



Legislation Text

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Fiscal Note

The City has historically received relatively favorable interest rates on its borrowed funds because of a combination of many factors. These include the City's exceptionally strong "Aaa" bond rating, the tax exempt nature of most City capital expenditures, the fairly rapid (ten year) repayment schedule employed, the relatively low debt burden accumulated in the past, and the "general obligation" pledge that the City makes for each debt issue. This general obligation pledge is an irrevocable commitment to use the City's taxing power to repay all future debt service before other funding responsibilities are fulfilled.

Funds borrowed for a loan program as anticipated in this resolution would not qualify as tax exempt. Thus, the City's higher taxable borrowing rates would apply. To recover the transaction and holding costs associated with any funds borrowed, the City would have to demand an equally aggressive repayment schedule and charge a higher interest rate to loan recipients. Actual rates would be dependent of the size and repayment period of the City borrowing, and on the market rates obtained at the time of borrowing.

If any costs associated with such a loan program were not recovered from loan recipients, the City would be required to make up the shortfall with an appropriation from the General Fund. That General Fund expenditure would count against the City's eligibility under the State's Expenditure Restraint Program.

Current cash balances of \$3,500,000 and \$380,000 in the Affordable Housing Trust Fund and the Inclusionary Zoning Special Revenue Fund respectively could be made available for such loan programs by the Common Council without the need to borrow additional funds for these purposes and without impacting Expenditure Restraint Program eligibility.

Title

SUBSTITUTE - That the City of Madison should establish a capital borrowing program for affordable rental housing.

Body

WHEREAS, State of Wisconsin restrictions on rent control make it extremely difficult for the City of Madison to provide programs that create affordable rental housing; and

WHEREAS, affordable housing for households below 40% AMI is even more difficult to provide; and

WHEREAS, the non-profit housing development community cannot provide the amount of affordable housing necessary for households in this community at or below 40% AMI without help from the private sector; and

WHEREAS, current market rate interest on borrowing is around 7% and WHEDA programs are at about 7.5% for projects funded with taxable bond financing and 6.625% for projects financed with tax-exempt bonds; and

WHEREAS, the City of Madison borrowed last year at interest rates of approximately 5.5% for private projects and 4% for tax-exempt purposes; and

WHEREAS, affordable financing for projects can help create affordable rental housing units to help house lower income people in the city of Madison;

NOW, THEREFORE, BE IT RESOLVED that the City of Madison should establish a capital borrowing program for affordable rental housing.

BE IT FURTHER RESOLVED that the minimum terms of such a program should be as follows:

1. The housing should be affordable for a minimum of ~~thirty (30)~~ **fifteen (15)** years;
2. The Community Development Block Grant Office shall administer the program;
3. The program shall issue an official RFP at least once annually, but may award money to projects on an on-going basis

throughout the year; and

4. A minimum of 20% of the rental housing created under the program shall be affordable to families at 50% AMI and 40% of the rental housing shall be affordable to families at 60% AMI. Preference, however, shall be given to projects that target families below 40% AMI.

BE IT FURTHER RESOLVED that the details of the program shall be recommended by the Affordability Subcommittee of the Housing Committee and the Community Development Block Grant Commission in consultation with the Comptroller's Office.

BE IT FINALLY RESOLVED that the above-referenced recommendations shall be submitted to the Common Council for final approval by October 16, 2007, so that appropriate amendments may be made to the 2008 budget.