payment assistance to individual homeowners purchasing the property unless it is a certified Community Housing Development

- Organization (CHDO) with the CDD or has both Developer and Sub-recipient contracts for each housing project as applicable.
- b. All new homebuyers receiving a CDD loan will be required to attend a CDD-approved homebuyer education class. Homebuyers will be required to submit a homebuyer education certificate of completion to the CDD prior to closing.
 - c. Development of owner-occupied housing cannot exceed the HOME purchase price or value limit designated by the Federal Department of Housing and Urban Development (HUD).
 - d. Home ownership dwellings must be transferred to owner-occupied status within nine (9) months of construction completion.
 - e. Developers must comply with CD Division Underwriting Guidelines for all loans provided to owner-occupied dwellings.
 - f. All rehabilitation work must meet the CDD Rehabilitation Standards and prior to closing the housing units must meet all applicable City of Madison minimum housing standards and building codes.
 - g. COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) HOUSING: 15% of the aggregate HOME funds available to the City are reserved for projects administered by agencies which meet the HUD definition of a Community Housing Development Organization (CHDO), as defined in 24 CFR Part 92. The City may consider appropriate CHDO-sponsored, -managed or -owned projects for predevelopment or technical assistance loans.

Rental Housing Development

Conditions

1. The CDD will evaluate each proposal based on the project's contribution to increase the affordable housing stock, project's financial need, leverage of other resources, developer capacity, project readiness, 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.
2. Projects that incorporate accessibility or energy efficiency improvements into the design, involve lead paint reduction or asbestos mitigation shall be considered for an amount greater than \$54,000 per unit based on increased costs to provide these features, up to a maximum investment of \$60,000 per unit. The maximum of \$60,000 per unit will include the total of all federal, state and local funds provided by the CDD. The CDD may also offer a higher amount per unit as temporary financing to reduce holding costs. Projects involving construction of new affordable rental units shall be considered for an additional investment of up to \$10,000 per unit, up to a maximum investment of \$70,000 per unit.
3. Projects may not exceed total secured loan-to-value ratio greater than 115% from all sources. Projects in areas of priority to the City, including Neighborhood Resource Team (NRT) areas, may be allowed up to 125% secured loan-to-value ratio.
4. A minimum of 85% of all funds received shall be applied to capital costs as defined by the CDD including acquisition and closing costs, labor and materials, design and engineering costs. A maximum of 15% of the total CDD funds received may be applied to developer fees and other soft costs.
5. The CDD shall secure funding for capital costs with a promissory note and a mortgage in the form of a non-recourse loan and a Land Use Restriction Agreement (LURA) if required by a funding source. Funds will be provided in the form of a long-term deferred loan payable upon sale of the property, transfer, or change in

the use of the property. The promissory note will require one of the following loan terms, to be requested at the time of project application:

Option 1: Long-term deferred loan payable upon sale, transfer or change in the use of the property. The promissory note will require repayment of either a percent of the appraised value after-rehab or construction based on the amount of the CDD funds invested in the property or a percentage of the net proceeds, whichever is less.

Option 2: Long-term deferred loan, plus 2% accrued simple interest, payable upon sale, transfer or change in the use of the property. Repayment will be equal to the amount of the CDD funds invested plus 2% simple interest accrued over the life of the loan.

6. A developer's proposal should include a minimum of 5% of the total development costs in equity or a first mortgage.
7. Existing not-for-profit housing is eligible only for funds available through the Housing Development Reserve Fund (see Section 4 of this document).
8. The CDD will not consider investments in projects that convert owner-occupied units to rental units.
9. All projects must comply with the relevant funding source requirements. The CDD will require that HOME-funded projects comply with the regulations in 24 CFR part 92, HOME Investment Partnership Program, as amended, and that CDBG-funded projects comply with the regulations in 24 CFR 570 Community Development Block Grant, as amended. These federal regulations include, but are not limited to, the following:
 - a. Funds will be applied to the acquisition, construction and/or rehab of permanent or transitional rental housing with rents at or below the HOME rent levels.
 - b. At least 90% of the HOME-assisted units 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.
 - c. Housing (after rehab) must meet the Community Development Division Rehabilitation Standards and all applicable City minimum housing standards and building codes.
 - d. Newly constructed housing projects will be:
 - i. located in areas of the city which do not have a high concentration of lower-income housing unless the project is necessary to meet overriding housing needs that cannot be met elsewhere in the city, or
 - ii. part of a larger neighborhood revitalization effort.
 - e. COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) HOUSING: 15% of the aggregate HOME funds available to the City are reserved for projects administered by agencies which meet the HUD definition of a Community Housing Development Organization (CHDO), as defined in 24 CFR Part 92. The City may consider appropriate CHDO-sponsored, -managed or -owned projects for predevelopment or technical assistance loans.

