

**2010 STAFF REVIEW OF PROPOSALS FOR
HOUSING DEVELOPMENT RESERVE FUNDS**

1. **Project Name/Title:** Carling Housing Acquisition
2. **Agency Name:** Madison Development Corporation
3. **Requested Amount:** \$620,320 To be made up of a combination of HOME PI, HOME Match, and NSP funds
4. **Project Type:** x New or Continuing (Prior Year Level)

5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**

Goal 1, Affordable Housing Objective D: Rental Housing

6. **Product/Service Description:**

MDC proposes to acquire, and operate as an affordable housing project, a total of 15 units located at 2341-45 and 2309 -13 Carling Drive. MDC will be responsible for acquisition, minor renovation, and property management. The target population would be low to moderate income families and individuals, including some elderly residents who are currently in place.

4 of the units would be required to available to tenants at or below 50% of median income. MDC anticipates renting the other 10 of the units to very low income households.

7. **Anticipated Accomplishments (Numbers/Type/Outcome):**

33 tenants would be below 80% of median income. Of those 33 units, 6 would be considered HOME assisted and 27 would be CDBG assisted units.

8. **Staff Review:**

The properties are currently under threat of foreclosure. They were acquired and substantially rehabbed within the past 3 years but then the market fell out and the owner has been unable to sell. MDC, can acquire and with minimal rehab establish them as very affordable rental units. This project prevents a large block of units contiguous to Allied drive from actually falling into foreclosure. The project would expand the inventory of permanent affordable units operated by nonprofit agencies for lower income individuals and families.

MDC will acquire a total of 15 units. 1 unit will be acquired totally with MDC equity through the use of borrowed funds. 14 units will be acquired with a combination of HOME and NSP funding.

MDC 's proposal includes the return of \$101,000 of previously approved CDBG program income funds in return for the receipt of Federal HOME Funds which would be used toward the acquisition and some rehab costs. MDC is also seeking approval for the use State Neighborhood Stabilization Program (NSP) funds available through the CDBG Office to acquire some of the units.

5 of the units to be acquired with NSP funds are vacant, 2 of the units to be acquired with HOME funds are vacant and 7 of the units are occupied and would need to be rented to existing tenants in order to avoid relocation. It is anticipated that some of these households will meet the income restrictions which require that 20% of the individuals have income at or below 50% of the area's median income.

MDC must rent the 2 of the NSP units to households with \leq 50% AMI and the remaining 3 NSP units to households with less than 80% AMI. 2 of the 9 HOME assisted units must be rented to households at \leq 50% AMI. MDC will need to provide documentation that non-displacement letters were sent to all the occupied units of the properties.

The project pro-forma shows an overall management fee of 30%, which is higher than the standard 8 - 10% amount. These costs are due to the uncertain nature of managing a property in Allied Drive and are based on MDC's discussion with Project Home relative to PH's costs for their Allied Drive units. MDC has offered to have the City do a review at 3 and 5 and 10 years after acquisition to see if the fee is still warranted. If the large property management fee is no longer needed a Payment in Lieu of Taxes (PILOT) acceptable to the City will be negotiated at that time. Cash flow and any excess reserves accruable to the HOME or NSP assisted units could be considered program income and used for additional affordable housing units.

MDC is having an appraisal done and will be buying all the units at a discount.

Total Cost/Total Beneficiaries Equals:	\$662,320/15 units = \$44,154 per unit
CD Office Funds/CD-Eligible Beneficiaries Equals:	\$620,320/14 = 44,308 per household
CD Office Funds as Percentage of Total Budget:	\$620,320/662,320 = 94% total budget

9. Staff recommendation:

Approve \$210,645 of NSP for 5 units as a grant , Approve \$326,708 of HOME Program Income Funds for 7 units and \$82,967 of HOME Match funds for 2 units as both sources of HOME funds will be provided as a long term deferred loan. Require MDC to return \$101,000 of previously authorized 2010 CDBG Program income contract funds to the CDBG Office for re-programming for other purposes.

Require MDC to execute a 15 year Land Use Restriction on all 14 assisted units. Require that all 14 of the assisted units be designated as HOME assisted units and meet the HOME regulations during the period of affordability.

Require MDC to provide annual financial statements and to provide a cash flow analysis to the City at 3 and 5 and 10 years after acquisition to allow the City see if the large annual property management fee is still warranted. If, following it's review, the City deems that the property management fee is no longer needed a Payment in Lieu of Property Taxes (PILOT) acceptable to the City will be negotiated and MDC will begin making a PILOT to the City.

Technical and Regulatory Issues	Project information
Within unit, capital, mortgage limits	ok
Within Subsidy layering limits	Must be done
Environmental Review issues	ERR must be completed
Eligible project	Eligible
Conflict of interest	None reported
Church/State issues	Not applicable
Accessibility of program	Will need to comply
Accessibility of structure	NA – no substantial rehab
Lead-based paint issues	Will need to comply
Relocation/displacement	Will need to comply
Zoning restrictions	Will need to comply
Fair Labor Standards	Will not apply
Vulnerable populations	Will not apply
Matching Requirement	NA
Period of Affordability for HOME funds	Units will meet HOME Affordability requirements up to 15 years
Supplanting issues	None
Living wage issues	Will need to comply
B.A.D. building process	NA
MBE goal	NA
Aldermanic/neighborhood communication	Alder has expressed support
Management issues:	None