

**2013 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:** Affordable house for low income families
2. **Agency Name:** 1 ST HOUSE LTD
3. **Requested Amount:** \$180,000
4. **Project Type:** New Continuing
5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:** Objective B: Housing for Buyers; Funds will be provided to develop affordable housing for eligible households to purchase.
6. **Product/Service Description:** New construction of three (3) owner occupied houses to be sold to low to moderate income families on Madison's East side.

Anticipated Accomplishments (Numbers/Type/Outcome): New construction of three (3) owner occupied houses to be sold to low to moderate income families. 1st HOUSE LTD goals are to meet the need for quality affordable housing, utilize housing as a platform for improving quality of life and build inclusive and sustainable communities free from discrimination.
7. **Staff Review:**
1st HOUSE LTD is a recently incorporated organization with the goal to construct owner occupied affordable housing units in the City of Madison that are financially feasible. At this time, 1st HOUSE LTD does not hold non-profit status and will not look at applying for non-profit status unless it is a condition of an approved funding commitment. The sole employee is the founding president who will be responsible for all contract obligations, construction management, marketing, accounting and risk management. There is no Board of Directors established for 1st HOUSE LTD. It has been recommended to 1st HOUSE LTD to make connections with other non-profit housing developers to inquire on housing development strategies and to connect with potential Board Members.

According to the submitted resume the president has a background in construction design; however, there is a lack of capacity in the development of housing and financial management. It would be staff's recommendation for 1st HOUSE LTD to identify a fiscal agent and a consultant who has experience in housing development. The goal of the program would be to target low income households to build a custom house for the families needs including high levels of accessibility. 1st HOUSE LTD will work with low income households to repair credit issues and educate them on lending practices. 1st HOUSE LTD is not a HUD approved financial counseling agency and it would be staff's recommendation that collaboration is formed with a financial education program to assist households for Home Buyer Education/Financial Literacy.

According to the proposed budget the total project development costs equal \$282,500 or \$94,200 per unit. The application does not acknowledge the source from which the gap in financing to purchase the three proposed lots will be provided. At this time 1st HOUSE LTD has been unable to obtain financing from a private lender to bridge the gap.

The estimated square footage for each home is 1100 square feet plus a garage which averages at 264 square foot for a total of 1364 sq feet and an appraised value after construction at \$135,000. The proposed budget estimates a construction cost at \$43.98/sq ft (total \$60,000 per unit). On average in the City of Madison a 2-3 bedroom single family home costs \$110/sq ft to construct. At this time, 1st HOUSE LTD does not have a general contractor in place or any agreements confirmed with area contractors to build at the proposed construction price. Once a subcontract is in place with a general contractor city staff would need to review to further evaluate construction quality.

The three proposed lots in this application are located on Madison's East side in McClellan Park Neighborhood Association. The average housing price in this area is \$119/sq foot with about 1,020 housing units of which 64.5% are owner-occupied. Public transportation in this area is sparse with the nearest bus stop approximately 2 miles away. The average length of time from this area to downtown Madison is 1 hour and 20 minutes. The development of housing targeted to low income households in this area would need to be further evaluated

under HUD CFR 92.202 Site and Neighborhood Standards. A recommendation would be made for 1st HOUSE LTD to find alternative properties that have adequate access to public transportation.

1st HOUSE LTD makes note in the application that all owner-occupied homes would remain affordable for 30 years. No housing plans have been developed by 1st HOUSE LTD to ensure affordability and resale restrictions with homeowners as part of Affordable Housing Trust Fund Ordinance. 1st HOUSE LTD will seek out legal counsel and assistance for proper real estate documentation if it is a condition of funding commitments but not prior. It is recommended that 1st HOUSE LTD collaborate with CDD staff to develop assistance options for homeowners who have resale restrictions in place on properties.

Total Cost/Total Beneficiaries Equals:	\$282,500/ 3 homes = \$94,166 per individual
CD Office Funds/CD-Eligible Beneficiaries Equals:	\$180,000/ 3 homes = \$60,000 per individual
CD Office Funds as Percentage of Total Budget:	63.7%

- 9. Staff recommendation:** The application lacks sufficient information to recommend funding at this time. The applicant was asked to submit the following information by June 10, 2013 which at this time has not been provided to staff.
- Identification of a fiscal agent
 - Identification of a consultant who has experience in housing development and who will assist in the development of this project
 - Evidence of collaboration with financial education program for home buyer education/financial literacy
 - Evidence of pre-approval status or funding available for financing gap
 - Evaluation of general contractor per HUD, state and city building code requirements for housing quality.
 - Identification of alternative locations for proposed housing with access to public transportation.

If awarded funding applicant would need to provide the following information:

- Evidence of Board of Directors
- Evidence of non-profit status (if awarded HUD funding)
- Evidence of legal documentation/housing plans for resale restrictions (if awarded AHTF funding)