



Department of City Development

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MEMORANDUM

FOR MEETING DATE: March 9, 2017

TO: Loan Board of Review

FROM: Laura Detert, Manager of Housing and Community Development

RE: Request for Multifamily Revolving Loan Fund Program

The Department of City Development requests the creation of a Multifamily Revolving Loan Fund (RLF) Program for housing development. The City of Racine has a long-standing Owner-Occupied Housing Rehabilitation RLF that has revolved funds available for rehabilitation of single-family housing and small (1-4 unit) rental buildings. The new Multifamily RLF Program would make funds available to lend to larger developments of 8 or more units.

The goal of the proposed Multifamily RLF Program is to improve the overall housing stock in Racine by investing in financially-sound, high-quality housing development.

- Funds would be made available as low-interest amortizing loans (1-3%).
- All funds in the proposed Multifamily RLF would be revolved Community Development Block Grant (CDBG) funds and subject to all Federal CDBG regulations.
- Funds could be used to rehabilitate existing multifamily housing or convert buildings to housing use.

The Owner-Occupied Housing RLF Program is valuable to Racine homeowners and ensures investment in the City's single-family housing stock.

- Existing Owner-Occupied Housing RLF accounts, including the Racine Energy Efficiency Program (REEP), will keep existing balances
- We will continue promoting these programs.
- These accounts can support a 500% increase in loans.

Loans from these programs are not occurring near historic levels due to a number of factors including changes in economic and homeownership patterns in Racine. Interest from funds held by the City is returned to the Federal government by law. Interest earned from loaning funds, however, is returned to the loan pool. This interest helps support the administration for all housing loan funds.

Multifamily RLF funds would be limited to:

- Projects receiving 4% or 9% Low-Income Housing Tax Credits (LIHTC) as awarded by the Wisconsin Housing and Economic Development Authority (WHEDA)
- Federal Historic Preservation Tax Incentives Rehabilitation Tax Credit, or
- Projects in which at least 50% of units are financed by project-based housing vouchers.

Limiting loaning funds to projects with these additional financing sources will limit risk and leverages the City's loan against State and Federal dollars.

All loans made within the Multifamily RLF Program would be subject to Loan Board of Review approval.

- Loan requests would be required to include a full application in response to a published Request for Proposals.
- Not all funds would be required to be loaned each year and would be limited to \$15,000/unit per project.
- Underwriting would be performed on all loans, using technical assistance the first three project years to ensure fiscal due diligence.

Staff recommendation:

That the City of Racine. Loan Board of Review move to recommend creation of the CDBG Multifamily Revolving Loan Program, as presented by City Development staff, funded at maximum of \$700,000 in 2017, \$600,000 in 2018, and \$600,000 in 2019.

Fiscal Note: There are sufficient CDBG Housing Loan funds available to meet this request.