



CCDA Agenda Item

Meeting Date: 02/15/2024

Agenda Item #5: Discussion and possible action regarding requested for revisions to the Down Payment Assistance component of the Affordable Housing Fund Policy

Staff Contact (name, email, phone): John Weidl, City Manager
jweidl@whitewater-wi.gov
262-473-0104

BACKGROUND

(Enter the who, what when, where, why)

This memo outlines the proposed revisions to the mortgage assistance component of the Affordable Housing Fund Policy, as suggested by Nate Parrish, President of First Citizens State Bank. These revisions aim to enhance program accessibility and effectiveness.

PREVIOUS ACTIONS – COMMITTEE RECOMMENDATIONS

(Dates, committees, action taken)

Proposed changes include:

1. **Income Eligibility Adjustment:** Increase the eligibility threshold from 100% to 150% of HUD Income Limits to widen the applicant pool.
2. **Property Value Limit Revision:** Remove the current HUD county property value limit (\$271,000) to accommodate new housing developments projected to be priced between \$289,000 and \$318,000.
3. **Affordability Criteria Clarification:** Specify that maximum mortgage payments must not exceed 30% of household gross income at application and loan closing.

FINANCIAL IMPACT

These adjustments are intended to address CDA's concerns about program feasibility and to better support the City's affordable housing objectives.

STAFF RECOMMENDATION

Staff is recommending approval.

ATTACHMENT(S) INCLUDED

(If none, state N/A)

- Email Correspondence between City staff and Nate Parrish, President of First Citizens State Bank dated January 19, 2024.
- Policy 602.01 Affordable Housing Fund Policy.

Bonnie Miller

From: John Weidl
Sent: Friday, January 19, 2024 12:02 PM
To: Nate Parrish; Calli Berg; Bonnie Miller
Subject: Re: Whitewater Down Payment Assistance Program

Calli and Bonnie,

Please review Nate's suggested revisions. I am largely in favor of these changes and clarifications. Essentially, my goal is for the city to establish a clear and practical standard for fostering a market that facilitates the purchase and development of affordable housing.

Ideally, I would like to finalize these changes as suggested and then present them to the CDA for review. It's important to note that the CDA had reservations about how feasible the program is. Therefore, input from our financial institutions is crucial and pertinent for modifying the program to enhance its effectiveness and implementation.

Please feel free to meet with Nate to discuss further. Please let me know where we land in terms of moving these suggested changes forward in order to increase the available pool of usage for this important program.

Best, - JSW

John S. Weidl
City Manager, City of Whitewater

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From: Nate Parrish <NParrish@firstcitizensww.com>
Sent: Friday, January 19, 2024 11:55:43 AM
To: John Weidl <jweidl@whitewater-wi.gov>
Subject: Whitewater Down Payment Assistance Program

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good Morning John,

I am following up on some suggested changes to the program which I have listed below. The recommended changes are from the one page document titled Down Payment Assistance Loan Program, additional changes would likely need to occur in the actual policy that affect this one page document.

1. Under Borrower Requirements 6th bullet point
 - a. To be eligible for the Down Payment Assistance, Applicants must have combined household income of 100% or less of current HUD Income limits by county (see attached HUD Income Limits Chart)
 - i. Based on information we have gathered on average household income that apply for Mortgages in the area we feel this should be moved from 100% (\$99,600) to 150% (\$149,400) of HUD Income limits to include more potential applicants.

2. Property Requirements 2nd bullet point

a. Property must not exceed HUD established county limits – this is currently \$271,000

i. With recent development supported by the City of Whitewater the projected sale prices are expected to be between \$289,900 and \$318,000, this would immediately keep this new development out of the program. Further we have visited other communities such as Delavan that has a development of starter homes and the prices within that development are very similar. Since the grant did not specify home value limitation I would suggest it be deleted.

3. Within the policy on Affordability is states the maximum program mortgage (principal and interest) payments will not exceed 30% of the household's gross income. We view this as whether the applicant is either above or below the 30% threshold at time of application, however at the time of loan closing the applicant will not exceed 30% threshold to qualify based on affordability. This is more of a clarification.

We feel these above changes would enhance the program and allow for more applicants to take advantage of the program. Thank you for your consideration of these changes and would be happy to discuss in further detail if you have questions.

