



Department of Planning and Community & Economic Development

## Community Development Division

215 Martin Luther King, Jr. Boulevard, Suite 300

Mailing Address:

P.O. Box 2627

Madison, Wisconsin 53701-2627

Phone: (608) 266-6520

Fax: (608) 261-9626

[www.cityofmadison.com/cdd](http://www.cityofmadison.com/cdd)

Child Care  
Community Resources  
Community Development Block Grant  
Madison Senior Center

To: CDBG Committee

From: Julie Spears, Community Development Specialist

Date: October 4, 2021

RE: Awarding up to \$5.75 million from the Affordable Housing Fund to support five affordable housing development projects, selected through a City Request for Proposals (RFP) process that will support construction of approximately 250 units of new rental housing in Madison, about 200 of which will be affordable, and authorizing the execution of related loan agreements

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### **Background**

The Affordable Housing Fund (AHF) was first included in the City's 2015 Capital Budget as a new housing initiative that would expand, improve or preserve the supply of affordable housing primarily for Madison's lower-income rental households. Over the past seven years, the City has been successful in utilizing these funds to leverage approximately \$204 million in Low-Income Housing Tax Credits (LIHTCs) administered by the Wisconsin Housing and Economic Development Authority (WHEDA) as a primary program strategy. To date, this Community Development Division (CDD) program has supported the development of a total of 1,835 units of rental housing, 1,464 of which are or will be available households with incomes at or below 60% of the County Median Income (CMI), and with rents restricted at levels affordable to households at those respective income levels. About half of these units have been completed and placed in service to date.

The City's 2022 Capital Budget, scheduled for adoption in November 2021, will include \$5.75 million for the Affordable Housing Fund. In anticipation of that budget, CDD staff issued a Request for Proposals (RFP) in June 2021 soliciting applications for affordable rental housing developments that would utilize these funds to leverage primarily 2022 LIHTCs while also committing to a 40-year period of affordability, significant energy efficiency, renewable energy and sustainability measures, and aligning with various City priorities.

### **Current Development Proposals**

CDD received four applications in response to the 2021 RFP as follows:

1. Courtyard Lofts, submitted by Gorman & Company, LLC
2. The Heights Apartments, submitted by MSP Real Estate, Inc.
3. Avenue Square Apartments, submitted by Odessa Affordable Housing, LLC, in partnership with Liberty Mortgage & Development, LLC
4. St. John's Lutheran Church Redevelopment, submitted by St John's Lutheran Church, in partnership with MRB Holdings

An interdisciplinary City staff team reviewed the four development proposals against benchmarks outlined in the RFP. St. John's Lutheran Church withdrew its proposed redevelopment in September.

Recommendations for the remaining three proposals for a total award of \$5.75M in AHF-TC funds are summarized below and the attached table in greater detail:

1. Up to \$1,850,000 to Gorman & Company, LLC for Courtyard Lofts
2. Up to \$2,300,000 to MSP Real Estate, Inc. for The Heights Apartments
3. Up to \$1,600,000 to Odessa Affordable Housing, LLC for Avenue Square Apartments

In total, these three projects propose to add 252 units of rental housing, of which 208 would be available to households with incomes at or below 60% of the CMI. Final authorization of City funding will be contingent upon an allocation of LIHTCs from WHEDA as well as other contingencies as outlined in the authorizing resolution. It should be noted that The Heights and Avenue Square Apartments developments have already received an allocation of 2021 LIHTC's.

**Staff Recommendation**

Award up to \$5,750,000 in City Affordable Housing Funds to the three projects identified above and as further outlined in the attached resolution, and authorize the Mayor and City Clerk to execute loan agreements associated with these affordable housing development projects.