

**HOME PROGRAM COMMISSION**  
**Minutes**  
**January 31, 2012**

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MEMBERS PRESENT: Alderman David Bogdala, Alderman Ted Ruffalo,  
Alderman Jesse Downing, Ron Frederick and Anderson  
Lattimore

MEMBERS EXCUSED: Alderman Daniel Prozanski and Art Landry

STAFF PRESENT: Jeffrey B. Labahn and Mike Maki

The meeting was called to order at 5:30 p.m. by Alderman Bogdala and roll call was taken.

A motion to approve the minutes from September 22, 2011 was made by Alderman Ruffalo and seconded by Mr. Frederick. The motion passed unanimously. (Ayes 5; Nays 0).

- 1. Subordination Request of HOME Loans in the amount of \$240,500 and \$16,500 from Kenosha Seniors Limited Partnership to Wisconsin Housing and Economic Development Authority (WHEDA) in the amount of \$1,367,645.00. PUBLIC HEARING**

Public hearing opened.

Phil Schultz, 3900 S. Prairie Hill Lane, Greenfield, President of Midwest Affordable Housing Corporation was available for questions.

Public hearing closed.

Mike Maki, Community Development Specialist, explained the request to subordinate the two remaining HOME loans, extend the term and adjust the interest rate of the loans.

Mr. Lattimore said the structure was built in 1996 and is roughly 15 years old. What is the "half life" or targeted time for improvements? Mr. Schultz said the Franciscan Ministries, the previous caretakers of the building took excellent care of the building and little maintenance is necessary. HUD requires that \$25,000 is invested in each unit for upgrades to ensure a quality upgrade. Last year, we took some money out of the replacement reserves to pay the City. The reserve must be replenished. In addition, we are proposing to add another \$175,000 to that replacement reserve. With any money remaining after the improvements, we would like to add other amenities, such as kitchen facilities to feed the tenants who no longer want to cook for themselves.

Alderman Bogdala said you mentioned about staying "affordable" for 30 years if you get the tax credits you are seeking. What if you don't get the credits? Will they still be affordable housing? Mr. Schultz said yes, we will stay affordable for the duration of the loan.

Alderman Bogdala said if the credits are not obtained, will you pay off the HOME loan eventually anyway? Mr. Schultz said without the credits the cash flow may be short, but it is our intent to pay off the loan.

Alderman Bogdala confirmed that Mr. Schultz approves of the new terms and rates that are proposed. Mr. Schultz said yes.

Alderman Bogdala suggested a tour of the facility. Staff will work with Mr. Schultz to organize some dates and times they could tour the Glenwood Apartments and Villa Ciera facilities.

A motion was made by Alderman Ruffalo and seconded by Alderman Downing to approve the Subordination Request. The motion passed unanimously. (Ayes 5, Nays 0)

## **2. HOME Program Rule Changes. PUBLIC HEARING**

Public hearing opened, no comments, public hearing closed.

Alderman Bogdala said that these proposed changes from HUD may have some huge impacts. We need to review and provide comment.

Mr. Maki explained that comments on the proposed changes must be submitted to HUD before February 14, 2012. Staff intends to submit them electronically. Mr. Maki described in more detail the changes that would have the most impact on the City of Kenosha.

- The City will be required to develop and follow written policies and procedures for administering all aspects of the HOME Program. *(The City's HOME Program Description addresses some of these items, but it is expected that more extensive policies will be needed.)*
- The City will be required to adopt a reasonable amount of profit or return on an owner's/developer's investment in projects and evaluate projects before committing HOME funds. *(The City currently performs an extensive analysis of rental projects, but all HOME activities will require this level of analysis.)*
- Projects not completed within four (4) years of the commitment date will be considered terminated and HOME funds will be required to be repaid from non-federal sources. A one (1) year extension may be requested.

Alderman Ruffalo asked what is defined as a complete project. Mr. Maki said for the houses, we would have to have the house sold.

Mr. Frederick said why is this restrictive to us? Mr. Maki said usually this would not be restrictive, but because of the economy, the houses are not selling. Mr. Maki added we are not sure this change will be from 2012 forward or include any previous years. Mr. Frederick asked what would be a reasonable amount of time to complete? Mr. Maki said he would like to see a variance to the time right now because of the state of the market.

Alderman Bogdala said he recently attended a *Habitat for Humanity* open house and talked with some of their representatives. They said they have an approved buyer/homeowner before they start a project. We may want to consider that in the future. Alderman Bogdala added that he asked if they would be interested in rehabbing any properties. They said they already have a group that just does rehab projects.

Mr. Frederick suggested a "buyer's pool", or a number of people already pre-approved for a house. Mr. Maki said in the past, when a new home became available, there were a number of people who were interested and qualified for the home. Selling the homes was not a problem. We also receive money from program income. Program income are the payments made on a previous loan. Mr. Maki said HUD requires that we use the program income before we use any entitlement money.

