DRAFT Homeownership RFP

CDBG Committee

02.06.2025

Overview

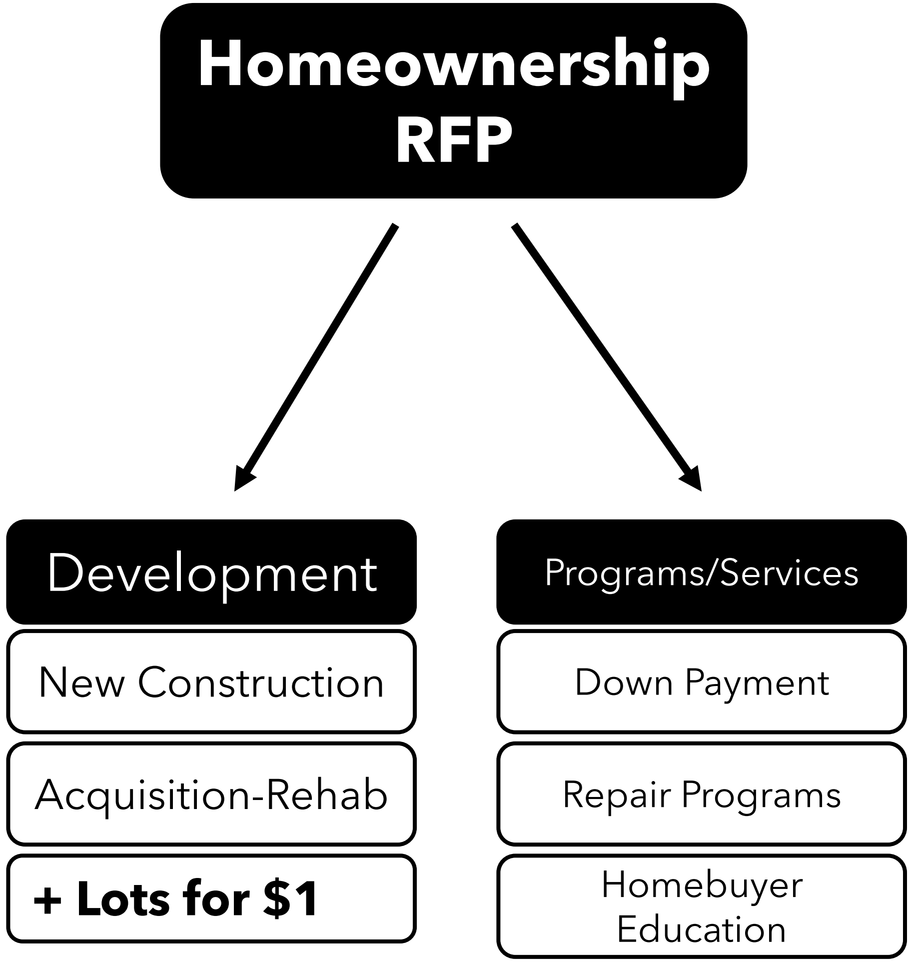
– RFP: Financing for Affordable Homeownership Development, Programs, and Services

– **Amount available:** $5 Million

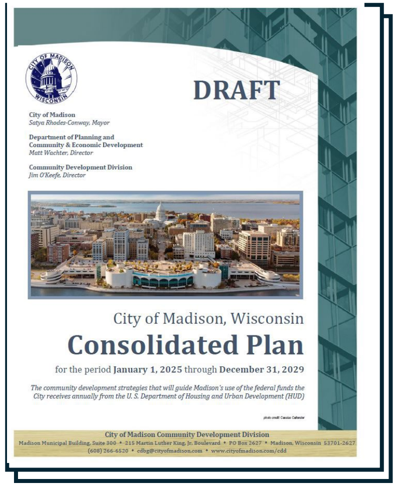
– **Release Date:** February / March 2025

– **Applications due:** May / June 2025

– **Projects starting**
  - Development: After CC Approval
  - Programs and Services: January 1, 2026

