



Legislation Text

File #: 21015, **Version:** 1

Fiscal Note

Funding of \$100,000 for the Work Force Housing Initiative is authorized in the 2011 Adopted Operating Budget as part of the Homebuyer's Assistance Program (p. 32).

Title

Authorizing amendments to the Homebuyer's Assistance Program to provide work force housing loans to eligible borrowers to fund a portion of the acquisition and/or rehabilitation cost of eligible properties in the Greenbush and Vilas Neighborhoods.

Body

The Greenbush and Vilas neighborhoods are well connected to a variety of local amenities, shopping, restaurants, transit, parks and trails, lakes, as well as the University of Wisconsin and downtown. The neighborhoods are home to Meriter and St. Mary's hospitals, which provide significant services and employment to the surrounding neighborhoods and region. The neighborhoods are witnessing many positive signs; however, some overcrowded and poorly managed rental housing remains a challenge, and much of the housing in the neighborhood is unaffordable for the employees working nearby at St. Mary's, Meriter, Edgewood College, and the University of Wisconsin.

The recently adopted Greenbush-Vilas Housing Revitalization Strategy requests that City agencies consider including the recommendations of the Report in future work plans and budgets and proceed with the implementation of the priority projects contained in the Plan. The Economic Development Division of the Department of Planning and Community and Economic Development has responded by evaluating the Homebuyer's Assistance Program for amendment to provide work force housing loans in the Greenbush and Vilas neighborhoods and securing \$100,000 in the City's 2011 Adopted Operating Budget for the operation of the Program.

Meriter Health Services has taken a leadership role in the revitalization of the Neighborhood by creating Madison's first workforce housing assistance program. Their *Healthy Neighborhood Initiative*, in collaboration with WHEDA and Common wealth Development Corporation, provides eight \$10,000 loans to Meriter employees on an annual basis to purchase homes in need of repair in the Greenbush and Vilas neighborhoods. The program began in 2010.

The City's Homebuyer's Assistance Program presently provides loans to eligible borrowers earning no more than 125% of the Dane County Median Income to fund a portion of the acquisition and/or rehabilitation cost of an eligible property located in the City of Madison. Under the current Program, the loan amount cannot exceed 30% of the total acquisition and rehabilitation cost of the project. The remaining funds necessary for purchase may be provided by a conventional first mortgage loan, down payment assistance loans, and the borrower's own funds. Additional funding up to \$5,000 may be provided to match City Home-Buy Down Payment Assistance loans for borrowers with incomes at or below 50% of the Dane county Median Income. Since 1990, a total of 83 Homebuyer's Assistance loans have been closed to assist the purchase and rehabilitation of 126 units for a total City investment of \$2,639,475.

In order to meet the work force housing requirements, the current Homebuyer's Assistance Program is being amended to provide work force housing loans to eligible borrowers ("Borrower") receiving down payment contribution from participating employer, to fund a portion of the acquisition and/or rehabilitation cost of eligible properties ("Property") in the Greenbush and Vilas neighborhoods. The loans will be deferred payment loans, provided in an amount equal to the down payment contribution of the participating employer up to a maximum

of \$10,000 per property. There will be no income limit for Borrower.

WHEREAS, on June 30, 2010, the Common Council adopted the Greenbush-Vilas Neighborhood Housing Strategy Report (Legislative File ID 19055); and

WHEREAS, the Revitalization Strategy Steering Committee was comprised of representatives from the respective neighborhood associations, rental property owners, St. Mary's and Meriter hospitals, University of Wisconsin-Madison, Realtors Association of South Central Wisconsin, Madison Gas & Electric, and other stakeholders from the immediate area; and

WHEREAS, one of the aims of the Revitalization Strategy is to increase the affordability and desirability of the Neighborhood for University and hospitals employees, graduate students, and young families; and

WHEREAS, according to the Revitalization Strategy Report, potential residents who want to live in the Greenbush-Vilas Neighborhood, such as those working nearby at Meriter and St. Mary's, are unable to find appropriate housing at an affordable price; and

WHEREAS, the Revitalization Strategy Report identifies strategies for small-scale investment by property owners and medium- to-large-scale investments to increase homeownership and a range of housing options in the Neighborhood; and

WHEREAS, the City's 2011 Adopted Operating Budget authorizes the funding of up to \$100,000 for the operation of a pilot work force housing initiative as part of the Homebuyer's Assistance Program, and directs staff to draft the Program requirements, subject to Common Council approval; and

WHEREAS, the Department is desirous of amending the current Homebuyer's Assistance Program to provide work force housing loans to Borrower receiving down payment contribution from participating employer to fund a portion of the acquisition and/or rehabilitation cost of Property in the Greenbush-Vilas neighborhoods;

NOW, THEREFORE BE IT RESOLVED that the Common Council does hereby authorize the following amendments to the Homebuyer's Assistance Program to provide work force housing loans to Borrower receiving down payment contribution from participating employer to fund a portion of the acquisition and/or rehabilitation of Property, located in the Greenbush-Vilas neighborhoods:

- 1. Program Definition:** Provide work force housing loans to Borrower receiving down payment contribution from participating employer to fund a portion of the acquisition and/or rehabilitation cost of Property, located in the Greenbush-Vilas neighborhoods. At closing, funds are available for purchase and escrowed for rehabilitation.
- 2. Loan Terms:** Deferred payment loans with no interest and no monthly payments. Borrower must sign a mortgage note. The loan will become due and payable when the Borrower sells, vacate, cash-out refinance, or transfers the Property. No pre-payment penalty or shared appreciation required.
- 3. Loan Amount:** The loans will be provided in an amount equal to the down payment contribution of the participating employer up to a maximum of \$10,000 per Property.
- 4. Program Area:** Greenbush and Vilas neighborhoods (see attached map).
- 5. Eligible Property:** An eligible Property is any single-family or two-unit structure located in the Program Area. At least one of the units must be owned and occupied by the Borrower as a principal residence.
- 6. Eligible Costs:** Eligible costs include the cost to purchase and/or rehabilitate the unit and closing costs.
- 7. Income Limit:** No Borrower income limit.
- 8. Minimum Down Payment:** Borrower must provide a minimum cash down payment of 3% of the purchase price, of which 1% must be Borrower's own funds.
- 9. Homebuyer Education:** Borrower must complete home buyer education training. A copy of the training

certificate must be submitted to the City prior to writing of the Offer.

10. Eligible Borrower: Borrower is not required to be a first-time homebuyer.

BE IT FURTHER RESOLVED that the Common Council declares the purchase and rehabilitation of properties in the District to be a public purpose.