

**MARCH 29, 2021 FINANCE COMMITTEE MEETING MINUTES
CITY OF EDGERTON**

Candy Davis called the meeting to order at 4:30 p.m.

Present: Sarah Braun, Candy Davis, and Tim Shaw.

Others Present: City Administrator Ramona Flanigan, Mayor Christopher Lund, and Alderperson Jim Burdick.

City Administrator Ramona Flanigan confirmed the meeting agendas were properly posted on Friday, March 26, 2021 at the Post Office, Edgerton Library and City Hall.

WORKING SESSION TO DEVELOP AFFORDABLE HOUSING PROGRAM: City Administrator Ramona Flanigan recapped the funding for the program. About one year ago, the City Council adopted a resolution requesting the State allow TIF #5 be extended for one additional year. The additional one-year tax increment collected would then be used to fund an affordable housing program. The Council's intention was to use these funds to improve the housing stock of owner/occupied residents by offering funds for housing improvements. This program can be a more flexible than the CDBG housing programs offered in the past.

Flanigan stated the City will continue to have the low to moderate income loan program using the CDBG funding which is administered by MSA. If the development of the new affordable housing program becomes complex and more than staff can handle, the Committee may consider hiring MSA to administer this program also.

When considering what is complex, Flanigan stated she and staff do not have experience in deciphering credit checks or interpreting debt ratio statistics.

Sarah Braun asked if the downtown apartments on the first floor could be included in the program. Flanigan stated the program has that flexibility. The intent was to improve single family homes but the Committee can make this what they wish. Once the Committee starts to fine tune the program policies it may help determine the types of properties that will be included.

To develop the program's policies, Flanigan used Monona, WI's housing program as an example. To spur the discussion and policy development along, she began with the following questions:

What is considered an affordable property? The average value of a single-family residences in Edgerton, as of January 1, 2021, is \$209,293. Flanigan stated this value changes each year the new assessment values come out.

Tim Shaw asked what percentage of single-family houses fall at or below the \$209,293 average assessment. Flanigan will consult with the City's Assessor for find that statistic out. Once that information is obtained, the Committee will have a better idea how many properties would be eligible by using this assessment number and to continue this discussion.

Should the program include grants or loans? The difference between loans and grants is a loan would be paid back and generate funds to be loaned out again where grants will not be paid back and are a one-time payment. The loan program is much more difficult and time consuming to administer. Candy Davis stated if a loan program is used, she can definitely see the need for an outside consult to handle the program.

In addition to the loan tracking, Flanigan added if the loan qualifications are more complex than looking at being current on taxes and mortgage, it is beneficial to have a third-party consultant gather personal financial information.

Sarah Braun asked if the TIF funds are a one-time payment, can the program use the money as a revolving program. Flanigan clarified the resource of the funds (TIF increment) is a one-time payment. What the City decides to do with these funds can be a onetime payout or can have the funds revolve out with a loan, and back in with repayments to be loaned again.

The Committee members debated if loan repayments should be monthly payments or annual payments. Flanigan stated loans would be recorded as a mortgage on the property to assist in the protection of repayment if it becomes delinquent.

Candy Davis recommended leaving this open at this time. She would like to start with a loan program but if loans do not draw participants to take advantage of the program it may need to change to grants.

Should there be a maximum and minimum amount of loans and grants? Monona's loans are for no more than 50% of the total project costs with a maximum loan amount of \$75,000 for a major rehabilitation and \$15,000 for a home improvement. Flanigan stated if a loan program is offered, there should be a minimum threshold so as to not incur administrative costs for very small loans.

Candy Davis asked if the loans would be charged interest? If the program charges interest, why wouldn't people just go and borrow from the bank? Flanigan stated it is up for discussion. If the program offers a lower interest rate than banks it would attract participants. Monona offers a 10-year term at 2% interest. Mayor Chris Lund stated Bank of Edgerton is currently at 4% for home improvement loans.

