



# City of Madison

City of Madison  
Madison, WI 53703  
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## Master

**File Number: 19442**

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**Status:** Report of Officer

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**Reference:**

**Controlling Body:** BOARD OF ESTIMATES

**Lead Referral:** BOARD OF ESTIMATES

**File Created Date :** 08/02/2010

**File Name:** AHTF.docx

**Final Action:**

**Title:** 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.

**Notes:**

**CC Agenda Date:** 09/21/2010

**Agenda Number:** 12.

**Sponsors:** Joseph R. Clausius

**Enactment Date:**

**Attachments:** Afordable Housing Trust Fund History.pdf, Truax Field App 2 & Maps.pdf, Truax Park Housing Redevelopment Letter from Mayor.pdf, Truax staff review.pdf, Truax Park Redevelopment CDA.pdf, Truax AFFORDABLE\_HOUSING\_TRUST\_FUND1.pdf, Truax NEF Cash Flow - 7 year.pdf, Truax NEF cash flow - 15 year.pdf, Truax Visio-Updated.pdf, Truax Study 2-08.pdf, Resolution File ID 19442 - 1st version.pdf, Compare 17266 .pdf

**Enactment Number:**

**Author:** Anne Zellhoefer, Assistant City Attorney

**Hearing Date:**

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

**Published Date:**

### History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Attorney's Office	08/02/2010	Referred for Introduction				
	<b>Action Text:</b>		This Resolution was Referred for Introduction				
	<b>Notes:</b>		Board of Estimates, Community Development Block Grant Committee (8/5/10)				
1	COMMON COUNCIL	08/03/2010	Referred	BOARD OF ESTIMATES		09/13/2010	
	<b>Action Text:</b>		This Resolution was Referred to the BOARD OF ESTIMATES				
	<b>Notes:</b>		Additional referral to Community Development Block Grant Committee.				

1 BOARD OF ESTIMATES 08/04/2010 Refer COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE 09/13/2010

**Action Text:** This Resolution was Refer to the COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE

**Notes:**

1 COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE 08/05/2010 Table

**Action Text:** O'Callaghan moved to table this topic until after discussion of the AHTF ordinance; Choudhury seconded. Unanimous.

Gregg Shimanski spoke for the CDA and said that this project was equally important to the Burr Oaks project as the redevelopment of 71 existing units of public housing located at Truax Park. Truax contains 50-year-old housing that is in need of remodeling, upgrading, and retrofitting. The first phase of redevelopment of the entire site will contain 320 units. They have received \$10,000,000 in WHEDA tax credits.

Mark Olinger said that the objectives of the Truax Park Master Plan include:

- (1) No displacement,
- (2) No net loss of public housing,
- (3) Commitment to existing residents
- (4) Becoming part of a larger Hope Six/Choice Neighborhoods application eventually.

Olinger said that the units are extremely well built and that this phase is exemplar of what is to come.

Tom Landgraf spoke about the Hope Six program and said that Truax certainly fits into a significant development. One of the things in Choice Neighborhoods is that they give significant points to communities that seek other funding. They have a loan of \$1,050,000.

Landgraf handed out a diagram that represents what a landlord does with rent he collects. Three major pieces in the diagram represent what the landlord pays in interest (debt service), property taxes, and operating expenses. He said there is currently no debt service on Truax. They want to put extra money to redevelop from the Affordable Housing Trust Fund (AHTF), which will give them a debt service of 20%, (the other 80% being from tax credits).

Discussion highlights:

