



Legislation Text

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Fiscal Note

The Community Development Division will seek the continuation of borrowing authority, in the 2016 Capital Budget, for an Affordable Housing Initiative (AHI) that was created in the 2015 Capital Budget. The AHI was created for the purpose of providing ongoing support for a variety of programs and activities designed to expand and improve the supply of affordable housing in Madison. This Resolution authorizes the CDD to attempt to leverage federal tax credits for proposed rental housing projects in Madison as part of the City's strategy to expand the supply of affordable rental housing. The RFP, for which this resolution seeks authorization, is timed so that any resulting City support that might be offered to proposed projects can be used to improve their competitive standing under WHEDA's annual Low-Income Housing Tax Credit (LIHTC) application process. WHEDA's application deadline is late January 2016. Any offers of City funding for individual projects as a result of this RFP process will be made contingent upon approval by the Common Council under separate resolution, as well as the authorization of sufficient funds in the City's Adopted 2016 Capital Budget.

Title

Authorizing a Request for Proposals to solicit applications for affordable rental housing projects that utilize Low-Income Housing Tax Credits.

Body

Background

Each year the Wisconsin Housing and Economic Development Authority (WHEDA) issues a Request for Proposals to solicit applications for affordable housing utilizing Low-Income Housing Tax Credits (LIHTC). Increasingly, LIHTCs are an essential source of financing for larger-scaled rental housing projects serving low- and moderate- income residents. Under WHEDA's application process, project proposals that can demonstrate local financial support gain a competitive advantage over those that do not. Accordingly, the City has determined that applying its resources in partnership with WHEDA is an effective strategy for expanding the supply of affordable rental housing in Madison.

In 2014, the City issued its own RFP for projects that also planned to seek WHEDA-administered tax credits. The City awarded \$3 million in AHI funds to three projects, all of which were awarded tax credits, totaling more than \$40 million. These projects will combine to add more than 200 new units of affordable rental housing. WHEDA's next RFP process is anticipated shortly with an application deadline of January 2016.

The Community Development Division will request funds in the 2016 capital budget to continue the AHI and support the expansion of affordable rental housing. To be effective, this strategy requires the City's RFP process to closely align with WHEDA's annual LIHTC application process. Specifically, the City should release its RFP in June 2015 and finalize project selections not later than November 2015 so that project developers can take advantage of City support in their tax credit applications. Any recommendations for funding as a result of this process will be contingent upon the availability of funds in the City's 2016 Capital Budget.

Body

WHEREAS, since the beginning of the recession in 2007, the City of Madison has experienced continued growth in its population that has outpaced its production of housing and contributed to a shortage of rental housing particularly that is affordable to lower and moderate income wage earners; and

WHEREAS, vacancy rates in Madison's rental market have been at or near historic lows for several years,

further indicating that the market is undersupplied; and

WHEREAS, according to the 2010 American Community Survey, 57% of renters are “cost burdened”, which is defined as having housing costs that exceed 30% of monthly household income; and

WHEREAS, the Analysis of Impediments to Fair Housing Choice study, prepared and accepted by the Common Council in October 2013, identified the lack of affordable rental housing as a significant impediment to fair housing choice and identified the need to build more affordable rental housing as a primary means to alleviate this condition; and

WHEREAS, the 2014 City of Madison Affordable Housing Market Report recommends proactively seeking partnerships with developers to address housing challenges and expand the types of housing available to fill in gaps that the housing market doesn’t serve; and

WHEREAS, the 2014 City of Madison Affordable Housing Market Report also recommends creating a new Affordable Housing Fund with ongoing City financial support to fund housing projects and programs to meet the City’s most pressing housing challenges; and

WHEREAS, the City’s CDBG Committee and Housing Strategy Committee have concluded that one of the most efficient means of producing significant numbers of affordable rental housing is by partnering with WHEDA and LIHTC and aligning City support to increase the likelihood of tax credits being awarded for City of Madison-based projects; and

WHEREAS, in 2014 the City conducted an RFP process that offered a combined \$3 million in AHI funds to three rental housing projects that will create more than 200 units of new affordable rental housing, and all three projects were subsequently awarded low-income housing tax credits by WHEDA totaling about \$40 million; and

WHEREAS, the Community Development Division will submit a request for budget authorization in the 2016 capital budget to support the expansion of affordable housing in the City of Madison; and

WHEREAS, it is anticipated that WHEDA will conduct the next cycle of its annual LIHTC application process under its customary schedule with applications due in January 2016, and that the review criteria under that process will continue to favor projects that demonstrate local financial support; and;

WHEREAS, in the interest of seeking to leverage those tax credits with City resources, the City’s RFP process should be finalized by November 2015;

NOW, THEREFORE, BE IT RESOLVED that the Common Council authorizes the Community Development Division to commence a Request for Proposals process for the purpose of identifying for potential City support, rental housing projects proposed within the City of Madison that would qualify for and intend to seek LIHTCs in WHEDA’s 2016 application cycle;

AND BE IT FURTHER RESOLVED, that any offers of City support made under this RFP process be contingent upon approval by the Common Council under separate resolution, and the authorization of sufficient funds in the 2016 Capital Budget.