



Department of Planning & Community & Economic Development

Community Development Division

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Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

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To: CDBG Committee

From: Linette Rhodes, CD Division

The Community Development Division (CDD) administers three programs that offer financial assistance to private owners of residential properties who wish to make improvements to their properties.

Deferred Payment Loan:

The Deferred Payment Loan Program targets owners of single family dwellings provided the owners occupy their properties. The Program, available to owners with incomes up to 80% of the Dane County median income, provides loans of up to \$19,000 for rehabilitation projects. The loans charge no interest and are repayable when the properties are sold. This program is supported primarily with funds from the Community Development Block Grant Program.

Installment Loan:

The Installment Loan Program offers below-market-rate loans for rehabilitation projects to income-eligible owners of small residential properties located in Madison (up to eight units) provided the owners live on the property. (Current interest rates are 3% or 5.5% - explain the difference.) The maximum loan for a single unit is \$19,000, with an additional \$3,000 available for each additional unit up to a maximum of \$40,000 for an eight-unit building. This program is funded with City tax dollars.

Rental Rehabilitation Loan:

The Rental Rehabilitation Loan Program is available to support rehabilitation projects involving one- to eight-unit residential properties located in the City when the owners of those properties do not reside in them. The program offers below-market rate loans, currently at 3% for 15-year terms. The maximum allowable loan for a single unit is \$19,000; that amount may increase by \$3,000 for each additional unit up to a maximum of \$40,000. The Rental Rehabilitation Loan Program is funded with City tax dollars.

Program Barriers:

In the past, responsibility for administering these programs had been split between the Community Development Division and the Economic Development Division. In 2015, they were consolidated within CDD and brought under the purview of the Community Development Block Grant Committee. CDD staff has plans over the next year to review and analyze how the programs have functioned and to work with the CDBG Committee to determine if modifications might be warranted. The Rental Rehabilitation Loan Program exists to help maintain the quality of housing stock that is available to renters with modest incomes. Under the program, funds are available to properties in which 75% of the units are occupied by tenants whose household incomes do not exceed 80% of the

County median. These income restrictions continue for a period of one year from the date the loan is provided. The program also requires that property owners adhere to specified rent restrictions for the duration of the loan. The current rent limits (including a utility allowance), as of October 1, 2015, are as follows:

	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom
Rent Limits	\$655	\$780	\$936	\$1294

In recent months, CDD staff has been approached about deploying Rental Rehabilitation Loan funds as part of other City efforts to promote energy improvement projects. Such a use would be entirely consistent with the program’s current goals and could provide a mechanism to deploy other available energy improvement funds. However, if the program is to make a meaningful contribution to these efforts, it seems likely some changes would be necessary. That’s because the program, in its current form, is little used.

Since 2003, a total of just 20 loans have been made to 13 different landlords. A single loan was made in 2015, another in 2014 and two more in 2010. No loans were made from the program during 2011-13.

One of the obstacles to participation in the program relates to the income restrictions described above and, particularly, the income verification requirements imposed on property owners. Many are reluctant to request information about incomes and/or find it difficult or time consuming to collect it from uncooperative tenants.

A second limiting factor may be the restriction on the properties that qualify for assistance. They can contain no more than eight units. That certainly limits the number of properties that can even be considered.

CURRENT ACTION REQUESTED- RENTAL REHAB LOAN PROGRAM

The request to partner with other City efforts to encourage energy improvement projects provides an opportunity to test and measure the impact of a limited set of program modifications. Staff suggests the CDBG Committee consider two changes to the program on a trial basis with up to \$150,000 available during the trial period:

- Eliminate the income verification requirements currently imposed on participating property owners. The goal of supporting rehab projects that primarily benefit affordable housing units should continue to be served through the application of rent restrictions, which would remain.
- Raise from 8 to 16 the maximum number of units in properties that qualify for assistance under the program. The current restrictions exist in large part to minimize administrative burdens associated with federal labor regulations that apply to projects with more than 8 units. As the Rental Rehabilitation Program has been primarily City-funded, those regulations have not been applicable. Staff recommends that the current maximum of loan amount of \$40,000 be retained. A survey of recent loans leads staff to believe the \$40,000 cap is more than sufficient. In addition, limited funds argue for retaining that maximum at least through a trial period.

It should be noted that the proposed change to 16 units is less expansive than what has been suggested, however, CDD staff is wary of expanding the standard further. According to data from the City Assessor's Office, there are about 125 residential properties with between 9 and 16 housing units. Expanding to 16 units is projected to increase the number of units eligible for rehabilitation by an estimated 6,000 to 8,000. Thus, staff feels the proposed change will be sufficient to determine whether the demand for program funds will be influenced without completely overwhelming staff and program resources. Moreover, it withholds decisions on making deeper changes to the program without analysis and discussion by the Committee.

FUTURE USE OF THE REHABILITATION PROGRAMS:

In 2016, as part of its broader effort to improve and expand the supply of affordable housing in Madison, CDD intends to review the existing array of rehabilitation programs. Special attention will be given to improving and simplifying program offerings and to be more strategic in terms of how resources are deployed. CDD staff will seek input from Committee and community members, and will research financing options employed by other municipalities to help ensure that the City's programs offer as much support as possible. The preliminary timeline for that work is outlined below:

Draft Timeline for Project Completion:

January-February 2016	Internal staff meetings of goal/objectives
February 2016	Survey of community needs/property owners needs/staff needs
April 2016	Status update to CDBG Committee
May- June 2016	Focus Groups/Equity Analysis
August 2016	Draft report to CDBG Committee
October 2016	Final Report to CDBG Committee