

Municipal Building
625 52nd Street – Room 204

**HOME Program Commission
Agenda**

March 3, 2014
5:00 p.m.

*Alderman Curt Wilson - Chairman, Alderman Daniel Prozanski, Jr. - Vice Chairman,
Alderman Anthony Kennedy, Alderman Tod Ohnstad, Anita Faraone, Ron Frederick and Anderson Lattimore*

Call to Order and Roll Call

Approval of Minutes from December 2, 2013

1. Amendment to the 2014 HOME Program Description (Also referred to Finance Committee)

Public Comments

Commissioner Comments

Staff Comments

Adjournment

HOME PROGRAM COMMISSION
Minutes
December 2, 2013

MEMBERS PRESENT: Alderman Curt Wilson, Alderman Anthony Kennedy
Anita Faraone, Ronald Frederick and Anderson Lattimore

MEMBERS EXCUSED: Alderman Daniel Prozanski, Alderman Tod Ohnstad and
Anita Faraone

STAFF PRESENT: Mike Maki

The meeting was called to order at 4:35 p.m. by Alderman Wilson and roll call was taken.

A motion was made by Mr. Lattimore and seconded by Mr. Frederick to approve the minutes from October 1, 2013. The motion passed. (Ayes 4, Noes 0)

1. Revised HOME Agreement between the City of Kenosha and Kenosha Seniors Limited Partnership for the Glenwood Senior Apartment Complex at 1920 27th Avenue. (District #4) PUBLIC HEARING (Also referred to Finance Committee)

Public hearing opened.

Philip Schultz, President of Midwest Affordable Housing Corporation, thanked the City for its assistance in the project. The extension of the HOME Agreement and the two mortgage notes until February 6, 2036 will help them score additional points with WHEDA when they apply for tax credits.

Public hearing closed.

Mr. Frederick asked if the WHEDA tax credits are not secured, how will that impact this Agreement. Mr. Schultz said we will still need to do the rehab.

Mr. Lattimore said are these loans due in 2036? Mr. Maki said yes, two of the four have been paid off. The original agreement said these loans could be extended to 2036.

A motion was made by Mr. Lattimore and seconded by Mr. Frederick to approve the revised HOME Program Agreement. The motion passed. (Ayes 4, Noes 0)

Public Comments

No public comments.

Commissioner Comments

No Commissioner comments.

Staff Comments

No Staff Comments.

A motion to adjourn was made by Alderman Kennedy and seconded by Mr. Lattimore. The motion passed . (Ayes 4, Noes 0) The meeting adjourned at 4:40 p.m.

Meeting Minutes Prepared by: Kay Schueffner, Community Development & Inspections

Community Development Division 625 52nd Street Kenosha, WI 53140 262.653.4030	HOME Program Commission FACT SHEET	March 3, 2014	Item 1
Amendment to 2014 HOME Program Description			

ANALYSIS:

- The 2014 HOME Program Description allows the use of the City's 2014 HOME allocation to support the following activities:
 1. Homeowner Rehabilitation
 2. Home Buyer Purchase Assistance city-wide
 3. Down Payment and/or Closing Cost Assistance Grant
 4. Tenant-based Rental Assistance (TBRA) for Elderly, Elderly Veteran and /or Elderly with Disabilities households.
 5. Acquisition and/or rehabilitation of homebuyer properties by a CHDO or sub-recipient
- Staff is currently in discussions with Habitat for Humanity for use of the City's CHDO funds.
- Habitat for Humanity's preference is to build new single family homes rather than rehabilitation of existing homes.
- City Administration is supportive of the proposed change provided that City Staff has input over housing design and since Habitat for Humanity has a pool of applicants.
- A separate CHDO Agreement and individual project agreements would be required at a later date if Habitat for Humanity is certified by the City as a CHDO.

RECOMMENDATION:

A recommendation is made to add "New Construction of Single Family Homes by a CHDO or sub-recipient" under "Eligible HOME Program Activities" in the 2014 HOME Program Description.


