



City of Madison

City of Madison
Madison, WI 53703
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Meeting Minutes - Approved COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE

Thursday, May 6, 2010

5:00 PM

2001 Taft St.
Boys & Girls Club (Gymnasium)

CALL TO ORDER / ROLL CALL

- Present:** 6 -
Ken W. Pritchard; Tim Bruer; Marsha A. Rummel; Monya A. Choudhury;
Charlie R. Sanders and Russ Whitesel
- Absent:** 2 -
Arthur V. Robinson and Daniel A. O'Callaghan
- Excused:** 2 -
Shiva Bidar-Sielaff and Justin O. Markofski
- STAFF: Clingan, Constans, Garrison, Kenny, Rood, Wallinger
OTHERS: Steven Schooler (Porchlight Inc.), Laura Caspari (Seventh
Generation Energy System), Sarah Hole (CWD), Marianne Morton (CWD),
Frank Staniszewski (MDC), Robert Hopton (Citizen)

CALL TO ORDER: Sanders called the meeting to order at 5:01 pm.

1. [18237](#) APPROVAL OF AMENDED CDBG COMMITTEE MINUTES OF MARCH 4, 2010

**Whitesel moved to approve the amended minutes from March 4, 2010.
Choudhury seconded. Unanimous approval**

APPROVAL OF MINUTES

**Choudhury moved to approve the minutes from April 1, 2010. Bruer seconded.
Unanimous approval.**

ROLL CALL

D. O'Callaghan arrived.

- Present:** 7 -
Ken W. Pritchard; Tim Bruer; Marsha A. Rummel; Monya A. Choudhury;
Charlie R. Sanders; Daniel A. O'Callaghan and Russ Whitesel
- Absent:** 1 -
Arthur V. Robinson

Excused: 2 -

Shiva Bidar-Sielaff and Justin O. Markofski

PUBLIC COMMENT

No one wished to make public comments.

REQUEST FOR FUNDS OR MAJOR CHANGES IN CURRENTLY FUNDED PROJECTS

2. [18165](#) Request by Porchlight to revise legal agreements for CDBG Office-funded projects at 519 E. Johnson Street, 324 E. Mifflin Street and 5016 Camden Road to remove the shared appreciation requirement.

Schooler noted that shared appreciation was required on deferred payment loans prior to December of 2009 and was changed to a straight loan at the end of December. Porchlight wants to change three notes to deferred payment loan (DPL) without shared appreciation because the closings occurred just as the Committee was making changes in its shared appreciation policy. The three properties are at 325 East Mifflin Street, 519 East Johnson Street, and 5016 Camden Road.

Whitesel noted that changing these three loans from shared appreciation to straight loans presents serious disadvantages to the Committee and could adversely affect the Committee retroactively. Whitesel said though it was a worthy request, the Committee was in transition.

Wallinger said that all of the Porchlight's shared appreciation repayments have been put into their next property or properties and probably would continue to be.

Garrison noted that shared appreciation gets figured with the total program income at the end of each year, and this affects how much of new allocation we can use for administration costs.

Whitesel said he was not willing to give up this shared appreciation.

Choudhury said Porchlight was having specific issues with other lenders when the Committee first started looking at this. Choudhury concurred with Whitesel on shared appreciation.

Schooler reported that the two closings were after the Committee decided to change shared appreciation, which shows up as a nightmare on Porchlight's books. It's a strange conglomeration of loan and partnership.

Schooler noted the gain shows up on Porchlight's financial statements, but Porchlight does not really get gains. Schooler also noted that another issue which remains is that it is difficult for Porchlight to get loans.

O'Callaghan said that the Committee gave Porchlight funds based on this agreement without interest, but that equity share funds were allocated before

we dropped shared appreciation from the requirement.

Michael Johnson, the Director of the Boys and Girls Club, welcomed the group.

Whitesel noted that the adopted Framework language kept the option open to keep shared appreciation.

Schooler agreed that funds were approved before the policy change was approved.

Bruer expressed serious concerns respect to retroactive requests.

Clingan said he would be a little concerned when others come in to ask for the same changes.

Schooler wondered if in the future more loans will be shared appreciation loans.

Choudhury said the Framework supports shared appreciation in future loans and that the Committee could decide to include shared appreciation in all loans.

Schooler wondered what the factors were and how would we decide what they were.

Rummel thought it would be difficult and likes shared appreciation because it brings something to the City, but noted that Schooler was very persuasive.

