



City of Racine, Wisconsin
AGENDA BRIEFING MEMORADUM

AGENDA DATE: March 14, 2019

SUBJECT:

Proposed updates to the Housing Rehabilitation and General Administration Policy and Procedures Manual related to the use of funds stemming from the extension of TID 8.

PREPARED BY:

Matthew Rejc, Manager of Neighborhood Services

EXECUTIVE SUMMARY:

Department of City Development - Division of Neighborhood Services requests that the Loan Board of Review add regulations and program guidelines for a housing rehabilitation product funded through the increment accumulated by the extension of TID 8.

BACKGROUND & ANALYSIS:

On June 20, 2017, the Common Council approved a one-year Tax Increment District (TID) 8 extension through Res. 0204-17. Per Wisconsin Statutes a municipality is permitted the option of extending a TID for one year beyond its expected date of closure for the purposes of directing any additional increment generated during that year for the purpose of improving affordable housing stock. The increment created from this additional year of TID activity is not limited to the original TID area. Staff is proposing that the funds support a Neighborhood Homeowner Repair Program that will be available throughout the City of Racine. The proposed program will serve Racine households with incomes at or below 140% of the Area Median Income (AMI) as defined annually by the U.S. Department of Housing and Urban Development.

Neighborhood Services staff frequently receives communications from City residents inquiring about the availability of housing rehabilitation grant funds with no repayment obligations. In many cases, applicants for City housing loan products already pay existing debt, often related to recurring homeownership costs such as mortgage payments, utility payments, and maintenance expenses, among others. These costs can force low-income households to choose between further constricting their income streams with another recurring expense in the form of a rehabilitation loan, or living with sometimes critical housing quality issues.

The ability to use funds from a non-recurring source to address housing quality issues is an important step toward addressing this concern. As part of the proposed loan program, the TID 8 funds will be provided in the form of a forgivable loan to low-income households (80% AMI or less) for the purposes of rectifying code-related property maintenance issues. By reaching the population that is either unable or unwilling to accept additional debt in the form of a City loan, these funds can play a key role in rehabilitating Racine's previously unassisted housing stock and helping low-income homeowners to age-in-place.

Typical housing rehabilitation loan funds provided through the Federal Community Development Block Grant (CDBG) program are subject to lending standards and criteria that ensure the program funding continues to revolve through repayments. However, the local funds stemming from the TID 8 extension can be used to support homeowners who would not otherwise qualify for a loan or who do not wish to take on additional debt. The use of these funds as forgivable loans to correct housing

quality issues for low-income homeowners allows the City to assist eligible owners while not jeopardizing the revolving nature of the CDBG funds.

The full proposed regulations governing the Neighborhood Homeowner Repair Program are provided as an attachment to this memorandum, and are summarized below:

- Eligible applicants are limited to owner-occupants of single family or duplex properties with an annual household income of no more than 140% Area Median Income (AMI), as defined by the U.S. Department of Housing and Urban Development
- Loan forgiveness depends upon the household income level of the applicants:
 - Applicant income at or under 80% AMI: Loan is forgiven after a term of five years from date of closing
 - Applicant income between 80% and 120%: Half of the loan amount is forgivable, while half of the loan amount is non-forgivable with 3% simple interest payable over a five year term from date of closing
 - Applicant income between 120% and 140%: Loan repaid over a term of five years at 3% simple interest from date of closing
- Loan balance and applicable interest are payable in full upon sale or transfer of property ownership within five years of final closing date, or if property taxes are not kept current and no arrangements have been made with the County within the five year period
- Property owners at 80-140% AMI will be responsible for providing 10% matching funds to complete the project
- Funds must address outstanding building or health code orders issued against the property by the City of Racine, property maintenance issues that would qualify as orders, or Housing Quality Standards (HQS) violations, as identified by the City at the property
- All work must be performed by licensed contractors who will be required to warrant their work for at least one year

Potential applicants will be encouraged to follow the same application process used for the existing homeownership loan programs, and applicants will be offered the opportunity to participate in the Neighborhood Homeowner Repair Program if they qualify. City staff will create the scope of work for applicants through this program in the same manner as that of the existing programs. All funds will be provided directly from the City to contractors selected to perform the work following completion.

If approved, this program will be formally adopted into the Housing Rehabilitation and General Administration Policy and Procedures Manual in Chapter 14: Special Programs. This program will immediately follow the existing CDBG-funded Homeowner Code Compliance Grant in the document, which will remain in place.

BUDGETARY IMPACT:

The City has received about \$680,000 in tax increment during the final year of TID 8. Most of these funds will be used for costs directly related to rehabilitation work, although a portion of the funds must be used for eligible administrative costs, such as loan processing and income calculation, as well as professional services associated with the loans.

Using non-Federal funds to temporarily replace existing Federal resources could cause the CDBG revolving funds to build up, and potentially jeopardize the City's compliance in terms of timely spending of funds. These CDBG funds may need to be diverted to other existing programs to be spent

sooner, such as the Rental Rehabilitation Program, Small Business Development Revolving Loan Fund, Microenterprise Assistance Revolving Loan Fund (Micro Fund), or Multifamily Housing Revolving Loan Fund. The Multifamily Housing Revolving Loan Fund could be a particularly effective use of CDBG funds, as almost all of the funds currently in that account are dedicated to projects that are awaiting the award of tax credits.

RECOMMENDED ACTION:

Staff recommends that the Loan Board of Review approve the Neighborhood Homeowner Repair Program as presented by staff and incorporate the recommended changes into the Housing Rehabilitation and General Administration Policy and Procedures Manual.