OBJECTIVE 1.2: Housing Assistance

Improve housing stability for homebuyers, renters, homeless and special needs populations.

Priorities and Strategies

1. Target assistance geographically to:
 - a. Maximize access to jobs, [workforce housing](#), transit, [education](#), and other key amenities,
 - b. Implement neighborhood revitalization plans, and/or
 - c. Stabilize or improve areas of priority to the City, including NRTs.
2. Expand homeownership opportunities.
3. Stabilize renter households.
4. Reduce the number of homeless individuals and families.
5. Prevent at-risk households from becoming homeless.
6. Equip individuals with the information and/or skills necessary to obtain and maintain stable housing.
7. Reduce barriers to fair housing choice.

Homebuyer Assistance

Conditions

1. Sub-recipient agencies will be limited to a maximum amount of \$36,000 per unit of down payment assistance. Of this amount, up to ~~40~~15% of the [total funds](#) awarded may be used toward service delivery costs.
2. The CDD shall secure funding with a mortgage in the form of a non-recourse loan. Funds will be provided in the form of a long-term deferred loan payable upon sale of the property, transfer or change in use of the property. The promissory note will require a repayment of a percent of the appraised value based on the amount of the CDD funds invested in the property or net proceeds, whichever is less.
3. All projects must comply with the relevant funding source requirements. The CDD will require that HOME-funded projects comply with the regulations in 24 CFR part 92, HOME Investment Partnerships Program, as amended, and that CDBG-funded projects comply with the regulations in 24 CFR 570 Community Development Block Grant, as amended. These federal regulations include, but are not limited to, the following:
 - a. Funds may be used only for housing units which do not exceed the HOME purchase price or value limit designated by the Federal Department of Housing and Urban Development (HUD).
 - b. Loans must comply with CD Division Underwriting Guidelines for all loans provided to owner-occupied dwellings.
 - c. All new homebuyers receiving a CDD loan will be required to attend a CDD-approved homebuyer education class. Homebuyers will be required to submit a homebuyer education certificate of completion prior to closing.
 - d. Prior to closing, the housing must meet all applicable City minimum housing standards and building codes.

Homeless and Special Needs Populations

Conditions

1. Projects must strengthen the area's Continuum of Care (CoC) for homeless people, including outreach to homeless persons on the street; support services to homeless persons in emergency shelter, transitional

housing, and permanent supportive housing; provide assistance to prevent homelessness for households at-risk; and/or provide financial assistance to help people obtain and maintain housing.

2. All projects must comply with the relevant funding source requirements. The CDD will require that ESG-funded projects comply with 24 CFR 576 Emergency Solutions Grant, as amended, and that Continuum of Care funded projects comply with 24 CFR 578. These regulations include, but are not limited to, the following: eligible recipients, program design, documentation standards and match requirements.

Preferences

- ~~1.3.~~ The Committee will also show give preference to proposals designed to:
 - a. Develop long-term solutions that assist homeless individuals in gaining the skills necessary to obtain and maintain stable housing; and/or
 - ~~2.b.~~ Incorporate HUD's Rapid Re-Housing model to move homeless persons into stable housing as quickly as possible, while providing a full complement of support services and financial assistance; and/or
 - ~~3.c.~~ ~~The Committee will give preference to proposals that~~ incorporate the Housing First Model to prioritize moving homeless persons into stable housing without conditions of sobriety, income or service participation; and/or
 - ~~4.d.~~ ~~The Committee will give preference to proposals that p~~rovide services to homeless persons with multiple barriers to housing, and ~~that~~ prioritize serving homeless persons who have been homeless the longest.