Nate E Parrish

President

First Citizens State Bank


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NMLS#801716

		Policy 602.01 Affordable Housing Fund Policy			
Owner:	Economic Development Director	Approving Position:	Common Council	Pages:	5
Issue Date:	07/19/2023	Revision Date:		Review Date:	
Special Instructions:	Allocation of Tax Incremental Development Extension Funds				

I. PURPOSE

The purpose of the Affordable Housing Fund is to assist home buyers and developers by addressing the lack of housing stock available in the City of Whitewater, by the creation of affordable housing opportunities, such as supporting home buyers in acquiring homes and incentivizing contractors/developers with the construction of new single family owner-occupied residential housing units. Additionally, this policy sets forth the initial terms of allocating approximately \$1.9M in monies the City of Whitewater has available to support affordable housing.

The goal of the Affordable Housing Fund is to aid homebuyers and provide financial support for projects in the City of Whitewater that seek to increase the supply of safe, quality, affordable housing and facilitate long-term affordability and sustainability. In addition, the funds seek to achieve a wider dispersion of affordable housing units throughout the city.

The Guidelines of this policy are drafted to guide the appropriate and effective use the excess increment from retired tax increment districts. Due to a dynamic housing market these guidelines may allow other applications of TID funds that meet the mission of expanding housing opportunities in Whitewater with Common Council approval.

II. GUIDELINES

STATEMENT OF POLICY

Background

The State of Wisconsin created the Affordable Housing Extension program ("AHE") to the Tax Incremental Finance law in 2009. Under this provision, cities with a Tax Increment District ("TID") that has retired its debt and paid for all its project costs can extend the life of the district for one year. The funds captured in the one-year extension must be used solely to benefit affordable housing and improve housing stock anywhere in the community. A city must use at least 75% of those tax increments to benefit affordable housing anywhere in the community. Affordable housing is defined as housing costing no more than 30% of the household's gross income. Any remaining portion of the increment shall be used by the municipality to improve its housing stock. For purposes of this policy, "housing" and "housing costs" shall be defined as the principal and interest payments of the

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mortgage associated with the housing unit.

Any project or property acquired or funded through this mechanism shall require a deed restriction that would sunset after 10 years from the date of loan restricting rental of the home, requiring immediate repayment of the loan plus an additional \$5,000 penalty if the home is converted to a rental unit, and providing for a hardship waiver approved by the CDA.

III. PROCEDURE – Allocation of proposed funding depends on maintaining the 75% affordability requirement. A record of 75%/25% allocations will be kept by city staff.

A. Affordable Housing Funding

1. Funding Availability - Funding will become available intermittently as TIDs close and the one-year extensions are approved by the City Council through a resolution.
2. Down payment assistance for home buyers
 - a. Up to \$700,000 may be set aside initially for down payment assistance to home buyers who income-qualify, earning 100% or less of current HUD Income Limits by county.
 - b. Income-qualified homebuyers may receive a 0% interest loan for \$25,000 to be put toward the down payment on a home.
 - c. Income-qualified homeowners can refinance their home as needed for a more favorable mortgage rate at any point in the future without penalty. The loan payment will no longer be deferred if the homeowner needs to take out a second mortgage or home equity loan.
3. Developer Incentives – for development of single-family owner-occupied homes
 - a. A maximum of \$25,000 per dwelling unit that is sold to a person meeting the HUD income limits by county for 100% or less of county median income.
 - b. A maximum of \$15,000 per market rate unit for those units sold to buyers not meeting the definition of affordable in section III(B)(1) – Affordability. This portion of the incentive would utilize the 25% of funds not required to utilized for affordable housing.
 - c. An additional \$5,000 per unit may be considered when necessary for projects providing fully accessible units for either a. or b. above.
 - d. Maximum amount per developer: \$500,000.
 - e. Incentive would be paid out to the developer as homes are sold if they are priced to income-qualify.
 - f. Units developed under this program are designed to support family and owner-occupied residential projects.
 - g. Properties incentivized under this program would require placement of a 10 year deed restriction restricting rental of home and requiring immediate repayment of downpayment assistance plus a \$5,000 penalty if the home is converted to a rental unit. A hardship waiver may be applicable if approved by the CDA.

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4. Capital contribution to Homeowner Rehab Revolving Loan Fund - A one-time contribution to the Homeowner Rehab Revolving Loan Fund to replenish funds for repairs in the amount of \$100,000. Units rehabbed under this program are existing owner-occupied residential units.
 - a. Properties incentivized under this program would require placement of a 10 year deed restriction restricting rental of home and requiring immediate repayment of downpayment assistance plus a \$5,000 penalty if the home is converted to a rental unit. A hardship waiver may be applicable if approved by the CDA.
5. While 75% of funding is required to be spent to advance affordable housing options in the City of Whitewater, the other 25% of TIF increment can be spent on housing that is available to projects and programs supporting residential development which doesn't have an income-qualification of affordability. This could be a developer incentive, such as item 3.b. above, or other means of supporting housing development. Incentives could be provided for land acquisition, infrastructure, or certain amenities which would benefit development. Up to \$475K of the initial \$1.9M may be allocated toward projects meeting this criterion.
6. City Development – The city shall have the option to utilize these funds to purchase lots, buy land, and develop a subdivision that would fit within these Affordable Housing guidelines.

