



# City of Madison

City of Madison  
Madison, WI 53703  
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## Master

**File Number: 85821**

**File ID:** 85821

**File Type:** Resolution

**Status:** Items Referred

**Version:** 1

**Reference:**

**Controlling Body:** FINANCE  
COMMITTEE

**File Created Date :** 10/23/2024

**File Name:** Awarding up to \$9,850,000 from the Affordable Housing Fund to support four affordable housing development projects, selected through a City Request for Proposals (RFP) process, that will support construction of approximately 275 units of new rental housin

**Final Action:**

**Title:** Awarding up to \$9,850,000 from the Affordable Housing Fund to support four affordable housing development projects, selected through a City Request for Proposals (RFP) process, that will support construction of approximately 275 units of new rental housing in Madison, 167 of which will be affordable, and authorizing the Mayor and City Clerk to execute loan agreements with the developers of those projects (District 12, District 18 and District 19)

### Notes:

**Sponsors:** Dina Nina Martinez-Rutherford, John P. Guequierre, Nikki Conklin, Charles Myadze And Amani Latimer Burris

**Effective Date:**

**Attachments:** AHF-TC 2024 Memo to CDBG Committee Nov 2024.pdf, AHF-TC Funding Recommendations Oct 2024.pdf

**Enactment Number:**

**Author:** Linette Rhodes

**Hearing Date:**

**Entered by:** mbohrod@cityofmadison.com

**Published Date:**

### History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Community Development Division	10/23/2024	Referred for Introduction				
	<b>Action Text:</b> This Resolution was Referred for Introduction						
	<b>Notes:</b> Finance Committee (11/18/24), Community Development Block Grant Committee (11/7/24), Common Council (11/26/24)						
1	COMMON COUNCIL	10/29/2024	Refer	FINANCE COMMITTEE			Pass
	<b>Action Text:</b> A motion was made by Figueroa Cole, seconded by Duncan, to Refer to the FINANCE COMMITTEE. The motion passed by voice vote/other.						
	<b>Notes:</b> Additional referral to Community Development Block Grant Committee.						

1	FINANCE COMMITTEE	10/29/2024	Referred	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	11/07/2024	
	<b>Action Text:</b> This Resolution was Referred to the COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE					
1	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	11/07/2024	Return to Lead with the Recommendation for Approval	FINANCE COMMITTEE		Pass
	<b>Action Text:</b> A motion was made by Jones and seconded by Alder Martinez-Rutherford to Return to Lead with the Recommendation to Approve Awarding up to \$9,850,000 from the Affordable Housing Fund to support four affordable housing development projects, selected through a City Request for Proposals (RFP) process, that will support construction of approximately 275 units of new rental housing in Madison, 167 of which will be affordable, and authorizing the Mayor and City Clerk to execute loan agreements with the developers of those projects (District 12, District 18 and District 19)					

Motion passed unanimously.

## Text of Legislative File 85821

### Fiscal Note

The proposed resolution authorizes the award of Affordable Housing Fund loans to support four development proposals submitted as part of the Community Development Division's (CDD) tax credit-eligible Request for Proposal (RFP) process in summer 2024. The four awards total up to \$9.85 million. Funding for the loans is contingent upon adoption of the 2025 Capital Budget in November 2024 (Affordable Housing - Development Projects, project 17110, p. 53 of 2025 Executive Capital Budget). The proposed resolution further authorizes the execution of all necessary documents to achieve the purpose of the resolution. No additional City appropriation is required.

### Title

Awarding up to \$9,850,000 from the Affordable Housing Fund to support four affordable housing development projects, selected through a City Request for Proposals (RFP) process, that will support construction of approximately 275 units of new rental housing in Madison, 167 of which will be affordable, and authorizing the Mayor and City Clerk to execute loan agreements with the developers of those projects (District 12, District 18 and District 19)

### Body

#### Background

The City of Madison's 2025 Executive Capital Budget, scheduled for adoption in November 2024, includes the City's commitment to the Affordable Housing Fund (AHF) at \$14,500,000 in 2025. The Common Council established the AHF in the 2015 Capital Budget to help increase and/or preserve the supply of affordable rental housing. The City's primary strategy in deploying AHF is to leverage other resources, most notably federal Low-Income Housing Tax Credits (LIHTCs), to help achieve the goal of significantly increasing the supply of new affordable rental units.

