



Legislation Text

File #: 45535, **Version:** 1

Fiscal Note

Movin' Out's Homeownership Assistance program has a current available balance of approximately \$150,000 in HOME funds, and the CDD Housing Development Reserve fund has an available balance of over \$1 million in CDBG funds. This Resolution proposes to exchange up to \$150,000 in HOME funds from Movin' Out's Homeownership Assistance program 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.

62110111-43630-71016 AFF HSG PI CDBG 16 PRGM PRNCP 150,000
62110111-43630-72016 AFF HSG PI HOME 16 PRGM PRNCP (150,000)

62112112-43630-71016 HSG AST RL CDBG 16 PRGM PRNCP (150,000)
62112111-43630-72016 HSG AST PI HOME 16 PRGM PRNCP 150,000

Title

Approving the exchange of HOME funds for CDBG funds between a homebuyer assistance loan program administered by Movin' Out, Inc. and the CDD Housing Development Reserve Fund in order to help facilitate the City's compliance with recent HUD guidance regarding the timely use of CDBG program income.

Body

BACKGROUND

Since 1997, Movin' Out has contracted with the City to administer a loan program that assists eligible Madison homebuyers with downpayment and closing costs. Households that use this program must have at least one member with a permanent disability, and assistance provided through the program is typically \$30,000 per loan. To date, the agency's Homeownership Assistance program has been funded with a combination of HOME and CDBG funds, with loan repayments eligible for reuse in the program the next calendar year, to fund additional homebuyer loans.

Earlier this year, HUD's Field Office in Milwaukee recommended that the City spend down its CDBG program income balance more rapidly if possible, in an effort to help meet timeliness benchmarks imposed by the grant's regulations, which must be met in Fall 2017. To that end, this Resolution proposes to change the source of funding for Movin' Out's Homeownership Assistance program, which generates between \$300,000 and \$350,000 in homebuyer loans annually, from a combination of HOME and CDBG to 100% CDBG funds. This change will permit CDBG program income funds to be utilized more quickly, in accord with HUD's recent guidance.

An additional rationale for this funding source substitution is that HUD recently 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 loans.

Movin' Out's Homeownership Assistance program has a current available balance of roughly \$150,000 in HOME funds, while the CDD Housing Development Reserve has a current available balance of over \$1 million in CDBG funds. This Resolution proposes to transfer up to \$150,000 in HOME funds currently available in Movin' Out's loan program 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 that loan program.

Since Movin' Out's Homeownership Assistance program will continue to receive repayments of earlier HOME-funded homebuyer loans, this Resolution additionally proposes to approve future similar equivalent exchanges of HOME and CDBG funds between this loan program and the CDD Housing Development Reserve on a quarterly basis.

(A similar, ongoing exchange of HOME and CDBG funds between the City's DPL and HBAD loan programs and the CDD Housing Development Reserve was approved by the Common Council in June 2015. See RES-15-00530, Legistar #38655.)

ACTION

WHEREAS, Movin' Out's Homeownership Assistance program has historically been wholly or partially funded with federal HOME funds; and,

WHEREAS, recent guidance from HUD makes the expeditious utilization of CDBG program income a priority in order to meet timeliness benchmarks in Fall 2017; 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 homebuyer assistance; and,

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

NOW, THEREFORE, BE IT RESOLVED, that the Common Council hereby approves the exchange of up to \$150,000 in aggregate HOME funds from Movin' Out's Homeownership Assistance program with a commensurate amount of CDBG funds from the CDD Housing Development Reserve Fund; and,

BE IT FURTHER RESOLVED, that the Common Council hereby approves future similar equivalent exchanges of HOME and CDBG funds between Movin' Out's Homeownership Assistance program and the CDD Housing Development Reserve Fund on a quarterly basis, to account for additional future repayments of past HOME-funded Movin' Out homebuyer loans.