



# City of Madison

City of Madison  
Madison, WI 53703  
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## Master

**File Number: 19442**

<b>File ID:</b> 19442	<b>File Type:</b> Resolution	<b>Status:</b> Items Referred
<b>Version:</b> 1	<b>Reference:</b>	<b>Controlling Body:</b> BOARD OF ESTIMATES
<b>Lead Referral:</b> Attorney's Office	<b>Cost:</b>	<b>File Created Date :</b> 08/02/2010
<b>File Name:</b> AHTF.docx	<b>Final Action:</b>	

**Title:** 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:

**Code Sections:**

**CC Agenda Date:** 08/03/2010

**Indexes:**

**Agenda Number:** 24.

**Sponsors:** Joseph R. Clausius

**Enactment Date:**

**Attachments:** Affordable 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

**Enactment Number:**

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

**Hearing Date:**

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

**Published Date:**

### Approval History

Version	Date	Approver	Action
1	08/03/2010	Dean Brasser	Approve

### History of Legislative File

Version:	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

Action Text: This Resolution was Referred to the BOARD OF ESTIMATES

Notes: Additional referral to Community Development Block Grant Committee.

1 BOARD OF ESTIMATES 08/04/2010 Refer

COMMUNITY  
DEVELOPMENT  
BLOCK GRANT  
COMMITTEE

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

Notes:

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

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.
- Markowski 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 Markowski 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 Brasser 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
	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	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	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

1 BOARD OF ESTIMATES 09/13/2010

Notes:

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### Text of Legislative File 19442

#### Fiscal Note

This resolution proposes a \$1,050,000 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 \$70,000 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, but the amount of this loan exceeds the limits allowable under the ordinance governing expenditures from the AHTF.

The Affordable Housing Trust Fund received a total of \$96,728 during 2009, bringing the balance in the fund at the beginning of 2010 to \$4,102,613. The existing ordinance restricts the amount that can be spent in any given year to 25% of the additions to the fund received in the previous year. Under this limitation, only \$24,182 is available to make loans in 2010, of which \$15,039 has already been spent. This leaves only \$9,143 available for additional loans in 2010.

A proposed amendment to the current ordinance would broaden the definition of eligible expenditures to include, among other things, the repair, preservation and upgrade of existing affordable units. Additionally, it removes the current annual expenditure limitation, replacing it with the provision that no more than 25% of the January 1st fund balance could be spent on any single project. Thus, under the proposed ordinance, a loan of no more than \$1,025,000 could be made to any project in 2010.

**Title**

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 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 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.

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 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.

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.