For purposes of this initiative, affordable rental housing is defined as that which is reserved for households with incomes at or below 60% of the County Median Income (CMI), and with rents restricted at levels deemed affordable to households at those income levels. Initially, the receipt of AHF funds required developers to commit to a 30-year period of affordability, however, since 2020, the required minimum commitment is 40 years. Furthermore, since 2022, applicants willing to commit to permanent affordability through a recorded Land Use Restriction Agreement (LURA) are eligible for more favorable loan terms.

In Wisconsin, LIHTCs are administered by the Wisconsin Housing and Economic Development Authority (WHEDA). WHEDA allocates credits annually through a competitive statewide process. The review criteria that WHEDA employs favors development proposals that demonstrate significant leveraging of other financial resources.

In determining how to allocate City AHF assistance, CDD conducts its own competitive Request for Proposals (RFP) process. That process is scheduled to align with WHEDA's cycle such that City funds are awarded to benefit developers seeking tax credits from WHEDA. WHEDA's next initial project concept application deadline for competitive awards is December 6, 2024.

This resolution is intended to authorize the commitment of City funds for project proposals selected in this year's RFP process. It is also intended to authorize the Mayor and City Clerk to execute the corresponding loan agreements and other documents necessary to proceed with the approved financial commitments. All commitments of City funds are contingent upon developers securing tax credits and other needed financing, and satisfying all City land use and other requirements.

### **Action**

WHEREAS, as part of ongoing efforts to advance the City's objective of expanding the supply of affordable rental housing, and using City-administered resources in concert with federal Low-Income Housing Tax Credits, the Community Development Division issued a Request for Proposals (RFP) in July 2024 seeking tax credit-eligible development proposals; and,

WHEREAS, in response to the RFP, the City received nine proposals seeking financial assistance, one of which, from MSP Real Estate, was subsequently withdrawn; and,

WHEREAS, a review team, comprised of staff from the City's Community Development, Economic Development, and Planning Divisions as well as the Office of Sustainability evaluated proposals based on criteria set forth in the RFP that addressed issues such as the number and mix of housing units; project locations with respect to nearby amenities such as public transit, especially the current Metro transit network, schools, retail and employment opportunities, etc.; financial viability; gap financing needed; per-unit subsidy requested; incorporation of energy efficiency, renewable energy and other sustainability features; development team experience; likelihood of the developer securing needed land use approvals; conformance with Tenant Selection Plan Standards; and anticipated scores in WHEDA's LIHTC application process; and,

WHEREAS, in addition to this review, the CDD staff team also evaluated each proposal for its consistency with the goals and requirements set forth in the City's 2020-2024 Five-Year Consolidated Plan, formally adopted by the Common Council on February 25, 2020, which guides the use of U.S. Department of Housing and Urban Development funds; and,

WHEREAS, based on these reviews, the City staff team concluded that four projects, described below, were the most responsive to the City's criteria, supported by adopted City Plans, in position to proceed and, with City financial support, well-positioned to secure WHEDA LIHTCs; and,

WHEREAS, the CDD staff team then formulated recommendations that seek to allocate \$9,850,000 in City AHF funds to support four development proposals as follows:

- Up to \$1,850,000 to Horizon Development Group, Inc., or an affiliate LLC, in partnership

with Kaba-Baal, LLC, for CORE on Dryden, a 55-unit rental housing development with 43 units affordable to households with incomes at or below 60% CMI for a period of no less than 40 years

- Up to \$2,500,000 to Northpointe Development II Corporation, or an affiliate LLC, in partnership with Selassie Development, for Merchant Place Senior Apartments, a 60-unit rental housing development with 36 units permanently affordable to households with incomes at or below 60% CMI
- Up to \$3,000,000 to Northpointe Development II Corporation, or an affiliate LLC, in partnership with Dream Lane Real Estate Group, LLC and DCHA United Residences - Madison, LLC for United Residences, an 80-unit rental housing development with 48 units permanently affordable to households with incomes at or below 60% CMI
- Up to \$2,500,000 to Volker Development, or an affiliate LLC, in partnership with Cordon Development Group, Inc., for East Washington & 7th Ave, a 76-unit rental housing development with 40 units permanently affordable to households with incomes at or below 60% CMI; and,

WHEREAS, together these four proposals represent the construction of approximately 275 units of rental housing, 43 of which will be maintained as affordable for a minimum of 40 years while 124 units will remain permanently affordable; and,

