



City of Madison

City of Madison
Madison, WI 53703
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Meeting Minutes - Approved COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE

Monday, September 13, 2010

3:30 PM

215 Martin Luther King, Jr. Blvd.
Room LL110 (Madison Municipal Building)

CALL TO ORDER / ROLL CALL

Present: 8 -

Ken W. Pritchard; Shiva Bidar-Sielaff; Monya A. Choudhury; Charlie R. Sanders; David A. Smith, Sr.; Daniel A. O'Callaghan; Justin O. Markofski and Russ Whitesel

Absent: 1 -

Marsha A. Rummel

Excused: 1 -

Tim Bruer

STAFF: Clingan, Dietzler, Dungan, Rood, Short

OTHERS: Mark Olinger, Anne Zellhoefer, Brenda Konkol, Tom Landgraf, Joan Frost, Connie Ferris Bailey, Ald. Joe Clausius, Natalie Erdman, Ray Harmon

Sanders called the meeting to order at 3:30 pm.

PUBLIC COMMENT

Clausius noted that Truax is in his aldermanic district.

Clausius said this issue has come to the top right now and he is in support of the ordinance change.

Clausius said that the community groups in the Truax area have been involved in this issue and

were in support of the authorization of the loan to the CDA.

Clausius said that they were short by \$1 million and the loan would be paid back; he urged the group to support the change.

Clausius went on to say that he would like to see City money used for projects of this nature.

Erdman introduced herself as the new Executive Director of the CDA and made the following points:

- CDA wishes that they had been before the CDBG Committee earlier; seeks better communication; the 2009 affordable housing tax credit value was extremely disturbed and developers struggled to make the deals work
- Cost per unit would be \$200,000; there are a number of costs that

are not cash cost (as in development fees, financing costs & application process); increase the number of credits; the cost may be down to approximately \$140,000 per unit when the above cash costs are taken out

· Seek long term affordability; currently 71 units are in public housing; some have the Section 8 vouchers and the rest comes from HUD

Konkel suggested that new ordinance funded projects be disbursed throughout the City instead of money put into one development.

Konkel said she was not in favor of the 17 year lending period and would like a shorter period of time.

Konkel suggested lending the money for 3 years; money could be used for other projects.

Konkel said there needs to be a happy medium and would like to keep the current interest rate.

CHAIR REPORT

Sanders introduced David Smith, who is the newest member of the CDBG Committee.

Smith said he was the Interim Executive Director at South Madison Health and Family Center and was excited to be on the CDBG Committee.

REQUEST FOR FUNDS OR MAJOR CHANGES IN CURRENTLY FUNDED PROJECTS

- [19442](#) SUBSTITUTE - Authorizing a loan from the Affordable Housing Trust Fund to the Community Development Authority for the Truax Park Apartments Project and authorizing the Mayor and City Clerk to execute a Loan Agreement with the CDA. O'Callaghan moved approval of the loan from the AHTF to the Truax Park Apartment Project /Bidar-Sielaff seconded.

O'Callaghan moved to make the following friendly amendment that the CDA should use its best efforts to negotiate that any extra cash flow be used for debt service and that the CDA should seek other fund sources/ Bidar-Sielaff seconded.

Sanders asked for a voice vote.
8 Ayes, 0 Noes
Unanimous approval.

O'Callaghan moved approval of the loan from the AHTF to the Truax Park Apartment Project /Bidar-Sielaff seconded.

Bidar-Sielaff noted that there were many versions of Ordinance 4.22 and said the copy distributed at the meeting was not the version the Common Council voted on.

Zellhoefer noted that there was only one change from the version prior to the one distributed at the meeting, that being that the Inclusionary Zoning Reserve Fund was taken out of the ordinance.

Whitesel asked for clarification regarding attachment B in the application; he noted that in Straubel Street, building 7, there were no residents listed.

Olinger said that the attachment was correct in stating that Building 7 was 100% vacant.

Choudhury wondered if Building 7 was for use in the project.

Olinger said that it would be used in the project; there were 2 buildings empty at the same time.

Olinger said that the goal was to empty out the buildings, but empty 1 at a time as in a rolling vacancy.

Smith noted that the resident income would not change and wondered about the rent amount.

Olinger said the money would come from Section 8.

Landgraf mentioned that the interest rate is currently lower than the market rate and the lower the debt service payment, the lower the rent. Landgraf reviewed the Public Housing Act and said it was an old piece of legislation. Landgraf talked about lower debt service and housing assistance payments and pointed out that the tenants would not see an increase in their rent.

Markofski wondered why the 17 years was established as the repayment schedule; he said that he would like to see the money recycled as soon as possible. Markofski also asked about the cash flow numbers.

Landgraf said the 17 years was a balance between how many Section 8 units were created.

Markofski wondered what the cash flow money was used for.