- Bidar-Sielaff said that the Committee would need to change the ordinance to be able to fund the project and asked when CDA decided that the AHTF was a good place for piece of funding. Shimanski said that there is no other source of funding, which is the reason the CDA is here tonight.
- Markofski said he loves the project and likes the direction of the proposed use of the AHTF, but he doesn't feel he could vote to make such a change to the amendment of the ordinance.
- Rummel asked whether or not they've approached the Mayor for the funds, and Shimanski said yes and that the AHTF was where they were sent.
- Whitesel reiterated what Markofski said and said he feels uncomfortable making a decision based on an uncertainty regarding the ordinance. The Committee would be bound by the old ordinance, not able to act under a new ordinance.
- O'Callaghan said he shares the same concerns, but is also sensitive to the opportunity to take advantage of the funds - leveraged together - so that we don't lose other sources, e.g., the tax credits.
- Bidar-Sielaff asked if there were a possibility of scaling down the project, and Landgraf said that they really have to do it this way. Once committed to tax credits, they have to stay with it as is.
- Rummel asked what the timeline was, and Landgraf said that they need to close the transaction and spend 10% of costs by the end of September.
- Rummel asked Ray Harmon what the Mayor is thinking. Harmon said that they talked about the economic environment, and the Mayor asked the CDA to look at the AHTF. They thought the ordinance would be done by now.
- Shimanski said that the contractor has come through with an incredible deal.
- Brenda Konkel said that she is glad the Committee is asking questions. She said the policies for the AHTF are unclear. She could understand a bridge loan to the CDA, but she said the project bothers her because there are no new units and that the money is going to rehab only old units at \$200,000 per unit.
- Heidi Wegleitner said she represents low income people in legal cases. She said that one of the toughest parts of her job is to tell people that they should seek public housing, especially with the waiting list it has. She believes that the fact that this doesn't create any new units is a problem. She said it also doesn't create long-term affordability. She said the AHTF doesn't allow what they are asking for. She wondered why this is so late and why they couldn't have looked at this a couple of months ago.
- O'Callaghan said the property is owned by the CDA; and in terms of long-term affordability, it continues to be owned by the CDA, so it does have long-term affordability.

Further discussion:

- Agustin Olvera said that 98% of the people on the waiting list are below 50% AMI.

- Landgraf said that the CDA holds title to the land on two 50-year ground leases and explained cost per unit to rehab. He said a big piece to the rehab is to put in elevators to make the project accessible.
- Ald. Julia Kerr said that she has the sense that the Committee is struggling under pressure from the CDA and said that there are a couple of important things to think about. The CDA can't meet the 10% requirement without this money. Part of her political concern about the project concerns the tax credit program and the long-range plan for public housing. She said she is afraid of the CDA having to give up the tax credits because WHEDA might think that if they aren't able to pull off this project, they might not be able to deliver for other later public housing projects involving tax credits.
- Dean Brassler explained the trust fund ordinance. He handed out a chart that showed the trust fund is earning 1.5% interest. He said the ordinance would have to be changed before the City could give out the loan.
- Kerr explained the Common Council process with respect to the ordinance: If the ordinance isn't changed, the loan isn't disbursed, she said.
- O'Callaghan said if we were to make changes to the ordinance and make the loan, it would make more money for the AHTF as a loan than if we do nothing and let the money sit.
- Kerr said that Heidi Wegleitner's statement is incorrect. She said that it is so important to invest in current housing stock. She said many of the residents are very poor, old, and/or disabled.

**Notes:**

1	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	08/05/2010	Refer	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	09/13/2010
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**Action Text:** Rummel moved referring both this item and Item 19442 to the "if needed" meeting on August 17. Bruer seconded.

**Notes:**

1	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	08/17/2010	Refer	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	09/13/2010	Pass
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**Action Text:** Bruer moved adoption of the resolution for the purposes of discussion. O'Callaghan seconded.

Whitesel said he was hesitant to take up this item without an amended ordinance and feels we could only act under the current ordinance. He suggested referring this item to the next meeting after the Council has considered it.

Bruer asked Olinger for an explanation of the timeline of the project. Olinger said that WHEDA's commitment letter expires September 7; but in a conversation he had with WHEDA today, they want to know what the sense of the Committee is with respect to the proposal and whether or not they would approve it if the ordinance were changed.

Whitesel said he is willing to keep an open mind but that he was disappointed with the quality of the application. He would like to see the CDA come to the next meeting with a description of the project with as much detail as possible.

Olinger said that they would get the Committee a comprehensive application and make a compelling case for approving the project.

Bidar-Sielaff said that she feels the City stands to lose a significant amount of funds unless this project is approved. She said she would like to see some other commitment of City funds from the Mayor's Office and asked that that message be taken back to the Mayor.

Ray Harmon said that he will take the message back to the Mayor.

The Chair said that although he usually doesn't vote on these matters, he views the proposal favorably.

Choudhury said she would add to what Whitesel said in that she would keep an open mind but that the application could be done much better.

O'Callaghan said we have the opportunity to be responsible for what he hopes will be a successful project.

Markofski said he is expecting to see a brilliant application and continues to support the project.

Bruer moved to refer this item to a special meeting between September 7 and 13 to be determined by the Chair. O'Callaghan seconded. Unanimous.

**Notes:**

1	BOARD OF ESTIMATES	08/30/2010	Refer	BOARD OF ESTIMATES	09/13/2010	Pass
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**Action Text:** A motion was made by Clear, seconded by Bruer, to Refer to the BOARD OF ESTIMATES 9-13-2010 meeting. The motion passed by voice vote/other.