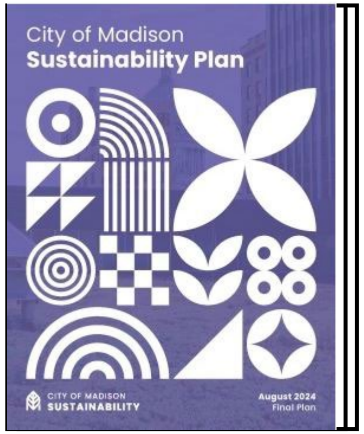


Goals

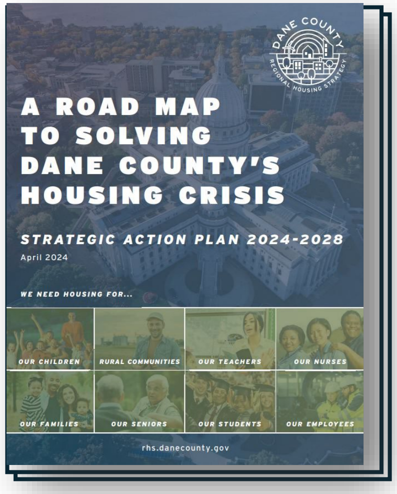


Consolidated Plan and Annual Action Plan

Comprehensive Plan and Area Plans



Sustainability Plan



Dane County Housing Strategy Report

<u>Goal Area 1. Housing Development and Financing: Homeownership</u>

- Housing Rehabilitation and Accessibility Improvements
- Owner-Occupied Housing Development (New Units)
- Homebuyer Assistance (Down Payment)

- **Homebuyer Education**

Overall Changes

- Extend application timeline (from 4 weeks to 8 weeks)
- Application is streamlined and number of questions are reduced
- Scoring criteria aligns with application and equalizes community need and preferences as an important component of evaluation

Development

Eligible applicants

- Non-Profits
- For-Profits (new)

Increase supply

Support permanent affordability

Be proactive and reduce costs in the future

Reach lower income bands to increase choice

Per Unit Subsidy
Up to $200,000 / unit

Previously up to $150,000

Sustainability (new)
Requirement for ENERGY Star Certification for new construction

Additional subsidies to exceed.

Accessibility (new)
Minimum requirements for visitability and accessibility to greatest extent feasible

Additional subsidies to exceed.

Financing

- 0% Long Term Deferred Loan
- 80% capital costs
- 20% soft costs (reduced split)

Developer Fee Boost (new)

