



Department of Planning and Community & Economic Development

Community Development Division

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Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

To: CDBG Committee

From: Julie Spears, Community Development Specialist

Date: February 4, 2021

RE: Authorizing an amendment to the original resolution that awarded a loan of up to \$1.8M from the Affordable Housing Fund to support an 150-unit affordable rental housing development at 1402 S. Park St., proposed by Rule Enterprises LLC and Movin' Out, Inc., to decrease the loaned funds to up to \$300,000 and restructure of the allocation of funds for this development

Background

Early in 2019, the Common Council authorized the release of a Request for Proposals (RFP) to solicit development proposals for the redevelopment of the Truman Olson site at 1402 S. Park St. with the following primary objectives:

- 1) Preserve food access in the area by constructing a grocery store;
- 2) Complete the connection of Cedar Street; and
- 3) Meet the relevant planning and zoning requirements.

Later in 2019, the Council selected Rule Enterprises, LLC to acquire and undertake the redevelopment and assigned a staff team to negotiate project details. In addition to the grocery store, Rule's proposal included the development of affordable rental housing utilizing AHF and Low-Income Housing Tax Credit (LIHTC) financing.

Rule Enterprises, LLC proceeded to partner with non-profit affordable housing developer Movin' Out, Inc. On February 25, 2020, the Common Council adopted a resolution ([RES-20-00144](#)) awarding \$1,800,000 in AHF loans to support the housing portion of the proposed development, which included: 100% of the housing units income- and rent-restricted to households with incomes at or below 80% of the County Median Income (CMI). Sixty-four (64) of the units are to be rented to households with incomes at or below 50% of the CMI and thirty (30) to households with incomes at or below 30% of the CMI. More specifically, AHF funds will ensure that ninety-four (94) units are reserved for households with incomes at or below 50% of the CMI for a period of at least 30 years. In April of 2020, WHEDA awarded LIHTC to the development as proposed.

As is the case with most affordable housing developments, this developer anticipated needing to secure additional financing. One source of such financing is the Affordable Housing Program (AHP) offered through Federal Home Loan Bank (FHLB) branches. Upon analyzing its competitiveness for AHP funds, the developers concluded that their prospects were improved if the land on which the development is to occur were donated to the development rather than purchased. In March 2020, the developers contacted City staff to explore potential modifications to the structure of City financial support. The staff team negotiated, and now seeks Council approval for, a revised financial support arrangement.

Staff are prepared to utilize approximately \$1.1 million of the \$1.8 million of AHF funds awarded

to this development to acquire the property from Tax Increment District (TID) 42 at the City's original purchase price, and donate it to the development. The loan to the developer would be reduced to \$300,000. The restructured support package represents a \$400,000 reduction from that previously authorized by the Council and it positioned the developer to successfully secure AHP financing from FHLB-Pittsburgh in December 2020. In exchange for the donation of the land at 1402 S. Park St., the Developer agreed to provide a permanent land use restriction to maintain affordability for the housing units. This will be the first permanently affordable housing development assisted with Affordable Housing Funds made possible by way of the fact that this is a City-initiated and owned development site.

Staff Recommendation

Staff recommends approval of this resolution which seeks to authorize a change in the structure of the AHF and to award up to \$300,000 to support the proposed 150-unit affordable rental housing development at 1402 S. Park St. as described above. The resolution also seeks authorization for the Mayor and City Clerk to execute a loan agreement associated with this affordable housing development.