Landgraf said that HUD funds the operating budget and cash left over goes to the next budget stream; no cash will escape. Landgraf noted that the primary funding is low income tax credit, which determined the 17 years. Landgraf said that when the investor is gone, there would be no debt service or no tax credits. Landgraf discussed the second phase of Truax and that some of the money could be returned for that phase.

Bidar-Sielaff mentioned the 'no stones unturned' discussion in the Mayor's Office and wondered what happened during that conversation.

Harmon noted that the AHTF is City money and that \$1 million is a relatively small amount of City cash in a project. Harmon said that the Mayor was in agreement that the AHTF should be used for the project and that no other money sources would be used.

Choudhury had serious concerns that the CDA had allowed the property to be

in disarray and currently needs money from untraditional channels.

Choudhury wondered why the CDA was the best choice now.

Landgraf noted that public housing can only be owned by another public housing entity.

Olinger discussed the following points:

- We must work around things to fix public housing; there are approximately 1,000 units and HUD does not give enough money for public housing projects
- A large amount of money would go to accessibility issues; Truax was 100% non-accessible
- Capital funds would not be enough for one project
- The Truax property was maintained pretty well considering the funding from HUD

Harmon said that the CDA was in its first full year of maintaining its own budget and that these issues will be talked about in future discussions.

Olinger said that we would need to turn over every stone available to us. Olinger pointed out that the Truax project met all leverage issues for subsequent phases. Olinger said that this would be the first step in making the Master Plan a reality.

Markofski talked about the Prairie Crossing sticky eights issue.

Olinger said that Truax had a longer tenure than that of Prairie Crossing.

Whitesel said that he was concerned with the length of the loan; he was concerned that the Committee would be sending out a message that they were comfortable with these terms. Whitesel would like to see the AHTF used to complete projects. Whitesel wondered if this item would go back to the Board of Estimates and the Common Council

Sanders said that it would go back to both groups.

O'Callaghan said that he understood that the AHTF was the only fund source, but if it were a 3 year loan it would need to be paid off in 3 years; then it would have a higher interest rate. O'Callaghan said that he understood where the 17 years came from, but questioned the performance of the project relative to the numbers being solid. O'Callaghan wondered if all the cash flow from the Truax project would go into debt service.

Landgraf asked if one could guarantee investors for over 15 years.

Landgraf pointed out that the CDA has an excellent track record for keeping properties filled. Landgraf said that 30% of resident income goes to rent and utilities, but that they may re-visit this percentage in a year. Landgraf noted that they used the CDA's utility allowance as a guide.

Bidar-Sielaff wondered if they do re-visit the percentage, then what about the debt service.

Landgraf said they would be able to negotiate the debt service.

Whitesel said he was concerned about the terms of service, specifically the 3 year review, and felt the need to re-visit the length of time, amount of money and make necessary adjustments.

Zellhoefer said changes of this nature would have to be approved by the CDBG Committee and the Common Council.

O'Callaghan moved to make the following friendly amendment that the CDA should use its best efforts to negotiate that any extra cash flow be used for debt service and that the CDA should seek other fund sources/ Bidar-Sielaff seconded.

Choudhury wondered about the numeric parameters involved.

Bidar-Sielaff suggested that the CDA report back to the CDBG Committee at their next meeting as well as annually.

Bidar-Sielaff noted that there was more to discuss regarding the cash flow and paying back the debt in a speedy manner.

O'Callaghan moved approval of the loan from the AHTF to the Truax Park Apartment Project /Bidar-Sielaff seconded.

O'Callaghan moved to make the following friendly amendment that the CDA should use its best efforts to negotiate that any extra cash flow be used for debt service and that the CDA should seek other fund sources/ Bidar-Sielaff seconded.

Sanders asked for a voice vote.
8 Ayes, 0 Noes
Unanimous approval.

2. [19540](#) Authorizing the provision of \$250,000 in Federal CDBG and HOME Match funds to assist Madison Development Corporation to acquire and rehabilitate existing rental housing located at 738 E. Dayton Street.

O'Callaghan moved approval/Whitesel seconded. Unanimous approval.

O'Callaghan moved approval/Whitesel seconded. Unanimous approval.

3. [19637](#) Amending Resolution 18935 which authorized Operation Fresh Start (OFS) to repay program income funds with assignments of mortgages on alternate properties. This resolution will correct an error in Resolution 18935 to allow OFS to retain cash from certain property closings and it will allow OFS to draw funds from their revolving loan fund for capital costs associated with certain closings that occurred earlier in 2010.

Whitesel moved approval/Markofski seconded. Unanimous approval.

DISCUSSION ITEMS

4. [19648](#) CDBG September 2010 Staff Report

5. Report from committees with CDBG Committee representation and designation of Commission representatives.

ADJOURNMENT

Bidar-Sielaff moved adjournment at 4:30 p.m. Markofski seconded.
Unanimous.

Helen Dietzler, recorder