WHEREAS, funding recommendations for Taking Shape B1, also known as “The Triangle Redevelopment”, submitted by Madison Revitalization and Community Corporation (MRCDC), will be addressed via a separate resolution and involve federal funding sources within CDD’s budget; and,

WHEREAS, subject to CDBG Committee review and approval on November 7, 2024, final recommendations will be sent to the Common Council for final action; and,

WHEREAS, as development proposals proceed through final design stages and WHEDA’s application process, developers may need to make minor project adjustments, including to the number and mix of housing units, if such changes will improve prospects for success in WHEDA’s application process or are necessary to comply with land use requirements; and,

WHEREAS, the receipt of financial assistance from other funding sources subsequent to adoption of this resolution, including City Tax Increment Financing (TIF), may be used to reduce the financial contribution to the project from AHF, so that AHF funds remain available to support other projects; and,

WHEREAS, upon securing federal LIHTCs from WHEDA, the developers of these projects, via an affiliate LLC, will be prepared to execute loan agreements and related loan documents with the City.

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and the Common Council approve the recommended funding commitments described herein and authorize the issuance of letters of funding commitments for the identified proposals to align with the deadline for the applicable WHEDA tax credit applications; and,

BE IT FURTHER RESOLVED, that the Council authorizes CDD staff to approve minor alterations to development projects, including to the number and mix of housing units, if such changes are deemed necessary to improve prospects for securing LIHTCs and/or comply with

City land use requirements, but staff may not increase the level of City financial assistance without Council approval; and,

BE IT STILL FURTHER RESOLVED, that the Council authorizes the Mayor and City Clerk to execute, for these four developments, loan agreements utilizing CDD-administered funds in terms described below and reflecting any minor adjustments approved by CDD staff or caused by the application of TIF, HOME or other City-administered resources:

Form of Loans

- The City financial assistance will be provided in the form of a loan, up to 50% of which will be amortized over 30 years and payable over 16 years, contingent upon available cash flow, and at least 50% of which will be a 0% interest, long-term deferred loan with shared appreciation, payable upon sale, transfer, or change in the use of the property, unless a waiver of shared appreciation is granted in exchange for a commitment to permanent affordability through a recorded LURA; and
- The AHF loan will be secured by a subordinate mortgage, note(s), and LURA securing a minimum period of affordability of 40 years unless a waiver of shared appreciation is granted in exchange for a commitment to permanent affordability through a recorded LURA; and
- The developer shall apply the proceeds of the Loan to the expense of acquiring the property and/or constructing the project, including at least the total number of units and units to be designated as affordable housing, with restricted rents and for income-eligible households as specified for each; and
- The loan agreement will remain in full force and effect until the loan is repaid or at the expiration of the respective periods of affordability, whichever is later.

Assignment

- The loan shall not be assigned without permission of the City except for an assignment to an affiliate entity of the developer prior to loan closing.

Closing

- Prior to closing, the developer must submit to the City a standard ALTA commitment for a loan policy of title insurance in the amount of the Loan for such Property, which will be subject only to municipal and zoning ordinances and agreements entered under them, recorded easements for the distribution of utility and municipal services, mortgages, security agreements, assignments of leases and rents, regulatory and land use restriction agreements and an extended use commitment pursuant to Section 42 of the Internal Revenue Code, recorded building and use restrictions and covenants, taxes levied in the year of closing, and any other encumbrances acceptable to the City; and
- Prior to closing, the developer must provide evidence of property insurance as required by the Mortgage, containing a standard loss payee endorsement identifying the City as mortgagee. Developer also agrees to provide evidence of property insurance annually by February 10th or before expiration of existing policy; and,

BE IT STILL FURTHER RESOLVED, that the execution of a loan agreement and disbursement of City funds will be made contingent upon each project developer demonstrating that it has (1) secured financing sufficient to complete the project, including WHEDA LIHTCs; (2) received from the City all necessary land use and permit approvals; and (3) satisfied any other City requirements, including, but not limited to, providing acceptable documentation related to a

Tenant Selection Plan and Affirmative Marketing Plan consistent with the Standards published in the RFP; and,

BE IT FINALLY RESOLVED, that the Council authorizes the Mayor and City Clerk to execute, deliver, publish, file and record such other documents, instruments, notices and records, and take such other actions as shall be deemed necessary or desirable to accomplish the purpose of this Resolution, and to comply with and perform the obligations of the City hereunder.