

**CITY OF EDGERTON
FINANCE COMMITTEE MEETING
EDGERTON CITY HALL, COUNCIL CHAMBERS
12 ALBION STREET**

Monday, April 26, 2021 at 6:10 p.m.

NOTE: PER EMERGENCY ORDER FACE COVERINGS ARE REQUIRED

REMOTE PARTICIPATION: To participate or view the meeting, please select the link to the meeting listed on the **calendar events** on the City website's home page at www.cityofedgerton.com.

1. Call to order; Roll call
2. Confirmation of appropriate meeting notice posted on Friday, April 23, 2021.
3. Working session to develop and consider City of Edgerton Donation Policy.
4. Working session to develop and consider Affordable Housing Program.
5. Adjourn.

Notice: If a person with a disability requires that the meeting be accessible or that materials at the meeting be in an accessible format, call the City Administrator's office at least 6 hours prior to the meeting to request adequate accommodations. Telephone: (608) 884-3341.

Notice is hereby given that a majority of the Common Council is expected to be present at the above scheduled noticed meeting to gather information about a subject over which they have decision-making responsibility. The only action to be taken at this meeting will be action by the Finance Committee.

City of Edgerton

Gifts and Memorials Policy

INTRODUCTION

Donations are important to the vitality of the City of Edgerton and its mission to preserve, enhance and strengthen the quality of life in the community. Historically, the City of Edgerton has been enriched by the generous donations of individuals and entities in support of the Edgerton community. The City will review proposed gifts and memorials for the purpose of assisting the donors in reaching their intended goals while recognizing the mission, goals, plans, resources and limitations of the City as a whole. It is intended that this policy provide a thoughtful review process which considers the intentions of the donor, is sensitive to the needs and desires of the community, and is sensitive to the costs associated with proposed gifts and donations, including long-term costs of maintenance and care.

Donations and gifts to the City of Edgerton may be made in any amount to aid or benefit the services and facilities provided by the City. Gifts may be designated for a specific program, park, or purpose. Gifts may also be unrestricted in which case they will be dispersed to the area of greatest need at the sole discretion of the City.

The following document defines and establishes a process for accepting gifts and donations along with celebrating and commemorating events or lives of individuals who have lived in Edgerton or who have significantly contributed to the City. This policy covers all monetary, property, endowment, and memorial donations.

PURPOSE:

The purpose of this policy is to provide guidelines and procedures for considering and receiving donations to the City of Edgerton.

2.0 ORGANIZATIONS AFFECTED:

All departments and staff of the City of Edgerton, all City residents, and all potential donors are expected to adhere to the guidelines set forth in this policy.

3.0 POLICY:

This policy shall cover all donations and gifts to the City of Edgerton and any of its departments. The City of Edgerton retains sole discretion to determine whether to accept or decline any proposed gift or donation. The City of Edgerton retains sole discretion control and manage the placement, spacing, location, and number of memorials. This policy shall not be construed to create any right for any individual or organization to make any improvement or place any items on any public property within the City of Edgerton regardless of whether the proposal meets any or all of the criteria laid out herein. In the absence of a specific agreement, the City of Edgerton shall not be obligated to maintain

the Donation or memorial, or to maintain the Donation or memorial beyond the reasonably expected lifespan or to replace the Donation if it is stolen, vandalized, worn out, irreparably damaged, or destroyed.

4.0 DEFINITIONS:

Administrator: The City of Edgerton city administrator.

Donation(s)/Gift(s): Any item proposed to be deeded or otherwise given or donated to the City of Edgerton including, but not limited to, endowments; real or personal property; public improvement projects or proposals; structures or portions of structures; money; negotiable securities; materials; equipment; improvements to facilities or land; statues; monuments; memorials; tributes; sculptures; murals and other public works of art; plaques; and graphics or signs. Donations will either be approved or denied by the Administrator or the City Council depending on the donation dollar amount and other criteria as defined herein.