Housing Resources

Conditions

1. Funds will be targeted to the operating costs of projects which provide information or other non-monetary resources to low- and moderate-income persons, such as housing counseling, training, legal advocacy or mediation.
2. The Committee will consider projects that equip individuals with the skills needed to improve housing tenure.
3. The Committee will consider projects which either address broader housing opportunities for people of all races, non-English speakers and other protected classes, fair housing goals, or activities which support the access to affordable housing opportunities throughout the community.

GOAL TWO: ECONOMIC DEVELOPMENT & EMPLOYMENT OPPORTUNITIES

Expand employment opportunities and enhance neighborhood vitality by supporting new and existing businesses.

OBJECTIVE 2.1: Job Creation and Community Business Development

Create jobs, particularly for underrepresented individuals, by supporting new or expanding businesses.

Priorities and Strategies

1. Target assistance geographically to:
 - a. Maximize access to jobs, [affordable housing](#), transit, and other key amenities,
 - b. Implement neighborhood revitalization plans,
 - c. Stabilize or improve areas of priority to the City, including NRTs,
 - d. Contribute to the viability of neighborhoods, and/or
 - e. Provide employment opportunities to neighborhood residents.
2. Create living wage jobs.

Conditions

1. Projects will target the development of jobs, 70% of which pay at least the City's living wage and provide training and advancement opportunities.
2. The CDD will require the recipients of loans or equity investments agree to create, at a minimum, one full-time job for every \$35,000 of CDBG funds received (Table 1). At least 51% of the jobs created must be filled by low- and moderate-income persons. Positions need to be created and filled within 2 years and will be tracked for the length of the loan.

Table 1

Amount of Assistance	Number of Jobs Created
\$1 - \$35,000	1
\$35,000 - \$70,000	2
\$70,001 - \$105,000	3

3. Projects funded must have a well developed business plan that considers, among other things: focus of the business and intended customer base, expected costs and revenues, a particular sector of the economy ("green" jobs, etc.), a particular stage of development (start-up business, second stage business, etc.) and size of business (number of employees).

OBJECTIVE 2.2: Small Business Development

Assist entrepreneurs, particularly those from populations that are under-represented, seeking to start or grow small businesses and micro-enterprises (as defined by HUD) that create jobs.

Priorities and Strategies

1. Target assistance geographically to:
 - a. Maximize access to jobs, [affordable housing](#), transit, and other key amenities,
 - b. Implement neighborhood revitalization plans, and/or
 - c. Stabilize or improve areas of priority to the City, including NRTs.

Conditions

1. The Committee will fund non-profits that provide technical assistance or appropriate space for nascent businesses, or loans to individuals starting or operating micro-enterprises where:
 - a. The low- and moderate-income owner's job within the business is expected to become that individual's principal occupation within three years of provision of assistance, or
 - b. The micro-enterprise is expected to create at least one full-time equivalent (FTE) position for a low- and moderate-income person, other than an owner, within four years.

~~2. Assist potential entrepreneurs by providing extensive education opportunities for start-up and operational assistance to the small business for at least 3 years.~~

~~3.2.~~ Assistance to any micro-enterprise is limited to a three-year period which begins with the first CDBG-funded contact with the non-profit agency funded by the CDD. The CDD expects the non-profit to provide needed educational opportunities and operational assistance to start-up micro-enterprises for the full three-year period.

~~4.3.~~ The CDD will require the recipients of loans to create, at a minimum, one full-time job for every \$35,000 of CDBG funds received (Table 1). At least 51% of the jobs created must be taken by low- and moderate-income persons. Positions need to be created and filled within 2 years and will be tracked for the length of the loan.

Table 1

Amount of Assistance	Number of Jobs Created
\$1 - \$35,000	1
\$35,000 - \$70,000	2
\$70,001 - \$105,000	3

~~5.4.~~ Projects funded must have a well developed business plan that considers, among other things: focus of the business and intended customer base, expected costs and revenues, a particular sector of the economy ("green" jobs, etc.), a particular stage of development (start up business, second stage business, etc.), and size of business (number of employees).

OBJECTIVE 2.3: Adult Workforce Preparedness

Provide needed support and opportunities to help individuals overcome barriers to gainful employment and achieve economic stability.

Priorities and Strategies

1. Seek to align activities to support the Mayor's Employment Initiative.
2. Provide quality employment related training and skill building opportunities that connect unemployed, underemployed, and underrepresented individuals to employment opportunities.
3. Provide supplemental services to increase likelihood of success, e.g., case management, job mentoring, transportation and childcare.

