



Department of Planning & 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: Linette Rhodes, Grants Administrator

Date: September 27, 2017

RE: Authorizing the allocation of up to an additional \$500,000 to Heartland Housing Inc, from the 2018 Affordable Housing Fund, and reauthorizing 2017 AHF loan commitments to Heartland to support development costs associated with 1202 S Park St.

The City of Madison's 2018 Capital Budget is expected to authorize continuation of the Affordable Housing Fund, at an annual level of \$4.5 million. The AHF was created in 2015 to help increase and/or preserve the supply of affordable rental housing. It seeks to leverage other financing resources, most notably federal Low-Income Housing Tax Credits (LIHTCs), to help achieve the City's goal of adding approximately 150-200 new affordable rental units per year. Twenty-five percent of those units are sought specifically to provide housing to homeless persons.

In Wisconsin, LIHTCs are administered by the Wisconsin Housing and Economic Development Authority (WHEDA). WHEDA allocates credits annually through a highly competitive process. The review criteria that WHEDA employs favors development proposals that demonstrate local financial participation.

Heartland was awarded \$1,570,000 of AHF funds on December 6, 2016 in support of the development of approximately 60 units of permanent supportive housing at 1202 S Park St. - \$1,415,000 to be used for development costs and \$155,000 for pre-development costs. Heartland failed to secure 2017 LIHTCs from WHEDA but intends to re-apply for credits in 2018. The application deadline is December 8, 2017.

Heartland and Community Development staff have re-analyzed the proposed project with respect to the impacts of rising construction costs and declining tax credit values as well as potential project modifications that could improve its competitiveness under WHEDA's scoring criteria. CDD staff believe additional support of up to \$500,000 would serve both to address these financial issues and make the project more likely to secure tax credits. If approved, those funds would be drawn from 2018 AHF funds and raise the support for project development costs to \$1,915,000.

This resolution is intended to authorize the commitment of additional City funds to Heartland and reauthorize 2017 AHF loan commitments to support the development of approximately 60 units of permanent supportive housing in Madison, Wisconsin. It is also intended to authorize the Mayor and City Clerk to execute loan agreements and other documents necessary to proceed with the project.