



City of Madison

City of Madison
Madison, WI 53703
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Master

File Number: 18935

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File Type: Resolution

Status: Passed

Version: 1

Reference:

Controlling Body: BOARD OF ESTIMATES

File Created Date : 06/21/2010

File Name: Authorizing Operation Fresh Start (OFS) to modify their program income contract to allow them to sell properties that have a CDD program income fund investment and at the time of sale secure the loan amount with an assignment of mortgage on an alternative

Final Action: 07/20/2010

Title: Authorizing Operation Fresh Start (OFS) to modify their program income contract to allow them to sell properties that have a Community Development Division (CDD) program income fund investment and at the time of sale secure the loan amount with an assignment of mortgage on an alternative OFS property.

Notes: Board of Estimates

Sponsors: Shiva Bidar-Sielaff, Tim Bruer and Marsha A. Rummel

Enactment Date: 07/21/2010

Attachments: Memo - OFS PI Contract Amendment Request 062310 - committee.pdf

Enactment Number: RES-10-00637

Author: Barbara Constans, CDBG Office

Hearing Date:

Entered by: pstonestreet@cityofmadison.com

Published Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	CDBG Office	06/24/2010	Referred for Introduction				
	Action Text:		This Resolution was Referred for Introduction				
	Notes:		Board of Estimates				
1	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	07/01/2010	Return to Lead with the Recommendation for Approval	BOARD OF ESTIMATES		07/12/2010	Pass
	Action Text:		O'Callaghan moved to approve the modification to the OFS program income contract to allow OFS to, at the time of sale of a property with program income revolving loan funds, to provide the City with an assignment of mortgage on an alternative OFS property that has built sufficient equity to cover the existing first mortgage and the one being assigned and require that assistance be limited to a maximum of \$125,000, of their outstanding program income loan balance on 5 or more properties, with a maximum of \$25,000 of assignment per property; properties to be approved by the City. Rummel seconded; unanimous				
	Notes:		Connie Ferris Bailey said that OFS and CDBG have worked together in partnership for many years and explained OFS's current request to modify their program income				

contract to allow them to sell properties that have a program income fund investment and at the time of sale secure the loan amount with an assignment of mortgage on an alternative OFS property. She said they currently hold approximately \$180,000 in third mortgages, and they would essentially sell CDBG these third mortgages up to an amount of \$125,000 by assigning them to CDBG.

Rummel asked staff what would happen when we take over mortgages.

Rood replied that we would lose about \$19,100 in administrative fees by taking over the mortgages.

O'Callaghan asked Ferris Bailey if these are no interest, deferred loans, and she said yes they are. O'Callaghan asked what the average amount of the third mortgages is, and Ferris Bailey said most are around \$10,000.

O'Callaghan asked whether or not any of the third mortgages had been foreclosed, and Ferris Bailey said that only one on Freese Lane had been foreclosed.

O'Callaghan asked how many total third mortgages OFS has and whether OFS will continue taking thirds.

Ferris Bailey said that they have approximately 22 third mortgages for \$10,000 or less and that they would not be taking third mortgages any longer.

Clingan gave the Committee some perspective on the relationship OFS has had with CDBG. He said that OFS has been around for decades with a model for homeownership that worked successfully before the bad economy. He said that taking their third mortgages is how we can help them without putting the City at risk.

O'Callaghan commended OFS and the City for this creative solution.

Ferris Bailey added that Forward Community Investments has also helped OFS enormously.

Whitesel thanked Barb Constans for her work on this project.

1	COMMON COUNCIL	07/06/2010	Referred	BOARD OF ESTIMATES	07/12/2010
	Action Text:	This Resolution was Referred to the BOARD OF ESTIMATES			
	Notes:				
1	BOARD OF ESTIMATES	07/12/2010	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER		Pass
	Action Text:	A motion was made by Clear, seconded by Bruer, to RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER. The motion passed by voice vote/other.			
	Notes:				
1	COMMON COUNCIL	07/20/2010	Adopt		Pass
	Action Text:	A motion was made by Ald. Clear, seconded by Ald. Cnare, to Adopt . The motion passed by voice vote/other.			
	Notes:				

Text of Legislative File 18935

Fiscal Note

No significant net fiscal impact is anticipated. The Resolution will effectively allow Operation Fresh Start to reprogram payments of up to \$125,000 in income derived from property sales, with the commitment secured by other mortgages that have sufficient equity.

Title

Authorizing Operation Fresh Start (OFS) to modify their program income contract to allow them to sell properties that have a Community Development Division (CDD) program income fund investment and at the time of sale secure the loan amount with an assignment of mortgage on an alternative OFS property.

Body

OFS has faced some financial difficulties in the past few years with the decline in the housing market and the credit crunch for low-income buyers. In addition, the drop in the appraised value of their homes has forced them, in some cases to use their operating reserves to pay off CDBG program income loans when homes do sell. As a result, OFS is requesting that a modification be made to their program income contract to allow the City to accept the assignment of a different mortgage as security on their program income fund loan, when at time of sale, the sale price of the property will not allow full repayment of the CDBG program income loan. Currently OFS has \$198,932 in outstanding CDBG program income revolving fund loans invested in six properties.

WHEREAS, OFS has been a long time partner with the City of Madison in providing affordable housing and valuable job training and educational programs for youth in our community. Their work has helped the CDD achieve the goals of providing affordable housing to LMI households; and,

WHEREAS, the CDBG staff have reviewed the requested contract modification and have determined that this request will allow OFS to continue to meet their CDBG contract goals and objectives; and,

WHEREAS, the CDBG staff has worked diligently with OFS to look at alternative methods to assist in their current financial situation and finds this request to be the most fiscally responsible method the CDBG Office can use to assist OFS in meeting the need to sell affordable homes to income eligible households without a continued loss of their cash reserves, while at the same time protecting the financial investment of the City in affordable housing;

NOW, THEREFORE BE IT RESOLVED that the Common Council authorize a modification to the OFS program income contract to allow OFS to, at the time of sale of a property with program income revolving loan funds to provide the City with an assignment of mortgage on an alternative OFS property that has built sufficient equity to cover the existing first mortgage and the one being assigned.

BE IT FUTHER RESOLVED that this assistance be limited to a maximum of \$125,000, of their outstanding program income loan balance on 5 or more properties, with a maximum of \$25,000 of assignment per property; properties to be approved by the City.