Conditions

1. The Committee will consider activities that connect residents to job training opportunities leading to permanent employment, and that continue to support the individual for at least six months.

2. The project will track the number of jobs obtained by participants, along with job titles and wage information.

GOAL THREE: STRONG & HEALTHY NEIGHBORHOODS

Strengthen neighborhoods through strategic investments in physical assets and amenities like neighborhood centers, community gardens or other community facilities, as well as other planning and revitalization efforts.

OBJECTIVE 3.1: Neighborhood Centers & Community Gardens

Create, enhance, or sustain the development and operation of physical assets, such as neighborhood centers, community gardens or other physical amenities that help bring people of diverse backgrounds together, serve as neighborhood focal points, or help residents develop skills or take advantage of opportunities that will strengthen neighborhoods.

Priorities and Strategies

1. Target assistance geographically to:
 - a. Implement neighborhood revitalization plans, and/or
 - b. Stabilize or improve areas of priority to the City, including NRTs.

Conditions

1. Projects must demonstrate coordination with other community groups, service providers, and the support and participation of neighborhood residents.
2. Projects must demonstrate that their service area contains a minimum of 51% low- and moderate-income individuals, or at least 51% of their participants are low- and moderate-income individuals.

OBJECTIVE 3.2: Capital Improvements for Community Organizations

Create or improve safe, accessible, energy efficient and well-maintained community and neighborhood facilities.

Priorities and Strategies

1. Target assistance geographically to:
 - a. Implement neighborhood revitalization plans, and/or
 - b. Stabilize or improve areas of priority to the City, including NRTs.
2. Focus on major, large impact projects that leverage other funds.

Conditions

1. Funds will be used for the acquisition and/or rehabilitation of the nonresidential facilities of agencies that can demonstrate that a minimum of 51% of their customers are both low- and moderate-income persons and City of Madison residents.
2. The City will provide assistance in the form of a non-recourse, deferred payment loan that will be due and payable upon the sale, transfer, or change in use of the property. The CDD will secure the loan with a promissory note and a mortgage on the property. The promissory note will require one of the following loan terms to be requested at the time of application:

Option 1: Long-term deferred loan payable upon sale, transfer or change in the use of the property. The promissory note will require repayment of a percent of the appraised value based on the amount of the CDD funds invested in the property or net proceeds, whichever is less.

Option 2: Long-term deferred loan, plus 2% accrued interest, payable upon sale, transfer or change in the use of the property. Repayment will be equal to the amount of the CDD funds invested plus 2% accrued interest over the life of the loan.

3. Deferred payment loans to neighborhood centers shall include a City option to purchase the property or to find another agency to operate the project.
4. For agencies renting space, the City may provide up to \$25,000 as a ten-year forgivable loan (the approximate period of depreciation for many improvements), unless the property owner will secure the loan with a mortgage on the property. Agencies renting space will be asked to provide a ten-year lease from the owner instead of a mortgage on the property.
5. The maximum cumulative amount that will be provided per property is \$150,000, or \$25,000 for property that is leased.
6. The City will not fund projects smaller than \$25,000, except in the case of ESG funds.
7. In the interest of promoting longer-term maintenance and planning, the City will limit agencies to one application per property in a 3-year period.
8. Funds to address this objective are available through the Acquisition/Rehab Reserve Fund. (See Section 4, Reserve Funds.)

OBJECTIVE 3.3: Neighborhood Revitalization Plans & Projects

Help residents within designated neighborhoods identify, plan for and implement projects and activities that promise to enhance the quality of life for neighborhood residents.

Priorities and Strategies

1. Target assistance geographically to:
 - a. Implement neighborhood revitalization plans, and/or
 - b. Stabilize or improve areas of priority to the City, including NRTs.

Conditions

1. The Committee will reserve funds solely for use within an eligible CDD-designated neighborhood/census tract(s). Designated neighborhoods/census tracts shall be selected by the Committee using a variety of criteria, such as demographics of the neighborhood, other data from Neighborhood Indicators, other active initiatives, neighborhood changes and date of last plan (if one exists), existing neighborhood resources and potential opportunities.
2. The Committee will provide planning funds for a 1-year period for each designated neighborhood/census tract, to include appropriate technical assistance for increasing the capacity of the neighborhood, and planning assistance for preparation of a neighborhood plan or assistance in updating an existing neighborhood plan followed by a period of project funding.
3. The Committee will provide project funds for a 2-year period, for proposals submitted by a qualified entity sponsored by a City-designated neighborhood committee in the designated census tract(s) with a Council-approved neighborhood plan.

