



Department of Planning & Community & Economic Development

## Community Development Division

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Child Care  
Community Resources  
Community Development Block Grant  
Madison Senior Center

# Memo

To: CDBG Committee

From: Linette Rhodes, Community Development Grants Supervisor

Date: 3/5/2020

Re: Additional support of HOME funds for Home Buyer the American Dream and Deferred Payment Loan

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The City of Madison's "Home Buy the American Dream" (HBAD) Program assists income-eligible first-time homebuyers in purchasing homes within the greater Madison area by providing no-interest deferred payment loans that help cover down payment and closing costs. Potential homeowners can receive up to \$20,000 when purchasing within the City of Madison and \$5,000 outside of City limits but within Dane County. Funding for the HBAD program is provided by the Wisconsin Division of Housing through its Housing Cost Reduction Initiative (HCRI) grant program, along with federal Community Development Block Grant (CDBG) funds and City Levy. The Community Development Division (CDD) serves as the lead fiscal agency and administers these loans.

The City was recently awarded \$275,000 in State HCRI funds for the 2019-21 grant period. This represents a significant decrease (by nearly two-thirds) from the City's prior 2017-19 HCRI award of \$803,200 (\$550,000 received in the initial 2017 award, plus an additional \$253,200 via amendment in 2018). Madison did receive the highest award of HCRI of the seven grantees in the "other metro" region but due to limited State funding and an increase in the number of applications received, the award was significantly reduced. The City has also seen a surge in the number of applicants since raising the available loan amount from \$10,000 to \$20,000 in early 2018. A summary of recent activity for HBAD is below:

	HCRI Funds	CDBG Funds	City Funds	# of Loans <sup>1</sup>
2018	\$398,000	\$394,500	\$0	55 Loans
2019	\$735,000	\$360,000	\$140,000	68 Loans

The HBAD program has fewer than \$460,000 of cash on hand in the program for 2020. The Community Development Division (CDD) is requesting to supplement the program with \$500,000 of federal HOME Investment Partnerships Program funds to assist additional eligible homebuyers. The balance of HOME funds will be transferred from CDD's HOME Housing Supply reserve account.

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<sup>1</sup> In 2018, HBAD assisted 16 non-white households, 16 households with a disability and 21 female headed households. In 2019, HBAD assisted 25 non-white households, 32 households with a disability and 29 female headed households.

In addition, the City of Madison provides rehabilitation loans to current homeowners. This loan program, commonly referred to as the Deferred Payment Loan (DPL) program, offers 0% interest loans to eligible homeowners to improve housing stock. Varying factors have caused the loan program to experience a significant increase in popularity and CDD staff anticipate a shortfall in available funds to support the program's increased demand by mid-year. A summary of recent activity for the City's rehabilitation loan programs is below:

	<b>CDBG Funds</b>	<b>City Funds</b>	<b># of Loans<sup>2</sup></b>
2018	\$531,900	\$76,200	27 Loans
2019	\$574,900	\$388,300	40 Loans

The DPL program has fewer than \$100,000 of cash on hand in the program for 2020. CDD is requesting to supplement the program with \$400,000 of federal HOME Investment Partnerships Program funds to assist additional eligible homeowners. The balance of HOME funds will be transferred from CDD's HOME Housing Supply reserve account.

These two programs are essential City services that support affordable housing opportunities for Madison's low- to moderate-income residents.

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<sup>2</sup> In 2018, DPL assisted 6 non-white households, 2 households with a disability and 11 female headed households. In 2019, DPL assisted 7 non-white households, 6 households with a disability and 27 female headed households.