**Notes:**

1	COMMON COUNCIL	09/07/2010				
1	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	09/13/2010	Return to Lead with the Following Recommendation(s)			Pass

**Action Text:** 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

Choudhury said she would direct her questions along with what the City's plan would be for the future to the Mayor's Office.

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

Notes: Unanimous approval.  
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.

1 09/13/2010

Notes:

2 BOARD OF ESTIMATES 09/13/2010 RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER Pass

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

Notes:

2 COMMON COUNCIL 09/21/2010

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### Text of Legislative File 19442

#### Fiscal Note

This resolution proposes a \$1,025,000 loan from the Affordable Housing Trust Fund (AHTF) to the Community Development Authority as a source of funding for the CDA's renovation of existing low rent public housing units. Under the proposed terms, the loan repayment would be \$68,333.33 per year plus interest over a 15 year period, with interest pegged at .25% above the rate that the Affordable Housing Trust Fund earns on the investment of available funds. Based on current investment yields, the initial interest rate would be approximately 1.75% per year. Sufficient funds are available to provide the loan proposed in this resolution.

A recently enacted amendment to the AHTF ordinance broadens the definition of eligible expenditures to include, among other things, the repair, preservation and upgrade of existing affordable units. Additionally, it removed the strict annual expenditure limitation that existed under the original ordinance, replacing it with the provision that no more than 25% of the fund balance as of January 1st of the year prior to disbursement could be spent on any single project. The balance in the AHTF was \$113,096 on January 1, 2009. Thus, under the newly adopted ordinance, a loan of up to \$1,028,000 could be made to any single project in 2010. The CDA's revised application requested \$1,025,000 in loan funds, an amount which qualifies under the new AHTF ordinance limitation.

#### Title

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.

#### Body

##### Preamble

The Community Development Authority of the City of Madison ("CDA") intends to renovate and rehabilitate seventy-one existing low rent public housing family units located in six buildings at the CDA's Truax property using Section 42 tax credits. In order to close a financing gap for the project, the CDA has requested a loan from the Affordable Housing Trust Fund in the amount of ~~\$1,050,000~~ \$1,025,000 to partially finance capital expenses of the project. Throughout the term of the tax credit period, the CDA shall retain ownership of the land underlying the project, and Truax Park Redevelopment, Phase 1, LLC will own the rehabilitated buildings and manage



the project construction. All seventy-one units shall be affordable as defined by the Affordable Housing Trust Fund ordinance. Legistar File No. 17266 ~~includes a proposed~~ authorized an amendment to Section (4)(a) of the Affordable Housing Trust Fund ordinance which, ~~if enacted,~~ will increase the allowable disbursements from the Trust Fund Account to up to 25% of the balance in such Account as of January 1st of the year prior to the disbursement.

Now therefore, be it resolved, that the Common Council authorizes a loan from the Affordable Housing Trust Fund in the principal amount of ~~\$1,050,000~~ \$1,025,000 to the CDA under the following terms and conditions:

1. The CDA shall provide the loan funds to Truax Park Redevelopment, Phase 1, LLC, and shall ensure that the loan funds are used solely for capital improvements to the project.
2. The CDA shall repay the loan by making 15 equal payments of principal annually to the City, along with variable interest on the outstanding debt at the rate of the City's investment portfolio yield plus 25 basis points, as calculated using the average yield for the previous twelve months.
3. The City shall receive a first mortgage from the CDA on the land underlying the project, and will provide a subordination of mortgage to the project's construction lender, in a form to be approved by the City Attorney.
4. The CDA shall ensure the project remains affordable for all seventy-one units for thirty (30) years. The CDA shall ensure that a thirty-year land use restriction agreement is recorded with the Dane County Register of Deeds to memorialize the affordability requirement.
5. The CDA shall have approved the terms of the loan as set forth herein at its August meeting.
6. The CDA shall use its best efforts to seek funding to allow it to retire the Affordable Housing Trust Fund loan early, and it shall attempt to negotiate with the investor member to use excess cash flow from the project, if any, to make prepayments to the City on the Affordable Housing Trust Fund loan debt. The CDA shall make annual reports to the City on these efforts throughout the term of the loan.

Now therefore be it further resolved, that the Common Council hereby authorizes the Mayor and City Clerk to execute a Loan Agreement with the CDA, and any other loan documentation as deemed necessary and appropriate by the City Attorney.