4. The Committee will provide funds to capitalized projects which are either one-time or will demonstrate self-sufficiency after the period of CDBG assistance. Projects categorized by HUD as planning/administrative or “public service” are not eligible.
5. Capital and infrastructure projects normally funded by the City as part of the capital budget process are not eligible except for projects addressing accessibility or those providing the neighborhood share of Madison Arts Committee projects or neighborhood park improvements.
6. Projects must be consistent with the neighborhood plan or update developed by the neighborhood committee and approved by the Common Council. Neighborhoods will be encouraged to recommend projects that address interrelated issues within a comprehensive strategy and which generate a long-term positive impact on the neighborhood.

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SECTION 3: GENERAL CRITERIA & CROSS-CUTTING REQUIREMENTS

The CDD will require projects to meet these national, state and local cross-cutting regulatory requirements, where applicable:

1. Serve low- and moderate-income (LMI) persons.
2. Take affirmative steps to utilize contract with minority, women, and disadvantaged business enterprises (M/W/DBEs).
3. Comply with the goals and requirements of the City's Section 3 Program, which seeks to extend employment, training and contracting opportunities to low- and moderate-income people and businesses.
4. Promote affirmative action, non-discrimination and equal opportunity for all citizens.
5. Comply with physical accessibility standards.
6. Minimize negative environmental impacts, and comply with environmental review requirements.
7. Comply with Federal Fair Labor Standards, and local Living Wage requirements.
8. Affirmatively further fair housing, housing diversity, and housing choices.
9. Reduce lead paint hazards using certified inspectors, supervisors, workers and companies, as well as established lead safe work practices when required.
10. Reduce hazards caused by asbestos and asbestos-containing materials and/or remove asbestos and asbestos-containing materials using a certified asbestos abatement supervisor and a certified asbestos worker.
11. Minimize both the direct and indirect displacement of persons and/or businesses. Where appropriate, the CDD will adhere to the state and federal assistance levels and procedures. The CDD will also use its funds only in projects that minimize the demolition of affordable housing units or their conversion to another use.
12. Design program operations to safeguard vulnerable populations, such as young children and frail elderly people.
13. Avoid conflict of interest situations, and comply with anti-lobbying requirements. Note: If a group is seeking approval of a development that has over 40,000 gross square feet of non-residential space, or a residential development of over 10 dwelling units, or if a group is seeking assistance from the City with a value of over \$10,000 (this includes grants, loans, TIF or similar assistance), then the group is likely to be subject to Madison's lobbying ordinance, sec. 2.40 MGO. The group is required to register and report its lobbying. Please consult the City Clerk for more information. Failure to comply with the lobbying ordinance may result in fines of \$1,000 to \$5,000.
14. Adhere to the constitutional and regulatory provisions of separation of church and state and avoidance of public funding of inherently religious activities.

SECTION 4: ALLOCATION OF FUNDS AND APPLICATION PROCESS

4.1 Table of 2015-2016 Preliminary Allocations

The following table represents a preliminary estimate of new funds that the City expects to be available from the three major Federal programs administered through the Department of Housing and Urban Development (Community Development Block Grant, HOME and Emergency Solutions Grant) and City of Madison funds. The estimate of total funds available, annually, in 2015 and 2016 is \$4,280,000. Funding from the federal programs constitutes the largest share of the total - \$2,480,000. City funds make up the remaining \$1,800,000. Receipt of federal funds is subject to budget decisions made by the Congress and the President. Actual awards to the City are determined only after finalization of the federal budget and certification by HUD of individual program totals. Thus the figures presented below represent only projections of future awards, and are subject to change.

