



**Community and Neighborhood
Development Program**

2006

PERFORMANCE SYNOPSIS

BY FUND SOURCE

March 26, 2007

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EXECUTIVE SYNOPSIS, MISSION, AND CHART OF MAJOR FUND SOURCES

The purpose of the community and neighborhood development program is to help make Madison “a more viable urban community by providing decent housing and a suitable living environment and by expanding the economic opportunities for low- and moderate-income persons.”¹ During 2006, the CD Office used 15 different fund sources to help non-profit community and neighborhood groups and their associated business, resident, and neighborhood partners to plan, develop and invest in projects that contributed to the objectives established by the CDBG Commission, Mayor, and Common Council in consultation with Madison citizens.

The CD Office is the early stage development investment arm of the Department of Planning and Community and Economic Development. Working closely with three levels of government funding and several major private sources, the CD Office helped develop policy plans, projects, and related activities to strengthen neighborhoods and expand opportunities for low- and moderate-income households throughout the community. The Office invested in non-profit community groups that

- Improve affordable **housing**,
- Expand businesses which create **jobs**,
- Strengthen **neighborhoods** through the operation of neighborhood centers and community gardens, and the implementation of strategic neighborhood-building projects
- Increase the **access of low and moderate income households and community groups to resources** through the improvement of community service facilities, or enhancement of informational services

The CDBG Commission develops the overall policy for the investment of the 15 sources of Federal, State, and local funds administered through the CD Office. This eleven-member policy group meets at least monthly to recommend proposals and oversee progress toward the goals articulated in the Five-Year Community and Neighborhood Development Plan, which is the City’s Consolidated Plan approved by the Federal Department of Housing and Urban Development and the Common Council. The Commission operates in a manner that synthesizes a number of perspectives and functional areas, ranging from affordable housing to homeless services, business growth, to neighborhood development. The Commission operates this way in the belief that it is more effective in the long run to develop an integrated development program, rather than develop specialized policy using multiple policy groups, which must then be coordinated through a broader policy body or through other means.

The City invested these 15 sources of funds in the following way:

1. **Community Development Block Grant Entitlement Funds:** These are one of two most flexible sources of funds available to apply to community development needs, and were used to address housing, business development, neighborhood development and community facility needs. The program used CDBG funds to leverage other private and public funds to acquire or build housing, to help business start-ups and expansions, to support neighborhood centers and community gardens, and to address fair housing issues.
2. **Community Development Block Grant Program Revenue Funds:** Where appropriate, the program offers CDBG funds (source 1) in the form of contingent grants or loans, to be repaid when the community group no longer needs the real estate asset or revolving fund acquired with source 1 funds to accomplish the City’s CD goals. These repaid program income revenues (source 2) are then used to fund additional projects and programs. In the interim, agencies report on the use of these revolving funds, use the assets to serve lower income people, and help to accomplish City and community objectives. In this way, the initial expenditures help to build a longer term community asset that will help not only the first generation of beneficiaries, but help a second and third generation as well, and if managed well, continue to address future community development issues. Some of these revolving funds turn over every two years while others revolve over a 15-year period. One example of this involves the Atwood Community Center. Assisted at 3 different times with CDBG program income funds, the Center is now in the process of buying the former Kupfer Ironworks to convert it into a larger community center, and use the sales proceeds from its three former buildings to construct a new gymnasium from these recycled program income funds.
3. **Emergency Shelter Grant Funds:** The City used these funds to help strengthen the system of housing and support services that has developed in Madison to help prevent homelessness, and provide case management to move people as quickly as possible from the streets and emergency shelters into more stable housing.

¹ Low- and moderate-income persons are defined as individuals/households whose annual income does not exceed 80% of the area median income. For Madison in 2006, 80% of median income for a family of 4 is \$58,550.