B. Affordability Definition

1. Affordability

- a. The maximum program mortgage (principal and interest) payments will not exceed 30% of the household's gross income.
- b. Buyers must be qualified upon initial offer to purchase the unit by the developer or the assigned realtor.

C. Eligibility and Application

1. Applicant Eligibility - Developers

- a. Projects must be located in the City of Whitewater
- b. Projects must meet the affordability definition in section B. of this document
- c. Projects application requires that the developer owns the land in fee simple or has the land under a binding offer to purchase and plans have been submitted to the City Planner/Neighborhood Services Director or CDA Director for review/approval.

2. Application Process – Developers

City staff shall develop a process for vetting and approving projects to be approved by City Council.

3. Application – Developers of five or more units

- a. To apply for the Affordable Housing Fund, applicants should complete the Affordable Housing Fund application. The application will allow the developer to describe the proposed development concept and their experience developing and operating multi-

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family, affordable housing projects.

- b. Project Summary -Describe basic information on project sponsors and project ownership.
- c. Project Description- Include the following:
 - 1) Project narrative - Describe how the proposed project meets the City's goals
 - 2) Design and Quality - Describe the construction of the units and the materials used
 - 3) Units by Bedroom Count and Income Levels
 - 4) Project Schedule
 - 5) A concept plan and site plan - Submit both plan view and elevations
 - 6) Location of the site regarding proximity to schools, shopping, employment, recreational activities, and public transportation
- d. Development Budget - Sources and uses budget
- e. Financing Sources - Financing narrative
- f. Project Operations
 - 1) Operating narrative
 - 2) Proposed sale prices detailed by unit size and income level
 - 3) Marketing plan for sale of homes
- g. Organizational Capacity
 - 1) General Ownership experience
 - 2) Personnel
 - 3) References
 - 4) Resume of Lead Project Manager
 - 5) Corporate philosophy on affordable housing, fair housing, and diversity, equality, and inclusion
- 4. Evaluation of Application
 - a. Project Description and Technical Approach - the city and its staff will evaluate the applicant's approach to the project, proposed design quality, and success in understanding and meeting the city's goals and visions for single-family development. Should conform with adopted plans.
 - b. Development Concept, Site Design, and Proposed Location
 - 1) Strength of design concept, sensitivity to neighborhood context, readiness to proceed.
 - 2) Demonstrated commitment to energy efficiency and sustainable design.

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- 3) Proximity of proposed site to public transit, schools, employment opportunities, and shopping districts.
- 4) Project amenities.
5. Financial Soundness and Capacity to Obtain Funding for the Project – the city and its staff will evaluate the financial soundness of the proposed funding plan and the capacity of the developer to successfully obtain the funding necessary for the project, including operating subsidies.
6. Organizational Capacity
 - a. The city is seeking to invest in a developer that represents a sound, long-term investment in scarce housing resources.
 - b. The city will evaluate whether all involved parties have demonstrated the experience necessary to execute the project within budget, secure funding and operate the development over the long term.
 - c. The city will also determine if the mission, vision, and values of the applicant aligns with those of the City of Whitewater.

D. Eligibility and Application

1. Applicant Eligibility – Down payment Assistance for Homebuyers
 - a. Applicants must have a combined household income of 100% or less of current HUD Income Limits by county.
 - b. Buyers must be prequalified by a bank for housing with consideration for the down payment assistance
 - c. Buyers must present an accepted offer to purchase contingent on financing at the time of application
2. Application Process – Home Buyers
 - a. To apply for programs in the Affordable Housing Incentive Program, applicants shall submit written correspondence through a letter of intent to the CDA for review. The letter of intent shall describe the proposed purchase and submit evidence of qualification of items D(1)(a-c) above. City staff will review the application for eligibility and against the criteria outlined in the policy and provide a recommendation to the CDA. If the incentive is approved by the CDA, the incentive is then confirmed and paid out as per 2.b. below.
 - b. Economic development department staff will prepare a downpayment assistance agreement, and mortgage. Staff will attend the residential real estate closing to present the downpayment check and have program documents signed. The mortgage will be recorded at the appropriate Register of Deeds office for the County in which the residence exists.
 - c. Documents related to down payments will be stored in hard copy and electronic format for seven years following the sale of the home and repayment of the down payment loan.