Preliminary estimate of annual allocations										
	CDBG		HOME		HESG		City Levy		TOTAL NEW FUNDS	
	\$	%	\$	%	\$	%	\$	%	\$	%
GOAL 1: AFFORDABLE HOUSING	315,000	21.0%	765,000	90.0%	120,250	92.5%	450,000	25.0%	1,650,250	38.6%
1.1 Housing Supply	300,000	20.0%	620,500	73.0%	-	0.0%	-	0.0%	920,500	21.5%
<i>Housing Development Reserve Fund set-aside</i>	45,000	3.0%	85,000	10.0%	-	0.0%	-	0.0%	130,000	3.0%
1.2 Housing Assistance	15,000	1.0%	144,500	17.0%	120,250	92.5%	450,000	25.0%	729,750	17.1%
GOAL 2: ECONOMIC DEVELOPMENT & EMPLOYMENT OPPORTUNITIES	285,000	19.0%	-	0.0%	-	0.0%	576,000	32.0%	861,000	20.1%
2.1 Job Creation & Community Business Development	225,000	15.0%	-	0.0%	-	0.0%	-	0.0%	225,000	5.3%
<i>Economic Development Reserve Fund set-aside</i>	105,000	7.0%	-	0.0%	-	0.0%	-	0.0%	105,000	2.5%
2.2 Small Business Development	60,000	4.0%	-	0.0%	-	0.0%	-	0.0%	60,000	1.4%
2.3 Adult Workforce Preparedness	-	0.0%	-	0.0%	-	0.0%	576,000	32.0%	576,000	13.5%
GOAL 3: STRENGTHENING MADISON'S NEIGHBORHOODS	345,000	23.0%	-	0.0%	-	0.0%	702,000	39.0%	1,047,000	24.5%
3.1 Neighborhood Centers and Community Gardens	225,000	15.0%	-	0.0%	-	0.0%	702,000	39.0%	927,000	21.7%
3.2 Capital Improvements for Community Organizations	60,000	4.0%	-	0.0%	-	0.0%	-	0.0%	60,000	1.4%
<i>Acquisition/Rehab Reserve Fund set-aside</i>	60,000	4.0%	-	0.0%	-	0.0%	-	0.0%	60,000	1.4%
3.3 Neighborhood Revitalization Plans and Projects	60,000	4.0%	-	0.0%	-	0.0%	-	0.0%	60,000	1.4%
OVERALL PROGRAM ADMINISTRATION	555,000	37.0%	85,000	10.0%	9,750	7.5%	72,000	4.0%	721,750	16.9%
<i>Futures Fund set-aside</i>	15,000	1.0%	-	0.0%	-	0.0%	-	0.0%	15,000	0.4%

Regulatory Limitations on Federal Funds

The following limitations are placed, by HUD, on the use of federal program dollars:

- **CDBG funds –**
 - No more than 15% of new annual allocations of CDBG funds can be used for public services (as defined by HUD).
 - No more than 20% of new annual allocations of CDBG funds can be used for administrative/planning/fair housing activities.
- **HOME funds –**
 - No more than 10% of new annual allocations of HOME funds can be used for administration.
 - At least 15% of new annual allocations of HOME funds must be used to support activities carried out by certified CHDOs (Community Housing Development Organizations).
- **ESG funds –**
 - No more than 10% of new annual allocations of ESG funds can be used for administration. This includes 7.5% for general administration, plus a 2.5% required contribution for HMIS support.

In addition to the listed target allocations for new funds, the CDD will pursue and utilize any other available funds to help meet the objectives outlined in this document.

4.2 Allocation of New Funds Available During the Two-Year Process

The Community Development Program anticipates allocating the \$4,280,000 of new funds it expects to be available from federal and local sources as outlined on the table on the preceding page. The table indicates the percentage of total new funds targeted for allocation to each of the specified goals and objectives. The Program reserves the right for the CDBG Committee to alter these target allocations based on the quality of proposals received in response to a request for proposals that will be issued to solicit proposals to use these funds. The Committee also retains the right to reject, amend or negotiate specific terms on individual project proposals in the interest of strengthening their responsiveness to City goals.

Within the funding allocation plan outlined in the table on the previous page, the Community Development Program anticipates several different methodologies by which new funds will be committed:

Some funds will be designated, consistent with the regulatory framework of the programs, for program administration. For example, in recent years, the Committee has reserved 18% of the City's estimated CDBG allocation, 10% of the City's estimated HOME allocation, and 10% of the City's estimated federal ESG allocation for program administration. Due to the variable nature of program income figures used in the HUD formula for calculating the annual CDBG administrative cap, an additional 18% in CDBG funds has been set aside as part of an administrative "contingent reserve," which then uses a comparable amount of program income for project costs.

