

**2012 STAFF REVIEW OF PROPOSALS FOR
COMMUNITY/NEIGHBORHOOD DEVELOPMENT RESERVE FUNDS**
(Housing Development Funds, Affordable Housing Trust Funds, Facility Acquisition/Rehab Funds, Futures Funds)

1. **Project Name/Title:** WPHD/OFS Lease-to-Purchase
2. **Agency Name:** WPHD
3. **Requested Amount:** \$214,000
4. **Project Type:** New Continuing
5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**
Objective B: Housing for Buyers; I. Funding to develop (acquire, construct or renovate) affordable housing for eligible households to purchase.
6. **Product/Service Description:**
WPHD and OFS will work together to create 4 affordable homes in 2013. Through OFS' Youth Build crews this program will also be providing job training to at-risk youth during the development phase of the project. WPHD will be responsible for identifying properties, purchasing properties and serving as the general contractor during construction. WPHD will work with OFS to develop a scope of work to be completed at each property and will contract with OFS to complete the work. Once complete, the home will be rented for a maximum of 36 months as the homebuyers are provided extensive education to become eligible to purchase the property within the 36 month timeframe.
7. **Anticipated Accomplishments (Numbers/Type/Outcome):**
Four (4) units of affordable housing to be built in 2013 All properties will be rented with anticipated sales within 36 months. The program will provide job training, employment and educational services to 80 at-risk youth ages 16-24.
8. **Staff Review:**
This is a joint request with Wisconsin Partnership for Housing Development (WPHD) and Operation Fresh Start (OFS) which would allow WPHD to focus on housing related activities in development (buyer selection, marketing, education, etc). OFS will focus on the training and educational component of their youth programming through construction or rehab of homes for WPHD Lease-to-Purchase program. WPHD is requesting 50% of the capital expense be expended as a forgivable loan as per the 2013-2014 Goals and Priorities statement in which; housing development projects which involve the training of lower income individuals and which lead to employment or higher education construction may apply up to 50% of funds to staffing, legal and other development associated costs.

WPHD proposes to acquire property and contract with OFS for construction or rehab of homes for the WPHD's Lease-to-Purchase program. Once the units are completed the property will be managed under the guidelines of WPHD's Lease-to-Purchase program. The City of Madison CDBG office will contract with WPHD for the development of 4 affordable housing units and for the implementation of the Lease-to-Purchase program.

The CDBG staff has met with WPHD and OFS to develop the details of the Lease-to-Purchase program. Although there are some risks that have still been identified WPHD and CDBG staff will continue to work together as the contract is developed to address those risks as the program is defined. An identified risk that the CDBG staff will work with WPHD is the formation of a clear tenant selection plan. The CDBG staff will also need to review the budget for each sale of the above mentioned property to determine feasibility.

WPHD and OFS originally submitted a request during the 2013-2014 Summer Funding process for funding of up to 4 units of affordable housing which would be occupied under a Lease-to-Purchase model. At the time of the summer funding process the CDBG staff and CDBG Committee had additional questions as WPHD was developing the new program model. Attached is additional information that has been submitted by WPHD in response to questions submitted by the CDBG staff and CDBG Committee members.

Staff recommendation is to fund WPHD for the development of up to 4 units of affordable housing from the Housing Reserve Funds, these homes will be managed under the WPHD Lease-to-Purchase program. WPHD will be expected to do extensive homebuyer education throughout the lease period and ownership of the

homes must be transferred to the homebuyer within 36 months of initial occupancy.

Capital Costs

Total estimated Cost/Total Beneficiaries Equals: \$832,000/ 4 households = \$208,000 per unit price

CD Office Funds/CD-Eligible Beneficiaries Equals: \$214,000/4 households= \$53,500

CD Office Funds as Percentage of Total Budget: 25%

HOME funds invested in each unit:

\$53,500 total per unit:

\$8,032--- developer fee and soft costs

\$22,734—forgivable loan for construction costs to OFS

\$22,734—HOME funds invested in property to be used as down payment assistance at time of purchase

9. Staff recommendation:

Technical and Regulatory Issues	Project information
Within unit, capital, mortgage limits	YES
Within Subsidy layering limits/ analysis	YES
Environmental Review issues	NO
Eligible project	YES
Conflict of interest	NO
Church/State issues	NO
Accessibility of program	YES
Accessibility of structure	TBD
Lead-based paint inspection required	YES
Relocation/displacement	NO
Zoning restrictions	NO
Fair Labor Standards	NO
Vulnerable populations	NO
Matching Requirement	YES
Period of Affordability for HOME funds	YES
Site and Neighborhood Standards Concerns	TBD
Supplanting issues	NO
Living wage required	NO
M/W/DBE goal required	NO
Aldermanic/neighborhood communication	TBD
Section 3 covered assistance project	YES
Developer Capacity	YES
Market conditions acceptable	YES
CHDO certification	NO
Management issues:	NO