4. **Economic Development Initiative and Neighborhood Development Initiative Funds:** Over the last ten years, the CD program worked with several community-based groups to acquire and bank land for future housing developments. This year saw the initial sales in two of those major projects--**Habitat** successfully completed phase I of its Twin Oaks subdivision, and started on Phase II. The **Community Land Trust** sold all of its Troy Garden homes in 2006. In addition, the Office worked closely with the CDA to provide additional levels of support to Section 8 household first time homebuyers, and was able to assist through **Movin' Out**; 5 of the first 6 participants in the CDA homebuyer program. A fourth major EDI-funded project involves the construction of a new neighborhood and community learning center on Jefferson Middle School grounds to better serve the west side of Madison. Slated to start construction in late 2007, the **Wexford Center** spent most of 2006 using the City's funds to leverage private dollars for the new center.
5. **HOME:** The City used Federal Department of Housing and Urban Development HOME funds to help community groups acquire land, construct housing, rehab existing housing, or help eligible families become homeowners. The housing types range from very low income rental housing for formerly homeless people (**Housing Initiatives** and **Tellurian**) to for-sale, owner-occupied housing that creates opportunities for homeownership that supports neighborhood revitalization or fair share housing goals.
6. **HOME Program Income Revenue Funds:** Where appropriate, the program offers HOME funds (source 5) in the form of contingent grants or loans, to be repaid when the community group no longer needs the real estate or revolving fund to accomplish the City's CD goals. These repaid program income revenues (source 6) are then used to fund additional projects and programs. In the interim, agencies report on the use of these revolving funds, use the assets to serve lower income people, and help to accomplish City and community objectives. **Operation Fresh Start** is one of those agencies that uses a revolving fund to finance interim construction and holding costs on its properties while completing their renovation. When repaid to the City on sale of each home, Operation Fresh Start can then use the repaid funds to acquire or cover the holding costs on its next round of projects.
7. **Federal Continuum of Care/Supportive Housing Funds:** The City serves as the lead applicant for some types of competitive Federal programs focused on homeless people. In 2006, the City managed several projects that helped expand the inventory of permanent housing for homeless persons by over 45%, 3 projects which added a total 45 units of special needs housing in three different neighborhoods (Williamson Street, Pheasant Ridge, and Ruskin).
8. **Wisconsin Department of Commerce ESG, THP, and rent assistance funds:** The City serves as the lead administrator for a group of community-based agencies that collectively provide eviction prevention and mediation services, short-term rent assistance, or housing case management and housing referral services to over 2,000 households each year. These funds often track on a State annual fiscal year, and involve a coordinated set of mutually reinforcing contracts and terms that are coordinated with the Office's management of ESG funds the City receives directly from HUD.
9. **Wisconsin Department of Commerce: Housing Development Program:** The City serves as the lead administrator for a group of 18 community-based groups that submit a consolidated application to the state of Wisconsin for funds focused on homeownership. The CD Office funds down-payment assistance (the **CED HOME-BUY** program) that involves referrals from the participant agencies to a single source of eligibility determination and fund dispersion for a service area that covers Dane County.
10. **City of Madison Operating Budget:** In order to achieve some of the neighborhood focused goals, the Common Council has traditionally approved a separate allocation of City funds for neighborhood centers, community gardens, and homeless services, since these expenses are limited by some of the available Federal and State sources to spending caps or percentages of the particular source funds. These additional City funds are critical to the operating support and effectiveness of these agencies, such as **Neighborhood House**, where the CD program investment leverage almost 8 times its value in programming hours for neighborhood residents.
11. **Capital Budget Funds:** Where the CD Office has identified larger projects, or fund sources that require local match, the Council has approved the use of several capital budget fund sources to help supplement the Federal or State funds. In 2006, former UDAG funds were used as 'match' for the HOME funds, leveraging approximately \$4 additional Federal dollars for each \$1 of repaid UDAG funds. Local Capital budget funds were also made available for the **Common Wealth Arts Incubator** project and the Wexford Center project, both larger scale projects that required additional funds to make them successful.
12. **Housing Trust Funds:** The Council established a local affordable housing Trust fund in 2004, and it served as a source for three housing projects in 2006. **Housing Initiatives**, **Habitat**, and **Movin's Out** were able to use this most flexible fund source to facilitate the planned acquisition or construction of a total of 20 units through direct support of 5 affordable units.

13. **Inclusionary Zoning Special Reserve fund:** This fund is supported entirely by developer payments in lieu of on-site inclusionary zoning units (and in the future, from the City's share of sales from inclusionary zoning units). This fund can be used for 3 functions: a) developer subsidies toward the construction of inclusionary zoning units; b) 'working capital' for City purchase or transfer of iz homes to new family buyers; and c) offsets for some of the administrative costs of the iz program. In 2006, the fund received payments from several development projects, and the IZ Oversight Committee began discussion of a public education and purchase plan for future iz homes.
14. **Private contributions:** In providing assistance to housing developers, the CD Office has arranged on two occasions to require the developer to provide a portion of its future revenue stream back to the CD Office to help assist in the provision of neighborhood center services on the housing site. In 2006, the **Northpointe** development contributed over \$14,000 to the City for use by the Vera Neighborhood Center. This technique helps establish a situation whereby both owner/developer and the City help build a mutual relationship for a series of programs that benefits the development's residents and the City's overall neighborhood.
15. **Leverage funds:** Most CD-funded projects require the use of other funds to be successful and viable over the long run. Sometimes the CD Office investments provide a major portion of upfront seed capital costs in the range of 20 to 80% to establish an asset that the agency will continue to manage in a way that provides the ongoing operational support. Sometimes the CD program will provide 100% of the pilot funding in order to test a model and its viability or help a program scale up its operations to a more viable level. Sometimes the Office will provide a core level of stable operating support so that the agency can leverage additional community and private support. The **Madison Development Corporation** used a business loan pool of 100% CDBG funds to capitalize a loan pool that is supported by loan principal repayments to make future loans, and uses the interest on the loans to sustain its operating costs. With the approval of the CDBG Commission and the Council, MDC has also established a debt-venture program where CDBG funds are used as a 20% match for lender contributions to grow a large pool for resources for higher technology companies which help create future jobs for lower income people. During 2006, these two programs helped private businesses create over 60 full-time jobs for income-eligible persons.