- Developer fee can max out at 20% cap of award minus any soft costs

Permanent Affordability
Incentive for permanent affordability

- Forgive 50% of loan at time of resale
- Park Impact Fee Waiver

Increased Subsidy

Owl Creek Twin Home Features

5165 GREAT GRAY DRIVE, MADISON, WI 53718

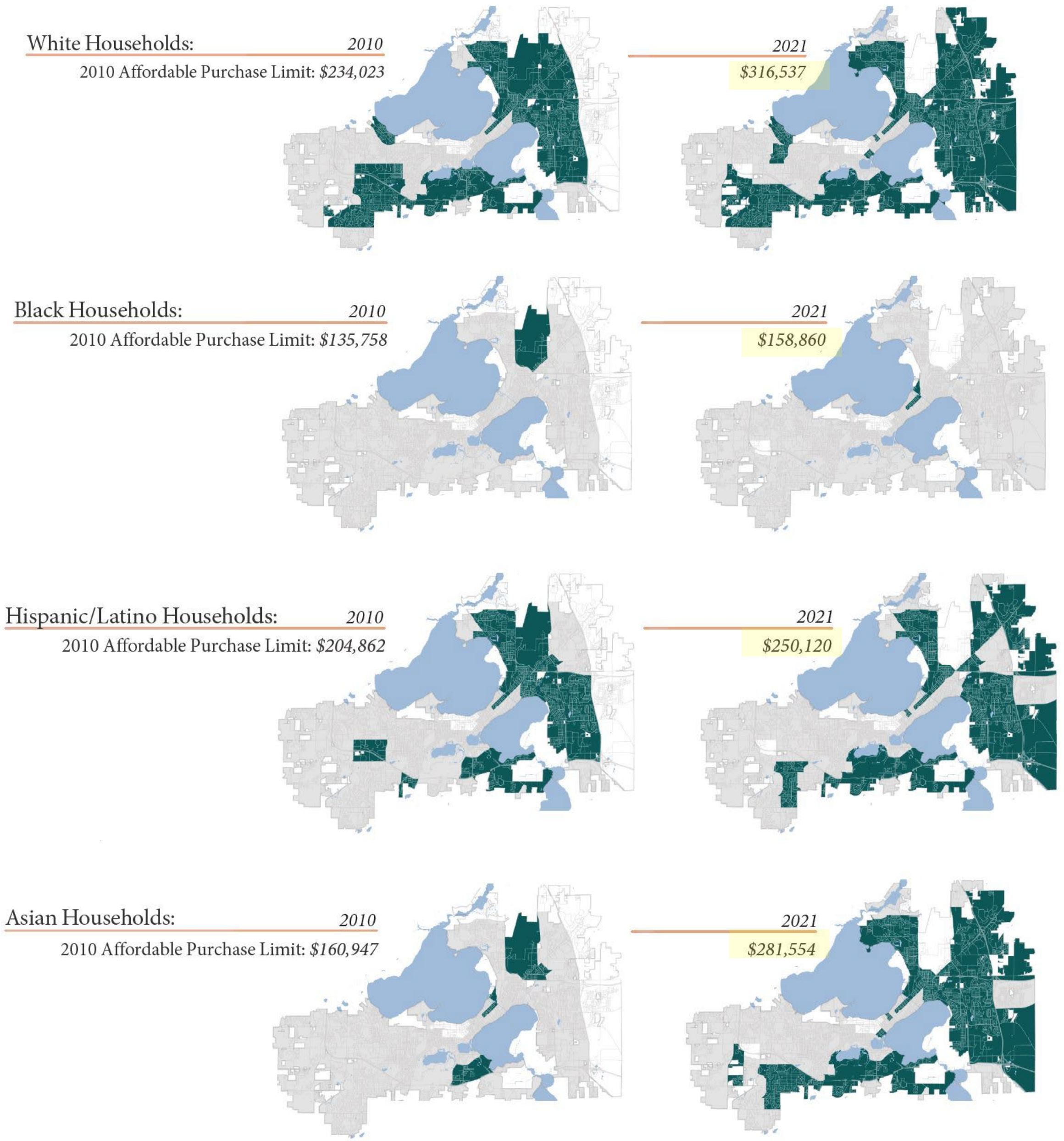
LISTING PRICE: $\boxed{\$235{,}000}$

- 2-story, Twin home, Shared Wall
- 1,199 sqft
- 2 bedroom, 1.5 bathroom plus study
- 1 car attached garage
- Open-concept kitchen with a great room
- Solid surface countertops
- Concrete patio from the kitchen
- Barrier-free first floor with 43-inch stairway

The actual floor plans and elevations may differ from those shown based on modifications, options, and improvements to the plans by the developer.Image credit Kaba-Baal LLC.

Why?

- Above was possible with $150,000 subsidy
- Limited other sources of funding to leverage
- Lower capacity for smaller scaled projects
- Increased labor and materials costs



Increased Subsidy

Estimated payment	$1,753 /mo
Loan amount	$200,000
Down payment	$35,000
Interest rate	6.9%
Loan term	30 years
Taxes & insurance included?	Yes
Property tax	1.8%/yr
Homeowner's insurance	$1,000/yr
Mortgage insurance	$0/mo
HOA dues	$0/mo

$50k subsidy

Estimated payment	$1,341 /mo
Loan amount	$150,000
Down payment	$35,000
Interest rate	6.822%
Loan term	30 years
Taxes & insurance included?	Yes
Property tax	1.8%/yr
Homeowner's insurance	$1,000/yr
Mortgage insurance	$0/mo
HOA dues	$0/mo

$70,120 ANNUAL INCOME = ~ 56% AMI *(as of 2/3/2024)*

$53,640 ANNUAL INCOME = ~ 43% AMI *(as of 2/3/2024)*

Development – Lots for sale

- Revision to the draft will include **6 vacant** lots offered for **$1.00** in the Owl Creek neighborhood
- Reduces project costs by **$70,000 - $100,000** per lot and increases affordability

Programs and Services

Eligible applicants
Non-Profits; collaborative proposals provide exceptions

Program and Services contract may be extended beyond the 2-year cycle, if funds are available.

