



Department of Planning & Community & Economic Development

Community Development Division

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Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

TO: CDBG Committee Members
FROM: Susan Morrison, Community Development Supervisor
DATE: 5/29/2015

RE: Exchange of HOME funds for CDBG funds

The City Community Development Division (CDD) administers two loan programs that have historically been funded, in whole or in part, with federal HOME funds. The Deferred Payment Loan (DPL) program provides residential rehabilitation loans targeted to Madison homeowners with income levels at or below 80% of the Area Median income, while the "Home Buy the American Dream" (HBAD) program – formerly known as "American Dream Downpayment Initiative" (ADDI) – provides loans of up to \$10,000 to assist eligible Madison homebuyers with downpayment and closing costs. All loan repayments are returned to their program of origin, and in turn, are used to fund additional loans. To date, the DPL program has been funded with a combination of HOME and CDBG funds, and the HBAD program has been funded with HOME funds.

Recently, HUD implemented its new HOME Rule, which incorporated regulatory changes that make the use of federal HOME funds far more attractive for investments in larger housing development projects, and less so for smaller projects, such as the provision of homebuyer assistance or rehabilitation loans. Given that, City CDD staff is recommending an exchange of HOME funds for CDBG funds as outlined in the following paragraph such that these two loan programs, that generally fund smaller projects, use primarily CDBG funds rather than HOME funds.

The DPL program has a current available balance of roughly \$49,548 in HOME funds, and the HBAD program has a current available balance of roughly \$25,823 in HOME funds, while the CDD Housing Development Reserve has a current available balance of over \$781,000 in CDBG funds. In light of the funding source issues articulated above, this Resolution proposes to transfer up to \$75,371 in HOME funds currently available in the two loan programs to the CDD Housing Development Reserve, and to "replace" these funds by transferring a commensurate amount of CDBG funds currently available in the Housing Development Reserve back to those loan programs.

This funding source substitution will better align sources with appropriate investments, by increasing the availability of HOME funds for larger housing development projects typically funded from the CDD Housing Development Reserve, and allowing more flexibility in the program design of the two specified loan programs to accommodate potential modifications permitted by CDBG regulations. A similar exchange of HOME and CDBG funds between the DPL program and CDD Housing Development Reserve was approved in September 2014, in the amount of \$360,000 (RES-14-00630, Legistar #35042).

Since both loan programs will continue to receive repayments of earlier HOME-funded DPL homeowner rehab loans and HOME-funded ADDI downpayment assistance loans, this Resolution additionally proposes to approve future similar equivalent exchanges of HOME and CDBG funds between the two loan programs and the CDD Housing Development Reserve on a quarterly basis.