 Mike Maki, AICP, Community Development Specialist


 Jeffrey B. Labahn, Director

HOME INVESTMENT PARTNERSHIP PROGRAM (HOME) 2014 PROGRAM DESCRIPTION

Use of Funds

The City of Kenosha intends to use its 2014 HOME funds for Program Administration and for eligible HOME Program activities as outlined below. Due to the current and ongoing instability in the housing market, the 2014 HOME Program Description is designed to allow flexibility in the allocation and commitment of funds to a variety of eligible HOME Program housing activities. However, the City will not be using any of its funding for tenant-based rental assistance, as rental assistance is already available through the Kenosha Housing Authority.

The City is funding these particular activities in this plan in order to be consistent with its Consolidated Plan, and to insure local housing activities are consistent with neighborhood revitalization strategies already adopted by the City.

Program Administration

The City of Kenosha will use 10% of its 2014 HOME allocation for payment of administrative and planning costs of the HOME Program. These costs include the reasonable costs of overall program management, coordination, monitoring, and evaluation of HOME activities by the City of Kenosha. The City will also set aside 10% of eligible HOME Program Income for allowable HOME Program administrative costs.

City of Kenosha Eligible HOME Program Activities

The City of Kenosha may use available 2014 HOME allocation to support the following types of activities undertaken by the City, Community Housing Development Organizations (CHDOs), Sub-recipients or Private Developers:

- A) Homeowner Rehabilitation
- B) Home Buyer Purchase Assistance city-wide
- C) Down Payment and/or Closing Cost Assistance Grant
- D) Tenant-Based Rental Assistance (TBRA) for Elderly, Elderly Veteran and/or Elderly with Disabilities households
- E) Acquisition and/or rehabilitation of homebuyer properties by a CHDO or sub-recipient.
- F) **New Construction of Single Family Homes by a CHDO or sub-recipient.**

Community Housing Development Organizations (CHDOs)

The City of Kenosha is setting aside the minimum required 15% of its 2014 HOME funds for eligible CHDOs to undertake eligible HOME Program activities listed above.

The City will allow CHDOs to request a maximum developer/general contractor fee of 15% of the total project cost of each HOME funded project they undertake and complete. Additional funding for CHDO projects may be made available from other HOME Program funds.

The City could also set aside up to \$25,000 for CHDO administrative expenses. The HOME Program regulations allow CHDO administrative expenses up to 5% of the City's total annual HOME Grant. CHDOs will need to submit an application to the City which includes their operating budget sources and use of funds to support their application for CHDO administrative expenses. The application will be reviewed by the City's HOME Program Commission with a recommendation to the City Finance Committee and Common Council for review and consideration.

HOME Program Income

HOME Program Income funds will be used to fund eligible HOME Program activities and funding set-asides for eligible CHDOs and/or sub-recipients to carry out HOME eligible activities, including housing rehabilitation projects, homeowner rehabilitation loans, rental property rehabilitation and single family new construction. In addition, up to 10% of eligible program income may be used for HOME Program allowable administrative expenses.

Allocation of Anticipated HOME Program Entitlement and Program Income Funds: (2014 funds based on the 2013 allocation)

Activity	Home Funding	Match Funding (25%)
Administration (2014 Funds)	\$38,625.90	\$0
Eligible Housing Activities (2014 Funds)	\$289,694.25	\$72,423.56
CHDO Set-Aside (2014 Funds)	\$57,938.85	\$14,484.71
TOTAL 2014 HOME FUNDING	\$386,259.00	\$86,908.27

Estimated 2014 HOME Program Income (5 houses @ \$63,500, net proceeds at sale, less 10% Program Administration)	\$285,750
Estimated Program Administration (10%)	\$31,750
TOTAL ESTIMATED 2014 HOME PROGRAM INCOME FUNDING	\$317,500

Home Sales Policy

Homes for sale through the City of Kenosha HOME Program will be advertised and sold on a first-come-first-served basis.

