



Legislation Text

File #: 35310, **Version:** 1

Fiscal Note

This amendment provides \$100,000 in funding from the Contingent Reserve to support additional loan activity under the Homebuyer's Assistance Program, which is operated as a segregated fund.

Funding of \$100,000 is available in the 2014 adopted City operating budget, which has appropriated \$1,200,000 in funding for the Contingent Reserve. The current uncommitted balance in the Contingent Reserve is \$664,387 which will be reduced to \$564,387 upon the adoption of this amendment. There is no net impact on the tax levy.

The 2014 City operating budget will be amended as follows:

(\$100,000) GN01-57600-971000 - Reduce Contingent Reserve
\$100,000 SR61-57700 Increase Loan Expenditures

Title

Amending the 2014 Operating Budget for the Special Fund for the Homebuyer's Assistance (HBA) Program in fund SR61 which is administered by the Economic Development Division by appropriating \$100,000 from the Contingent Reserve fund to provide additional loan funds to be used for the purchase and rehabilitation of owner-occupied residential property to continue this program for the remainder of 2014.

Body

WHEREAS, the City of Madison created the Homebuyer's Assistance (HBA) Program in 1974 to assist individuals in partial financing of the purchase and rehabilitation of 1-4 unit properties that would then become owner-occupied housing. This program has been essential for low-to-moderate income borrower's to be able to purchase these affordable homes which are in need of updating and repairs. For low-to-moderate income borrower's whose income is less than 80% of Area Median Income (AMI) this loan is deferred for 10 years then converts to a 15 year monthly installment payment at 3.25% (2014 interest rate). For households with income greater than 80% but less than \$100,100 this loan repayment begins immediately at 3.25% (2014 rate) for 20 years; and

WHEREAS, since this program's inception in 1974, 188 HBA loans totaling over \$4.1 million helped facilitate the purchase and rehabilitation of 232 housing units in Madison. Over the years, the program has changed to meet the City's changing housing stock and mortgage lending environment. In 2000, the target area of downtown Madison and the Isthmus area was eliminated and the program became a city-wide program. Then in 2005, based on the recommendations of a focus group, the program had substantial revisions made to it to make it compatible with the lenders' secondary market mortgage lending requirements. These changes included increasing the loan amount, increasing the number of units, decreasing the down payment requirement from the borrower, increasing the minimum rehabilitation requirement, adding a deferred loan component for low-to-moderate income borrowers, changing the loan terms and adding a developer component. Since these changes in 2005, this program has issued \$1.65 million to 45 loans.

WHEREAS, this program was created with the goals of increasing owner-occupancy and preservation of the City's older housing stock. This program provides borrowers the opportunity to purchase and rehabilitate these properties which they otherwise may not had considered purchasing due to the property's condition; and

WHEREAS, this program fills a niche in the mortgage lending market; and

WHEREAS, additional funds requested in the 2014 budget by the Economic Development Division with the Mayor requesting that the funding come from the Affordable Housing Trust Fund were not approved; and

WHEREAS, the 2014 Operating Budget authorized funding in the amount of \$250,000 for loans under this program. To date, two loans totaling \$80,000, have been made, leaving a current fund balance of \$24,000. It is anticipated that the remaining funds will be used by the end of September 2014.

WHEREAS, without an amendment to the 2014 Operating Budget to provide additional funding, this program will have to shut down for the remainder of 2014; and

NOW, THEREFORE, BE IT RESOLVED, that the 2014 Operating Budget be amended to provide funds in the amount of \$100,000 from the Contingent Reserve Fund for the Economic Development Division Special Fund Homebuyer's Assistance (SR61).