- HOME funds invested in a rental project must be repaid where the rental unit is not leased to an initial tenant within eighteen (18) months.
- Housing units acquired, rehabilitated or newly constructed with HOME funds for home ownership purposes must be sold to an eligible buyer within six (6) months of completion. If the transfer has not occurred within six (6) months, the unit must be converted to a HOME rental unit. *(20 year affordability requirements for new construction.)*

Mr. Frederick asked once the property is rented, must it remain as a rental property? Mr. Maki said it could be sold if the tenant that was renting offers to purchase the property. Mr. Frederick said this is not consistent with the concept that the HOME money should go to owner occupied homes.

Alderman Bogdala asked if we have heard how our current thirteen (13) houses will be impacted. Mr. Maki said according to the transcript, it looks like these rules would apply from 2012 and forward.

Alderman Ruffalo asked for clarification, if the property is a rental property, is it indefinitely a rental property? Mr. Maki said if it was new and then rented, it has a twenty-year affordability requirement. Alderman Ruffalo said what if someone wants to buy the a certain property, can we evict the renter? Mr. Maki said no. Alderman Ruffalo said this may still be acceptable as long as we can eventually sell the property. Mr. Maki clarified that only the tenant could purchase the property. Other qualified applicants could not buy the unit being rented. Alderman Bogdala said this would change our entire intention of home ownership for these properties.

Alderman Bogdala confirmed that the City is not building any new houses in the future using HOME funds, only NSP funds. Mr. Maki said yes. If we go forward with a plan to buy and rehab properties, these changes would be applicable.

Alderman Bogdala said from a commenting standpoint, we need to comment to HUD on how we feel. Mr. Lattimore added we have thirteen houses we are having difficulty selling and don't need more restrictions. Alderman Ruffalo said the changes are contrary to our mission.

Mr. Frederick asked do you object to the rules in their entirety or just the time periods? Mr. Lattimore said I believe we object to the philosophy and practicality.

Alderman Bogdala suggested issuing a press release to inform people of the proposed rule changes and how they may be affected. We don't want to alarm them, but want to keep them informed. Alderman Bogdala asked Staff if we normally notify the public on changes to Program rules. Mr. Labahn said the changes are not normally this drastic.

Alderman Ruffalo said by renting the property, does that fulfill the City's obligation with the funds? Mr. Maki said yes, but if we rent for a year or two we will have to change the program description and allow the public to comment.

Alderman Bogdala noted that when you have a renter instead of a homeowner, they don't care for the property in the same manner. Mr. Maki said if the City needs to do repairs from any damage, we cannot use HOME funds, we have to find those funds somewhere else. Also, the City does not have Staff to monitor the rental units. Alderman Bogdala asked if we can use HOME funds to pay for a rental management company. Mr. Maki said no, there must be a project beneficiary in order to use HOME funds. Non-Federal funds would have to be used for this purpose.

Alderman Bogdala suggested a Resolution be drafted and placed on the Common Council agenda for support from the Common Council on this item in particular. Staff will draft the Resolution for this item to be placed on the February 6, 2012 Common Council agenda.

Mr. Maki summarized the various proposed rule changes as follows:

- Home ownership units (both new construction and rehabbed units) would be required to be sold at a sales price no greater than ninety-five (95%) percent of area median purchase price for Kenosha County, which is currently \$130,625. For newly constructed units, HUD may allow Kenosha to use the Census Bureau's median sales price for single family homes, currently \$179,900. HUD is requesting specific comments on use of the Census Bureau for the limit on newly constructed units.
- On-site inspections of HOME rental projects will require use of new property standards.
- On-site inspections would be reduced from an annual basis to at least once every three (3) years.
- Participating Jurisdictions would be required to examine the financial condition of HOME rental projects on an annual basis to determine continued financial viability of the project and take actions to correct problems to the extent feasible. HUD is currently proposing this requirement for projects that contain ten (10) or more units and is seeking public comment on the appropriate threshold.
- Participating Jurisdictions would be allowed to charge a reasonable fee to cover the cost of HOME-related compliance monitoring/inspections.

- Participating Jurisdictions may be allowed to invest additional HOME funds for costs into troubled rental projects through a Memorandum Of Understanding with HUD.
- The number of HOME units may also be allowed to be reduced for troubled rental projects.

### **Public Comments**

No public comments.

### **Commissioner Comments**

Alderman Bogdala said there are a number of groups within the City that have similar missions and interests, but we could all use more money. He would like to schedule a work session and invite a number of different groups to share ideas on eliminating blight, building home ownership and cleaning up the City. With more people we could possibly get more ideas and find a way to implement them.

### **Staff Comments**

A motion to adjourn was made by Alderman Ruffalo and seconded by Mr. Frederick. The motion passed unanimously (Ayes 5; Nays0). The meeting adjourned at 6:40 p.m.

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