



City of Madison

City of Madison
Madison, WI 53703
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Master

File Number: 85820

File ID: 85820

File Type: Resolution

Status: Report of Officer

Version: 1

Reference:

Controlling Body: FINANCE
COMMITTEE

File Created Date : 10/23/2024

File Name: Authorizing the allocation of up to \$4.8 million of Federal HOME Partnership Investment Program (HOME) funds and \$5.2 million of Federal Emergency Rental Assistance Program funds, authorized under the American Rescue Plan Act and currently uncommitted, to

Final Action:

Title: Authorizing the allocation of up to \$4.8 million of Federal HOME Partnership Investment Program (HOME) funds and \$5.2 million of Federal Emergency Rental Assistance Program funds, authorized under the American Rescue Plan Act and currently uncommitted, to Madison Revitalization and Community Development Corporation, or an affiliate LLC, to help finance Phase 1 of the redevelopment of the Triangle public housing site, and authorizing the Mayor and the City Clerk to enter into a Loan Agreement. (District 13)

Notes:

Sponsors: Satya V. Rhodes-Conway, Dina Nina Martinez-Rutherford, John P. Guequierre, Nikki Conklin And Tag Evers

Effective Date:

Attachments:

Author: Linette Rhodes

Enactment Number:

Entered by: mbohrod@cityofmadison.com

Hearing Date:

Published Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Community Development Division	10/23/2024	Referred for Introduction				
	Action Text: This Resolution was Referred for Introduction						
	Notes: Finance Committee (11/18/24), Community Development Block Grant (11/7/24), Common Council (11/26/24)						
1	COMMON COUNCIL	10/29/2024	Refer	FINANCE COMMITTEE		11/18/2024	Pass
	Action Text: A motion was made by Figueroa Cole, seconded by Duncan, to Refer to the FINANCE COMMITTEE. The motion passed by voice vote/other.						
	Notes: Additional referral to Community Development Block Grant Committee.						
1	FINANCE COMMITTEE	10/29/2024	Referred	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE		11/07/2024	

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

1	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	11/07/2024	Return to Lead with the Recommendation for Approval	FINANCE COMMITTEE	11/18/2024	Pass
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Action Text: A motion was made by Alder Martinez-Rutherford and seconded by Alder Conklin to Return to Lead with the Recommendation to Approve Authorizing the allocation of up to \$4.8 million of Federal HOME Partnership Investment Program (HOME) funds and \$5.2 million of Federal Emergency Rental Assistance Program funds, authorized under the American Rescue Plan Act and currently uncommitted, to Madison Revitalization and Community Development Corporation, or an affiliate LLC, to help finance Phase 1 of the redevelopment of the Triangle public housing site, and authorizing the Mayor and the City Clerk to enter into a Loan Agreement. (District 13)

Motion passed unanimously.

1	FINANCE COMMITTEE	11/18/2024	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER			Pass
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Action Text: A motion was made by Figueroa Cole, seconded by Currie, to RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER. The motion passed by voice vote/other.

Text of Legislative File 85820

Fiscal Note

The proposed resolution authorizes the loan of up to \$10.0 million to the Madison Revitalization and Community Development Corporation (MRCDC), a 501(c)(3) non-profit corporation, to support Phase 1 of the Triangle Redevelopment project. The \$10.0 million loan is funded by two sources: \$5.2 million of uncommitted Federal Emergency Rental Assistance (ERA) program funds available through the American Rescue Plan Act (ARPA) (Munis project 76121) and \$4.8 million of Federal HOME funds available in the Community Development Division's (CDD) 2024 Adopted Operating Budget (Munis projects 72023 and 72024) and what is proposed for authorization in the 2025 Executive Capital Budget (Munis project 72025). Full funding of the HOME loan is contingent upon adoption of the 2025 Capital Budget.

