

LRB-FISCAL REVIEW SECTION ANALYSIS

SEPTEMBER 20, 2001 AGENDA

ITEM 22, FILE 001702

FINANCE & PERSONEL COMMITTEE

JAMES CARROLL

File #001702 is a substitute resolution authorizing and directing the Commissioners of Public Debt to issue and sell Housing Rehabilitation Revenue Bonds in a principal amount not to exceed \$5,000,000 for the purpose of creating a Housing Rehabilitation Revolving Loan Fund.

Background

2. The Neighborhood Improvement Development Corporation (NIDC) is a non-profit corporation established in 1973 to assist and encourage reinvestment in residential property as part of an overall neighborhood economic stabilization strategy. Programs include encouraging investments by private lending institutions and property owners by providing financial assistance in the forms of grants, rehabilitation loans and interest subsidy payments on conventional loans.
2. NIDC administers four programs to assist home owners in the CDBG area:
 - Home Rehabilitation Loan Program
 - Deferred Payment Loan Program
 - Neighborhood Improvement Project (NIP)
 - Targeted Investment Neighborhood Program (TIN)
3. The Home Rehabilitation Loan Program, Deferred Payment Loan Program and the NIP have income eligibility requirements. In order to qualify for assistance under the Home Rehabilitation Loan Program and the Deferred Payment Program, an applicant's income must not exceed 80% of the County Median Income (CMI). Eligibility for the NIP is limited to 50% of the CMI. The TIN program has no income eligibility requirements.
4. The income limits for the existing programs, adjusted for family size are shown in the table below:

Household Size	50% of CMI	80% of CMI
1 \$22,250 \$35	\$25,400	\$40,650
\$22,250		
\$35,550		
2		
3	\$28,600	\$45,700
4	\$31,750	\$50,800
5	\$34,300	\$54,580
6	\$36,580	\$58,590
7	\$39,350	\$63,000
8	\$41,900	\$67,050

5. On July 31, 2001, the Zoning Neighborhoods & Development Committee recommended this resolution for approval (3-1) and referred it to the Finance and Personnel Committee.

Discussion

1. The resolution authorizes and the directs the Public Debt Commission to issue Housing Rehabilitation Revenue Bonds in a principal amount not to exceed \$5,000,000 for the purpose of creating a Housing Rehabilitation Revolving Loan Fund. The Revolving Loan Fund would provide loans to home owners in the CDBG area who are not eligible for existing programs because their incomes exceed the programs' income limits and do not qualify for conventional home equity loans from private lending institutions.
2. According to NIDC, creating a housing rehabilitation loan fund that would help a population that is currently not being served in the Block Grant area is something that the Federal Home Loan Bank, FannieMae, City of Milwaukee, lenders, home buying counseling agencies, WHEDA, UWM, Metropolitan Fair Housing, et. al., have been meeting in work groups to address over the last six months. The findings from the Housing Opportunity Partnership for Southeast Wisconsin (HOPS) groups are being assembled and are due later this fall. The work groups are looking at 1) wealth building 2) mortgage lending issues and opportunities 3) fair housing and 4) regional policies.
3. The resolution authorizes the Public Debt Commission to issue and sell \$5 million in Housing Rehabilitation Revenue Bonds for the purpose of creating a Housing Rehabilitation Revolving Loan Fund. Before this fund can be implemented, the Public Debt Commission has to determine if it would be able to issue revenue bonds for this purpose. Details of a revenue bond issuance, such as the payment stream and how reliable it is, have to be determined.
4. The resolution authorizes NIDC to provide for the administration of the Housing Rehabilitation Fund. Whether below-market rate loans could be made available without significant City or other additional subsidy depends on whether the subject revenue bonds are marketable given a definition of eligible households. According to NIDC, before the fund can be implemented, the following items will have to be determined:
 - Interest rate of the Revenue Bonds.
 - Bond issuance costs.
 - Interest rate of the loans that will be made and the estimated demand for such loans.
 - Loan default rate.
 - Loan reserve amounts.
 - Administrative costs:
 - Application processing
 - Loan collections
 - Bankruptcy proceedings
 - Loan foreclosures
 - Loan servicing including assumptions and subordinations
 - Accounting and reporting.
5. Authorization for this issuance is not included in the 2001 Budget.

6. The Comptroller's Office estimates the debt service for a \$5 million revenue bond issuance at approximately \$440,000 - \$480,000 annually for 20 years assuming the bonds are marketable. This excludes any administrative cost of running the loan program.

Fiscal Impact

The total fiscal impact of the resolution cannot be determined until items, such as the fund's administration policy, the size of bond issue, etc., are developed.

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