

## Sun Prairie Affordable Housing Fund Policy

*Adopted 02/18/2025*

### 1.1 Purpose

The City of Sun Prairie recognizes that safe, just, and affordable housing is essential for individuals and the community to thrive. The intent of the Sun Prairie Affordable Housing Fund is to fund initiatives which:

1. Strategically invest in new affordable housing and rehabilitation of existing housing units, prioritizing efforts where the housing market is falling short.
2. Foster stability in all housing types, with an emphasis on affordable housing units.

The City's definition of "affordable housing" is housing which costs no more than 30% of gross monthly income (including utilities). Households at all incomes have a limit of what is affordable to them.

This policy is intended to be flexible and responsive, ensuring the City's approach to affordable housing remains effective and aligned with changing market conditions. Regular monitoring of housing market trends, community needs, and program outcomes will inform adjustments to this policy and its programs. The City's Housing Committee may review the effectiveness of the programs outlined in this policy annually and make recommendations to the Common Council for necessary updates or modifications.

In addition, any housing funds received (such as HOME, CDBG, or grants) that are designated for specific uses will be managed in accordance with the requirements set by the respective funders.

### 1.2 Objectives

The objectives of the Sun Prairie Affordable Housing Fund policy are guided by the goals established in the 2022 Sun Prairie Housing Study & Strategy, which include increasing and preserving affordable housing units; expanding housing choice; and improving the quality, accessibility, and attainability of housing:

- 1) Support the Quality and Affordability of Owner-Occupied Homes.** The construction of new affordable owner-occupied housing has faced significant challenges due to labor shortages, high interest rates, and increased construction costs, which grew by 35% from 2020 to 2023. Sun Prairie aims to support organizations who are developing affordable homes to do so in Sun Prairie. Similarly, rehabilitation of existing homes has become more challenging due to households' incomes being stretched thinner as healthcare, food, transportation, childcare, and other costs continue to rise.
- 2) Support the Development of Affordable Rental Units.** According to U.S. Department of Housing and Urban Development (HUD) 2021 Comprehensive Housing Affordability Strategy, approximately 1,900 (35%) renters in Sun Prairie are considered housing-cost burdened, meaning they spend more than 30% of their gross income on housing. This number has more than doubled between 2000 and 2022. Homelessness has also reached an all-time high in Sun Prairie, with 303 students reported as homeless in the Sun Prairie Area School District during the 2023-2024 school year. These numbers are consistent with findings across the US; a positive correlation exists between homelessness and the number of severely-cost burdened renters. If

housing supply continues to fall short of demand, affordability and homelessness challenges will likely worsen in the future.

- 3) Improve the Quality of Rental Units.** With increasing demand pressures on a tight supply of affordable rental housing, unit quality and safety are significant concerns. Much of Sun Prairie's affordable rental units are naturally occurring affordable housing (71% according to the 2022 Sun Prairie Housing Study & Strategy). These units are lower cost due to building age, quality, and condition. Landlords are facing financial barriers to maintaining and improving their properties, resulting in further delayed maintenance and rehabilitation for vulnerable tenants who may not have many housing options. By incentivizing property improvement, we can preserve and enhance the existing affordable housing stock and ensure more households remain in safe, stable, and quality housing. This objective will also support long-term neighborhood sustainability and reinvestment.
- 4) Create a Network of Housing Resources for Households.** With few available housing options that are affordable, and other household costs rising, those with the lowest incomes are facing the greatest challenges. The number of households who are struggling in Sun Prairie continues to climb. To address homelessness and housing cost burden, more housing needs to be built, and a support system should be created to meet people where they are. Whether it is finding housing that is affordable and decent, connecting with legal assistance, understanding current housing protections, childcare, job training, or financial literacy, many households face challenges that require a network of support. By building this network, Sun Prairie aims to help prevent homelessness and reduce the financial strain of housing costs for its residents.
- 5) Address Housing Inequities.** Historically, housing programs at all levels of government have marginalized households of color, leading to disparities in wealth and opportunity. The legacy of past practices that include redlining, racially restrictive covenants, discriminatory lending practices, and restrictive zoning and land use planning, contribute to creating and perpetuating systems that have left many people of color with significantly lower wealth, income, health outcomes, and access to opportunity compared to their white counterparts. While all programs under this policy will be open and marketed to everyone, the City is dedicated to collaborating with organizations that serve historically marginalized populations to ensure equitable access to Affordable Housing Fund programs.

### 1.3 Summary of Programming

The uses and programs described in Section 1.3 are intentionally designed to complement and leverage other existing programs, from WHEDA, the Federal Reserve Bank of Chicago, Dane County, Focus on Energy, and more to stack and secure access to these funds that may not otherwise be attainable. For each of the programs described below, detailed program plans will be developed by the City's Housing Committee and brought to City Council for approval.