Title

Authorizing the allocation of up to \$4.8 million of Federal HOME Partnership Investment Program (HOME) funds and \$5.2 million of Federal Emergency Rental Assistance Program funds, authorized under the American Rescue Plan Act and currently uncommitted, to Madison Revitalization and Community Development Corporation, or an affiliate LLC, to help finance Phase 1 of the redevelopment of the Triangle public housing site, and authorizing the Mayor and the City Clerk to enter into a Loan Agreement. (District 13)

Body

Background

The Madison Revitalization and Community Development Corporation (MRCDC) was established in 1998 to invest in, receive, hold, use, and dispose of real or personal property and to engage in related activities to facilitate community redevelopment. The MRCDC is recognized under Wisconsin state law as a non-stock, 501(c)(3) Non-Profit Corporation. While there is overlap between the Madison Community Development Authority (CDA) Board and MRCDC Board, the MRCDC is a legally separate entity from the CDA. MRCDC does not employ staff; it is managed by CDA staff. The MRCDC's primary mission is to facilitate community redevelopment, and in particular, improve the stock of affordable housing in the City of Madison. The MRCDC actions are governed by its. It seeks to serve and be accountable to low-income persons and communities through representation on its governing board.

The CDA has prepared a comprehensive redevelopment plan targeting its 12-acre site which is bounded by South Park, Regent Street and W. Washington. The CDA's plans for the site, known as "the Triangle", includes five phases of development that will replace 362 existing housing units, currently subsidized through Public Housing and Section 8 programs, with about 1,200 units of mixed-income housing. Phase 1 includes the redevelopment of approximately 163 units of housing that will replace Brittingham Apartments and the CDA Triangle property management office.

Section 18 of the Housing Act of 1937 authorizes the demolition and disposition of Public Housing, with administrative steps set forth in 24 CFR 970.17(c) prescribed by the U.S. Department of Housing and Urban Development (HUD), including an application process. The Rental Assistance Demonstration ("RAD") Program/Section 18 Blend regulations promulgated by HUD give Public Housing Authorities the ability to combine and utilize a variety of available resources to redevelop properties, and provide predictable ongoing subsidies.

Consistent with the HUD regulations and in keeping with the CDA's Five-Year Plan objective for the period commencing January 2020, CDA staff submitted an application to HUD in March 2023 for the disposition of Brittingham Apartments utilizing a RAD/Section 18 Blend. With RAD and Special Applications Center ("SAC") disposition approvals from HUD, 100% of the resulting Project units will be removed from CDA's public housing inventory and converted to the Section 8 Project-Based Voucher Program. SAC approval provides the added benefit of enabling the CDA to apply for 4% low-income housing tax credits and other public and private funding sources to help finance the Phase 1 redevelopment.

The CDA-controlled LLCs that will be created for Phase 1 and subsequent phases of the redevelopment will be subject to land use restriction agreements (LURAs) and other long-term Low Income Housing Tax Credit (LIHTC) requirements. The overall Triangle redevelopment project will preserve existing affordable housing through the replacement of aging Public and Multifamily Housing units with modern, efficient homes and amenities, and it will significantly expand CDA's housing portfolio at the Triangle site.

The total development cost of all project phases is expected to exceed \$300 million, with the majority of funds coming from Section 42 tax credits, tax-exempt housing bonds, and private debt held by CDA-controlled LLCs that will be created for each building. The total local share of costs for the entire development is still to be determined but is anticipated to draw on a variety of City-administered sources including the Affordable Housing Fund, Federal HOME funds, Tax Increment Financing (TIF), etc. The Common Council previously approved an initial \$4 million contribution from the Affordable Housing Fund via adoption of RES-24-00023, on January 9, 2024.

In August, MRCDC submitted a request in response to the Community Development Division (CDD)'s 2024 Tax Credit Affordable Housing Fund Request for Proposals process, seeking an additional \$15.5 million of financial assistance. This resolution, offering \$10 million of combined Federal HOME and ERA funds, represents the recommended response to that request. In September, the Finance Committee recommended adoption of an amendment to the City's 2025 Capital Budget that contributes an additional \$5 million of TIF financing. It awaits final action by the Council.

