



Common Wealth  
DEVELOPMENT

# **Housing Forward Proposal**

Affordable Homeownership Through

Lease-to-Purchase

# Presentation Outline

- CWD Housing Portfolio
  - Proposal
  - Lease-to-Purchase basics
- 
- A decorative graphic in the bottom right corner of the slide, consisting of several overlapping, semi-transparent triangles in various colors: light green, yellow, orange, teal, and purple. The triangles are arranged in a way that they appear to be layered, with some overlapping others, creating a dynamic, abstract shape.

# Who we are

Common Wealth Development is a private non-profit community development organization incorporated in 1979.

**Our mission** is to support and preserve the vitality of neighborhoods in the Madison Metropolitan area. Our work serves as the foundational bedrock of healthy community and economic development, with projects aimed at improving the housing and business climate of our neighborhoods through a people-first approach centered on racial equity and community level health improvement.

## **Core Program Areas**

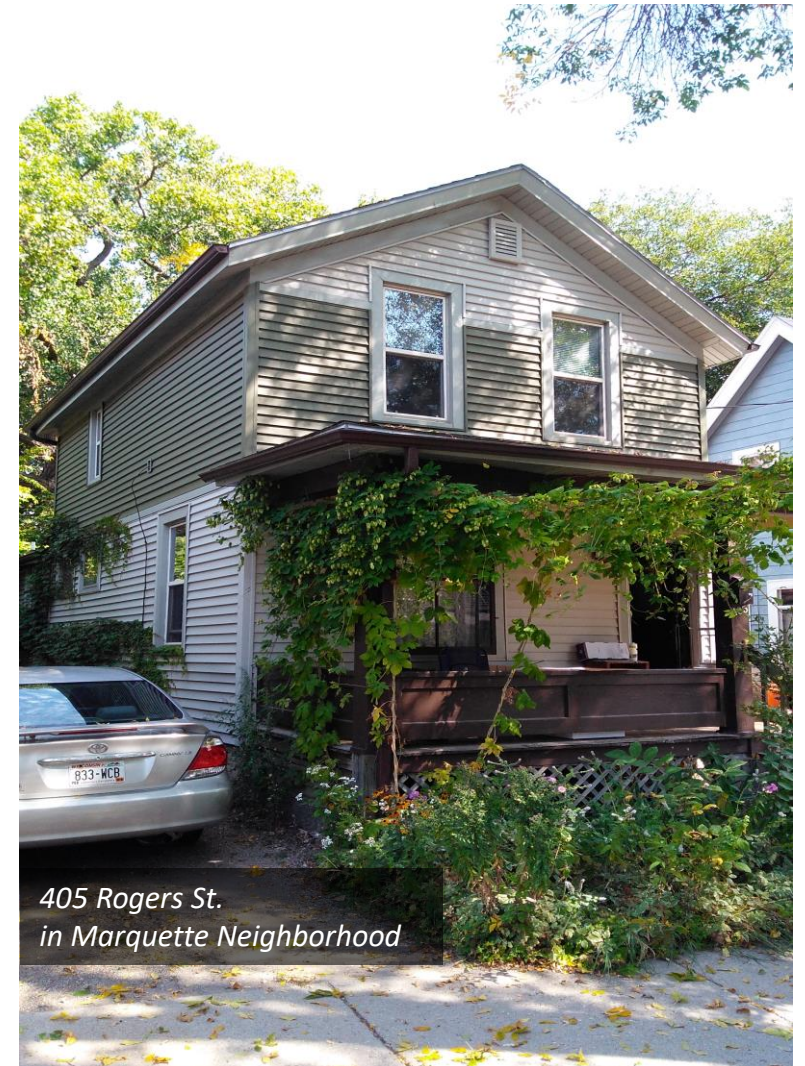
1. Support young businesses through affordable space and business incubation
2. Coach youth and adults in financial fluency, job readiness and entrepreneurial leadership
- 3. Provide safe, stable housing opportunities for renters and aspiring homeowners**
4. Integrate comprehensive community health approaches to city-wide violence prevention efforts
5. Support the retention and sustainability of affordable land in Madison and Dane County.

