



Office of the Mayor

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DATE: September 1, 2010

TO: City of Madison Common Council

COPIES: Mark A. Olinger, Bill Clingan, Natalie Erdman

FROM: Mayor Dave Cieslewicz, Alder Joe Clausius, Alder Julia Kerr

SUBJECT: **Truax Park Housing Redevelopment and the Affordable Housing Trust Fund**

As you know, the CDBG Committee, the Housing Committee, and the BOE have all been working on changes to improve the operation of our Affordable Housing Trust Fund (AHTF) for some three years now. At its August 17, 2010, meeting, the CDBG Committee reported out the results of that effort to re-craft how the AHTF would operate. On the September 7 Common Council agenda you will see an agenda item for adoption of these changes to the current ordinance governing the operation of our Affordable Housing Trust Fund (AHTF).

We have been following that process and are very supportive of the changes being proposed. We believe the revised ordinance will offer many more opportunities to use these funds to facilitate the development and/or preservation of affordable housing in Madison. We are also very supportive of what will be the first request to use the new ordinance, if adopted by you on September 7. That request will come from the Community Development Authority (CDA) for the Truax Park housing redevelopment.

We suggested that the CDA consider making a request for the use of the AHTF to close the final funding gap for the CDA's major rehabilitation of a portion of the Truax Park public housing site. We had hoped the AHTF language would have been before you sooner. Since it was not, and since we are now dealing with tight timeframes set in place by WHEDA for the primary Truax redevelopment financing, we are dealing with both the ordinance change and the possible first request for use of AHTF funding in September. That is unfortunate timing. However, for the reasons outlined below, we believe we need to address both the ordinance change and the possible first use of the AHTF in short order. If we do not act, we will lose the \$10 million of third-party funds the CDA has committed for the Truax Phase I redevelopment. Our thoughts are as follows:

The major changes to the AHTF are to refocus the use of the funds for the preservation of existing affordable housing and as loans versus grants. Originally, we had hoped to build the AHTF to a \$10 million level at which time larger loans and/or grants could be made, and allow the fund to be sustaining. Based on the economic realities facing the City and the real estate markets, the original \$10 million target is not likely to be reached anytime soon. However, we have affordable housing needs that must be addressed today. The changes being recommended by the CDBG Committee balance the shorter-term needs with the goal of building the AHTF over time.

We would encourage you to look over the proposed ATHF changes in Legistar (Legislative File ID No. 19442) prior to the September discussions. Section 5 of the ordinance change is of particular interest given the potential Truax Park redevelopment loan request. You will note in Section 5 that the CDBG Committee is suggesting primary criteria that a potential application for funds would need to address. When we were briefed on the final details of the Truax redevelopment, we saw that there was a perfect match between what the CDBG Committee was looking for and what the CDA was proposing. Hence, we suggested to the CDA that they bring the Truax redevelopment loan request forward to the CDBG Committee.

The CDA has been working for the past three years on the Truax Park redevelopment. Truax currently consists of 147 units originally built in 1948. All 147 units are in three-story walk-up configurations. ADA accessibility is non-existent. There are no elevators, and the units are small compared to other two-bedroom units on the market. There is no central air, and all have sparse unit amenities. All laundry facilities are in the basement.

The CDA plan is to almost double the density of affordable housing on the Truax site, from the present 147 Public Housing units to approximately 320 units with a mixture of market and affordable units. The Truax redevelopment is broken into two phases. Phase I will substantially redevelop 71 of the existing 147 units. Phase II will demolish the remaining 76 units and replace them with roughly 249 new mixed-income, mixed-tenure units.

Concurrently with the Phase I redevelopment, the CDA will be applying for between \$80-\$90 million of funding fueled largely by HOPE VI or the new HUD Choice Neighborhoods Initiatives (CNI) program. That application, if successful, could incorporate all of Truax Phase II, the Darbo-Worthington neighborhoods, and stretch to the Union Corners site. This would be the largest multi-neighborhood housing redevelopment ever undertaken in Madison.

An important component of the HUD application review for either HOPE VI or CNI will be "current community effort." We can use the \$14 million Truax Phase I development as the cornerstone of Madison's current affordable housing commitment on the targeted sites. Thus, not only does the Phase I Truax redevelopment address the current needs, it does double duty by jumpstarting a possible Choice Neighborhoods Initiative application. The CDA has completed a national search for a consultant team to prepare the Choice Neighborhoods Initiative application, and that organization is currently in the preliminary stages of developing that application.

The ATHF proposed changes and the Truax Phase I development have the following key aspects overlapping:

1. The ATHF is the last source of funding being proposed so that we can effectively measure the "but for" nature of the loan request.
2. The \$1,025,000 million ATHF loan leverages roughly \$10 million of other funds.
3. All 71 units could be occupied by persons at 60% County Median Income (currently 50 units are occupied by persons at the 30% CMI level).
4. All 71 remodeled units will be accessible and visitable. Bathrooms and kitchens will meet ADA standards. Elevators will be installed.
5. Units will be enlarged from about 615 square feet to about 815 square feet.
6. Significant HVAC and electrical system changes will be made to add central air and high efficiency unit heating and lighting systems.
7. All units will have in-unit laundry equipment and full-sized EnergyStar appliances.

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8. The land use restrictions will keep the Truax units affordable indefinitely.
9. The Truax loan request is only for 17 years versus the typical 30-year term.
10. Interest paid on the Truax loan would be in excess of what the AHTF monies would earn if invested by the City.
11. A job fair was held on site and 16 current residents will be hired by the construction manager to work on the redevelopment.
12. Base rents will not change for any resident as a result of the remodeling.
13. In Phase II, and the potential Choice Neighborhoods Initiative grant, there will be opportunity for all of the Madison Third Sector not-for-profit organizations to suggest incorporation of their specific housing specialty into the mix.
14. Construction will begin in October 2010, bringing some of the \$10 million of construction activity to the northeast side yet this year.

We would encourage you to look over the draft AHTF language changes in advance of the September meeting.

If you have any questions about the substance of the potential Truax Park loan request, please contact Mark A. Olinger at 266-4635.

Thank you.