#### 1.3.1 Grants for Housing Support Services

Many residents face the pressing challenge of finding, securing, and maintaining safe, just, and affordable housing. In 2023 Sunshine Place assisted over 500 households through various housing support initiatives. Alarming, the number of homeless students in the Sun Prairie School District in 2024 has risen to more than 300, a significant increase from 184 at the end of the 2023 school year. To address the urgent needs of those who are housing insecure, Affordable Housing Funds may be allocated to specific organizations that help families achieve long-term housing stability.

As funds become available, the Sun Prairie Housing Committee may draft a Request for Proposals (RFP) to identify organizations that provide specific housing support services. Examples of these housing support services include assistance finding and securing housing, rental assistance, education on tenant and landlord rights, eviction prevention, and legal support related to housing issues.

Currently, the Affordable Housing Fund is funding two housing services in Sun Prairie: a satellite Tenant Resource Center and investigation and mediation services for housing retaliation claims. Considering anticipated funding and the goal of establishing sustainable services, the Housing Committee would recommend issuing an RFP for a third housing support service: Housing Case Management. This program will provide immediate assistance and develop tailored plans to connect individuals and families with resources that promote long-term stability.

**Eligible Entities:** An organization experienced with providing Housing Case Management.

### 1.3.2 Loans for New Affordable, Owner-Occupied Housing

While the IRS' Section 42, Low-Income Housing Tax Credit program subsidizes the development of income restricted rental units, no similar federal subsidy exists for affordable owner-occupied units. Similarly, the City of Sun Prairie has invested in the development of rental units through tax increment financing, but this type of investment has not been applied to the development of owner-occupied units.

The Affordable Housing Fund loan program for new affordable, owner-occupied housing may provide financial assistance in the form of loans to increase the number of affordable, owner-occupied housing units through new construction or rehabilitation. Units must be affordable to households at 80% AMI or lower (see Section 1.3.7). Developers agreeing to long-term affordability of the owner-occupied units through a land use restrictive agreement (LURA) may be eligible for the maximum loan amount. Developers who opt for one-time affordability, where the housing cost is only subsidized for the first owner (no LURA), may be eligible for a lesser loan amount.

**Eligible Entity:** Developer who can:

- Demonstrate the project is economically viable.
- Demonstrate they have the financial capacity and experience, or partner with another organization which is experienced in producing high-quality affordable housing.

**Eligible Use of Loan Funds:**

- **Land Acquisition.** Purchase land for the purpose of developing affordable owner-occupied housing. The city may also utilize these funds to purchase lots or land and install infrastructure for the purpose of affordable owner-occupied affordable housing.
- **Pre-Development Activities.** Including but not limited to property appraisals, surveys, environmental site assessments, certified survey maps or plats, concepts or engineering plans, environmental remediation and building demolition to bring a property to shovel-ready status.
- **Construction or Rehabilitation.** Funds could be used as gap financing to construct new affordable owner-occupied housing or rehabilitate existing housing into affordable owner-occupied housing.
- **Mortgage Reduction to Homebuyer.** A portion of the funds must be used for mortgage reduction to the homebuyer.

### 1.3.3 Loans for Housing Rehabilitation

To maintain the quality and safety of housing stock for current and future homeowners in Sun Prairie, households must invest in and rehabilitate housing as it ages. As other costs go up for households, proactive housing repairs often become a lower priority or are not attainable. Currently 48% of Sun Prairie's housing stock was built prior to 2000 and approximately 26% was built prior to 1980.

The Affordable Housing Fund home rehabilitation loan program would support improvement in the condition and safety of owner-occupied and renter-occupied housing throughout the City. The focus of this program is intended to be housing which is occupied by low-income residents who may not have the means to reinvest in their housing or landlords renting to low-income residents who do not have sufficient funds to reinvest in housing. This loan program can be used for a variety of home-improvement activities completed by professional labor and funds can be combined with other renovation and rehabilitation programs. Requests for emergency repairs that address concerns about health and safety issues may be prioritized.

**Income Categories to be Served:** Funding must be used for extremely low-, very low-, or low-income households in owner- or renter-occupied units.

#### **Eligible Use of Loan Funds:**

- **Exterior Repairs.** Repair or replacement of roofing, siding, windows, soffits, fascia, porches, decks, and balconies, gutters, and other repairs or replacement of exterior materials.
- **Plumbing and Electrical.** Upgrades to plumbing and electrical systems to bring them into compliance with current code standards.
- **Energy Efficiency Improvements.** Heating and air conditioning replacement, window repair or replacement, insulation improvements and other measures to increase overall energy efficiency.
- **Accessibility Updates.** Installation of ramps, non-slip surfaces, lever handles, and other improvements focused on making the house safe and accessible for everyone, regardless of age, physical ability, or stature.
- **Other Code Compliance.** Funds may be used to remedy outstanding building code and health/safety violations. Funds may also be used to abate lead-based paint and other environmental hazards such as asbestos and radon.
- **Grading, Waterproofing, and Drainage Improvements.** Funds may be used to remedy any issues related to stormwater runoff, including grading to take care of low spots in the lawn, rain gardens to address stormwater runoff, or basement waterproofing.