Homebuyer Assistance (Down Payment)
a program that provides mortgage reduction assistance for first-time income-qualified homebuyers

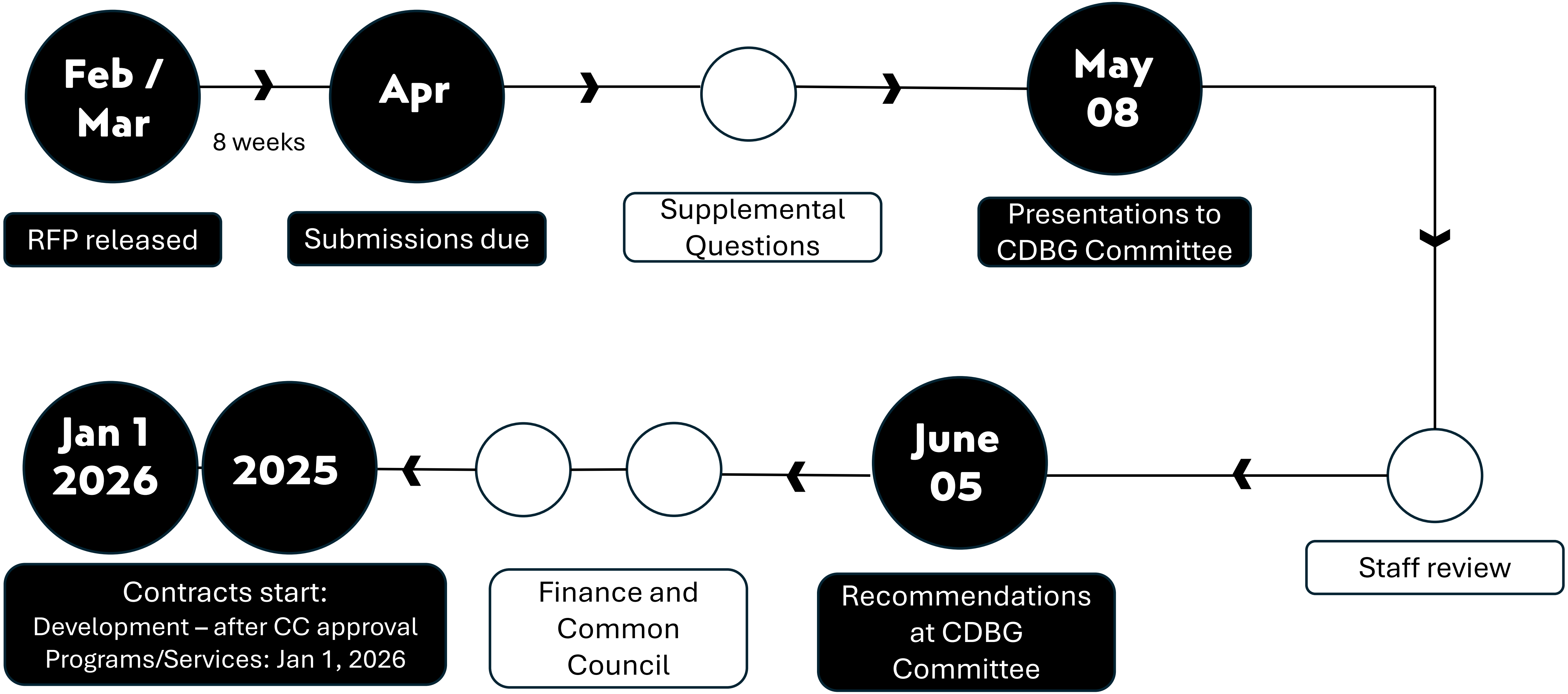
Reasonable and must adhere to CDD Underwriting Standards

Minor Home Repair
a program for minor home repairs under $5,000 to improve safety, weatherization, accessibility, or energy efficiency

Homebuyer Education
provide financial literacy and homebuyer education, issue HUD-certified completion certificates, to prepare residents for homeownership and access down payment assistance

30% of budget should be used towards program support: incentivizing, retainment, reducing barriers

Timeline


Feb / Mar
8 weeks
Apr
May 08
RFP released
Submissions due
Supplemental Questions
Presentations to CDBG Committee
Jan 1 2026
2025
June 05
Staff review
Contracts start:
Development – after CC approval
Programs/Services: Jan 1, 2026
Finance and Common Council
Recommendations at CDBG Committee