



Department of Planning & Community & Economic Development

Community Development Division

Madison Municipal Building, Suite 225
215 Martin Luther King, Jr. Boulevard
P.O. Box 2627
Madison, Wisconsin 53701-2627
Phone: (608) 266-6520
Fax: (608) 261-9626
www.cityofmadison.com

**Child Care
Community Resources
Community Development Block Grant
Madison Senior Center**

November 20, 2014

To: CDBG Committee

From: Mary Charnitz, Community Development Division

RE: Authorization of Affordable Housing Initiative Funds

Background

In the summer of 2014, CDD worked with the Mayor's office to develop a new housing initiative that would expand, improve or maintain the supply of affordable housing for low-moderate income households. The mayor proposed \$4.25 million for this purpose in his 2015 Executive Capital Budget. Approximately \$3 million of these funds would be used for the development of affordable rental housing that would leverage low-income housing tax credits (LIHTC) administered by the Wisconsin Housing and Economic Development Authority (WHEDA). The stated goal would be to add approximately 150 affordable housing units per year. A commitment of City funds through a competitive process increases the likelihood that any will score high enough to be awarded tax credits through the WHEDA process.

In September of 2014, CDD issued a Request for Proposals (RFP) to solicit applications for affordable rental housing projects that would utilize this \$3 million to leverage 2015 LIHTC. The RFP noted that funding was contingent upon authorization in the 2015 capital budget

Current Request

In response to the RFP, the CDD received six applications, two of which were subsequently withdrawn. An interagency staff team reviewed the proposals against a set of benchmarks and selected three projects among which the available \$3 million would be distributed. See resolution #36185 for project information. If completed as proposed, these three projects would result in the addition of 334 units of affordable rental housing in the City of Madison.

The interagency staff team recommends that each of three projects be offered \$1 million. The amount recommended is lower than requested in each case and is based on a review of financial statements as well as the potential to reduce costs and/or obtain other financing. The staff team did not recommend funding for the fourth application due to its location and the strong possibility that it would not receive necessary land use approvals.

On November 11, 2014, the Common Council authorized \$4.25 million in the 2015 capital budget for affordable housing initiatives. Resolution# 36185 has been introduced to allocate \$3 million of these funds for three rental projects that have a strong possibility of being

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awarded LIHTC's. The award of these funds is contingent upon receipt of LIHTC. In the event less than three projects are awarded LIHTC, CDD will develop a plan for use of the remaining funds.

Staff Recommendation

Approve resolution #36185 authorizing the allocation of 2015 Affordable Housing Initiative capital fund to three projects as outlined in the resolution.