HOME BUYER APPLICANT REQUIREMENTS

Citizenship

Applicants to purchase properties for sale through the City of Kenosha's HOME Program must be US citizens or have "Qualified Alien" status under Section 431 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Income

Eligibility for buyers through the HOME Program is based on annual household income. Total annual household income cannot exceed 80% of the County's median income per family size as determined by HUD. In accordance with the federal HOME Program Rules, the City has chosen to use Federal Income Tax IRS Form 1040 adjusted gross income to determine annual income. All homebuyers must sign IRS Form 4506 "Request for Copy of Tax Form" and the City will request a copy of the applicant's federal tax return transcript from the IRS. For IRS tax returns older than six months, the City will require an updated income verification, including third party verification of employment and

recent earnings statements.

Ability to Obtain Mortgage Financing

Potential homebuyers must have the ability to obtain a Fixed Rate mortgage loan from a private lender or the City for a minimum of 80% of the purchase price of the property offered for sale (non City owned properties), or a minimum of 57% of the purchase price of the City properties offered for sale. The minimum financing is based on a 3% down payment. Where the homebuyer provides a larger downpayment, the minimum financing obtained through a private lender or the City may be reduced.

Down Payment Requirement and Down Payment Assistance

All homebuyers are required to provide a 3% down payment at closing. The down payment may be from the buyer's personal savings or from a Down Payment Assistance Grant provided through the Federal Home Loan Bank, City of Kenosha, or other source of down payment assistance.

The City may provide a Down Payment Assistance Grant to eligible homebuyers through HOME Program funds. The Down Payment Assistance Grant will require the homebuyer to pay a minimum of 25% of the required downpayment amount, or \$1,000, whichever is greater. The Homeowner will be required to live in home for minimum of five years, or the grant amount will be required to be paid back in full, less a 20% reduction for every year the homeowner resides in the home.

Down Payment Assistance for VA Loan Borrowers

The City may provide a Down Payment Assistance Grant of up to \$5,000 for eligible Veterans Administration Loan borrowers. Down Payment Assistance Grants will be a lien filed on the property and will be forgiven provided the homeowner resides at the property for a period of 5 years after purchasing the property. Where the homeowner lives in the home less than 5 years, the grant amount will be required to be paid back in full, less a 20% reduction for every year the homeowner resides in the home.

Primary Residence and Owner Occupied Single Family Deed Restriction

HOME assisted property must be occupied as the homebuyer's primary residence. The City will place a Deed Restriction on the property at the time of property transfer: "This property is a single family dwelling and will always remain a single family dwelling and owner occupied for as long as it remains on the land." The homebuyer cannot own any other residential property at time of closing.

Homebuyer Counseling Requirement

All homebuyers receiving assistance through the City's HOME Program must participate in homebuyer training offered through a HUD certified Local Housing Counseling Agency and provide the City with certification they have successfully completed such training.

Mortgage Subordinations

The City will process requests for mortgage subordinations from homebuyers for their HOME funded second mortgage under the following criteria:

- A) By refinancing their first mortgage, the borrower will be able to lower their interest rate, monthly payment and/or loan term.

- B) The borrower will be able to convert from an ARM to a fixed rate mortgage.
- C) The borrower will be taking out an equity loan or refinancing for purposes of doing home improvements, purchasing a car or for college costs.
- D) The City will require a 90% Loan to Value limit on equity loans, and a maximum of 125% Loan to Value limit on refinancing where the borrower is able to lower their interest rate, payment or loan term. The Loan to Value ratio will include the City's HOME second mortgage balance.
- E) The City will use the Assessed Value as determined by the City Assessor's Office, Estimated Market Value consistent with valuation modules permitted by the first mortgage's loan program, or appraised value, whichever is higher, to determine the property value.
- F) Closing costs and fees for the proposed refinancing loan or equity loan must be no more than 3% of the proposed new loan amount.