Tim Shaw stated he questions the \$75,000 maximum with 50% funding of the project. He feels this may be quite high though if the average home value is \$209,000 and the program is a 50/50 share, that would mean a project could cost as much as \$150,000. That would be a major renovation. He would like a \$50,000 maximum.

Sarah Braun stated some of the older homes may need contamination removal which is costly. She asked if a minimum of \$10,000 again with 50% funding is too low? Flanigan recommended not having classifications on whether a project is a major or minor renovation. Let all projects be considered if they qualify for the program.

What types of projects are eligible? Flanigan stated this is a value adding program, not maintenance projects. Things that are replacements like furnaces would not be included. If a home is adding AC or replacing lead water laterals, this is considered adding value and would be included. (The attached staff report provides a list of items for consideration.)

Sarah Braun stated she would like to see the rehabilitation of the older homes be included because it is very costly. She would like to see new energy efficient windows be included.

What analysis will be done to determine an applicant's ability to repay? Flanigan stated if an applicant is funding their half with a bank loan, the information a bank gathers to evaluate a loan can be made available to the City but we would have to do our own analysis of the information. She went through a number of options for doing the analysis. (See staff report for types of analysis.)

Candy Davis stated if the program requires credit reports and income verification, the program should be handled by a third-party consultant. Flanigan agreed if an analysis is needed on the determination of loan repayment, someone educated in this area is needed.

Flanigan suggested if a grant program is offered, there should be some standard as to how long an owner stays in the home. This prevents someone from getting grants and "flipping" the house.

Jim Burdick stated when he ran for office and talked with residents, they expressed an interest in home improvement programs, especially window replacements and insulation. He likes the idea of a grant/loan combination program.

Sarah Braun stated she likes the loan program so funds can come back and benefit other people.

Mayor Christopher Lund stated he likes the combination of a grant and loan program with a 2% interest rate on the loans. The Committee likes this idea also. If grants are offered, there needs to be a limit on the amount and only one grant per owner.

Flanigan stated the details of the grant to loan ratio would need to be worked out.

Candy Davis recommended a credit report and debt-to-income ratio standard be used for loan analysis. Flanigan recapped that the credit report, debt to income ratio, and loan to assessed value ratio would be used to determine the qualifications of a loan. She cautioned that because this is a public program, if the City staff does the analysis some of this information may be subject to public record. For that reason, it may be best to contract the work out.

Tim Shaw asked what the administrative fees would be using these criteria? Flanigan will contact the MSA consultant for a cost of administrating the program.

Flanigan stated a policy also needs to be established with thresholds set as to acceptable ratios.

Tim Shaw stated in the staff report, it noted 1/3 of the improvement costs be reflected in the increase in the assessed value. This could be used in determining the grant/loan amounts. Flanigan

noted the City of Edgerton uses a full value assessment which is evaluated and adjust each year to keep in line with market value. She will check with the banks if they feel the adjustments are keeping with the market.

Sarah Braun stated she would like to see the maximum loan value at \$50,000. The question as to whether or not every loan also receives a grant. Mayor Chris Lund suggested a percentage of the project be eligible for grants with a cap on grant money allowed. Again, it was emphasized that only one grant is available to a participant.

Tim Shaw suggested a minimum loan be set at \$10,000. The debate of how much to offer as a grant along with a loan to grant program concluded with finding out the cost the program administration. This will be discussed further once the cost is known. Flanigan asked the Committee also to consider the amount of time an owner must remain in the residence if a grant is awarded.

The Committee agreed the program will be available to single family homes. This does not include the commercial properties in the downtown that can now establish a first floor residence.

Once staff gathers the requested information from this meeting, the Committee will schedule another program working session.

Being no other business before the Committee, a Sarah Braun/Tim Shaw motion to adjourn passed all voted in favor.

Cindy Hegglund, City Clerk-Treasurer

Adopted April 5, 2021