Donor: A private individual, for-profit company, non-profit organization, public agency or any other entity wishing to make a Donation or Gift to the City of Edgerton.

Donor Recognition Object: A physical object such as a plaque or sign placed to acknowledge a donation or gift.

Major Donations: Any Donation of \$1,500 or more, and/or a request for naming rights other than those attached to minor structures such as trees, park benches or bricks.

Minor Donations: Any Donation of under \$1,500 is considered a minor donations which may be approved administratively and are not required to be approved by the City Council.

Monument/Memorial: An item or object established to preserve the memory of a deceased person(s) or an event that occurred in the past. Any statue, sculpture, mural or other structure or landscape feature designed to perpetuate in a permanent manner the memory of any person, group, event or other significant element of history.

Park Amenity: Typical park improvements that contribute to the traditional use of park land such as trees, benches, play structures, picnic tables, shelters, sports facilities, trails, etc.

Public Art: Works of art including, but not limited to, paintings, prints, sculptures, and murals.

Public Improvement Project/Proposal: May include a funded, partially funded or unfunded capital project(s) request consisting of real property, structures, portions of structures, materials and/or equipment for construction or renovation of a structure or landscape feature. Maintenance activities such as weeding or replanting established gardens are not

considered public improvement projects for purposes of this policy.

Tribute: An item, object or gift designed to acknowledge the contributions of a living person(s) to a society. Projects recognizing groups such as persons with cancer or AIDS are also considered tributes.

5.0 PROCEDURE:

As donations and gifts vary greatly, the review process may be tailored according to the type of gift or donation proposed and the complexity of the proposal. Those wishing to make a Major Donation are strongly encouraged to contact the City Administrator at the earliest possible time to discuss the proposed gift and the process for review.

5.1 Donation Agreement Form

Donors may be required to complete and submit a Donation Agreement Form. All donations of real property will require the use of a Donation Agreement Form. The City Administrator shall assist the Donor with completion of the form. This form shall include, as appropriate and applicable, the intent of the proposal, whether the gift is restricted or unrestricted, cost estimates, size, proposed location, timeline, site drawing, future maintenance requirements and any other information the City Administrator may deem necessary and/or useful. The completed form must be submitted to the City Administrator for review and recommendation to the City Council, if required.

5.2 Monetary Gifts and Donations/Gifts and Donations of Negotiable Securities

5.2.1 Previously established funds or campaigns: Subject to criteria established in Section 5.5, the City Administrator, is hereby authorized to accept or reject any monetary gifts or donations to be made for a previously approved/established/budgeted fund or capital campaign.

5.2.2 Minor Donations: Subject to criteria established in Section 5.5, the City Administrator is hereby authorized to accept or reject any Minor Donations. Undesignated monetary donations when accepted shall be deposited with the Treasurer for use in the General Fund. Monetary Minor Donations shall be deposited in the account(s) most appropriate to the intentions of the donor(s) when identified.

5.2.3 Designated or Conditioned monetary donations: In the event that a monetary donation is conditioned or donated specifically for a public improvement project, memorial, work of public art, tribute, or similar program, the recipient department or the City Administrator shall assist the Donor in completing a Donation Agreement Form and, subject to criteria established in Section 5.5, shall make a recommendation to the City Council who shall determine whether to accept or reject the donation. . If the

Donation is not accepted, the City Treasurer shall return the donation to the donor. If appropriate, the Treasurer may establish a new fund or account within a fund for the donation.

