

**Municipal Building  
625 52nd Street – Room 202**

***HOME Program Commission  
Agenda***

**October 21, 2014  
5:30 p.m.**

*Aldersperson Kurt Wicklund - Chairperson, Aldersperson Dave Paff - Vice-Chairperson,  
Aldersperson Anthony Kennedy, Aldersperson Curt Wilson  
Anita Faraone, Ron Frederick and Anderson Lattimore*

*Call to Order and Roll Call*

*Approval of Minutes from August 12 2014*

1. 2015 HOME Program Description. PUBLIC HEARING

Public Comments

Commissioner Comments

Staff Comments

*Adjournment*

## HOME PROGRAM COMMISSION

### Minutes

August 12, 2014

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**MEMBERS PRESENT:** Alderperson Anthony Kennedy, Alderperson Dave Paff, Alderperson Kurt Wicklund, Alderperson Curt Wilson, Anita Faraone, Ronald Frederick and Anderson Lattimore

**STAFF PRESENT:** Mike Maki and Tony Geliche

The meeting was called to order at 5:34 p.m. by Alderperson Wicklund and roll call was taken.

A motion was made by Alderperson Wilson and seconded by Ms. Faraone to approve the minutes from July 8 and July 21, 2014. The motion passed. (Ayes 7, Noes 0)

A motion was made by Alderperson Kennedy and seconded by Mr. Lattimore to approve the July 8, 2014 Joint CDBG/HOME Meeting. The motion passed. (Ayes 7, Noes 0)

#### **1. 2015 HOME Program Eligible Activities. PUBLIC HEARING**

Public hearing opened, no comments, public hearing closed.

Mike Maki, Community Development Specialist, said the public input process for the HOME Program Description was patterned after the CDBG Allocation Plan. The description guides what activities we fund. The HOME Program Commission recommends eligible activities based on public input.

Alderperson Paff asked if the Commission could fund other activities not identified in the Consolidated Plan. Mr. Maki said yes, there are other other activities you could fund, but we did not put them in the current Consolidated Plan. In order to fund these activities, we would need to Amend the Consolidated Plan. Mr. Geliche added that the Consolidated Plan is like a Community needs analysis. We have to prove there is a need for the items in the plan. Alderperson Kennedy asked if we can use the request from an applicant to show there is a need for something. Mr. Geliche said yes.

A motion was made by Alderperson Kennedy and seconded by Ms. Faraone to continue with the categories as listed in the Items a.-f. of the 2014 HOME Program Description. The motion passed. (Ayes 7, Noes 0)

#### **Public Comments**

No public comments.

#### **Commissioner Comments**

No Commissioner comments.

### **Staff Comments**

Mr. Maki informed the Commission that the 2015 HOME Program Description will be scheduled for approval on October 21, 2014.

A motion to adjourn was made by Ms. Faraone and seconded by Alderperson Kennedy. The motion passed. (Ayes 7, Noes 0) The meeting adjourned at 5:52 p.m.

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

Draft

Community Development Division 625 52nd Street Kenosha, WI 53140 262.653.4030	HOME Program Commission  FACT SHEET	October 21, 2014	Item 1
<b>2015 HOME Program Description. PUBLIC HEARING</b>			

**ANALYSIS:**

- Attached is the proposed City of Kenosha's FY 2015 HOME Program Description, based upon the HOME Program Commission's August 12, 2014 meeting recommendations.
- This document, which is required by the Department of Housing and Urban Development (HUD) outlines the City's allocation of Federal FY 2015 Home funds.
- The following general HOME Program funding allocations have been recommended for 2015. The amounts are based on our 2014 HOME Grant award. The funding amount will be adjusted if the FY 2015 allocation is more or less than what is indicted in the Program Description, by applying the same percentage of funding increase/decrease to each activity.

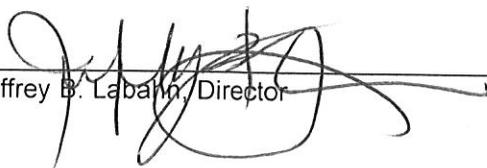
ACTIVITY	FUNDING AMOUNT
Program Administration - (10% of HOME Program Allocation)	\$ 37,555.80
Eligible Housing Activities (Includes 5% CHDO Operating Funds)	\$281,668.50
Community Housing Development Organizations (CHDO's 15% Program Allocation)	\$ 56,333.70
<b>TOTAL ESTIMATED 2015 HOME PROGRAM FUNDING</b>	<b>\$375,558.00</b>
<b>2015 Estimated HOME Program Income</b>	
- 2 houses at \$64,410 each, net proceeds at sale plus estimated \$36,000 of loan repayments	\$164,820.00

- The proposed 2015 HOME Program Description permits commitment of funds to the following HOME Program activities.
  - 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 without disabilities, Elderly Veterans and/or elderly with Disabilities
  - 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
- Additionally, the City has the ability to fund CHDO Operating funds, which are 5% of the total HOME Program Allocation, as permitted through the HOME Program Description. It is recommended to fund the entire 5%.
- No public comments have been received. The proposed 2015 HOME Program Description will be forwarded onto the Common Council for final approval.

**RECOMMENDATION:**

A recommendation is made to approve the 2015 HOME Program Description.

  
Mike Maki, AICP, Community Development Specialist

  
Jeffrey B. Labahn, Director

## **HOME INVESTMENT PARTNERSHIP PROGRAM (HOME) 2015 PROGRAM DESCRIPTION**

### ***Use of Funds***

The City of Kenosha intends to use its 2015 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 2015 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 2015 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 2015 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 2015 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: (2015 funds based on the 2014 allocation)**

<b>Activity</b>	<b>Home Funding</b>	<b>Match Funding (25%)</b>
Administration (2015 Funds)	\$37,555.80	\$0
Eligible Housing Activities (2015 Funds)	\$281,668.50	\$70,417.12
CHDO Set-Aside (2015 Funds)	\$56,333.70	\$14,083.43
<b>TOTAL 2015 HOME FUNDING</b>	<b>\$375,558.00</b>	<b>\$84,500.55</b>

<b>Estimated 2015 HOME Program Income (2 houses @ \$57,969, net proceeds at sale, less 10% Program Administration, plus estimated \$32,400 of loan repayments)</b>	<b>\$148,338</b>
<b>Estimated Program Administration (10%)</b>	<b>\$16,482</b>
<b>TOTAL ESTIMATED 2015 HOME PROGRAM INCOME FUNDING</b>	<b>\$164,820</b>

## 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.

## HOMEBUYER 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**

<b>HOME Funds Provided (Per Unit) *</b>	<b>Affordability Period</b>
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 \$375,558 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 2015 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:**  
**Approved by Common Council:**  
**Amended by Common Council:**

## 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.

### **2015 HOME Program Review & Approval Schedule**

<b>Date</b>	<b>Activity</b>
By 11/01/14	Publish Public Notice for City of Kenosha Consolidated Plan/Annual Plan for CDBG and HOME Funds and Activities with a 30 Day Comment Period
12/01/14	Finance Committee Review and Consideration of 2015 Annual Plan/Consolidated Plan and 2015 HOME Program Description (Public Hearing)
12/01/14	Common Council Review and Consideration of 2015 Annual Plan/Consolidated Plan and 2015 HOME Program Description

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