

**2010 STAFF REVIEW OF PROPOSALS FOR  
COMMUNITY/NEIGHBORHOOD DEVELOPMENT RESERVE FUNDS  
(Housing Development Funds, Affordable Housing Trust Funds, Facility Acquisition/Rehab Funds, Futures  
Funds)**

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1. **Project Name/Title:** Burr Oaks Senior Housing
2. **Agency Name:** City of Madison Development Community Authority
3. **Requested Amount:** \$385,000
4. **Project Type:** New      X or      Continuing
5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**  
Expand the number of affordable housing rental units and/or improve the quality and/or diversity of units available to lower income individuals throughout the community.
6. **Product/Service Description:** Creation of 50 units of affordable senior housing on the southside of Madison.
7. **Anticipated Accomplishments (Numbers/Type/Outcome):**  
50 units of affordable senior housing, including 11 funded by CDBG
8. **Staff Review:**  
In 2007 a Market Study was done that included this property. The study determined that an initial phase of 48 mixed-income units with an additional 48 unit phase II upon completion and substantial lease-up of phase I. It noted that the success of any future senior development was contingent upon the reality of neighborhood revitalization and continued change in the Park Street corridor to allow current negative perceptions of the general area to be altered.

The CDBG Framework limits newly constructed projects to a development of a total of 16 units or fewer unless the development is part of a larger neighborhood revitalization effort. This project has a total of 50 units. It is staff's view that this project is a part of a larger neighborhood revitalization efforts that includes significant City, CDA and CDBG investments in the Villager, the Cyprus Spray Park, the Villager, the Urban League of Greater Madison, the Madison Public Library, a fire station, a police station and the south Madison Metro transfer point. Also \$3 million from the City has been allocated for the acquisition, demolition and relocation of the property in question. The Committee will need to waive the new construction limit since it meets the exception of being part of a larger neighborhood revitalization effort.

The CDBG Framework states "the program will work with non-profit community and neighborhood groups..." The City of Madison Community Development Authority is not within these target groups. We have made an exception in the past and assisted the CDA. The 2011-2012 Framework added the word "primarily" to the quoted language so for 2011 the language will read "The program will work with primarily the non-profit community and neighborhood groups....." allowing for funding to organizations like the CDA.

Information from the City Attorney's Office: CDA acquired legal title to the 7 properties making up the Burr Oaks Sr. Housing Project in February. Of those 7 properties, only the owners of 838 W. Badger Rd. (Badger Trust) have challenged CDA's authority to condemn the property. The other 6 property owners have missed the deadline to challenge the condemnation itself, although they may still challenge the amount of the compensation paid by CDA for the acquisition. Hence, only 838 W. Badger Rd. will be the subject of litigation challenging the CDA's acquisition of the property. Badger Trust's challenge to the condemnation is currently the subject of ongoing litigation in the Dane County Circuit Court. Both parties have submitted motions and briefs to the court. A final hearing on the challenge to the condemnation will occur on September 13-15. At that time, CDA should know if the February condemnation of 838 W. Badger Rd. will be upheld or found to be unlawful, and CDA will have a better idea of how to proceed on the project with respect to that property at that time. In the meantime, until a final decision is had on the merits of this challenge and all appellate opportunities and deadlines have passed, CDA will be prevented from commencing with the demolition of this property.

The applicant states that the tax credits were awarded to this project on June 18, 2010. The capital budget includes \$1,225,000 first mortgage, \$700,000 exchange funds and \$4,704,936 tax-credits in addition to the \$385,000 requested from CDBG. The project proposal includes 30 place based vouchers from the current inventory.

Horizon Management Services is co-developing the project with the CDA. Horizon will also be the property manager.

Information regarding the terms of the condemnation and the State Relocation Plan have been received. Staff will work with the CDA staff to ensure that federal requirements were met in addition to the State requirements.

The loan to value (LTV) after construction may not exceed 115%. Horizon states they will not get an after construction appraisal until much later in the process. Staff recommend including a contingency in the funding recommendation that the appraisal after construction LTV not exceed 115%.

The capital budget identifies \$126,500 in soft costs for HOME funds. This amounts to 33%. The CDBG limit is 15%. If funded, HOME eligible costs would need to be identified. The project manager is in agreement with this.

The capital budget contains \$92,500 for marketing. This is high. The project manager states they budgeted marketing a bit high to be conservative. They state they will be hiring a full time person to lease the property which costs \$42,500. \$35,000 will be used for general marketing including advertising, direct mail, brochures, grand opening celebration, leasing materials, signage, open house, gifts and food. The project budgeted an extra \$15,000 due to the location and additional outreach to get the non-vouchered households into this location.

If HOME funds were allocated, project would have a 10 year period of affordability for HOME restrictions. Funds would be provided in the form of a long-term deferred loan payable upon sale of the property, transfer or change in the use of the property. This would require rent and income restrictions after the 10 year period of affordability until the funds were repaid. Acceptance of the tax credits for this project requires the filing of a Land Use Restriction (LURA) for thirty (30) years so the applicant has not problem with this requirement.

**Total Cost/Total Beneficiaries Equals:** 7,014,936/50 units = \$140,298 per unit

**CD Office Funds/CD-Eligible Beneficiaries Equals:** \$385,000/11 units = \$35,000 per unit

**CD Office Funds as Percentage of Total Budget:** 5.5%

**Staff recommendation:**

Fund at the requested \$385,000 with \$343,835 in HOME and \$41,165 in HOME Match funds. Funding is contingent on a final decision on the merits of the Circuit Court condemnation challenge and when all appellate opportunities and deadlines have passed which allows the CDA to move forward on the project, compliance with relocation requirements, compliance with framework requirements regarding LTV.

<b>Technical and Regulatory Issues</b>	<b>Project information</b>
Within unit, capital, mortgage limits	Need additional info to determine LTV
Within Subsidy layering limits/ analysis	Yes
Environmental Review issues	TBD
Eligible project	Yes
Conflict of interest	No
Church/State issues	No
Accessibility of program	Yes
Accessibility of structure	Design will need to incorporate accessibility requirements
Lead-based paint issues	No
Relocation/displacement	TBD
Zoning restrictions	No
Fair Labor Standards	No. Less than 12 units
Vulnerable populations	No
Matching Requirement	Yes
Period of Affordability for HOME funds	10 years
Site and neighborhood Standards	TBD
Supplanting issues	No
Living wage issues	No
MBE goal	TBD before construction
Aldermanic/neighborhood communication	Supportive
Management issues:	None