Legislation Details (With Text)

File #:	41186	**Version:**	1	**Name:**	Amending the repayment terms of Affordable Housing Trust Funds (AHTF) awarded to the City's Community Development Authority (CDA) for financing its Mosaic Ridge Homeownership Project.
Type:	Resolution			**Status:**	Passed
File created:	12/21/2015			**In control:**	BOARD OF ESTIMATES (ended 4/2017)
On agenda:	1/19/2016			**Final action:**	1/19/2016
Enactment date:	1/22/2016			**Enactment #:**	RES-16-00062

Title: Amending the repayment terms of Affordable Housing Trust Funds (AHTF) awarded to the City's Community Development Authority (CDA) for financing its Mosaic Ridge Homeownership Project.

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Indexes:

Code sections:

Attachments: 1. 3_Mosaic Ridge Final Memo.pdf, 2. Lot 5 Mosaic cost sheet.pdf

Date	Ver.	Action By	Action	Result
1/19/2016	1	COMMON COUNCIL	Adopt	Pass
1/11/2016	1	BOARD OF ESTIMATES (ended 4/2017)	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER	Pass
1/7/2016	1	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	Return to Lead with the Recommendation for Approval	
1/5/2016	1	BOARD OF ESTIMATES (ended 4/2017)	Refer	
1/5/2016	1	COMMON COUNCIL	Refer	Pass
12/23/2015	1	Community Development Division	Referred for Introduction	

Fiscal Note

On October 16, 2012, the Common Council authorized a loan of $180,000 from the City's Affordable Housing Trust Fund (AHTF) to the Community Development Authority to provide construction financing for the CDA's Mosaic Ridge Homeownership Project.

This Resolution seeks to extend the term of repayments of any of those funds that are associated with homes sold to buyers at or below 50% of area median income (AMI). For those buyers, instead of repayment being due at the time of initial sale, some or all of the funds will remain as a long-term deferred loan, due upon sale or transfer of the property.

No new additional funds are being sought by this Resolution, and there is no impact on the local levy

Title

Amending the repayment terms of Affordable Housing Trust Funds (AHTF) awarded to the City's Community Development Authority (CDA) for financing its Mosaic Ridge Homeownership Project.

Body

BACKGROUND

The City of Madison approved development of the Mosaic Ridge subdivision in the Allied Drive area with the intention of encouraging the development of a mixed-income community. Known as the Mosaic Ridge Homeownership Project, the goal was to have one-third of the homes be affordable to families at or below 50% of area median income (AMI), one-third be affordable to families with incomes between 50%-80% of AMI,

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and one-third have no income restrictions.

The City awarded AHTF funds to the Mosaic Ridge homeownership project in 2012, providing construction financing to four of the homes listed above. Funding was designated for two homes for households at or below 60% of AMI, and two homes for households at or below 80% of AMI.

The repayment terms outlined in the authorizing Resolution (RES-12-00793, Legistar #27743) state that CDA will pay 2.75% simple interest during construction for all units built for households at 60%-80% AMI, and no interest during construction for units built for households at or below 50% AMI. The Resolution further states that CDA shall repay the full amount of principal and interest accrued at the time of project completion, with "project completion" defined as the transfer/sale of six homes or the expiration date of the contract.

The CDA has requested an amendment to its repayment terms that will allow the provision of additional subsidy to households at or below 50% AMI who would be unable to afford the homes, even under the current terms. For such households, CDA would allow some or all of the funds used to complete the home to stay in the property as a long-term deferred loan, due upon sale or transfer of the property.

ACTION

WHEREAS, at its meeting of October 16, 2012, the Common Council authorized the commitment of $180,000 in Affordable Housing Trust Funds to be provided to the CDA for use as construction financing at the Mosaic Ridge subdivision; and,

WHEREAS, funds were intended to support the development of a mixed-income community in the Allied Drive area, and were designated specifically for two homebuyers at or below 60% of Area Median Income and two homebuyers at or below 50% Area Median Income; and,

WHEREAS, potential homebuyers were required to secure permanent private financing to repay all construction costs provided by the CDA; and,

WHEREAS, the CDA has subsequently determined that households at or below 50% AMI, even those who are credit-ready and able to secure private financing, still have a gap in the amount of financing they can secure from private lenders to cover all construction costs; and,

WHEREAS, this is due in part to the fact that although homebuyers may convert Section 8 rental assistance to mortgage payments and can thus actually afford associated payments, private mortgage lenders do not consider housing assistance reductions when calculating debt-to-income ratios; and,

WHEREAS, this means that additional long-term deferred financing is necessary to enable homebuyers at or below 50% AMI to obtain private mortgage financing for homes in Mosaic Ridge; and,

WHEREAS, CDD staff and the CDBG Committee have reviewed the proposed amendment and find that it continues to further the goals expressed in the Affordable Housing Trust Fund ordinance (MGO 4.22) and the Allied Redevelopment Plan, which identifies affordable housing as a critical issue within the community;

NOW, THERFORE, BE IT RESOLVED, that the Common Council hereby amends the repayment requirements for AHTF loan funds awarded to the CDA in October 2012, authorizing AHTF funds as long-term deferred loans for those homes sold to buyers who are at or below 50% of AMI; and,

BE IT FURTHER RESOLVED, that any unpaid loan amounts will be repaid when a homebuyer sells or transfers the property, or when the unit is no longer owner-occupied; and,

BE IT FINALLY RESOLVED, that the Mayor and City Clerk are hereby authorized to execute, deliver, accept, publish, file and record any and all other documents, instruments, notes and records and take such other actions as shall be necessary or desirable to accomplish the intent of this Resolution in a form approved by the City Attorney, and to comply with and perform the obligations of the City hereunder.

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