Written requests for mortgage subordinations from homebuyers with a HOME second mortgage will be accepted and reviewed by City staff. A report and recommendation will be submitted to the City of Kenosha Housing Authority Board of Commissioners for review and consideration. A processing fee of \$100 will be charged to the borrower upon approval and processing the mortgage subordination.

HOME PROGRAM ASSISTANCE TO BUYERS

Second Mortgage Purchase Assistance

HOME funded second mortgage purchase assistance will be provided for up to 40% of the purchase price of homes sold by the City of Kenosha. HOME second mortgage purchase loans will be written as deferred payment loans at 0% interest for up to the first fifteen (15) years, then monthly payments will be required for the next fifteen (15) years at an interest rate of 3% annually.

On a case-by-case basis, subject to final approval by the Kenosha Housing Authority Board, the City may offer a second mortgage loan where repayment is deferred until time of sale or when the property ceases to be the principal residence of the homebuyer. This provision is also available to existing holders of City Second Mortgage Loans when refinancing. Repayment shall not be required until the borrower sells the home or it is no longer their principal residence. Such loans shall be subject to a "deferred loan fee" of 10% of the original loan amount at the time of repayment.

Second mortgage purchase assistance loans will continue to be made available to income eligible homebuyers purchasing new homes city-wide. These purchase assistance loans will be provided for up to 17% of the purchase price of the home. HOME second mortgage purchase loans for eligible homebuyers will be written as deferred payment loans at 0% interest for the first ten (10) years, then monthly payments will be required for the next twenty (20) years at an interest rate of 3% annually.

Closing Cost Assistance

The City may provide a Closing Cost Assistance Grant, up to 3% of the purchase price, to eligible homebuyers through HOME Program funds. The Homeowner will be required to live in home for minimum of five years, or the grant amount will be required to be paid back in full, less a 20%

reduction for every year the homeowner resides in the home.

Recapture and Resale Provisions

The City of Kenosha anticipates that some of the first-time Homebuyer (FTHB) assistance provided with HOME funding will be a development subsidy used by the City or developer (HOME fund recipient) to produce affordable housing units. In those instances, it is expected that some of this subsidy will be a project development subsidy and this subsidy amount may not be recaptured.

Recapture Option

This option will be used by the City to recapture the HOME funded second mortgage purchase assistance loans provided to the homebuyers if the HOME recipient decides to sell the house within the required affordability period. The homeowner is able to sell the property at whatever price the market will bear. Recaptured funds are considered HOME Program Income to be reused for any HOME-eligible activity.

The City of Kenosha will also require that rental housing developers who have been assisted with HOME funding be subject to recapture provisions in the event the owner/developer sells their property before the period of affordability has expired:

- Five (5) years when the per unit of HOME funds is less than \$15,000
- Ten (10) years where the amount of HOME funds provided is \$15,000 to \$40,000
- Fifteen (15) years where the per unit amount of HOME funds is greater than \$40,000

Affordability periods for home ownership assistance through the HOME Program

HOME Funds Provided (Per Unit) *	Affordability Period
Less than \$15,000	5 Years
\$15,000 to \$40,000	10 Years
Greater than \$40,000	15 Years

**Per unit HOME Program assistance for home ownership is based on the amount of the HOME mortgage purchase assistance provided to the homebuyer. For example, if the City's HOME funded second mortgage to the buyer is \$25,000, the affordability period on the home is 10 years. Therefore, the City will provide second mortgage purchase loans with monthly payments deferred for 10 years at 0% interest. After the initial 10 years, the loan converts to a 3% monthly installment loan at 3% interest for a 20-year term.*

Resale Option

The resale option will only be used by the City in those cases where the homebuyer declines to accept a HOME funded second mortgage to purchase a HOME Buyer Program property. This option ensures that the HOME-assisted unit remains affordable over the entire affordability term. Resale requirements under the "resale option" include the following:

- A) The new purchaser must meet HOME Program income eligibility requirements (annual adjusted income below 80% of Kenosha County median income for family size).
- B) The new purchaser must occupy the property as their principal place of residence.

