

**2018 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:** ConMarc, Inc. – Balsam Rd.

2. **Agency Name:** ConMarc, Inc.

3. **Requested Amount:** \$100,000

4. **Project Type:** New Continuing

5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**

- Objective 1.1 Housing Supply: Preserve, improve, and expand the supply of affordable housing for homeowners and renters.

6. **Product/Service Description:**

ConMarc, Inc. proposes to use CDBG funds, in part, to acquire a four-unit apartment building in southwest Madison and rehabilitate the building to preserve the units' long-term affordability in the Balsam-Russett neighborhood.

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

Four housing units will be preserved for occupancy by primarily low-income households. At least three (51%) of these units will be income-restricted to households earning no more than 80% of the Area Median Income. ConMarc, Inc. will preserve and improve the existing housing supply in this Neighborhood Resource Team area. The proposal projects that 10 unduplicated individuals will be served by this development.

8. **Staff Review:**

ConMarc, Inc. is a new developer to the City of Madison, but has been acquiring and rehabilitating housing units in some capacity since the 1990s. The president of the company, Constance Miles, has initiated the process of reactivating the organization's 501(c)(3) status, and an award of funds would be contingent on ConMarc's ability to operate the property under non-profit ownership.

The proposal meets the CD objective to preserve the supply of affordable rental units for low-income households while also seeking to stabilize and improving an area of high priority to the City: NRT areas on the Southwest side. This project also proposes to address the multiple Priorities and Strategies in CD Objective 1.1. Housing Supply related to geographically targeting the assistance.

As its first project with the City of Madison CDD, ConMarc, Inc. proposes to improve an existing naturally-occurring affordable rental apartment building while preserving the housing for low- and moderate-income households for the long-term. ConMarc proposes to acquire this new housing as its first property of what the organization hopes will be many more acquisitions in Madison that will be preserved for long-term affordability.

CDD staff have a number of concerns that will need to be addressed before moving forward with a recommendation to fund the project as proposed. At the organizational level, it is still unclear to staff how the non-profit's board is structure. Similarly, it is unclear what the mission of the non-profit organization is. The applicant did not provide the number of units currently under ownership and/or management by her team, although she does reference that her team has invested in properties since 2014. Finally, it is unclear what experience ConMarc, Inc. has with income-certifying tenants, and what training, if any, she is planning on pursuing.

At the project-level, staff has concerns with ConMarc's ability to secure the funding necessary to complete the project. The applicant is proposing fundraising through a capital campaign and possibly raising equity with private investors, but staff have not been informed of who these investors are, nor has a letter of intent been submitted to CDD staff to review. In her pro forma, the applicant did not list many operating expenses that are typically included by other developers seeking our federal funds. Specifically, ConMarc is proposing to fund legal, accounting, and office through her own funds, and is suggesting that the property does not need to cover those

costs. As a non-profit organization, it may be advantageous to have the property cover those costs that are specific to the building so long as there is sufficient cash flow for those costs.

Staff have numerous questions about the scope of rehabilitation proposed by ConMarc, particularly as it relates to potential temporary relocation of existing tenants. In conversations with the applicant, she has informed staff that the level of rehabilitation proposed would not require tenants to leave their units at any point during rehabilitation. However, in her application, the amount of work described would appear that tenants would be unable to reside in their units while work is being done, at least temporarily.

ConMarc, Inc. will need to provide the CDD staff with further due diligence documentation, including:

- An appraisal of the as-is value and post-construction stabilized value of the property;
- An agency overview of ConMarc, Inc., including the agency's mission;
- A capital/fundraising plan for how the equity investment will be raised;
- A detailed overview of the rehabilitation budget;
- Results of lead-based paint testing; and,
- An estimate from the construction supervisor of how long each unit will be offline during rehabilitation

While the above referenced outstanding items are not insurmountable obstacles for CWD to overcome, there are enough unknown items that ConMarc, Inc. must confirm and present to the CDD before staff can become comfortable moving forward with a recommendation for funding the acquisition of four units in this area of southwest Madison.

	Total Cost/Total Beneficiaries Equals:	$\$420,079/10 = \$42,008$ per beneficiary
	CD Office Funds/CD-Eligible Beneficiaries Equals:	$\$100,000/10 = \$10,000$ per beneficiary
9.	CD Office Funds as Percentage of Total Budget:	$\$100,000/\$420,079 = 24\%$

Staff Recommendation:

At this time, there is no staff recommendation; this item is for discussion only.