Action

WHEREAS, in order to advance the City's objectives of expanding the supply of affordable

housing called for in the 2024 Executive Capital and Operating Budgets, the Community Development Division issued a Request for Proposals (RFP) in July 2024 seeking proposals for housing developments seeking Low-Income Housing Tax Credits; and,

WHEREAS, a review team, comprised of staff from the City's Department of Planning, Community, and Economic Development evaluated proposals based on criteria that addressed issues such as the number and mix of housing units; financial viability; gap financing needed; per-unit subsidy requested; incorporation of energy efficiency, renewable energy and other sustainability features; project team experience; readiness to proceed; and history of implementing affordable housing programs; and,

WHEREAS, the Madison Revitalization and Community Development Corporation (MRCDC) proposal is responsive to the goals and requirements set forth in the City's 2020-2024 Five-Year Consolidated Plan, formally adopted by the Common Council on February 25, 2020, which guides the use of U.S. Department of Housing and Urban Development (HUD) funds, including HOME funds; and,

WHEREAS, the primary source of funding to support proposals received in response to that RFP is City Affordable Housing Funds, but City-administered Federal dollars from, for example, the HOME Program may also be available; and,

WHEREAS, the CDD's adopted 2024 Budget includes both uncommitted HOME and ERA funds; and

WHEREAS, the guidance provided to state and local governments by the U.S. Treasury regarding eligible uses of ERA funds has evolved over the life of the program and, in July 2022, was modified to authorize the use of ERA funds to support the construction, rehabilitation and preservation of affordable housing so long as assisted housing units are dedicated to serving households that earn not more than 50% of the County Median Income; and,

WHEREAS, upon review of current federal guidelines, Community Development Division (CDD) staff have determined that the project costs associated with the MRCDC proposal are eligible for support under both the HOME and ERA Programs; and,

WHEREAS, the staff review team recommends awarding \$4.8 million of HOME funds and \$5.2 million of ERA funds which are available in the 2024 Adopted Budget and currently uncommitted; and,

WHEREAS, this funding recommendation will add to the award of \$4 million of City Affordable Housing Funds previously approved by the Council, via RES-24-00023, on January 9, 2024, and \$5 million from TIF funds which is pending as an amendment to the City's 2025 Capital Budget.

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and the Common Council approve recommended funding allocations described herein, and subject to review by the CDBG Committee; and,

BE IT FURTHER RESOLVED, that CDD staff is authorized to approve minor alterations to proposals, including to the number and mix of housing units, if such changes are deemed necessary to improve prospects for securing all financing required to complete the project as presented and/or comply with City land use requirements, but may not increase the level of City financial assistance without Council approval; and,

BE IT STILL FURTHER RESOLVED, that the Council authorizes the Mayor and City Clerk to execute, loan agreements utilizing CDD-administered funds as described below:

Form of Loans

- The ERA financial assistance will be provided in the form of a 0% interest, long-term deferred loan with no shared appreciation, payable upon sale, transfer, or change in the use of the property, in exchange for a commitment to permanent affordability through a recorded LURA; and
- The HOME financial assistance will be provided in the form of a loan which will be amortized over 30 years and payable over 16 years, contingent upon available cash flow, and
- Both loans will be secured by a subordinate mortgage, note(s), and recorded LURA with a commitment to permanent affordability; and
- The developer shall apply the proceeds of the Loan to the expense of constructing the project, including at least the total number of units and units to be designated as affordable housing, with restricted rents and for income-eligible households as specified for each; and
- The loan agreement will remain in full force and effect until the loan is repaid or at the expiration of the respective periods of affordability, whichever is later.

Assignment

- The loan shall not be assigned without permission of the City except for an assignment to an affiliate entity of the developer prior to loan closing.

Closing

- Prior to closing, the developer must submit to the City a standard ALTA commitment for a loan policy of title insurance in the amount of the Loan for such Property, which will be subject only to municipal and zoning ordinances and agreements entered under them, recorded easements for the distribution of utility and municipal services, mortgages, security agreements, assignments of leases and rents, regulatory and land use restriction agreements and an extended use commitment pursuant to Section 42 of the Internal Revenue Code, recorded building and use restrictions and covenants, taxes levied in the year of closing, and any other encumbrances acceptable to the City; and
- Prior to closing, the developer must provide evidence of property insurance as required by the Mortgage, containing a standard loss payee endorsement identifying the City as mortgagee. Developer also agrees to provide evidence of property insurance annually by February 10th or before expiration of existing policy; and,

BE IT FINALLY RESOLVED, that the Mayor and City Clerk are hereby authorized to execute, deliver, publish, file and record such other documents, instruments, notices and records, and take such other actions as shall be deemed necessary or desirable to accomplish the purpose of this Resolution, and to comply with and perform the obligations of the City hereunder.