### 1.3.4 Loans for Down Payment Assistance

Lack of money for a down payment is a significant barrier for first-time homebuyers, especially those who are currently renting. With high rents relative to income, it is challenging for renters to save up for a down payment. According to the 2024 National Association of Realtors Profile of Home Buyers and Sellers report, 32% of first-time buyers cited saving for a down payment to be the most difficult step to homeownership. The report also notes the median age of a first-time homebuyer is at an all-time high of 38 years old, underscoring the barriers to entering the housing market. Moreover, households of color are disproportionately affected by these barriers due to the lasting impacts of institutional and structural racism. The homeownership gap between black and non-Hispanic white households has widened over

the past 56 years according to data from the US Census. The black/white homeownership gap was 28.6% in 2023.

The down payment assistance loan program through Sun Prairie's Affordable Housing Fund would help first time homebuyers who seek to purchase a home to cover down payment and closing costs, thereby reducing their monthly mortgage payment.

**Income Categories to be Served:** Extremely low-, very low-, or low-income households.

**Eligible Entity:** First time homebuyer purchasing an owner-occupied housing unit in the City of Sun Prairie.

### 1.3.5 Loans for New, Affordable Renter-Occupied Housing

Several key federal and regional programs exist which support the development of affordable rental housing in Sun Prairie. The IRS' Section 42, Low-Income Housing Tax Credit (LIHTC) program is the most significant program. The City of Sun Prairie has also invested in the development of rental units through tax increment financing (TIF). Per the City's TIF Policy, the City will continue supporting rental projects through these funds when feasible. Consequently, the Affordable Housing Fund can be directed to address the areas of greatest needs in the rental market and leverage federal and regional programs, focusing on units for households with very low incomes (<50% AMI) and those with significant barriers to finding and maintaining housing (e.g., permanent supportive housing).

The Affordable Housing Fund loan program aims to increase the availability of affordable, renter-occupied housing by providing financial assistance in the form of loans. All units must be affordable to households at 50% AMI or lower (see Section 1.3.7) and all units shall be deed restricted for a minimum of 30 years.

**Eligible Entity:** Housing developers, including non-profit housing organizations exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, who have already been awarded LIHTC tax credits and/or Dane County Affordable Housing Development Funds for the project.

#### **Eligible Use of Loan Funds:**

- **Land Acquisition.** Purchase land for the purpose of developing affordable renter-occupied housing. The city may also utilize these funds to purchase lots or land and install infrastructure for the purpose of affordable renter-occupied housing.
- **Pre-Development Activities.** Including but not limited to property appraisals, surveys, environmental site assessments, certified survey maps or plats, concepts or engineering plans, environmental remediation and building demolition to bring a property to shovel-ready status.
- **Construction.** Funds could be used as gap financing to construct new affordable renter-occupied housing for households with very low incomes and/or those with significant barriers to finding and maintaining housing.

### 1.3.6 Staff & Planning Activities

The City of Sun Prairie may utilize a portion of the Affordable Housing Fund for a portion of the Housing & Equitable Development Planner’s compensation. The City may also utilize funds for community housing education events, updates to the City’s Housing Study & Strategy, and similar activities.

### 1.3.7 Income Limits

*Income limits referenced throughout section 1.3 are calculated at the county-level by HUD each year; 2024 income categories are shown below as an example. These numbers are updated annually.*

FY 2024 Income Limits	Persons in Family					
	1	2	3	4	5	6
Extremely Low-Income (30% AMI)	\$26,450	\$30,200	\$34,000	\$37,750	\$40,800	\$43,800
Very Low- Income (50% AMI)	\$44,100	\$50,400	\$56,700	\$62,950	\$68,000	\$73,050
Low-Income (80% AMI)	\$68,500	\$78,250	\$88,050	\$97,800	\$105,650	\$113,450
Moderate- Income (100% AMI)	\$88,150	\$100,750	\$113,350	\$125,900	\$136,000	\$146,050

### 1.4 Program Oversight

The Sun Prairie Housing Committee may serve as the entity that evaluates requests for proposals for housing support services and loan requests for new, affordable renter- and owner-occupied housing. Housing Committee will make recommendations for funding applications to Council. These programs require some assessment to determine how well applications align with the City’s housing and affordability goals.

Applications for rehabilitation and down payment assistance loans may be reviewed by staff or a third-party agency as these programs have clear eligibility criteria. These reviews are objective and there are clear established requirements. Oversight of funding of third-party activities may be determined by each respective contract.

### 1.5 Annual Reporting & Program Evaluation

The Housing & Equitable Development Planner shall provide the Housing Committee and Common Council an annual report with details concerning the current balance of Affordable Housing Funds and a summary of any funds received or dispersed in the previous 12 months, including a summary of impacts from each of the housing programs under the fund.