- C) The sales price must be affordable to the new buyer.
- D) Affordability is defined as: Monthly payment for principal, interest, taxes and insurance (PITI) cannot exceed 40% of the purchasers gross annual income.
- E) The seller is entitled to a "fair return" on their investment upon sale of the property. "Fair Return" on investment for purposes of the City's HOME Program includes the homeowner's initial investment (first mortgage, down payment and closing costs) and any documented capital improvements to the property completed after the initial sale.

Enforcement of the Recapture or Resale Options

The City will use the following legal instruments to meet and enforce the requirements of the recapture or resale restrictions:

<i>HOME Requirement</i>	<i>Recapture Option</i>	<i>Resale Option</i>
Principal Residence	Deed Restriction & HOME Lien	Deed Restriction & HOME Lien
Affordability Period	Promissory Note & HOME Lien	Deed Restriction & HOME Lien
Repayment of HOME Subsidy	Promissory Note & HOME Lien	Deed Restriction & HOME Lien
Fair Return to Owner	N/A	Deed Restriction & HOME Lien
Affordable Resale Price	N/A	Deed Restriction & HOME Lien
Subsequent Buyer's Income	N/A	Deed Restriction & HOME Lien

* HOME Lien is a document recorded as a "Rider" with the HOME Program Mortgage securing repayment of the HOME subsidy.

Matching Funds

The City of Kenosha intends to satisfy the Federally-mandated match requirements by using a combination of the eligible forms of match outlined in Section 92.220 of the HOME Program regulations. The City and all sub-recipients will document "match" on a per-project basis.

Funding Reduction and Adjustment Based on Actual HUD Allocation

If the funding level is more or less than the \$341,645 as indicated in this program description, each program activity will be adjusted by applying the same percent of funding increase or decrease equally to each activity.

Applicability of this HOME Program Description

The 2014 HOME Program Description shall supersede any and all previous HOME Program Descriptions in regard to the purposes and use of HOME Program funds.

Approved by City of Kenosha HOME Program Commission: October 1, 2013

Approved by Common Council: November 4, 2013

CITY OF KENOSHA HOME SALES POLICY

Homes for sale through the City of Kenosha HOME Program will be advertised and sold on a first-come-first-served basis.

Applicant Requirements

Applicants must meet the following requirements:

- U.S. citizenship or "Qualified Alien" status (as defined by HUD)
- 18 years of age or older
- Must meet the City's income limits for HOME Program
- Cannot own any real estate at time of closing
- Good verifiable credit rating
- Adequate verifiable income to support home ownership
- Must have 3% in funds to be used towards down payment plus closing costs
- Must complete a HUD accredited Homebuyer Counseling Course

When the purchase contract is signed, a \$500 earnest money deposit is required and will be credited toward the down payment. Obtaining first mortgage loan financing from private sources is the responsibility of the applicant.

FOR FURTHER INFORMATION CONTACT

Department of Community Development & Inspections
625 52nd Street, Room 308
Kenosha, WI 53140
Phone: 262.653.4030
Hours: 8:00 A.M. - 4:30 P.M.

2014 HOME Program Review & Approval Schedule

Date	Activity
By 10/05/13	Publish Public Notice for City of Kenosha Consolidated Plan/Annual Plan for CDBG and HOME Funds and Activities with a 30 Day Comment Period
11/04/13	Finance Committee Review and Consideration of 2014 Annual Plan/Consolidated Plan and 2014 HOME Program Description (Public Hearing)
11/04/13	Common Council Review and Consideration of 2014 Annual Plan/Consolidated Plan and 2014 HOME Program Description

[/u2/acc/cp/ckays/1HOME PROG/2014/ProgramDescription/2014-ProgDescip-022514.odt](#)