- 5.2.4 Major Donations: A Donor desiring to gift to the City a Major Donation shall complete a Donation Agreement Form. The City Administrator shall review the Donation Agreement Form and subject to criteria established in Section 5.5, shall make a recommendation to the City Council who shall determine whether to accept or reject the donation. The City Administrator, in making such a review and recommendation, may rely on such other resources as they deem necessary and appropriate, including but not limited to the city attorney, city planning staff, and financial experts. Donors wishing to remain anonymous should indicate such on the Donation Form.
- 5.2.5 Negotiable Securities: Subject to criteria established in Section 5.5, the City Administrator is hereby authorized to accept or reject donations of negotiable securities when in his/her professional judgment, in consultation with financial experts, the City Attorney, and any affected department head, acceptance of the proposed Donation is in accordance with the statutes, rules and regulations governing municipal finances and investment; and, the proposed Donation is not subject to conditions, is for a previously approved/established/budgeted fund or campaign. If the donation is subject to conditions or is for a new, unbudgeted project or campaign, the City Administrator shall make a recommendation to the City Council who shall determine whether to accept or reject the donation.

Unless restricted, Negotiable securities may be held or sold at a marketable rate and the proceeds of such sale used as specified by the Donor or as may be deemed appropriate and in the best interests of the City.

5.3 Gifts of Real Property

Persons desiring to gift real property shall complete a Donation Agreement Form. The City Administrator shall review any proposed Donations of real property and make recommendations to the appropriate committees or commissions and to the City Council. In making such a review and recommendation, the Administrator may rely on such other resources as they deem necessary and appropriate, including but not limited to the city attorney, city planning staff, and financial experts. Proposed gifts or donations of real property shall be reviewed for suitability for the intended use or potential for resale; any conditions which may be placed upon the use of the property by the Donor; potential environmental concerns; probable maintenance costs; and any other relevant information. Appraisals of the property may be requested from the donor. All gifts or donations of real property shall be reviewed by the Plan Commission for recommendation to the City Council, prior to City Council action. All gifts or donations of real property that is intended to be

used for park purposes shall be reviewed by the Park Committee, for recommendation to the City Council, prior to City Council action.

5.4 Non-Monetary Gifts and Donations (Excluding Real Estate)

5.4.1 The City Administrator is hereby authorized to accept or reject donations of materials or other items associated with previously approved projects if the donation is made without condition or restriction. The City Administrator is hereby authorized to accept or reject Minor Donations of materials or other items associated with projects not previously approved provided the donation is made without condition or restriction, and such items are typical for use in a City department. Major Donations or donations made that are subject to conditions or restrictions, or donated items that are not typical for use in a City department shall be referred to the City Council for the City Council's possible approval.

5.4.2 For other gifts and donations including, but not limited to, substantial gifts such as public art, memorials, tributes, and previously unapproved public improvement projects, the recipient department shall assist the donor in completing a Donation Agreement Form and forward the completed Form to the City Administrator for review and recommendation to any appropriate committees or commissions and to the City Council, and the City Council shall make the decision of whether to accept the donation. The City Administrator, Committees/Commissions and City Council shall consider all of the circumstances surrounding the proposed gift including the criteria as enumerated within this policy and as may be applicable to the proposed donation. If the donation is approved and if appropriate, the Treasurer may establish a new fund or account within a fund for the donation.

5.5 Criteria for Evaluating Gifts and Donations

In order to assist potential donors to fulfill their desires to make a gift or donation to the City of Edgerton and to ensure that all gifts and donations are consistently, fairly, and thoughtfully reviewed, the City will be guided in its review of proposed gifts and donations by the following guidelines.

5.5.1 Donations of memorials/tributes/public improvement projects and works of art: When reviewing proposed donations of memorials, tributes, public improvement projects, and works of art, the following criteria shall be considered, as well as any other criteria which may be relevant on a case by case basis.

5.5.1.1 Consistency of the donation and the donor with the mission and policies governing the City of Edgerton and/or the particular

department or division, including the significance and good reputation as recognized by the City, State, or Nation of the Donor and/or the subject of the memorial or Donor Recognition.

