

5. 18287 Adopting a Community and Neighborhood Development Program Funding Framework as a guide to the CDBG Committee for the development of its funding recommendations for the 2011 - 2012 budgets.

Rood reviewed the new copy of the Framework including the summary of changes, (See Summary Sheet).

Whitesel moved approval subject to technical audit. Chouhury seconded.

Unanimous approval.

Clingan suggested the Committee review the Third Sector memo relative to their recommended per unit amount.

Clingan said that as we became more adept, we started looking at how much was required to make homes affordable. He said that approximately 25% HUD HOME limit is how much it might take to make homes affordable.

Clingan noted the \$223,250, which 15% is administrative (service delivery or administrative costs) and \$45,000 was the actual cost for capital costs of the units; the IZ cost projection model was used.

Clingan said he always presumes that agencies would bring other available money as we would not be the only funding source.

Clingan said he still believes in per unit limit as an agency since it works.

O'Callaghan said the explanation was helpful, but wondered what the average cost would be to subsidize units for agencies and what would the gap be between what they can do and what we give to them.

Constans said this varies from agency to agency based on the model.

Rummel appreciated the work that was done to come up with answers to the various questions.

Rummel noted that the Housing Diversity Committee has a member of the school board and the Committee should also look at schools.

Choudhury said the information was awesome and liked the structure of having limits as well as the Committee's role in the total process of creating affordable housing.

Whitesel agreed with both comments and wanted to look at incorporating schools and jobs into the Framework.

Whitesel totally agreed that we need limits and was comfortable with leaving the Framework as it is.

Rummel liked the goal of mixing up the neighborhoods income-wise.

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Rood said that with respect to shared appreciation, we should make sure it is what you want.

Clingan said that regarding customer-wise, lenders understand interest rates better than shared appreciation and that shared appreciation confuses homeowners.

Whitesel wondered how much money is generated in interest and would it come back.

Rood said that it would.

O'Callaghan said that the end user is an individual not an agency.

Constans said that for a single owner occupied unit you would get a fixed interest rate.

The group discussed shared appreciation.

Rood said that the majority of loans are American Dream Downpayment Initiative (ADDI) and the average amount is \$8,000; adding interest to those loans would be easier to understand for homebuyers.

Rood said that lenders do not like shared appreciation.

Choudhury said interest rates make more sense for ADDI.

Whitesel said he was still concerned about needing shared appreciation for City operations.

Garrison said that information gathered for the past 5-6 years showed that appreciation earned over 6 years was 8% of total program income, \$804,000 total per year income, amounts to \$134,000 over 6 years in program administration available because of shared appreciation. This is all CDBG funds. There was an additional \$255,000 in HOME PI.

Rood reminded the group that during this time appreciation on property was often due to real estate market influences.

Morton suggested that the interest be tied to ADDI and not other programs.

Whitesel stated that he had already said that we could do this for the ADDI loans, however, he was not comfortable with doing it for all homebuyer assistance.

O'Callaghan suggested a straw vote to replace shared appreciation on the ADDI loans with the standard interest rate.

Whitesel moved that the ADDI provision should stay as noted but separate out the discussion of homebuyer assistance through agencies. Pritchard seconded.

Unanimous approval.

Whitesel moved to approve a substitute motion that would recommend approval of the Framework subject to technical edits and the amending of paragraph 2, page 6 to read as follows:

The CDD shall secure its American Dream Downpayment Initiative (ADDI) funding with a mortgage in the form of a non-recourse loan. Funds 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 mortgage from a homebuyer will require a repayment equal to the amount of CDD funds invested plus interest. The interest rate will be determined by the CDD staff on an annual basis in January of each year. In the case of foreclosures repayment shall be based on the net proceeds from the sale. The mortgage from a non-profit agency shall require repayment of the amount provided as the long-term deferred loan.

O'Callaghan seconded.

Unanimous approval.

Bruer withdrew his original motion to approve the Framework.

Whitesel moved to amend the motion to approve the Framework with paragraph two re-written to apply only to the ADDI program. O'Callaghan seconded.

Unanimous approval.

Whitesel stated that he was still uncomfortable with the interest rate.

Rood said there was a need to make a Framework decision at this meeting so we could take this forward to the Council.

O'Callaghan moved to reinsert the previous 2 paragraphs to state that in the housing for buyer section that any funds used for purchase, acquisition, or rehab of housing be provided as a long-term deferred loan with interest for any funds made available directly to a homebuyer. These loans would be due on sale, transfer or change of use of the property and would be payable in the amount invested plus interest unless a non-profit recipient requested that the interest rate be replaced by shared appreciation. CDBG staff will set the interest rate once a year in January. This new policy will only apply to homebuyer loans beginning in 2011.

Ayes: Bruer, Choudhury, O'Callaghan, Pritchard, Rummel, Sanders,

No: Whitesel

Rood said that the interest rate could be set once a year; the CDD staff would set the interest rate in January of each year.

Whitesel said he was not sure that we would want to go to an interest rate on homeowner deals since agencies may not take the interest rate.

Bruer said that intent was not to reconsider any of the homebuyer shared appreciation loans from the past; this would apply only to future loans beginning in 2011.

Rummel said she was still concerned about the loss of shared appreciation and wondered if we need to do this.

Whitesel said that this would be ok as a short term try since we have the ability to change the model in the future.

O'Callaghan said that shared appreciation amount is not as significant as he had thought.

Clingan noted that we will come back if there would be a decision among the staff that this would not be working or that we need the shared appreciation.

O'Callaghan moved to approve the Framework with the technical changes and the changes to the Homebuyer Section. Choudhury seconded.

Unanimous approval.