



Department of City Development
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MEMORANDUM

DATE: May 20, 2009

TO: Honorable Members, Community Development Committee

FROM: Brian O'Connell, Director

RE: Item 09-3606, Request for authorization to use HOME funds for home improvement matching grant program.

The City of Racine receives approximately \$600,000 each year in HOME Investment Partnership funds from the federal Department of Housing and Urban Development (HUD). HOME funds can only be used for the development of new or rehabilitation of existing housing for low and moderate income people. As the housing market has cooled during the past years, fewer new construction and significant renovation projects have been undertaken with HOME funds. This in turn has raised our uncommitted balance of HOME funds. HUD requires that funds not committed in two years be returned to HUD.

Staff has considered options for speeding up the expenditure of HOME funds in order to: improve the quality of housing in the City of Racine and increase employment in the home improvement work in this time of high unemployment. We believe that providing a financial incentive for home owners to undertake home improvement projects *now* is the best way to accomplish these objectives. Staff requests that the committee provide an allocation of HOME funds and provide authorization for a limited-time program with the following characteristics:

- For a period of 12 months or until all funds are used, homeowners who borrow from the city's home improvement loan program will receive a matching grant of HOME funds for their project. The loan will be matched dollar for dollar up to a maximum grant of \$10,000.00.
- All requirements of the existing home improvement loan program apply, including income eligibility. In addition, homes receiving the grant must be in compliance with the building maintenance code. Any code defects must be corrected. This is a HOME program requirement.
- Grant recipients must commit to reside in the home for a minimum of five years after receipt of the grant. If the home is sold during the five year period, the seller must pay back a prorated amount of the grant. This is to prevent the "flipping" of properties that were improved with public funds.
- Absentee owned rental properties are not eligible for the program.

Fiscal Note: Since 2002, the number of home improvement loans has ranged between 28/year and 44/year. We have assumed this enhanced program with additional marketing could produce 40 loans over 12 months. We have assumed an average grant of \$8,500.00. This results in an allocation of \$340,000 in HOME funds being required for this program.

C: File