- 5.5.1.2 Whether the proposed donation/gift provides improvements to an area of the City which may be deficient in public amenities.
- 5.5.1.3 Whether the proposed donation/gift promotes the preservation of historical and cultural aspects of the community.
- 5.5.1.4 Whether the proposed gift/donation has an educational component.
- 5.5.1.5 Whether the proposed gift/donation helps to promote conservation, preservation and protection of the natural environment.
- 5.5.1.6 Whether the proposed donation helps to promote preservation of natural areas and green space where such preservation is suitable, is contemplated by plans, or is otherwise desirable.
- 5.5.1.7 Whether the proposed gift/donation is suitable for the proposed purpose.
- 5.5.1.8 Whether the proposed gift/donation is compatible with the proposed location, if one has been identified, and other users of the public space.
- 5.5.1.9 Whether the proposed gift/donation contributes to, or detracts from, the aesthetic qualities of the surrounding area and other improvements.
- 5.5.1.10 Whether the proposed gift/donation quality, scale and character is harmonious with the surrounding public or park setting.
- 5.5.1.11 Whether the proposed gift/donation replaces aging, outdated or unsafe infrastructure or reuses, rehabilitates or restores an existing park or municipal feature.
- 5.5.1.12 Financial implications to the City based on the cost of the proposed gift/donations or project implementation including installation and ongoing maintenance if applicable and whether the gift/donation covers any anticipated costs.
- 5.5.1.13 Provision by the donor for ongoing maintenance and cost of

relocation and removal, if necessary.

- 5.5.1.14 Susceptibility of the gift/donation to wear and vandalism.
- 5.5.1.15 Whether any public safety or security issues are identified and the potential danger to the public health, safety or welfare associated with the proposed gift/donation.
- 5.5.1.16 Whether the proposed gift/donation complies with all applicable codes including building codes and Americans with Disabilities Act, requirements, and related laws.
- 5.5.1.17 Whether the proposed gift/donation is restricted in any manner and the impact of those restrictions or contingencies.
- 5.5.1.18 Whether the proposed gift/donation is discriminatory or has characteristics prohibited from display in public spaces.
- 5.5.1.19 Whether the proposed gift/donation has restrictions that limit the use of the item by the public or certain classes of the public.

5.6 Works of Art

In addition to the above-listed criteria, if the proposed gift/donation is a work of art, the following criteria shall be considered as well as any other criteria which may be relevant on a case by case basis.

- 5.6.1 Quality of the work based upon a professional assessment of the work, detailed written proposal, drawing or photographs.
- 5.6.2 Suitability of the theme of artwork to a public venue.
- 5.6.3 Appropriateness of the artwork to the site, in the case where a particular site has been requested or identified.
- 5.6.4 Appropriateness of the process for selecting the artist or artwork.
- 5.6.5 Qualifications of the artist based on documentation of past work and the artist's professional qualifications.
- 5.6.6 Whether the proposed gift/donation is restricted in any manner and the impact of those restrictions or contingencies.

5.7 Memorials/Tributes/Naming Rights

The City respects the desire of individuals to commemorate special events or the lives of loved ones, living and deceased. However the City also recognizes that other community members who visit public places may desire not to be burdened with a constant reminder of mortality, death or traumatic events. It is the policy of the City to strongly discourage Donations and Donor recognition proposals that are memorial or headstone in nature. The City also recognizes the important contributions of many individuals to community life and that it is simply impossible to recognize all of those contributions. To that end, if the proposed gift/donation is a memorial or tribute or a non-commercial request to name a public space or other item, the City shall consider the following criteria, as may be appropriate to the particular donation, in addition to those criteria identified above.

