

**2010 STAFF REVIEW OF PROPOSALS FOR
COMMUNITY/NEIGHBORHOOD DEVELOPMENT RESERVE FUNDS
(Housing Development Funds, Affordable Housing Trust Funds, Facility Acquisition/Rehab Funds, Futures
Funds)**

1. **Project Name/Title:** Truax Park Redevelopment, Phase 1
2. **Agency Name:** CDA of the City of Madison
3. **Requested Amount:** \$1,025,000 from the Affordable Housing Trust Fund
4. **Project Type:** New Continuing
5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**
Objective D: Rental Housing

6. Product/Service Description:

The CDA requests funds to rehabilitate 71 apartment units. The apartments will be brought up to full accessibility with the addition of elevators in each building, enhanced energy efficiency, and will provide long-term affordability. In addition, the CDA and its Construction Manager and sub-contractors have committed to hiring 16 local residents, some of whom are CDA residents, to work on the project, providing critical employment opportunities for these residents.

7. Anticipated Accomplishments (Numbers/Type/Outcome):

71 existing affordable rental units will be rehabilitated and made accessible.

Staff Review:

The application is for Phase I of the Truax Apartment Master Plan. Phase I is to rehab 71 existing units of public housing. The total project will be to rehab 300+ units. The financing plan for the remaining phases will be dependent upon the phasing process and other available resources. The CDA will be looking at HOPE VI and Choice Neighborhoods Initiative funding from HUD to complete this project. In the Truax Park Master Plan, only 71 units that will remain are the ones that will be rehabilitated. Every other building/unit on site would ultimately be demolished and redeveloped in a phase manner so as to minimize disruptions to existing Truax Park residents.

- The project proposes to add the following to the building and 71 units: elevators to make all units accessible, additional storage space, increase the sq. ft. of each unit from 615 sq ft to 815 sq ft., central air, "Green" and "Sustainable" features, new appliance packages for each unit, ADA compliant bathrooms, new fixtures, and changing the heating from hot water baseboard to gas forced air. Attachment K further outlines the energy efficiency components and additional sustainability components.
- 8.

The CDA is requesting a loan of \$1,025,000 in Affordable Housing Trust Funds (AHTF) from the City to help close the gap in project financing caused by market changes in the Tax Credit market. The estimated construction budget, including a 10% contingency, is approximately \$9.3 million. The request is for a loan with a seventeen-year term, with deferral of payments in years 1 and 2. Level payments would begin in year 3 as lump sum payments. Interest on the loan would be calculated at the end of the year based on the average earnings of the City's short-term investments of the previous year, plus 25 basis points.

Total Cost/Total Beneficiaries Equals: \$14,254,017 / 71 units = \$200,761 per unit

Construction only cost/Total Beneficiaries Equals: \$9,300,000 / 71 units = \$130,986 per unit

According to the CDA Construction Manager, McGann Construction, they estimate that approximately 34% of the costs of the project relate directly to the accessibility requirements (12 elevators, additions, stairways, interior changes, etc.).

CD Office Funds/CD-Eligible Beneficiaries Equals: \$1,025,000 / 71 units = \$14,436 per unit

CD Office Funds as Percentage of Total Budget: 7.2%

Staff recommendation:

Staff recommends funding this project in the amount of \$1,025,000 from the Affordable Housing Trust Fund in the form of a loan with a seventeen-year term, with deferral of payments in Years 1 and 2. Level payments will begin

in Year 3 as lump sum payments. Interest on the loan would be calculated at the end of the year based on the average earnings of the City's short-term investments of the previous year, plus 25 basis points.

The CDA explored both HOPE VI and HOPE VI Revitalization funding specifically used for public housing from HUD but found that the 71 unit rehabilitation project did not meet the HOPE VI thresholds. However because of the low income tax credits in this project there is now great leverage for a HOPE VI/CNI application to complete the other phases of this project.

The CDA also has the ability to issue bonds whose proceeds could be used to repair low rent housing. However given the amount of the project, after the award of Tax Credits, the CDA did not look at bonding the balance, because it has been the City's practice to not go forward with any issue unless the principal amount exceeds a couple million dollars due to issuance costs. When the CDA does issue housing revenue bonds, it is conduit debt and the borrower is responsible for providing the credit back stop which provides security for debt repayment. In the current market, banks have not been willing to provide credit back stops to any borrowers.

No current tenants will lose their housing as a result of the rehabilitation project. The CDA will provide temporary relocation to existing residents during the construction however. Currently all the units are occupied by tenants with incomes less than 30% AMI. The CDA anticipates no major changes in the income mix after redevelopment of these 71 units.

WHEDA will require a land use restriction of 30 years of affordability for this project however at the end of the tax credit period (approx. year 15), the intent is to transfer the property back to the CDA, at which time it will be added back to the public housing portfolio.

Based on the pending draft ordinance changes approved by the Housing Committee on 9/1/10 the Truax Development project will meet the requirements under the newly proposed ordinance.

The Mayor and Alder Joe Clausius and Alder Julie Kerr have stated their support for this project in a letter addressed to the Common Council which is dated September 1, 2010