# Housing Portfolio

- 146 rental units
  - 7 Market Rate, leased below current Market Value
    - 6 in the Marquette Neighborhood
    - 1 in the Meadowood Neighborhood
  - 139 low-income units
    - 104 in the Marquette Neighborhood
    - 35 in the Meadowood Neighborhood
- 11 additional units under construction in Meadowood

# Current Lease-to-Purchase Program Portfolio

- Program began in 1994
- 6 homes have exited program
- 19 homes are still in the program
  - 14 in Marquette neighborhood
  - 3 in Tenny Lapham neighborhood
  - 1 in Starkweather neighborhood
  - 1 in Lerdahl Park neighborhood



*405 Rogers St.  
in Marquette Neighborhood*

# Our Proposal

**\$500,000 will assist in our goal to expand the supply of affordable housing for aspiring first-time homeowners.**

- Acquire and renovate 4 single family homes
- \$125,000 per home:
  - Acquisition
  - Rehabilitation/Remodeling
    - Must meet City of Madison and Common Wealth Development's energy efficiency and healthy housing standards prior to occupancy
  - Zero payment 2<sup>nd</sup> mortgage for homeowner
- Target Areas
  - Meadowood Neighborhood
  - Sherman Avenue Corridor

# Why these Target Areas?

## **Meadowood:**

- This is an opportunity to create affordable homeownership and wealth-building opportunities for families in our current rental units.
- Home prices in Meadowood are relatively attainable at or under \$280,000.

## **Sherman Avenue Corridor:**

- Housing prices continue to increase citywide.
- Home prices in the Brentwood Village-Packers-Sherman Neighborhood are still relatively attainable at or under \$290,000.
- Sherman Ave corridor is ripe for gentrification, and permanent affordable options must be established now before it becomes economically prohibitive.

# Lease-to-Purchase Basics

## Acquisition & Rehabilitation:

- Bank financing and city fund
- Purchase price \$250,000 - \$290,000
- 2-3 bedroom single family homes
- Update homes to health and energy efficiency standards

## 36-month lease term

- Participating in First Time Home Buyers Education Program
- Connecting with financial institutions (Old National Bank & Summit Credit Union) for financial planning and wealth building
- Building knowledge with CWD staff and community partners for general and preventative maintenance for homeowners



# Lease-to-Purchase Basics

What is the goal of L/P?

- Increase visibility of affordable homeownership opportunities to families at/or below 80% AMI, especially prospective Black, Asian, and/or Latinx homebuyers.

Who does the L/P program serve? How do we reach prospective L/P participants?

- Market L/P Program directly to our current residents
- Market to community organizations that work directly with low-income populations of color

# How it works

*Participant leases house for 36-months with option to purchase after lease term.*

- **Down Payment:** 3%
- **Mortgages:** Traditional mortgage with bank; 2nd mortgage with CWD
- **Income Limits:** Below 80% AMI\*
- **Counseling:** 2 homeownership programs
- **Equity:** 50/50 shared appreciation

City of Madison HOME Income Limits Effective as of July 1, 2020								
Household Size:	1	2	3	4	5	6	7	8
80% CMI (low income)	\$54,950	\$62,800	\$70,650	\$78,500	\$84,800	\$91,100	\$97,350	\$103,650

\*adjusted for family size

# Feasibility

<b>LEASE-PURCHASE</b>						
Acq.						250,000
Rehab				pfa #		35,000
Soft						5,000
						<u>290,000</u>
City Fund						125,000
CWD Admin Fee	10%					<u>12,500</u>
Investment						112,500
1st mortgage						208,800
2nd		L-P Program income				72,500
Other		Dpp+				-
Down Payment					3%	<u>8,700</u>
						290,000
P&I	3.50%	interest		30 yr		\$937.61
RET	0.021	mill rate				507.50
Ins						<u>50.00</u>
PITI						1,495
Qualifying Income			30%			59,804
less rental income credit		\$ -		75%		<u>-</u>
Qualifying Income						59,804

# Affordability

405 Rogers Street				
Two-Bedroom Single Family House				
<b>Selling Price &amp; Affordability for Buyer</b>				
				264,000
- Buyer Down Payment	3.0%	down payment		7,920
- Other grant/loans				
- Other grant/loans			Appr Share	-
- Common Wealth 2nd Mortgage Loan		28%	50%	74,500
= Estimated 1st Mortgage Loan Amount	LTV =	69%	50%	181,580
<u>Estimated Monthly Housing Cost &amp; Buyer Qualifying Income</u>				
Principal & Interest	3.500%	Interest rate		\$815.38
		30	year amt.	
Real Estate taxes	0.02399	mill rate		\$ 527.72
Insurance				\$ 60.00
Private Mortgage Insurance				\$ 50.00
Estimated Monthly Mortgage Payment (PITI)				\$ 1,453.09
Estimated Minimum Qualifying Income Range	30%	Housing ratio		58,124
	36%	"		48,436
Maximum Income adjusted for Household Size	1	Person		54,950
2020 Income Limits	2	Persons		62,800
	3	Persons		70,650
	4	Persons		78,500