Another portion of new funding will be earmarked to provide continued support for ongoing programs and activities primarily administered by the City. It includes the following:

- Of the City's estimated total new HOME allocation, 5% is earmarked for the Deferred Payment Loan (DPL) program which helps low- and moderate-income homeowners finance needed repairs.
- Of the City's estimated total new HOME allocation, 12% is earmarked for the Home-Buy the American Dream program which provides downpayment assistance to qualified homebuyers.
- Of the City's estimated total new CDBG allocation, a minimum of 1% is earmarked for community gardens.
- Funds earmarked for Neighborhood Revitalization Projects & Plans are utilized for specific neighborhoods identified by the CDBG Committee and not part of the application process.

Remaining funds will be designated for use through a competitive funding process. The Committee will entertain proposals that reflect a variety of scenarios. Depending on the specifics of the proposals, it may commit funds through a 2-year contract for the period 2015-16, subject to a review of effective performance and the availability of continued funding (HUD or State), or it may award funds for a single year or on a year-by-year basis. The City and the CDBG Committee remain open to exploring longer term funding arrangements with community partners that afford stability to high quality, longer range projects or activities, and reduce burdens associated with renewing requests for continued funding. To this end, the Committee will continue to capitalize and recommend the establishment of long-term revolving funds where appropriate or will continue to seek and commit funds on a one- to four-year basis where the funding source or the nature of the project will permit such a commitment.

The CDBG Committee may also choose to hold some funds back from this process in order to establish or sustain one or more reserve funds to support specific goal or objective areas. The reserve funds provide opportunities to respond to unanticipated or short-lived needs or opportunities that arise outside of the biannual process. These funds are accessed outside of the biannual funding process and, subject to availability of funds, are available through a continuous (monthly or quarterly) application process.

4.3 Applications for Funds Available Outside of the Two-Year Process

Applications for all funds are available from the CDD. CDBG, ESG, and HOME funds shall be used to support the Housing Development Reserve Fund (including the Affordable Housing Trust Fund), the Economic Development Reserve Fund, the Acquisition/Rehab Reserve Fund, the Futures Fund, and the ESG/Homeless Capital Fund.

Housing Development Reserve Fund

Projects using CDBG, ESG, or HOME funds:

1. Projects must meet the development aspects of Objective 1.1 or address other needs identified by the Committee, and the relevant funding conditions of the particular funding source.
2. Funds are available anytime throughout the year contingent upon availability of funds. Applications should be submitted electronically to the CDD by 12:00 p.m. on the first Friday of the month, and will typically be reviewed by the CDBG Committee on the first Thursday of the following month. If electronic submittal is a barrier, the CDD will accept a typed application. The Common Council shall determine final approval for all recommended projects over \$25,000 to be assisted with Housing Development Reserve Funds; the Mayor shall determine final approval for all recommended projects \$25,000 or less.
3. Applications should be submitted at least four months prior to the planned acquisition or rehabilitation of the property to allow time for orderly decision making.
4. Proposals for this Housing Development Reserve Fund must identify a specific site address and be able to commit all funds within twelve months of Council approval. [Proposals to acquire and rehabilitate foreclosed properties may be approved without a specific site address contingent upon having identified a specific site within six months of Council approval and providing additional required project details as determined by staff.](#) The City will provide assistance solely to properties that are or will be owned by the applicant.

Projects using the Affordable Housing Trust Fund:

1. Projects must meet the conditions of the Affordable Housing Trust Fund ordinance and implementing procedures.
2. Applications will be available throughout the year and must meet the conditions of the Request for Proposal (RFP) document available on the City's website at www.cityofmadison.com/cdbg. Applications will be reviewed by the CDBG Committee. The Common Council shall determine final approval for all recommended projects over \$25,000; the Mayor shall determine final approval for all recommended projects of \$25,000 or less.

