



## Legislation Text

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**File #:** 35042, **Version:** 1

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### **Fiscal Note**

The City's Deferred Payment Loan (DPL) program has a current available balance of \$358,725 in HOME funds, and the CDD Housing Development Reserve fund has an available balance of over \$1 million in CDBG funds. This Resolution proposes to exchange up to \$360,000 in HOME funds from the DPL program for a commensurate amount of CDBG funds from the Housing Development Reserve.

No additional City funds are being requested by this Resolution, and there is no impact on the local City levy.

### **Title**

Approving the exchange of HOME funds for CDBG funds between the City's Deferred Payment Loan program and the CDD Housing Development Reserve Fund in order to better align these two HUD funding sources with appropriate projects and expenditures, in light of recent HUD regulation changes regarding the use of HOME funds.

### **Body**

The City's Deferred Payment Loan (DPL) program provides residential rehab loans targeted to Madison homeowners with income levels at or below 80% of the Area Median income. A typical rehab loan is \$18,000, and could assist with roof replacements, energy efficiency improvements, electrical repairs and upgrades, plumbing repairs, and general repairs including those related to code compliance. The repayment of these loans is deferred until the time the property is sold, allowing homeowners to make necessary improvements to their property without incurring monthly installment payments. All loan repayments are returned to the program, and in turn, are used to fund additional rehab loans. Currently, the DPL program is funded with a combination of HOME and CDBG funds.

Recently, HUD implemented its new HOME Rule, which incorporated regulatory changes that now make the use of Federal HOME funds far more attractive for investments in larger housing development projects, and less so for programmatic designs that use smaller investments, such as the provision of homebuyer assistance or rehabilitation loans.

The City's Community Development Division (CDD) also plans to incorporate Department of Energy (DOE) funds into those used for the DPL program, to address additional energy efficiency improvements. This will require a modification to the DPL program design to allow an assessment limit of \$250,000, in order to reach a larger target audience. The HOME regulations limit assistance to homes with an assessed value of up to \$209,000, while CDBG regulations do not have an assessment limit.

The DPL program has a current available balance of roughly \$360,000 in HOME funds, while the CDD Housing Development Reserve has a current available balance of over \$1 million in CDBG funds. In light of the funding source issues articulated above, this Resolution proposes to transfer up to \$360,000 in HOME funds currently available in the DPL program to the CDD Housing Development Reserve, and to "replace" these funds by transferring a commensurate amount of CDBG funds currently available in the Housing Development Reserve back to the DPL program. This funding source substitution will better align sources with appropriate investments, by increasing the availability of HOME funds for larger housing development projects typically funded from the CDD Housing Development Reserve, and allowing more flexibility in the DPL program design to accommodate higher assessment limits and additional changes permitted by CDBG regulations.

### **ACTION**

WHEREAS, the City's Deferred Payment Loan program is currently funded with a combination of HOME and CDBG funds; and,

WHEREAS, recent changes to HUD's HOME Rule have made the use of Federal HOME funds more attractive for larger housing development loans and less so for smaller homeowner rehabilitation loans; and,

WHEREAS, the funding of the DPL program exclusively with CDBG funds instead of HOME will permit the Community Development Division to implement needed program design modifications to allow for higher assessment limits and other changes; and,

WHEREAS, the CDD Housing Development Reserve currently has sufficient CDBG funds to enable the exchange of funds described herein;

NOW, THEREFORE, BE IT RESOLVED, that the Common Council approves the exchange of up to \$360,000 in HOME funds from the City's DPL program with a commensurate amount of CDBG funds from the CDD Housing Development Reserve; and,