Schooler said that Porchlight takes properties and makes them work; they put other money into the properties due to upkeep requirements, but the Committee does not put more money in through the years. Schooler gave the example of 519 E. Johnson Street, which already has already required renovations and additional money.

O'Callaghan said that going forward, shared appreciation doesn't automatically get applied.

Rummel said that Porchlight's issues were in play during the timing window.

Whitesel wondered whether or not we should be collecting interest and would rather re-calculate the loan with interest versus shared appreciation.

Choudhury said the reason we give money to Porchlight was because they provide the services.

Schooler said he would prefer to defer this request until July or until the next available meeting and let Porchlight consider interest on the loan.

Whitesel moved to refer Porchlight's request to the next available meeting. Choudhury seconded. Unanimous approval.

3. [18273](#)

An Agreement with Madison Development Corporation for a loan to Idle Free System, Inc. for \$53,025 and Common Wealth Development for a loan to Seventh Generation Energy Systems for \$53,025.

Constans said that the funds available reflected approximately \$53,025 for each loan.

Caspari said the focus of the non-profit Seventh Generation was in two priority divisions:

- Systems
- Resources

Caspari said they were trying to develop a wind farm tower and would like to buy a metal tower themselves. She said that at least 1.5 jobs would be created.

Constans said this would help two companies rather than just one.

Choudhury noted her concern with half-time jobs.

\$53,025 to Common Wealth, for the provision of one loan/grant to Seventh Generation Energy Systems in the amount of \$51,025 and \$2,000 for CW service delivery fees; to enable Seventh Generation to buy a wind monitoring tower and thereby obtain a 2 year contract for wind monitoring for client. This loan would enable the creation of 1.5 FTE positions within the firm. Require that the loan be subject to Common Wealth obtaining a formal business loan application and completing a satisfactory loan review with the business. Require that as part of this loan Common Wealth receive and review quarterly financial statements from the business. These funds as repaid will become part of the Common Wealth Neighborhood Equity Loan program.

Choudhury moved / Rummel seconded. Unanimous approval

\$53,025 to Idle Free Systems as a working capital loan. This loan would enable the creation of 1.5 FTE positions within the firm. Require that the loan be provided to Idle Free through Madison Development Corporation for loan underwriting and servicing. MDC will obtain a formal business loan application and loan underwriting and loan negotiation with the business. These funds, as repaid, will become part of the MDC Business Loan program revolving loan fund.

Bruer moved / Choudhury seconded. Unanimous approval.

Funding these two programs enables the City to meet the goals of the CDBG-R Economic development funding, revolve some of the funds through the use of program income and assist in creating or retaining jobs for low to moderate income residents of the City.

Note: after discussion with the applicant of TJ's it was determined that the program as requested would not be ready to proceed immediately as required.

4. [18241](#)

Authorizing the provision of \$326,708 in Federal HOME Program Income funds, \$162,967 in Federal HOME Match funds and \$130,645 of Neighborhood Stabilization Funds (NSP) to assist Madison Development Corporation to acquire and rehabilitate rental housing.

Staniszewski related the nearby MDC's Neighborhood Stabilization Program (NSP) homes on Fisher Street and Taft Street.

Staniszewski said the goal of this project is to acquire and lease 14 rental apartments to households at or below 50% CMI, which will also prevent pending foreclosure on these units and help stabilize the neighborhood. The property is in default by 90 days.

Bruer wondered if Staniszewski could speak to the business plan.

Staniszewski said that MDC is a rental organization and not a homeownership agency. Staniszewski noted that a condo group was in foreclosure and that there was a good mix with remaining homeownership in the neighborhood.

Clingan said he knew of three or four other agencies going in the area.

The question arose regarding higher than normal administrative fees and intensive management.

Staniszewski said that he agreed with the City's requirement to provide financials at the end of years three, five, and ten.

Bruer applauded the work of the consortium of agencies doing work in that neighborhood.

Approve \$210,645 of NSP for 5 units as a grant, approve \$326,708 of HOME Program Income Funds for 7 units and \$82,967 of HOME Match funds for 2 units as both sources of HOME funds will be provided as a long term deferred loan. Require MDC to return \$101,000 of previously authorized 2010 CDBG Program income contract funds to the CDBG Office for re-programming for other purposes.

Require MDC to execute a 15 year Land Use Restriction on all 14 assisted units. Require that all 14 of the assisted units be designated as HOME assisted units and meet the HOME regulations during the period of affordability.