Economic Development Reserve Fund

1. Projects must meet Objectives 2.1 or 2.2. Projects that include acquisition and rehab of the property must also meet Objectives 2.1 or 2.2 and the cross-cutting regulations found in Section 3.
2. Funds for small business development and job creation are available anytime throughout the year contingent upon the availability of funds.
3. Applications should be submitted electronically to the CDD by 12:00 PM on the first Friday of the month and will be reviewed by the CDBG Committee on the first Thursday of the following month. If electronic submittal is

a barrier, the CDD will accept a typed application. The Common Council shall determine final approval for all recommended projects over \$25,000 to be assisted with Economic Development Funds; the Mayor shall determine final approval for all recommended projects of \$25,000 or less. Applications should be submitted at least four months prior to the planned acquisition or rehabilitation of property in order to allow time for orderly decision-making.

4. Proposals for this Economic Development Fund must identify a specific site address and be able to commit and expend all funds within twelve months of Council approval. The City will provide assistance solely to properties that are or will be owned by the applicant.
5. The CDD will secure its funding for capital costs with a promissory note and a mortgage in the form of a non-recourse loan. Funds will be provided in the form of a long-term deferred loan payable upon the sale, transfer, or change in use of the property. The promissory note will require a repayment equal to the amount of CDD funds invested or the percent of the appraised value after-rehab which the CDD funds represent in the value of the property, whichever is greater.

Acquisition/Rehab Reserve Fund

1. Projects must meet Objective 3.2.
2. The City will not fund projects smaller than \$25,000, except in the case of ESG funds.
3. Funds are available anytime throughout the year, contingent upon availability of funds. Applications should be submitted electronically to the CDD by 12:00 p.m. on the first Friday of the month, and will be reviewed by the CDBG Committee on the first Thursday of the following month. If electronic submittal is a barrier, the CDD will accept a typed application. The Common Council shall determine final approval for all recommended projects over \$25,000; the Mayor shall determine final approval for all recommended projects \$25,000 or less. Applications should be submitted at least four months prior to the planned acquisition or rehabilitation of the property.
4. Funds must be committed within twelve months of Council approval to a specific written agreement for acquisition or rehab work.

Futures Fund Reserve Fund

1. Projects must help a non-profit community agency develop a prototype, conduct a feasibility study, address a short-lived revitalization opportunity, or develop a new method or approach, while also addressing one of the Community Development objectives.
2. Funds can be applied toward capital or non-capital costs. These funds are limited due to HUD-imposed caps.
3. Funds will be limited to \$20,000 per project, and are provided in the form of a one-time grant.
4. Funds are available anytime throughout the year, contingent upon availability of funds. Applications should be submitted electronically to the CDD by 12:00 p.m. on the first Friday of the month, and will be reviewed by the CDBG Committee on the first Thursday of the following month. If electronic submittal is a barrier, the CDD will accept a typed application.

5. The Common Council shall determine final approval for all recommended projects over \$25,000; the Mayor shall determine final approval for all recommended projects \$25,000 or less. Applications should be submitted four months prior to the planned project.

ESG/Homeless Capital Fund

The City will facilitate an annual process with community services providers to develop and administer State ESG funds which meet the relevant objectives, preferences, and conditions of Objective 1.2.

Other Funding Sources

The City will also seek funds from sources other than those enumerated above and welcomes suggestions or the opportunities to co-sponsor or develop and administer those applications.

4.4 Timeline for Two-Year & Reserve Funding Process 2015-2016

MAJOR STEPS	PATH 1: 2-YEAR FUNDING PROCESS	PATH 2: RESERVE FUND PROCESS
Agency observes community needs and explores best methods to address those opportunities; Develops proposal concept, explores capacities to manage project, discusses concept with its governing board and potential partners; Discusses concept with staff of funding sources; Determines funding and project schedules.	Spring 2014	At least two months prior to application
Applications published/obtained from CDD	May 2014	One month prior to application
Agency submits application to CDD	June 2014	First Friday of the month by 12:00 p.m.
CDD staff reviews written application	June/July 2014	The second two weeks of month
Committee reviews written application	July/August 2014	The last week of month
Committee determines its recommendation		The first Thursday of the following month
Council determines its approval	October 2014	Generally 3-4 weeks following Committee recommendation, on either the first or third Tuesday of the month
CDD staff develops the contract	December 2014*	Three weeks after approval by the Council or the Mayor
Program/project begins	After January 1, 2015	After contract is executed

*Contracts for development projects requiring submission of site-specific information will be developed after review and approval by staff.