



City of Madison

City of Madison
Madison, WI 53703
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Master

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Reference:

Controlling Body: BOARD OF ESTIMATES

File Created Date : 06/21/2010

File Name: Authorizing the provision of \$385,000 in Federal HOME and HOME Match funds to assist the City of Madison Community Development Authority to acquire and construct 50 units of affordable senior rental housing.

Final Action:

Title: SECOND SUBSTITUTE - Authorizing the provision of \$385,000 in Federal HOME, and HOME Match and/or Community Development Block Grant (CDBG) funds to assist the City of Madison Community Development Authority to acquire and construct 50 units of affordable senior rental housing.

Notes: Board of Estimates

Sponsors: Shiva Bidar-Sielaff, Tim Bruer and Marsha A. Rummel

Enactment Date:

Attachments: CDA CDBG HOME Funds App.pdf, Burr Oaks Revised Staff Review, CDA CDBG HOME Funds Res 18930.pdf, Burr Oaks CDA acquire & Construct Senior Rental 18930 Ver 2.pdf

Enactment Number:

Author: Mary Charnitz, CDBG Office

Hearing Date:

Entered by: pstonestreet@cityofmadison.com

Published Date:

History of Legislative File

Version:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	CDBG Office	06/24/2010	Referred for Introduction				
	Action Text:		This Resolution was Referred for Introduction				
1	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	07/01/2010	Refer	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE		08/05/2010	Pass

Action Text: The Committee agreed to hear the Burr Oaks senior housing request first.

Percy Brown addressed the Committee as a long-time South Madison resident. He said he built his home there in 1982, raised his family there, and still lives there. He has been active on many area committees and is proud to be a member of the South Madison community.

Brown said the Burr Oaks Senior Housing project has three major strengths:

1. **Affordability:** The project provides affordable housing for low- and moderate-income individuals;
2. **Location:** The project is in the perfect location to serve all of South Madison and situated near a fire station, police station, shopping center, hospital, and other prime locals.
3. **Integral part of major revitalization effort for South Madison:** The project is an essential piece of the puzzle to revitalize South Madison.

Rummel asked what pots of money have gone to fund this project.

Brown replied that the project has leveraged multiple funding sources, including TIF and \$9 million from a private developer. He said that the CDA also sold land to the developer.

Whitesel asked about the timing of the project and the legal problems associated with it.

Dan Rolfs said that one of the previous property owners has contested the right of the CDA to condemn its property and that a judge is expected to render a ruling in the case next Friday, July 9.

Whitesel asked what the timeline is for the start of the project; and

Rolfs said that demolition of current properties should be completed by late fall with construction beginning next spring.

Markofski asked how the domain issue arose.

Rolfs said that the CDA created a redevelopment district with the condition that at least 50% of the area's properties must be blighted. The CDA used eminent domain to condemn the properties with compensation going to the property owners for the properties. The property owners then had two years to contest the amount of compensation.

Markofski asked which issue Badger Trust was disputing: the value of the property or right to condemn it; Rolfs said that they were disputing the right to condemn.

Mark Olinger, along with John Faust and Dan Fitzgerald of New Horizon, presented the project to the Committee.

Olinger said that the project will involve 50 units of affordable senior apartments. He said they have received \$7.1 million in tax credits from WHEDA and that there will be a \$1.2 to \$1.5 million mortgage on the property. Exchange funds from WHEDA will close the financing gap.

Olinger said that the request before the Committee for \$385,000 is the last piece to the funding of the project. He said their goal is to start in the fall and be done by next summer. They hope to have an answer to the Badger Trust issue on July 9. Olinger said that the CDA has committed 30 project-based vouchers to the project.

Rummel asked what New Horizon does and noted that there is no equity investment in the project.

Faust said that New Horizon brings investors to the project and will manage it when it is completed, as well.

Rummel asked what other properties New Horizon manages.

Faust said that they look after several properties in Wisconsin, including Frost Woods in Monona and a couple in Verona.

Whitesel asked why some of the application information has not been provided for the staff report.

Olinger said that the information has now been provided, but the staff report might have been written

before all information was available.

Charnitz said that she had received an operating budget a while ago, but she just got a new pro-forma tonight.

The Committee will need to allow time for the pro-forma to be analyzed.

Faust said that an appraisal wouldn't be done until about a month before the closing.

O'Callaghan asked why the loan-to-value ratio is over 200%; and Charnitz said that the loan-to-value ratio includes loans for the total project cost (\$7 million) compared to assessed value of property after rehab.

Faust said that the assessed value will not include tax credits.

Charnitz said that all debt is in the property.

Faust said that \$1.2 million will be in the first mortgage with \$700,000 in exchange funds from WHEDA, which are forgivable.

Rummel wanted to know why there were so many questions in the staff review, and Charnitz said it was because a lot of the requested information was not included in the application.

Rummel moved to refer this item to the August agenda to give staff time to get answers to all the questions; Whitesel seconded.

Fitzgerald said he had concerns with the timing of the project, and referring it to the next meeting may delay the construction schedule.

Bidar-Sielaff said that, if referred to the August meeting, this item would go before the Common Council at its September 7 meeting.

Markofski asked if staff were okay with recommending this, and Charnitz said that it would be okay but that the alder was very supportive of the project and wanted to see it move forward.

Faust said they wouldn't be able to provide that much more information at the next meeting; they would have no appraisal yet.

