

**2012 STAFF REVIEW OF PROPOSALS FOR  
COMMUNITY/NEIGHBORHOOD DEVELOPMENT RESERVE FUNDS**  
(Housing Development Funds, Affordable Housing Trust Funds, Facility Acquisition/Rehab Funds, Futures Funds)

1. **Project Name/Title:** 2012 Rental Acquisition  
 2. **Agency Name:** Housing Initiatives, Inc.  
 3. **Requested Amount:** \$216,000  
 4. **Project Type:**  New or  Continuing  
 5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**

D: Rental Housing: Expand the number of affordable rental units and/or improve the quality and/or diversity of units available to lower income individuals throughout the community.

6. **Product/Service Description:**

Housing Initiatives (HII) proposes to purchase and rehabilitate a four (4) unit property with two 1-BR and two 2-BR units at 706 Pinecrest Drive to rent to people who have a chronic mental illness disability and are homeless. HII provides property management, secures rent subsidies for the tenants so the units are affordable, and ensures the tenants receive case management services.

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

Funds will be used for the acquisition and rehabilitation of four (4) units of affordable, rental housing in 2012 for people who are homeless and disabled through chronic mental illness. At least four (4) individuals are projected to be served in 2012.

8. **Staff Review:**

Housing Initiatives is an essential affordable rental housing development partner of the City of Madison. HII has been very successful in managing approximately 79 units of this type of housing and obtaining 106 federal Shelter + Care (S+C) slots to assist their clients with a rent subsidy reducing the tenant rent to 30% of their income. HII has a waiting list of over 100 people. Almost all of Housing Initiatives tenants have incomes below 30% Area Median Income. HII tenants who do not receive S+C assistance are assisted with Section 8 or Veterans Assistance (VASH) vouchers.

HII has an accepted Offer to Purchase of \$201,000 for 706 Pinecrest Dr., a vacant, bank-owned foreclosed property on the East side of Madison. HII estimates \$30,000 in rehabilitation is needed mostly for overgrown landscaping, updated appliances and other minor repairs to comply with the City's Minimum Housing Code. This project also meets the mayor's goal of converting multi-unit foreclosed properties.

Housing Initiatives was re-certified by the CDBG Office as a Community Housing Development Organization (CHDO) with experienced housing development staff in 2012. This project qualifies towards HUD's requirement that at least 15% of new HOME funds are used for CHDO development activities. As a 501(c)(3) tax-exempt organization, HII will apply to the City Assessor for tax-exempt status for this property, which is generally granted. This project will also be subject to an Environmental Review.

CDBG staff have analyzed the project development and operating budgets. The operating expenses for Housing Initiative's projects in general and including this project may be significantly higher than average though supportable. HII staff justify higher operating expenses (e.g., management fee, administrative staff, maintenance, etc.) for the following reasons: tenants have extremely high needs; are older or aging; tend to be home most of the time; are hard on the units, especially in terms of plumbing, smoking, and other factors related to the population served.

This project qualifies for the Scattered Site Fund, which allows service enriched housing in target areas to receive the CDBG/HOME base of up to \$54,000 per unit plus up to 30% of assessed value of the property for acquisition assistance. With an assessed value of \$230,800, this particular property would be eligible for up to \$69,240 in additional funding from the Scattered Site Fund. The staff analysis concluded that HII is able to support a higher level of debt than initially projected in the application. HII has indicated that they could obtain a WHEDA loan (3% for 30 years) for the \$139,241 balance which they can support with operating revenue. The project is eligible for up to \$285,000, but only needs \$139,100 in CDD funds to fill the gap. The City has \$30,041 in Scattered Site Funds and sufficient Reserve funds to provide a total of \$139,100 for this project.

Staff have evaluated and support this proposal in relation to the new FY2012 HOME requirements including adequate developer capacity, fiscal soundness, neighborhood market conditions and CHDO staff capacity.

**Total Cost/Total Beneficiaries Equals:** \$278,339/4 = \$69,585 per beneficiary  
**CD Office Funds/CD-Eligible Beneficiaries Equals:** \$139,100/4 = \$34,775 per unit  
**CD Office Funds as Percentage of Total Budget:** \$139,100/\$278,339= 50%

**9. Staff recommendation:**

Provide up to \$139,100 in Reserve and/or Scattered Site funds towards the acquisition and/or rehabilitation of 4 units of affordable rental housing at 706 Pinecrest Dr. under the terms of the 2011-2012 Program Funding Framework. Funds will be contingent upon Housing Initiatives obtaining a post-rehabilitation appraisal that supports a maximum of 115% secured loan to value ratio and sufficient financing to complete the project.

<b>Technical and Regulatory Issues</b>	<b>Project information</b>
Within unit, capital, mortgage limits	Yes
Within Subsidy layering limits/ analysis	Yes
Environmental Review issues	Review required. No issues anticipated.
Eligible project	Yes
Conflict of interest	No
Church/State issues	No
Accessibility of program	Yes
Accessibility of structure	1 <sup>st</sup> Floor units accessible
Lead-based paint issues	Pre-1978 building. Assessment required.
Relocation/displacement	No. Vacant Building.
Zoning restrictions	No. Existing property.
Fair Labor Standards	No
Vulnerable populations	Yes
Matching Requirement	25% of HOME Funds
Period of Affordability for HOME funds	15 years
Within Site and Neighborhood Standards	Yes
Supplanting issues	No
Living wage requirement	Yes
MBE goal	No
Aldermanic/neighborhood communication	Yes, Alder Palm expressed support.
Management issues:	No