



Legislation Text

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Fiscal Note

The City's Deferred Payment Loan (DPL) program has a current available balance of roughly \$49,548 in HOME funds, and the City's "Home Buy the American Dream" (HBAD) program has a current available balance of roughly \$25,823 in HOME funds. The CDD Housing Development Reserve fund has an available balance of over \$781,000 in CDBG funds. This Resolution proposes to exchange up to \$75,371 in HOME funds from the DPL and HBAD programs for a commensurate amount of CDBG funds from the Housing Development Reserve.

No additional City funds are being requested by this Resolution, and there is no impact on the local City levy.

Title

Approving the exchange of HOME funds for CDBG funds between two City of Madison loan programs (DPL/HBAD) and the CDD Housing Development Reserve Fund in order to better align these two HUD funding sources with appropriate projects and expenditures, in light of recent HUD regulation changes regarding the use of HOME funds.

Body

BACKGROUND

Among the loan programs administered by the City's Community Development Division (CDD) are two that have historically been funded, in whole or in part, with federal HOME funds.

The Deferred Payment Loan (DPL) program provides residential rehab loans targeted to Madison homeowners with income levels at or below 80% of the Area Median income, while the "Home Buy the American Dream" (HBAD) program - formerly known as "American Dream Downpayment Initiative" (ADDI) - provides loans of up to \$10,000 to assist eligible Madison homebuyers with downpayment and closing costs. All loan repayments are returned to their program of origin, and in turn, are used to fund additional loans. To date, the DPL program has been funded with a combination of HOME and CDBG funds, and the ADDI program (now HBAD) has been funded with HOME funds.

Recently, HUD implemented its new HOME Rule, which incorporated regulatory changes that now make the use of federal HOME funds far more attractive for investments in larger housing development projects, and less so for programmatic designs that use smaller investments, such as the provision of homebuyer assistance or rehabilitation loans.

The DPL program has a current available balance of roughly \$49,548 in HOME funds, and the HBAD program has a current available balance of roughly \$25,823 in HOME funds, while the CDD Housing Development Reserve has a current available balance of over \$781,000 in CDBG funds. In light of the funding source issues articulated above, this Resolution proposes to transfer up to \$75,371 in HOME funds currently available in the two loan programs to the CDD Housing Development Reserve, and to "replace" these funds by transferring a commensurate amount of CDBG funds currently available in the Housing Development Reserve back to those loan programs. This funding source substitution will better align sources with appropriate investments, by increasing the availability of HOME funds for larger housing development projects typically funded from the CDD Housing Development Reserve, and allowing more flexibility in the program design of the two loan programs to accommodate potential modifications permitted by CDBG regulations. A similar exchange of HOME and CDBG funds between the DPL program and CDD Housing Development Reserve was approved in September 2014, in the amount of \$360,000 (RES-14-00630, Legistar #35042).

Since both loan programs will continue to receive repayments of earlier HOME-funded DPL homeowner rehab loans and HOME-funded ADDI downpayment assistance loans, this Resolution additionally proposes to approve future similar equivalent exchanges of HOME and CDBG funds between the two loan programs and the CDD Housing Development Reserve on a quarterly basis.

ACTION

WHEREAS, the City's Deferred Payment Loan (DPL) and "Home Buy the American Dream" (HBAD) programs have historically been wholly or partially funded with federal HOME funds; and,

WHEREAS, recent changes to HUD's HOME Rule have made the use of federal HOME funds more attractive for larger housing development loans and less so for smaller loans, such as those for homeowner rehabilitation or homebuyer assistance; and,

WHEREAS, the CDD Housing Development Reserve currently has sufficient CDBG funds to enable the exchange of funds described herein;

NOW, THEREFORE, BE IT RESOLVED, that the Common Council approves the exchange of up to \$75,371 in aggregate HOME funds from the City's DPL and HBAD programs with a commensurate amount of CDBG funds from the CDD Housing Development Reserve; and,

BE IT FURTHER RESOLVED, that the Common Council hereby approves future similar equivalent exchanges of HOME and CDBG funds between the DPL and HBAD programs and the CDD Housing Development Reserve on a quarterly basis, to account for additional future repayments of past HOME-funded DPL and ADDI (HBAD) loans.