



Department of Planning & Community & Economic Development

Community Development Division

215 Martin Luther King Jr Blvd, Ste. 300

Mailing Address:

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

To: CDBG Committee
From: Maria Davila-Martinez, Community Development Specialist
Date: October 28, 2022
RE: 2022-2023 Housing Forward RFP (Financing for Homeownership Development, Programs, and Services)

Background

The City of Madison's 2023 Adopted Capital and Operating Budgets include approximately **\$1.3** million of Community Development Block Grant (CDBG) funds, approximately **\$1.5** million in HOME Investment Partnerships Program (HOME) funds, **\$2.6** million from the City's Affordable Housing Fund (AHF) for the purpose of supporting affordable homeownership development, programs, and services and **\$150,000** in other City funds for the purpose of supporting innovative homebuyer education programs. Additionally five lots were made available for purchase and development of affordable owner-occupied housing to be sold to income-qualified first-time homebuyers: two in Mosaic Ridge (2407 and 2421 Dunn's Marsh Terrace) and three in Owl Creek (4210 Owl Creek Drive, 5166-72 Great Gray Drive, and 5165-73 Great Gray Drive). The Community Development Division made these funds and lots available through the 2022-2023 "Housing Forward: Financing for Homeownership" Request for Proposals (RFP).

The City's Community Development Division posted the 2022-2023 RFP in August 2022 for the purpose of supporting affordable homeownership development and homeownership programs and services that assist existing and future City of Madison homeowners. Based on feedback received from multiple engagements, certain changes were implemented in this RFP including: increase in the per unit subsidy for development for up to \$150,000 per unit, removal of targeted geography requirement for housing development proposals, inclusion of Associates in Commercial Real Estate (ACRE) graduates as eligible applicants for housing development proposals, and expansion of homebuyer education program funding.

All applications received through this funding process proposed to advance the City's goals of increasing housing supply, access, and assistance to low-income individuals, historically disadvantaged populations, first-time homebuyers, and elderly residents in the City of Madison.

Housing Development Proposals

CDD received seven applications for housing development in responses to the 2022 RFP as follows:

1. Lease-Purchase Program (3 units) submitted by Common Wealth Development, Inc.
2. 1605 Fremont - New Construction (1 unit) submitted by Common Wealth Development, Inc.
3. Permanently Affordable Homeownership Development- Scattered Site (1 unit) submitted by Madison Community Area Land Trust with Kaba Baal, LLC and Wisconsin Partnership for Housing Development.

Four of the seven applications CDD received for housing development were in response to the five lots made available through the 2022 RFP for the purchase price of \$1 in exchange for the development of affordable owner occupied housing to be sold to income-qualified first-time homebuyers, and are as follows:

1. Permanently Affordable Homeownership Development - Mosaic Ridge (2 units) submitted by Madison Community Area Land Trust with Kaba Baal, LLC and Wisconsin Partnership for Housing Development.
2. Permanently Affordable Homeownership Development - Owl Creek (4 units) submitted by Madison Community Area Land Trust with Kaba Baal, LLC and Wisconsin Partnership for Housing Development.
3. Habitat for Humanity Home Building Program - Owl Creek (2 duplexes, 4 units total) submitted by Habitat for Humanity of Dane County, Inc.
4. Habitat for Humanity Home Building Program – Mosaic Ridge (2 units) submitted by Habitat for Humanity of Dane County, Inc.

Housing Services Proposals

CDD received seven applications for housing assistance in response to the 2022 RFP as follows:

1. Minor Home Repair Program submitted by Project Home, Inc.
2. South Madison Minor Home Repair Grant Program submitted by Project Home, Inc.
3. Major Home Repair & Rehabilitation Loan Program submitted by Project Home, Inc.
4. Mortgage Reduction Assistance Program submitted by Movin' Out, Inc.
5. Financial Literacy/Home Buyer Education- South Madison submitted by Movin' Out, Inc.
6. Maintenance Fund for Permanently Affordable Homes in Community Land Trust submitted by Madison Area Community Land Trust, Inc.
7. Minor Home Repair Program submitted by Habitat for Humanity of Dane County, Inc.
8. Homebuyer Mortgage Reduction Program submitted by Habitat for Humanity of Dane County, Inc.

Homebuyer Education Proposals

CDD received two applications for homebuyer education in response to the 2022 RFP as follows:

1. Financial Literacy/Home Buyer Education - South Madison submitted by Movin' Out, Inc.
2. Urban Empowerment Center: Financial & Homebuyer Education submitted by Urban League of Greater Madison, Inc.

