



Legislation Text

File #: 18935, **Version:** 1

Fiscal Note

No significant net fiscal impact is anticipated. The Resolution will effectively allow Operation Fresh Start to reprogram payments of up to \$125,000 in income derived from property sales, with the commitment secured by other mortgages that have sufficient equity.

Title

Authorizing Operation Fresh Start (OFS) to modify their program income contract to allow them to sell properties that have a Community Development Division (CDD) program income fund investment and at the time of sale secure the loan amount with an assignment of mortgage on an alternative OFS property.

Body

OFS has faced some financial difficulties in the past few years with the decline in the housing market and the credit crunch for low-income buyers. In addition, the drop in the appraised value of their homes has forced them, in some cases to use their operating reserves to pay off CDBG program income loans when homes do sell. As a result, OFS is requesting that a modification be made to their program income contract to allow the City to accept the assignment of a different mortgage as security on their program income fund loan, when at time of sale, the sale price of the property will not allow full repayment of the CDBG program income loan. Currently OFS has \$198,932 in outstanding CDBG program income revolving fund loans invested in six properties.

WHEREAS, OFS has been a long time partner with the City of Madison in providing affordable housing and valuable job training and educational programs for youth in our community. Their work has helped the CDD achieve the goals of providing affordable housing to LMI households; and,

WHEREAS, the CDBG staff have reviewed the requested contract modification and have determined that this request will allow OFS to continue to meet their CDBG contract goals and objectives; and,

WHEREAS, the CDBG staff has worked diligently with OFS to look at alternative methods to assist in their current financial situation and finds this request to be the most fiscally responsible method the CDBG Office can use to assist OFS in meeting the need to sell affordable homes to income eligible households without a continued loss of their cash reserves, while at the same time protecting the financial investment of the City in affordable housing;

NOW, THEREFORE BE IT RESOLVED that the Common Council authorize a modification to the OFS program income contract to allow OFS to, at the time of sale of a property with program income revolving loan funds to provide the City with an assignment of mortgage on an alternative OFS property that has built sufficient equity to cover the existing first mortgage and the one being assigned.

BE IT FUTHER RESOLVED that this assistance be limited to a maximum of \$125,000, of their outstanding program income loan balance on 5 or more properties, with a maximum of \$25,000 of assignment per property; properties to be approved by the City.