



City of Racine, Wisconsin
AGENDA BRIEFING MEMORADUM

AGENDA DATE:	February 21, 2019
SUBJECT:	Request by the Manager of Neighborhood Services for HOME and CDBG funding for developments conducted by Racine Revitalization Partnership
PREPARED BY:	Matthew Rejc, Manager of Neighborhood Services
EXECUTIVE SUMMARY:	<p>A request that the Community Development Committee approve resolutions authorizing up to \$120,000 per unit in Community Development Block Grant (CDBG) and/or HOME Investment Partnerships (HOME) Program funds for three separate developments undertaken by Racine Revitalization Partnership (RRP).</p>
BACKGROUND & ANALYSIS:	<p>On December 28, 2018, RRP submitted an application for CDBG and HOME funding to subsidize five residential units within the designated Greater Uptown Neighborhood Revitalization Strategy Area (NRSA). The units are proposed to be distributed among two single-family homes and one three-unit townhome. All units will be marketed for homeowner occupancy following construction completion. Each of the subject properties is currently owned by the City of Racine. RRP must demonstrate evidence of sufficient financing to execute the proposed projects before the properties may be transferred to RRP.</p> <p>The developer is currently seeking contractor bids for the developments, and intends to begin construction this spring following commitment of all financing sources. RRP is seeking gap financing from Forward Community Investments (FCI), a non-profit Community Development Financial Institution (CDFI) based in Madison. The City of Racine and FCI will comprise the vast majority of the financing for these developments, while the balance will be provided through RRP equity and volunteer labor.</p> <p>RRP is a certified Community Housing Development Organization (CHDO). The U.S. Department of Housing and Urban Development (HUD) requires that all communities receiving HOME funds, including the City of Racine, reserve 15% of all HOME funds for CHDO development projects. Providing additional funds to RRP for these projects will help the City to meet its upcoming HOME CHDO commitment deadline on September 30, 2019.</p> <p>RRP has also been certified as a Community Based Development Organization (CBDO), which provides the organization with additional flexibility for undertaking CDBG-funded activities. Among the advantages, RRP can use its status as a CBDO to use CDBG funds for new construction activities, which would otherwise be ineligible for CDBG funding. RRP currently uses CDBG funds in its capacity as a CBDO to support Great Lakes-Community Conservation Corps (GL-CCC) through an employment training program.</p>

Staff Recommendation

- Based on underwriting and program requirements, staff recommends authorizing up to \$120,000 of HOME funding for new construction of a single-family home at 1516 Owen Avenue.
- Based on underwriting and program requirements, staff recommends authorizing up to \$60,498 of CDBG funding and \$59,502 in HOME funding for new construction of a single-family home at 1624 Phillips Avenue.
- Based on underwriting and program requirements, staff recommends authorizing up to \$360,000 in CDBG funding for new construction of a three-unit townhome at 1107 Twelfth Street and 1204 Highland Avenue.
- Program income as defined by HUD will be returned to the City after sale of the units to an income-eligible buyer.
- CDBG funds may be used for new construction activities because the funds are provided through a certified Community-Based Development Organization (CBDO).
- New construction of single-family homes accessible to low-/moderate-income buyers is an eligible HOME expense.
- All properties must be sold to low-/moderate-income homebuyers. HOME-funded developments will require resale restrictions for 15 years.

BUDGETARY IMPACT:

There are sufficient CDBG and HOME funds as outlined in the 2018 Annual Action Plan to fund the staff recommendation. Program income as defined by HUD will be returned to the City.

RECOMMENDED ACTION:

Staff recommends that the Community Development Committee authorize up to \$420,498 of CDBG funds and \$179,502 in HOME funds to Racine Revitalization Partnership for new construction activities at 1516 Owen Avenue, 1624 Phillips Avenue, and 1107 Twelfth Street-1204 Highland Avenue.

Upon authorization, the Neighborhood Services Division will provide a conditional commitment letter to RRP for each of the proposed developments. The commitment letter will contain contingencies that must be satisfied before a formal funding agreement can be signed. Among the contingencies will be the requirement that RRP must secure all funding sources before the properties can be transferred and the funding agreements can be executed.

Further, staff recommends that the Mayor and City Clerk be directed to enter into a CDBG and HOME agreements with Racine Revitalization Partnership consistent with its application, all applicable federal regulations, and upon satisfaction of all contingencies noted in the commitment letter.