



Legislation Text

File #: 30269, **Version:** 1

Fiscal Note

Sufficient Federal HOME, HOME Match and/or CDBG funds are available for this project within the Community Development Division's Housing Development Reserve Fund, which was authorized as part of the CD Division's 2013 Adopted Operating Budget.

Title

Authorizing up to \$216,000 in Housing Development Reserve Funds to assist Housing Initiatives, Inc. to acquire and rehabilitate rental housing in 2013.

Body

Housing Initiatives is a local community-based agency that provides permanent, affordable rental housing to people who are homeless and disabled through chronic mental illness. Housing Initiatives acquires and rehabilitates property, manages the property as affordable housing, and actively assists their tenants in maintaining case management services.

In the past few years, Housing Initiatives has been successful in acquiring and rehabilitating vacant foreclosed multi-family properties for rental housing. This approach helps to address the problems associated with foreclosed properties while also meeting the goal of increasing the number of affordable rental units at a reasonable price. With this commitment of funds, HII will seek to acquire and rehabilitate a 4-unit vacant, foreclosed bank-owned property.

WHEREAS, the CDBG staff and the CDBG Committee have reviewed this proposal and find that it furthers the goals expressed in the 2010-2014 Five-Year Community and Neighborhood Development Plan and the 2013 Community Action Plan; and

WHEREAS, this project is eligible based on the 2013-2014 Community Development Program Goals and Priorities; and

WHEREAS, the successful completion of this project will add to the permanent, affordable rental housing stock which is in high demand for low-income people who are homeless and disabled through chronic mental illness; and

WHEREAS, the successful completion of this project will also meet the high priority of reducing the number of foreclosed properties that negatively impact neighborhoods, especially 2-8 unit multi-family properties; and

WHEREAS, receipt of Housing Development Reserve Funds is also contingent upon Housing Initiatives, Inc. indentifying an appropriate, feasible, vacant and foreclosed property outside of the Allied Drive area and submitting site specific project information by October 31, 2013; and

WHEREAS, the Community Development Program Goals and Priorities require that applications for projects funded out of the Housing Development Reserve Fund identify a site specific project; and

WHEREAS, the CDBG staff and the CDBG Committee have reviewed a request for a waiver to this requirement and find that it merits an exception because it addresses the City's concurrent interest of addressing the problems associated with foreclosed properties; and

WHEREAS, receipt of up to \$216,000 in Reserve Funds from the CDD is contingent upon Housing Initiatives,

Inc. obtaining sufficient permanent financing to complete the project while maintaining 115% secured loan to value ratio; and

WHEREAS, in the event that HII has a commitment of permanent financing but those funds are not available in time for the closing, HII may need to secure a short-term bridge loan. In this event, the City may be asked to subordinate its mortgage in favor of the permanent first mortgage financing at a later date.

NOW, THEREFORE, BE IT RESOLVED that the Common Council approve up to \$216,000 in Housing Development Reserve Funds, and authorizes the Mayor and the City Clerk to enter into an agreement with Housing Initiatives, Inc. to provide funds to create at least four units of affordable rental housing at a site yet to be determined; and

BE IT FURTHER RESOLVED that, if necessary, the Mayor and the City Clerk are hereby authorized to execute a Subordination of Mortgage in favor of first mortgage financing in forms as shall be approved by the City Attorney consistent with this Resolution; and

BE IT FURTHER RESOLVED that the assistance be provided as a long-term deferred loan payable upon sale of the property, transfer, or change in the use of the property with repayment equal to the amount of the CDD funds invested in the property plus a percent of the appraised value based on CDD investment or net proceeds whichever is less; and

BE IT FURTHER RESOLVED that the assistance be provided contingent upon Housing Initiatives, Inc. obtaining a post-rehabilitation appraisal that supports a maximum of 115% secured loan to value ratio and sufficient permanent financing to complete the project.