- 5.7.1 The proposed donation must represent a person or event deemed significant to the City of Edgerton's history; names of individuals who have made a significant contribution directly and locally to the City shall be preferred over the names of national figures.
- 5.7.2 Whether any increased use of the park or public area resulting from the placement of the memorial tribute is appropriate to the surrounding context and uses.
- 5.7.3 Whether the design of the gift/donation is solely representative of the person or event being commemorated or is of broader community appeal.
- 5.7.4 Whether the individual or group is associated with the building, park, or other public facility at issue.
- 5.7.5 When possible, the family should be contacted and allowed an opportunity to comment upon the naming of a building, park or facility after an individual.
- 5.7.6 In and of themselves, contributions of land or money for public facilities shall not be considered sufficient justification for naming or renaming facilities after individuals, in tribute or memoriam.
- 5.7.7 The duration of the requested name to be assigned to the building, park or facility if naming rights are granted. As part of accepting a donation that includes a request for naming rights, the City shall establish the number of years for which the object will retain the individual's or group's name.

6.0 Donor Recognition Objects

The City of Edgerton appreciates the desire of some donors to be recognized either personally or on behalf of another for their generous donations. If a Donor Recognition Object is to be included as part of a proposed gift/donation, such object its cost, and funding

for the object should be specially identified and submitted with the donation for approval. In general, it is the policy of the City to limit donor recognition objects to plaques or other recognition objects which are small in scale, which do not detract from green space areas and/or which are part of an approved project involving the use of personalized decorative tiles or pavers. The City Administrator is hereby authorized to approve Donor Recognition Objects which are consistent with this policy. Any other Donor Recognition Object shall require approval of the City Council.

7.0 Private Construction

If construction of a public improvement project is coordinated or contracted for by the Donor, the Donor will be responsible for complying with all federal, state, and local laws which may include competitive bidding and state wage rate laws. The Donor will also bear the cost of all necessary permits, approvals, project management, design, installation, and manufacture of the gift/donation unless these costs are specifically accepted or waived by the City Council.

7.1.1 Proof of compliance with the City's insurance requirements for contractors will be required before work may commence on any public improvement project.

7.1.2 Improvements made in a public place become the property of the City of Edgerton and are subject to the laws, policies, and procedures of the City.

8.0 Removal of Donations and Recognitions

The City is not obligated to replace any gift/donation or improvement if it is lost, stolen, damaged or worn. The City also reserves the right to remove any donation, donation recognition object, monument, memorial, park amenity, public art, public improvement project, tribute, or other item or recognition for any reason for the good of the City, which may include but is not limited by safety reasons, deterioration caused by age, neglect or vandalism, and/or the City's inability to finance ongoing maintenance or repairs.

In all cases, to the extent feasible, the Donor or the Donor's family shall be contacted to determine if they would like the return of any such gift\donation. Any costs associated with the transfer and return of the Donation shall be borne by the Donor or Donor's family.

9.0 Acknowledgements and Anonymity

All donations for which the donor does not request anonymity shall be acknowledged by the City Administrator, Treasurer or appropriate department head with a letter of appreciation. For a monetary gift given in memorial, tribute, bequest, or in recognition of someone, a letter may be sent to the person or family of the person being honored. The City of Edgerton is a municipal entity and subject to the provisions of Wisconsin Public Records Laws, thus the City cannot guarantee anonymity of individual donors but will work with individuals who wish to remain anonymous in their donations to provide

appropriate means for those individuals to make their gifts/donations while maintaining their privacy.

10.0 Appraisals

The City may, at its discretion, request or require an appraisal of real or personal property prior to the acceptance of any gift or donation.

11.0 Waiver of Terms of this Policy

The City Council may waive any of the criteria specified within this policy upon a finding that it is in the best interests of the City to do so.

12.0 Tax liability

It is the responsibility of the donor to assign a monetary value to the gift for tax purposes. Information provided by the City, its officials, employees or agents in connection with gifts/donations is intended to be informational only and is not intended to be a substitute for professional financial or legal advice or opinions. The City of Edgerton makes no representations or guarantees as the tax implications of any gift or donation made to the City. Donors are responsible and are advised to obtain their own tax and financial advice from appropriate professionals.

