

**2010 STAFF REVIEW OF PROPOSALS FOR
COMMUNITY/NEIGHBORHOOD DEVELOPMENT RESERVE FUNDS
(Housing Development Funds, Affordable Housing Trust Funds, Facility Acquisition/Rehab Funds, Futures
Funds)**

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1. **Project Name/Title:** 2009 Taxes
2. **Agency Name:** Ecumenical Housing Corporation (EHC)
3. **Requested Amount:** **53,575.30**
4. **Project Type:** New or Continuing
5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**
Expand or improve the quality of units available to lower income individuals throughout the community
6. **Product/Service Description:**
Ecumenical Housing Corporation owns 60 units of affordable rental housing on Madison's east side.
7. **Anticipated Accomplishments (Numbers/Type/Outcome):**
60 units of affordable housing remains available for lower income individuals in the community.
8. **Staff Review:**
EHC has been exempt from paying property taxes since 2000. In fall 2009, the state changed their guidelines related to non-profit property tax exemption. The new law required EHC to have 100% of their residents with documented income of 80% CMI or less and applied this requirement retroactively to January 1, 2009. EHC could not meet this requirement retroactively and lost their property tax exemption for 2009. This resulted in the agency having an unanticipated tax bill of \$53,575.

In 2009 EHC had a 95% occupancy rate. After the new law required that 100% of the tenants income qualify and for tenants to disclose and document their income, EHC's occupancy rate dropped to 62% as many residents moved because they did not meet the income requirements or because they chose not to report their income status. Not only did EHC have the unanticipated tax bill but they also had significant vacancy losses placing a huge financial strain on the organization.

At the beginning of 2010, EHC had reserves of \$242,211. After paying their 2009 taxes and absorbing the vacancy loss through April 2010, the reserve fund decreased to \$111,000. Anticipated vacancy losses for the remainder of the year will put the agency in the red. EHC is aggressively marketing the units in hopes that they will be able to increase their occupancy rate and avoid a deficit situation. The occupancy rate increased from 62% to 66% in the past month.

In March 2010, EHC requested the City Council to qualify this property as tax exempt for the 2009 calendar year. The Council voted 11-9 not to approve the tax exemption based on the requirements of state law.

EHC is requesting AHTF to provide for the amount of the 2009 taxes which will replenish their reserves and prevent EHC from going into the red, going into foreclosure or having to convert the units to market rate. Preservation of affordable units is an eligible activity of the AHTF. However, to allow operating costs to be paid would require an exception.

Currently the 2010 AHTF allocation has been depleted. Proposed changes to the AHTF remove the annual expenditure limitation. If EHC's request for funds were to be approved before revisions to the AHTF were approved, an exception would be required to allow additional expenditures in this year.

Payment of back taxes is not an eligible cost for CDBG or HOME funds.

Total Cost/Total Beneficiaries Equals: \$55,000/60 units = \$916/unit
CD Office Funds/CD-Eligible Beneficiaries Equals: \$916/unit
CD Office Funds as Percentage of Total Budget: 100%

Staff recommendation:

9. Staff recommend to fund at \$0 unless exceptions are made to the AHTF to remove the expenditure limitation and to allow operating costs as an eligible expense.

Technical and Regulatory Issues	Project information
Within unit, capital, mortgage limits	
Within Subsidy layering limits/ analysis	
Environmental Review issues	
Eligible project	
Conflict of interest	
Church/State issues	
Accessibility of program	
Accessibility of structure	
Lead-based paint issues	
Relocation/displacement	
Zoning restrictions	
Fair Labor Standards	
Vulnerable populations	
Matching Requirement	
Period of Affordability for HOME funds	
Site and neighborhood Standards	
Supplanting issues	
Living wage issues	
MBE goal	
Aldermanic/neighborhood communication	
Management issues:	