Synopsis: Funding Sources: The CDBG Commission has developed a set of strategic goals, policies and procedures that help consolidate over 15 different funding sources into a more coherent, streamlined, and comprehensive approach to neighborhood and community development. The table below demonstrates the array of sources, their focus, and how they produced effective results in 2006.

Funding Source (Origin of funds)	Actual Expenditures % of total funds expended (ESTIMATED preliminary figures)	Nature of Project Achievement or Outcome (ESTIMATED Preliminary Results)
<i>Initial Source : Federal Government</i>		
1. Community Development Block Grant	\$2,210,428 24.12% of total expended	Federal funds through the Department of Housing and Urban Development, CDBG is one of the more flexible and multi-faceted funds used to address issue of affordable housing (Urban League lease to own program), entrepreneurial development (WBIC), neighborhood centers and community gardens, and neighborhood revitalization (concentration neighborhood planning process, Mayfair and Demetral Playground improvements in 2006).
2. CDBG Program Income Revenue	\$1,675,678 18.29%	Madison has established over 13 separate revolving funds, for affordable housing and business loans. The CDBG Commission itself controls two other revolving fund: a Housing Development Fund , and a community services Acquisition/Rehab facilities fund.
3. ESG	\$52,599 .57%	These funds supported Porchlight , the YWCA , and CAC with rent assistance, tenant education, case management, and transitional housing support expenses.
4. HOME	\$3,073,886 33.55%	This source provided capital funds to help maintain the existing housing stock, improve its accessibility, or expand its availability, including Movin' Out and Housing Initiatives .

5. HOME Program Income Revenue	\$18,695 .20%	This source provided capital funds to help maintain or expand the existing housing stock, including a project for Operation Fresh Start .
6. Economic Development Initiatives	\$600,356 7%	These two sources provided acquisition and construction funds for the development of Troy Gardens and Twin Oaks.
7. Supportive Housing Program (Continuum of care)	\$370,289 4.04%	This source helped 3 community agencies expand the supply of permanent housing affordable to formerly homeless persons; together with HOME funds, these expanded the supply of permanent supported housing by 45 units, or almost 30% more than in 2005.
Granting Source: State of Wisconsin		
8. State ESG funds, Transitional Housing Funds, and other State funds	\$253,806 2.77%	This source focused upon case management, counseling, and rent assistance services to homeless, as well as efforts to prevent or reduce homelessness from such agencies as Inter Faith Hospitality Network and Legal Action of Wisconsin
9. Housing Development Program (HODAP/HCRI)	\$133,755 1.46%	This State-funded source focused on down-payment assistance to eligible homebuyers throughout Dane County.
Granting Source: City of Madison		
K. Operating Budget	\$647,706 7.07%	9 neighborhood centers and 7 community garden sites were able to serve over 25,000 people in 2006.
M. Capital Budget	\$22,500 .25%	This source used City funds to advance the planning for the eastside Arts Incubator .
Housing Trust Fund	\$75,000 .82%	3 projects assisted to acquire and make affordable a total over 20 units through direct assistance to 5 dwelling units
IZ Special Revenue Fund	\$0	Five developers sought iz unit subsidies but were not willing to target lower income homebuyers and hence were ineligible for this assistance.
Granting Source: Private funds		
Private Developer Funds and other contributions	\$27,965 .31%	The Vera Neighborhood Center helped to create special programming for over 1,000 neighborhood residents; Funds contributed by the development industry, matched with some public funds, enabled the City to hire consultants to conduct a housing market study due to report in May.
Leveraged Funds	\$46 million	For every CD dollar invested in community housing projects, the CD Office estimates that it leverages at least \$5 in private financing.

\$1,009,141 (11.01% of total amount \$9,162,663 expended) was expended on what the Federal government defines as planning and program administrative activities, including accounting, auditing, legal, affirmative action and historic preservation review, as well as program management within the CD Office.

Copies of the Program Funding Framework, the Action Plan, or its summary, may be obtained from the CD Office by calling (608) 267-0740; copies of the executive summary are available on the CDBG website at www.cityofmadison.com/cdbg.