City of Edgerton Monetary Donation Form

Donor Name: _____ Date: _____

Address: _____ Phone number: _____

E-mail address: _____

Hereby gives the City \$ _____ which is for:

_____ for unrestricted use; or
_____ for the purpose of: _____

Any funds in excess of the amount required for the above purpose (if specified):

_____ may be used for: _____

_____ shall be returned to the donor: or

_____ may be applied to any other project or fund deemed appropriate by the City Administrator.

The City of Edgerton will make reasonable efforts to accommodate the intended purpose of the donation but reserves the right to utilize, relocate, and/or dispose of any item funded through donated funds as the City may deem fit.

This donation is subject to the City Gifts and Memorials policy.

Donor _____ Date _____

Donor _____ Date _____

Department Director _____ Date _____

City Administrator _____ Date _____

City of Edgerton Real Property Donation Form

Donor Name: _____ Date: _____

Address: _____ Phone number: _____

E-mail address: _____

Hereby gives to the City of Edgerton _____

_____ for unrestricted use; or

_____ for the purpose of

Legal description of location: _____

All right, title and interest in the above stated item(s) is hereby given, donated and transferred to the City of Edgerton, its successors and assigns forever and without limiting conditions, except as may be specifically stated herein. It is understood and agreed that I/we as donor(s) retain no right, title or interest in the donated property.

To the best of our knowledge this gift/donation is free and clear of all encumbrances and restrictions.

The City will make reasonable efforts to accommodate the intended purpose of the donation but reserves the right to utilize, relocate and/or dispose of any item as the City may deem fit.

If this donation is conditioned or requires the establishment of a new program or fund, this agreement shall not take effect until the City Council has specifically accepted this donation. This donation is subject to the City Gifts and Memorials policy.

Donor _____ Date _____

Donor _____ Date _____

Department Director _____ Date _____

City Administrator _____ Date _____

Public Improvement Projects, Memorials, Tributes, and Works of Art

Donor Information:

DonorName: _____ Date: _____

Address: _____ Phone number: _____

E-mail address: _____

Hereby makes a proposal to fund and/or construct a public improvement project, memorial, tribute, or work of art consisting of: _____

The intended purpose of this donation is: _____

Legal description of location: _____

Donation subject to the following restrictions (if any): _____

What type of materials will be used in the propose project. Provide a site plan is applicable? _____

Estimate cost or value of the donation? _____

Timing of Donation/Project? _____

What is the intended lifespan of the project? _____

What short and long-term maintenance may be required and what is the anticipated cost of such maintenance? _____

The City will make reasonable efforts to accommodate the intended purpose of the donation but reserves the right to utilize, relocate and/or dispose of any item funded through donated funds as the City of Edgerton may deem fit.

If this donation includes naming rights, the City hereby agrees to retain the agreed upon name for _____ years.

This agreement shall not take effect until the City Council has specifically accepted this donation. This donation is subject to the City Gifts and Memorials policy.

Donor _____ Date _____

Donor _____ Date _____

Department Director _____ Date _____

City Administrator _____ Date _____

Memo

To: Finance
From: Staff
Date: 4/22/2021
Re: TIF #5 Affordable Housing Extension

The highlighted text below is new information added after the last meeting.

The City Council passed a resolution extending TIF #5 for one year to provide funding for a program to benefit affordable housing initiatives in the City. An estimated \$340,000 will be available starting in 2021 for this program. (The staff report with background information about the TIF Affordable Housing Extension law is attached.) Based on previous conversations with the Council, **the following policy discussion is based on the assumptions that we will use our funding as a loan program to upgrade existing affordable, owner occupied housing units.** Our program is modeled after Monona's program. When debating policies, minimizing administrative costs and time should be a high priority - a complex program will necessitate the City hire a program administrator.

Program policies:

What is considered an affordable property? Since the program is to benefit affordable housing, what metric should be used to establish eligibility? Monona allows properties having an assessed value at or below 120% of the median sale price of residential property. The average value of a single family residence (Jan 1, 2021) in Edgerton is \$207,968.

