

**2012 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:** 2012 Rental Acquisition
 2. **Agency Name:** Movin' Out, Inc.
 3. **Requested Amount:** \$51,681.91
 4. **Project Type:** New or Continuing
 5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**

D: Rental Housing: Expand the number of affordable rental units and/or improve the quality and/or diversity of units available to lower income individuals throughout the community.

6. Product/Service Description:

Movin' Out, Inc. (MOI) proposes to purchase the land at 805 Troy Dr. currently owned by Madison Area Community Land Trust. The property contains a duplex half of which is a 2 BR unit that was deeded to MOI by its recently deceased previous homeowner. MOI provides property management and helps secure rent subsidies for the tenants where appropriate so the units are affordable.

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

Funds will be used for the acquisition of land that supports one (1) unit of affordable, rental housing in 2012 for people with disabilities. At least two (2) individuals are projected to be served in 2012.

8. Staff Review:

The CDBG Office assisted the Madison Area Community Land Trust (MACLT) with HOME funds in 2004 to purchase land located at 803-805 Troy Drive. MACLT developed a new construction duplex as owner-occupied housing, and the improvements were sold to two eligible homebuyers. The CDBG Office currently holds a mortgage of \$51,681.91 with MACLT for the land only which has remained in permanent land trust status.

Earlier in 2012, the homeowner at 805 Troy Drive, who had significant disabilities and accessibility modifications to his half of the duplex, passed away. He deeded the improvements at 805 Troy Drive to Movin' Out, Inc. (MOI), a local community-based agency that provides permanent, affordable rental housing and homeownership opportunities for people who with disabilities. However, the land continues to be owned by MACLT. The deceased homeowner also had a roommate with significant disabilities. In order to help maintain the rental housing arrangement for this person, MOI which now holds title to 805 Troy Dr., placed an additional tenant with disabilities in this property.

At its meeting on September 24, 2012, the MACLT Board of Directors declined its option to purchase the property back from MOI for resale to another owner-occupant. MACLT's Board felt it could not afford the holding costs of reselling an extensively modified property via the resale model. Furthermore, the MACLT Board wanted to honor the wishes of the deceased homeowner while also not displacing the current tenants. MACLT has tentatively agreed to transfer the land ownership to MOI at 805 Troy Drive on the Northside of Madison upon payment of its HOME loan to the City for the same amount (\$51,681.91).

Movin' Out, Inc. is a key affordable housing development partner of the City of Madison. MOI has been very successful in managing approximately 100 units of scattered site rental housing, 42 of which are in the City of Madison including the planned addition of 11 units at Harbor House later this year. Almost all of MOI tenants have incomes below 50% Area Median Income.

MOI is prepared to acquire the land in order to own and operate at 805 Troy Drive as an affordable rental unit by assuming the first mortgage of deceased homeowner and utilizing the approximately \$51,682 in HOME funds which will be repaid by MACLT upon transfer. The property tenure will change from owner-occupied to rental for the current tenants who are people with disabilities.

The CDBG Office re-certified MOI in 2012 as a Community Housing Development Organization (CHDO) with experienced housing development staff. This project qualifies towards HUD's requirement that at least 15% of new HOME funds are used for CHDO development activities. As a 501(c)(3) tax-exempt organization, MOI will apply to the City Assessor for tax-exempt status for this property, which is generally granted. This project will also be subject to an Environmental Review.

CDBG staff have analyzed the project development and operating budgets. MOI has indicated that they could assume the deceased homeowner's first mortgage of approximately \$80,000 with Anchor Bank. They have requested that the balance of \$51,681.91 in HOME funds previously used to purchase the land, be essentially transferred with land ownership to the new project. MOI also has sufficient funds remaining in its 2012 Rental Development agreement to apply those funds to this project.

Staff have evaluated and support this proposal in relation to the new FY2012 HOME requirements including adequate developer capacity, fiscal soundness, neighborhood market conditions and CHDO staff capacity.

Total Cost/Total Beneficiaries Equals: \$131,682/2 = \$65,841 per beneficiary
CD Office Funds/CD-Eligible Beneficiaries Equals: \$51,682/2 = \$25,841 per beneficiary
CD Office Funds as Percentage of Total Budget: \$51,682/\$131,682 = 39%

9. Staff recommendation:

Provide up to \$51,682 in previously authorized HOME/HOME Match funds towards the acquisition of land, the improvements upon which will be used as affordable rental housing at 805 Troy Dr. under the terms of the 2011-2012 Program Funding Framework. Funds will be contingent upon MOI obtaining a post-rehabilitation appraisal that supports a maximum of 115% secured loan to value ratio and sufficient financing to complete the project.

Technical and Regulatory Issues	Project information
Within unit, capital, mortgage limits	Yes
Within Subsidy layering limits/ analysis	Yes
Environmental Review issues	Review required. No issues anticipated.
Eligible project	Yes
Conflict of interest	No
Church/State issues	No
Accessibility of program	Yes
Accessibility of structure	Yes. Single-story on slab.
Lead-based paint issues	N/A Post-1978 building.
Relocation/displacement	No.
Zoning restrictions	No. Existing property.
Fair Labor Standards	No
Vulnerable populations	Yes
Matching Requirement	25% of HOME Funds
Period of Affordability for HOME funds	15 years
Within Site and Neighborhood Standards	Yes
Supplanting issues	No
Living wage requirement	Yes
MBE goal	No
Aldermanic/neighborhood communication	Yes.
Management issues:	No