



CITY OF APPLETON

MEMORANDUM

Date: July 9, 2025

To: Community Development Committee

From: Olivia Galyon, Community Development Specialist

Subject: Substantial Amendment to Appleton Housing Authority's 2021 CDBG Award

During the 2021 Community Development Block Grant (CDBG) application period, the Appleton Housing Authority (AHA) applied for funds to support their homebuyer assistance and homeowner rehabilitation programs. AHA was awarded \$37,000 by Common Council on June 16, 2021. AHA is now requesting to reprogram their 2021 award from homebuyer assistance and homeowner rehabilitation to rental rehabilitation. The units rehabbed would then be made available to low- and moderate-income renters.

AHA has received funds for their homebuyer assistance and homeowner rehabilitation programs for multiple years and continues to support homeownership opportunities for low- and moderate-income residents in Appleton. The Homebuyer program is set up as 0% interest deferred payment loan, which is repaid when the homeowner sells the property. These repayments bring in program income for AHA. CDBG regulations require that program income funds received during a program year be spent prior to an entitlement allocation.

During 2020, 2021, and 2022, due to low interest rates, AHA experienced a high volume of repayments from their clients. Due to the high volume of repayments, AHA was temporarily unable to spend their allocation from the City of Appleton and had to focus on spending program income. AHA has seen a reduction in the total number of sales and repayments in the last few years with higher interest rates, but the 2021 funds remain unspent.

Because of the challenges with keeping up with program income spenddown for the homebuyer program, AHA is requesting to repurpose their 2021 allocation from homeownership assistance to rental rehabilitation. AHA's non-profit, Neighborhood Housing Inc., has a rental property in need of rehabilitation, which would open up additional units to low-and moderate-income renters. There are not currently any other rental rehabilitation projects supported through CDBG funds. Timeliness of spenddown and HUD's requirement to spend funds within seven years of the award are also important considerations for the CDBG program. Reprogramming funds for rental rehabilitation will allow these funds to be spent on a faster timeline than they would be spent for homeowner downpayment assistance, due to the nature of the homebuyer program.

AHA plans to continue to use future CDBG allocations for homebuyer assistance going forward but would be able to better utilize the remaining 2021 allocation for rental rehabilitation on a much quicker timeline. Staff recommends approving the request to reallocate AHA's 2021 CDBG allocation of \$37,000 from homebuyer assistance to rental rehabilitation and approve the substantial amendment to the 2021 CDBG Annual Action Plan (AAP). If approved, the AAP amendment will be sent to HUD for final approval and the subrecipient agreement with AHA would be updated accordingly.