The Committee asked: how many houses would be included if the average home value was used as the funding threshold. The total number of single family and condo units is 1812. There are 1035 units (57%) under the \$207,968 amount.

The committee also asked how close to assessed values are actual home prices. Each year the values of properties in the city are adjusted based on last year's sales. While the data is from the previous year, in normal market conditions, the number is pretty accurate on the whole. The current market makes assessed values less accurate. Staff asked some real estate and bank professionals this question and received the following response:

Assessed value for homes that have sold the past 5-10 years are about 2-5% under sale price
Homes sold in the last 11-20 years are 5-10% under sale price
Homes sold in the last 21-30 years are 10-20% under sale price
Homes that have not sold in the last 30 years or never before sold can be 15-40% under sale price

"I had a home that hasn't been sold in over 40 years and was only assessed at \$132,000, just sold at 185,000. Similar home sold last year for \$189,000 (prior sale 2018), and was assessed at \$167,500.

In the last year or so, I would say houses have been selling above assessed value. The demand is so high that people are overbidding to get the house they want. If a house is coming in under the assessed value there's typically some issues with the property."

While assessed value may not be a perfect data point, the only other alternative is to require an appraisal which is expensive and time consuming. If the Committee decides to use assessed value, would the committee allow an owner to use an appraisal (if it is less than 2 years old) if one is available?

Should the program include Grants and Loans? The basic premise of the program is that the incentives to a home owner are a loan that, when repaid, can be reloaned. A loan requires a significant amount of administrative "overhead" for: the analysis of the ability to repay the loan; creation of mortgage documents; payments to administer; and collection action in the event of a delinquent loan. Should there be a dollar threshold below which a project would be a grant as opposed to a loan? A grant is significantly easier to administer than a loan. The disadvantage of offering grants is that grants will deplete the overall available pool of funds.

An alternative to having a "grant threshold" is to have a much less rigorous loan review for loans under a certain threshold.

The Committee did not make a decision about this issue. One option regarding the mix of grants and loans is demonstrated in the chart below. This option is based on the following assumptions: All projects have a grant component. The grant is 25% of the project cost up to a maximum of \$2,500 grant for a \$10,000 project. For projects greater than \$10,000, the applicant would receive a \$2,500 grant, and a loan for 50% of the remaining project costs.

| Total Project | Grant | Loan | Property Owner |
|---------------|---------|----------|----------------|
| \$8,000 | \$2,000 | \$0 | \$6,000 |
| \$10,000 | \$2,500 | \$0 | \$7,500 |
| \$11,000 | \$2,500 | \$4,250 | \$4,250 |
| \$50,000 | \$2,500 | \$23,750 | \$23,750 |
| \$102,500 | \$2,500 | \$50,000 | \$50,000 |
| \$150,000 | \$2,500 | \$50,000 | \$97,500 |

Note: The dollar amounts and the grant percentages used in the example above are for demonstration purposes only. The Committee will pick the procedure as well as the thresholds.

Maximum and minimum amount of loans or grants? Monona's loans are for no more than 50% of the total project costs. Their maximum loan amount is \$75,000 for a major rehabilitation and \$15,000 for a home improvement. Should there be a minimum project size? Possibly \$10,000?

The Committee suggested a maximum loan amount of \$50,000 for a \$100,000 project. The minimum loan amount issue may be resolved by the grant discussion above.

Loan interest rates and terms? The Monona program offers up to a 10-year term, with 2% interest. If the house is sold or refinanced in the 10-year term, the loan must be repaid.

What types of projects are eligible?