Require MDC to provide annual financial statements and to provide a cash flow analysis to the City at 3 and 5 and 10 years after acquisition to allow the City see if the large annual property management fee is still warranted. If, following it's review, the City deems that the property management fee is no longer needed a Payment in Lieu of Property Taxes (PILOT) acceptable to the City will be negotiated and MDC will begin making a PILOT to the City

Absent: 1 -

Arthur V. Robinson

Excused: 2 -
Shiva Bidar-Sielaff and Justin O. Markofski

Recused: 1 -
Daniel A. O'Callaghan

Ayes: 5 -
Ken W. Pritchard; Tim Bruer; Marsha A. Rummel; Monya A. Choudhury
and Russ Whitesel

Abstentions: 1 -
Charlie R. Sanders

DISCUSSION ITEMS

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.
- Constans 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.

Rood said that with respect to shared appreciation, the issue still needs to be addressed in the Framework.

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 the interest would come back.

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 of program income from appreciation 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 from shared appreciation.

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 in the Framework 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 as 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

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 as reported by Garrison is not as significant as he had thought.

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

A motion was made by O'Callaghan, seconded by Choudhury, to RECOMMEND TO COUNCIL TO ADOPT UNDER SUSPENSION OF RULES 2.04, 2.05, 2.24, & 2.25 - REPORT OF OFFICER with technical changes and the changes to the Homebuyer Section (see attachments: Agenda Item #5.pdf and Summary of Framework Changes Agenda Item #5.pdf). The motion passed by voice vote/other.

Absent: 1 -
Arthur V. Robinson

Excused: 2 -
Shiva Bidar-Sielaff and Justin O. Markofski

6. [18312](#)

Referral from Application Workgroup. Discussion and action on 2011-2012 CDD funding process materials including application, timeline and evaluation criteria.

Sanders reviewed the process to-date regarding the summer process and its timeline.

Clingan noted that the OCS Committee met last night and OCS was ok with everything except for one change as noted, which will be made to all three individual rating sheets.

Clingan suggested the group send any schedule conflicts to Tammy Peters in the CDD Office, Room 225, MMB.

Choudhury moved approval of the application process, summer timeline, application, review criteria, etc., with the changes as proposed and incorporated by OCS at their May 5, 2010 meeting. Whitesel seconded. Unanimous approval.

Absent: 1 -
Arthur V. Robinson

Excused: 2 -
Shiva Bidar-Sielaff and Justin O. Markofski

7. [18313](#)

Elect a New Conference Committee Member

Clingan explained to the group how the Conference Committee would make final decisions on those items which fall within the preview of the Conference Committee.

Whitesel noted that neighborhood centers, gardens, etc., would be decided by this Committee.

Sanders reported that Steve Bartlett resigned from the CDBG Committee and would need to replace him on the Conference Committee.

O'Callaghan nominated Justin Markofski as the new Conference Committee member. Monya Choudhury agreed to be an alternate, if necessary. Whitesel seconded. Unanimous approval.

8. [18206](#) Elect a CDBG Committee Vice-Chair

Whitesel nominated Justin Markofski to be the Vice-Chair of the CDBG Committee. Bruer seconded. Unanimous approval.

STAFF REPORT

9. [18208](#) CDBG May 2010 Staff Report

Financials
Electronic Committee Packet

Garrison distributed the financials to the group. Regarding the Committee Packet:

Whitesel, O'Callaghan and Pritchard would like to receive the packet electronically.

Choudhury, Rummel and Bruer would like to receive a paper copy of the packet.

Clingan provided information on the new \$7.5 million energy fund and said he would bring back more information to the Committee regarding the resolution to be introduced Tuesday to have 2 new energy positions in the department.

Rummel was concerned that Larry Studesville would need to be working on the energy grant and not be stationed in the Mayor's Office.

Rummel wondered when the CDD would get him back to do his own work.

10. Report from committees with CDBG Committee representation and designation of Commission representatives.

Clingan said that beginning on September 28 we would need to get a new Gardens Committee representative to replace Choudhury, as she needs to

step down.

Choudhury explained how the Gardens Committee worked and said that she would find someone for the September meeting.

Bruer suggested that the Chair ask the CDA Chair, Greg Shimanski, Mark Olinger, and the CDA staff to discuss Phase 2 Allied and keep the Committee up to date on changes in the renovation at Truax, and the Burr Oaks Senior Housing project with possibly many minority residents

ADJOURNMENT

O'Callaghan move adjournment at 8:30 pm.

Anne Kenny & Barbara Constans: recorders