



Department of Planning and 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: Julie Spears, Community Development Specialist

Date: November 2, 2023

RE: Awarding up to \$11.3 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 375 units of new rental housing in Madison, 285 of which will be affordable, and authorizing the execution of related loan agreements

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. Since 2013, the City has been successful in utilizing these funds to leverage approximately \$240 million in equity generated from Low-Income Housing Tax Credits (LIHTCs), administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

To date, this Community Development Division (CDD)-administered program has supported the development of over 2300 units of rental housing, approximately 1800 of which are, or will be, available to households with incomes at or below 60% of the County Median Income (CMI), and have rents restricted at levels affordable to households at those income levels. To date, almost 1400 of these units have been completed and placed in service.

The City's 2024 Capital Budget, scheduled for adoption in November 2023, is expected to include \$20 million for the Affordable Housing Fund. In anticipation of that budget, CDD staff issued a Request for Proposals (RFP) in July 2023 soliciting applications for affordable rental housing developments that would utilize these funds to leverage primarily 2024 LIHTCs while also committing to a minimum 40-year period of affordability, significant energy efficiency, renewable energy and sustainability measures, and aligning with previously established City priorities, such as increasing the supply of units for households with incomes at or below 60% and permanent integrated supportive housing for individuals and families experiencing homelessness. This year's RFP also placed considerable emphasis and attention on alignment with updated Tenant Selection Plan Standards to further reduce existing barriers to accessing this critical resource.

Current Development Proposals

CDD received these five development proposals in response to the 2023 RFP:

1. Neighborhood House Apartments, submitted by Neighborhood House Community Center, Inc. in partnership with Alexander Company, Inc.
2. Ellis Potter Apartments, submitted by Horizon Development Group, Inc. in partnership with JW Realty & Investments.
3. University Park Commons II, submitted by JT Klein in partnership with DA Development and Lutheran Social Services of Wisconsin and Upper Michigan, Inc.

4. Yellowstone Apartments, submitted by MSP Real Estate, Inc.
5. Merchant Place Apartments, submitted by Northpointe Development II Corporation in partnership with Selassie Development.

An interdisciplinary City staff team reviewed the five development proposals against benchmarks outlined in the RFP.

Upon the conclusion of those reviews and further information supplied by development teams in response to staff team questions, staff recommends a total of \$11.3M of AHF funds be awarded to five proposals as summarized below and described in more detail in the attached table:

1. Up to \$1,985,000 to Neighborhood House Community Center, Inc., in partnership with Alexander Company, for Neighborhood House Apartments
2. Up to \$1,900,000 to Horizon Development Group, Inc. in partnership with JW Realty & Investments for Ellis Potter Apartments.
3. Up to \$2,120,000 to JT Klein, in partnership with DA Development and Lutheran Social Services of Wisconsin and Upper Michigan, Inc., for University Park Commons II.
4. Up to \$2,040,000 to MSP Real Estate, Inc. for Yellowstone Apartments.
5. Up to \$3,250,000 to Northpointe Development II Corporation, in partnership with Selassie Development, for Merchant Place Apartments

In total, these five projects propose to add approximately 375 units of rental housing, of which 285 would be income and rent-restricted for households with incomes at or below 60% of the CMI. Ninety (90) of the 285 affordable units will remain permanent affordability through a recorded Land Use Restriction Agreement (LURA).

Final authorization of City funding is contingent upon the developer demonstrating that it has (1) secured financing sufficient to complete the project, including an allocation of WHEDA LIHTCs; (2) received from the City all necessary land use and permit approvals; and (3) satisfied any other City requirements, including, but not limited to, providing acceptable documentation related to a Tenant Selection Plan and Affirmative Marketing Plan consistent with the Standards published in the RFP.

Staff Recommendation

Award up to \$11,295,000 in City Affordable Housing Funds to the five 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.