The goal is to improve the housing stock so maintenance type items, such as siding, roofing and furnaces should probably not be included in the program. Below is a list of items to consider:

- Mechanical system upgrades (electrical service upgrade, adding AC, replace lead water laterals.) Replacement of items that periodically need replacement should not be eligible such as water heaters, furnaces or new fixtures (unless part of a total bathroom upgrade or addition);
- Energy efficiency upgrades (windows, renewable energy technology, insulation);
- Renewable energy technology such as solar installation;
- Additions or major remodel (new garages used for cars but not other outbuildings);
- Environmental remediation – lead paint, asbestos (no soil remediation);
- Landscaping – only for flood reduction;
- Outdoor living (decks and patios) only as part of an addition, but they are a low priority.

What analysis will be done to determine an applicant's ability to repay?

- The most basic analysis is to contact the current lender to determine if they are current with their existing loans and to check county records to ensure they are current on their taxes. This is what Monona does for their evaluation.
- Loan to Value ratio is a common criterion (and easy to develop) used by lenders. An 80-90% loan to value ratio is common. (Total of all mortgages are no more than 80% of the value of the property.) If this criterion is used, what ratio should be used in this program? How will the committee account for increased value if the project includes a significant addition? Our housing program assumes an addition or major remodel would increase the value by 1/3 of the construction costs. Is an appraisal required or is the assessed value information acceptable? An appraisal will add significant time, complexity, and cost to the program.
- Is title work necessary? If so, is a Letter Report acceptable or is a full Title Opinion needed? A letter report is not a commitment to insure, rather, it is a report on the status of a title for the current owner. In other words, letter reports briefly summarize how the current owner is in title, the legal description of the subject property and any liens found in the Recorder of Deeds and judgments filed in Circuit Court from the time of ownership to the present date. A letter report gives no warranties or title insurances. If we do not do a letter report, we would rely of the applicant to honestly report this information in their application. Banks have a threshold over which a title opinion is needed. A letter report costs \$450-750.
- What standards will be used to evaluate the ability to repay? This process can be very involved. Banks use a debt-to-income ratio. For example, no more than 43% of all income can be encumbered by debt payments (mortgages, taxes, installment payments, credit cards, car payments, etc.). The debt information would either be provided by the applicant and assumed to be accurate or a credit report is needed. Verification of income information requires tax returns, pay stubs, etc.

- Is a credit report needed? A credit report is a summary of how you have handled credit accounts, including the types of accounts and your payment history. Information is provided regarding credit cards, mortgages, student loans, and vehicle loans; the date those accounts were opened; your credit limit or loan amount; account balances; your payment history; past-due accounts that have been turned over to a collection and bankruptcies. A credit report costs \$10.

Staff spoke with MSA, the City's consultant that administers the CDBG housing program. The estimated cost to administer a loan is \$350-\$500 per loan. Below is the division of duties:

- City staff **promotes** and answers pre application questions
- City verify floodplain status and water and sewer utility payments
- MSA receives applications and works with applicant to get a **complete application** -This aspect can be the most time consuming. The consultant may want authorization to charge on a time and materials basis for complicated projects that exceed a certain number of hours.
- MSA obtains a letter report - \$50
- MSA obtains a credit report
- MSA verifies income using tax returns and employment verification
- MSA verifies they have bids
- MSA prepares an analysis based on the program policies. Verifies applicant is current on loans; loan to value ratio, debt to income ratio
- MSA prepares amortization schedule
- MSA prepares and records mortgage (and note?)
- City staff verifies work is complete before release of funds.

Policies to be established:

- If the project will increase the value of the property and the applicant cannot meet the loan to value criterion, will the committee consider the value increase based on the proposed project? If so, staff can try to get an estimate from the assessor. As a fall back, the committee could establish a ratio of increased assessed value to project costs. Our CDBG housing program assumes the assessed value will increase by 1/3 of the cost of the work.
- Loan to value standard- banks use 80%; many home assistance programs use 90%
- debt to income standard,

How long must the owner stay in the property after the project? (Only relevant with a grant)

Should we have a Name for the program?