Rummel said she would like to see all information next time.

Rummel moved to refer to this item to the August meeting. Whitesel seconded. The motion passed by the following vote:

1	COMMON COUNCIL	07/06/2010	Referred	BOARD OF ESTIMATES	08/30/2010	
	Action Text:	This Resolution was Referred to the BOARD OF ESTIMATES				
1	BOARD OF ESTIMATES	07/06/2010	Refer	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	08/05/2010	
	Action Text:	This Resolution was Refer to the COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE				
2	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	08/05/2010	Return to Lead with the Following Recommendation(s)	BOARD OF ESTIMATES	08/30/2010	Pass

Action Text: Gregg Shimanski of the CDA said that Ald. Bruer has helped this neighborhood revitalize. He said that Horizon is a development partner and explained the program. They are requesting \$385,000 in HOME funds as gap financing for the project. Shimanski said that 30 Section 8 vouchers are attached to this project. He said that this is the first of three phases, with Phase II happening next summer and then Phase III. He said they wouldn't be here seeking funds but for the market being what it is.

Charnitz highlighted changes to the revised staff recommendations and said we do have all the funds for this year. She said that marketing costs as outlined in the fifth paragraph on page 2 of the recommendation do seem reasonable to staff. She said that the loan-to-value (LTV) issue was addressed in the third paragraph on page 2 of the recommendation and that the Committee should fund contingent on the LTV ratio being within those guidelines. She said as to soft costs, the project has put more of our funds into the capital budget so that only 15% of our funds go toward soft costs. She said the proforma is in line and appropriate.

Bruer said that he's proud of the fact that this project is in South Madison, where we're having a model of "new urbanism." He also said it all started with CDBG, which went into this neighborhood first years ago. A lot of collaborative efforts with WHEDA, CDBG, etc., have produced great projects like this. He said as we go forward, we're building bridges and is pleased that we're pioneering in South Madison.

Bruer moved to approve staff recommendations to fund at the requested \$385,000 with \$343,835 in HOME and \$41,165 in HOME Match funds. Funding contingent on a final decision on the merits of the Circuit Court condemnation challenge and when all appellate opportunities and deadlines have passed which allows the CDA to move forward on the project or a new project design is developed that does not include the 383 W. Badger Road property, compliance with relocation requirements, compliance with framework requirements regarding LTV. Whitesel made a friendly amendment to approve with the condition that the project will come back to CDBG with notification of any changes in the site and an outcome of the legal case. Bidar-Sielaff seconded.

3 BOARD OF ESTIMATES 08/30/2010 RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER Pass

Action Text: A motion was made by Clear, seconded by Bruer, to RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER. The motion passed by voice vote/other.

3 COMMON COUNCIL 09/07/2010

Text of Legislative File 18930

Fiscal Note

A sufficient combination of Federal HOME and HOME Match funds are currently available for the requested project amount (as described in the body of this Resolution) within the Community Development Division's Housing Development Reserve Fund, which was authorized as part of the CD Division's 2010 Adopted Operating Budget.

Title

SECOND SUBSTITUTE - Authorizing the provision of \$385,000 in Federal HOME, and HOME Match ~~and/or Community Development Block Grant (CDBG)~~ funds to assist the City of Madison Community Development Authority to acquire and construct 50 units of affordable senior rental housing.

Body

WHEREAS, the City of Madison Community Development Authority plans to acquire and demolish 7 buildings located on the south side of Madison for the purpose of constructing 50 new units of affordable senior rental housing, and

WHEREAS, the CDBG staff and the CDBG Committee have received this proposal and find that it furthers the goals expressed in the 2010-2014 Five-Year Community and Neighborhood Development Plan and the 2010 Community Action Plan; and,

WHEREAS, the acquisition, demolition and construction of 7 properties located within South Madison will provide long-term affordable rental housing; and,

WHEREAS, the successful completion of the project will provide affordable housing to 50 low and moderate income senior households including 11 HOME and HOME Match funds; and,

~~WHEREAS, the CDBG Office has funds available to allocate only ½ of the requested amount in 2010 and desires to commit the remaining ½ of the requested funds from 2011 funds, contingent upon the receipt of Federal HOME, HOME Match and CDBG.~~

WHEREAS funding is contingent on a final decision on the merits of the Circuit Court condemnation challenge and when all appellate opportunities and deadlines have passed.

NOW, THEREFORE BE IT RESOLVED that the Common Council authorize a long-term deferred loan to the City of Madison Community Development Authority to acquire land and construct 50 units of affordable senior rental housing including 11 HOME and HOME Match funds and authorize the Mayor and the City Clerk to enter into an agreement with the City of Madison Community Development authority for ~~\$192,500~~ ~~\$358,000~~ \$385,000 in HOME; and HOME Match ~~and/or CDBG funds. in 2010 and \$192,500 in HOME, and HOME Match and/or CDBG in 2011 when funds are available; and~~

BE IT FURTHER RESOLVED that the assistance be offered with terms adopted in the 2009-2010 Program Framework for Community and Neighborhood Development. Assistance to the agency will be offered in the form of a long-term deferred loan without shared appreciation or interest.

BE IT FURTHER RESOLVED that the funding is contingent on a final decision on the merits of the Circuit Court condemnation challenge and when all appellate opportunities and deadlines have passed allowing the CDA to move forward on the project, compliance with relocation requirements and framework requirements regarding loan-to-value limits.