



AFFORDABLE HOUSING TRUST FUND
Of the City of Madison: April 2, 2008



In late 2003, the Madison City Council adopted an ordinance MGO 4.22 that created a Housing Trust Fund, and funded it in late 2004. The central purpose of the Fund is to help create new affordable for-sale and rental homes that will meet the housing needs of lower income households with the City of Madison.

SOURCES AND BALANCE:

The Trust Fund was originally capitalized with the following revenue sources: repayments from equity agreements with TIF-assisted developers, land sales of surplus City property, grants, transfers from the General Fund Contingent Reserve, and investment revenue. This chart describes the activities of the Fund during its 2 ½ years of operations. Note: The amount of Trust funds per unit has been budgeted and approved at \$25,000/unit.

Balance and Sources, Detail	2005	2006	2007	2008
Amount Authorized for commitments during year	\$150,000	\$75,000	\$36,300	\$353,695
Amount Committed during year	\$150,000	\$75,000	\$36,300	\$200,000 through March; others pending
Funds authorized but uncommitted at end of year	\$0	\$0	\$0	\$135,000 as of 4/08 with a pending request from the BEHM group.
Detail on Commitments Approved during year	MDC \$100,000 Interfaith \$50,000	Madison Area CLT: \$50,000 Habitat \$25,000	Housing Initiatives: \$10,000 Interfaith/Meridian \$26,300	Habitat: \$200,000
Amount Expended during year	Both MDC and Interfaith canceled projects (Urban Design issues, YW partnership issues)	Madison Area CLT: \$50,000 Habitat \$25,000	Housing Initiatives: \$10,000	
Trust Balance at end of year	\$2,101,307	\$2,508,868.	\$3,913,648	\$4,108,648 estimated
Funds outside the Trust itself that are committed to the Trust once repaid	\$250,000 in Federal EDI funds			
Use of funds	Construction Acquisition	Construction financing Permanent financing	Rehab of 4-plex Permanent Financing	Acquisition of site Site work / Construction
Outcome		Permitted CLT to complete construction of Troy Gardens Project; Helped Habitat complete construction of one unit in Twin Oaks subdivision.	\$400,000 plus long term rent assistance for 8 units; \$200,000 plus management expertise from Meridian	Nuisance housing eliminated; neighborhood strengthened with addition of 8 owners.
Amount of funds leveraged by use of Trust Fund		\$1 million (CLT); \$175,000 in other funding for Habitat	\$400,000 plus long term rent assistance for 8 units; \$560,000 plus management expertise from Meridian	\$1 million for total project
Repayments			\$50,000 (from CLT)	
Status April 2, 2008		Both completed	HI Completed; Interfaith searching for site	In negotiation

DECISION-MAKING AND USES:

The ordinance charged the CDBG Commission with oversight of the Fund. The CD Office developed an application process and has received ten completed applications appropriate for consideration for the Trust Fund. The CDBG Commission took action on the following projects:

- a) In 2005, a **Madison Development Corporation Mifflin Street rental project** proposed to demolish two existing buildings and construct a new 23-unit building on the site. MDC applied for TIF 10% funds during an initial RFP in 2004. This proposal and an Alexander Company application for TIF 10% funds were placed on hold, when the City indicated that there was no TIF cash available within the district. The Council approved \$100,000 in Trust Fund financing, with some additional HOME funds to help complete the financing package. MDC struggled to obtain design approvals for the project, but encountered some neighborhood resistance. MDC proceeded with a much smaller project, without the use of any City funds.
- b) Also in 2005, an **Interfaith Homeless Network proposal to partner with the YWCA** sought and obtained Council approval to use \$50,000 in Trust Funds in the purchase of a duplex or four-plex to house homeless families. After several months, the YWCA and Interfaith proceeded to review their program strategy, and in light of the softening rental market, decided to place families in existing privately-owned apartments, rather than pursue the management of rental property themselves.
- c) **Madison Area CLT** sought 'construction loan financing' from the City for its Troy Gardens housing development for 30 units. The CDBG Commission and the Common Council approved the use of \$50,000 from the Trust Fund for this project. The CLT broke ground on the project in March 2006, and used the Trust Funds during 2006 to help close on its first sales. The project is now complete and the CLT repaid the City the Trust Fund loan. All 28 units of the development have been sold, and occupied.
- d) **Movin' Out/WISH** applied for funds to purchase and make affordable a two-unit building on Northlawn to be used for rental housing for very-low income people. The Commission and the Council approved the use of \$25,000 in the special EDI trust fund for this use. Movin' Out closed on the property in December 2005.
- e) A private developer, **JCF Investments**, applied for funds to help convert a 32-unit apartment complex on Rockefeller Lane into for-sale condominiums. The developer proceeded to begin the conversion without the funds; the CDBG Commission voted to reject the application for Housing Trust Funds, but to reserve some other Federal down-payment funds for future eligible buyers of 3 of the units.
- f) **Habitat for Humanity** applied for trust funds for one of its Twin Oak second phase homes, and used \$25,000 in Trust funds to make the house affordable to a family at less than 50% of area median income. The funds were used in 2006 to complete the construction and the sale of a single-family home.
- g) **Housing Initiatives** applied for \$25,000 in Housing Trust funds to help acquire a four-unit property on Madison's east side to use as housing for formerly homeless persons. The CDBG Commission and the Council approved the application in October; Housing Initiatives closed on the property on December 30.
- h) **Sherman Associates** applied for \$720,000 in Housing Trust funds in 2007 to help acquire a deteriorating Nob Hill apartment complex near Moorland Road. After a delay in Commission review due to the pending proposal to tap \$2 million in Trust funds for a CDA Allied project, the for-profit group found that they could not reach a feasible agreement with the seller, and withdrew their application.
- i) **Interfaith Hospitality Network** partnered with Meridian Property Management to receive Common Council approval for \$26,300 in Trust Funds and some additional HOME funds to help purchase two existing 8-units and renovate them into rental homes for formerly homeless families, with resident-based supportive services.

- j) **Habitat for Humanity** sought \$200,000 in Housing Trust funds to use in a Hawk/Marquette neighborhood revitalization situation where use of other funds would trigger requirements that would make a project infeasible on this site. The Trust Fund will enable Habitat to buy the three blighted properties, eliminate the floodplain designation for the site, and help transform this small but troubled area.
- k) **BESHM Investment Group** is seeking \$135,000 in Trust funds to help finance a new construction rental housing and mixed-use project near the Beld/ Gilson intersection. The housing portion would provide 13 apartments marketed to workers in the bio-medical corridor.

RESULTS:

The results of the thirty months of Housing Trust Fund show a City commitment to fund seven projects that would not have been otherwise able to secure the kind of flexible financing offered by the Trust Fund. Three projects are now completed that have facilitated the creation of over 51 housing units, with two other approved projects underway. The applicant agencies canceled the other two projects themselves after running into development issues.

The CD Office has been able to incorporate the application for trust funds into its regular monthly application process, and completed the administrative arrangements, notes, and agreements to efficiently implement the Trust Fund mandates. (The direct administrative costs of the Housing Trust Fund are less than \$550 at this point.) The CD Office is optimistic that over the course of the next twelve months, the Trust Fund will receive additional applications related to workforce housing development and neighborhood revitalization efforts, and the City will give approval to several new projects that will result in the creation of 6-10 new affordable units.

With a track record of three completed projects and a base of over \$4 million, the City is in an excellent position to seek additional capital funds from the Federal legislation introduced this year in Congress to help local Housing Trust Funds grow and contribute to the overall supply of affordable housing.