A staff team reviewed the proposals against benchmarks outlined in the RFP, with all applications meeting the baseline and some applications responding to preferences identified in RFP.

Recommendations for fifteen proposals for a total award of up to \$4.03 million in AHF, CDBG, HOME, and City funds are summarized below:

- Allocate up to \$450,000 in City of Madison Affordable Housing Funds (AHF) to Common Wealth Development, Inc. for the acquisition and rehabilitation of three properties that will expand its lease-purchase program.
- Allocate up to \$150,000 in AHF funds to Common Wealth Development, Inc. for the construction of one owner-occupied single-family home at 1605 Fremont Avenue that will be sold through the lease-purchase program to an income-qualified first-time homebuyer.
- Allocate up to \$30,000 in federal Community Development Block Grant (CDBG) funds to Habitat for Humanity of Dane County, Inc. to support a minor home repair program for income-qualified homeowners.

- Allocate up to \$172,000 in federal HOME Investment Partnerships Program (HOME) funds to Habitat for Humanity of Dane County, Inc. to support the provision of down payment assistance to income-qualified first-time homebuyers.
- Allocate up to \$143,469 in CDBG funds to Madison Area Community Land Trust to support a maintenance fund for its homeowners through a minor home repair program.
- Allocate up to \$882,350 in HOME funds to Movin' Out, Inc. to support the provision of down payment assistance to income-qualified first-time homebuyers.
- Allocate up to \$50,000 in City levy funds to Movin' Out, Inc. to support a targeted and longer-term financial literacy and homebuyer education program for South Madison residents and Section 8 voucher holders.
- Allocate up to \$600,000 in CDBG funds to Project Home, Inc. to support a major home repair program for income-qualified homeowners.
- Allocate up to \$300,000 in CDBG funds to Project Home, Inc. to support a minor home repair program for income-qualified homeowners.
- Allocate up to \$150,000 in CDBG funds to Project Home, Inc. to support a targeted minor home repair grant program in South Madison.
- Allocate up to \$50,000 in City levy funds to Urban League of Greater Madison, Inc. to support its financial literacy and homebuyer education program for first-time homebuyers.
- Allocate up to \$150,000 in AHF funds to the Wisconsin Partnership for Housing Development, Inc. in collaboration with Madison Area Community Land Trust, Inc., for the acquisition and rehabilitation of one scattered site property into a permanently affordable owner-occupied home to be sold to an income-qualified homebuyer.
- Allocate up to \$300,000 in AHF funds to Wisconsin Partnership for Housing Development, Inc., in collaboration with Madison Area Community Land Trust, Inc., to support the development of two permanently affordable owner-occupied single-family homes to be sold to income-qualified first-time homebuyers. Community Development Division will collaborate with the current owner, the Community Development Authority (CDA), to sell two lots located at 2407 Dunn's Marsh Terrace and 2421 Dunn's Marsh Terrace in the Mosaic Ridge Development for \$1 each to Wisconsin Partnership for Housing Development, Inc.
- Allocate up to \$600,000 in AHF funds to Kaba Baal, LLC in collaboration with Madison Area Community Land Trust, Inc., to support the development of four permanently affordable owner-occupied homes to be sold to income-qualified first-time homebuyers in the Owl Creek neighborhood and authorize the current owner, the City of Madison, to sell the lot located at 5165-73 Great Gray Drive to Kaba Baal, LLC.
- Authorize the sale of two lots located at 4210 Owl Creek Drive / 5141 Horned Owl Drive and 5166-72 Great Gray Drive, owned by the City of Madison, in the Owl Creek neighborhood for \$1 each to Habitat for Humanity of Dane County, Inc. to support the development of four affordable owner-occupied homes to be sold to income-qualified first-time homebuyers. (Habitat for Humanity relies on its own financing and thus no additional City allocation is required).

In total these, fifteen proposals will support or benefit at least 400 low-to-moderate income individuals. Final authorization of City funding will be contingent upon submission of all due diligence documentation, underwriting, subsidy layering review, and other requirements dictated by funding source.

Staff Recommendation

Awarding up to \$ 1.65 million from the City's Affordable Housing Fund (AHF) to help finance the development of affordable housing to the projects identified above and up to \$ 1.25 million in Community Development Block Grant (CDBG) funds and up to \$ 1.1 million in HOME Investment Partnerships Program (HOME) funds to support seven housing services programs and up to \$ 100,000 in City levy to support two homebuyer education programs, and authorizing the sale of five lots as identified above, as the recommended outcome of a competitive Request for Proposals (RFP) process conducted by the Community Development Division; and authorizing the Mayor and City Clerk to enter into agreements with those agencies to implement the specified development and services projects.