

MEMORANDUM

TO: Common Council
FR: Joe Gromacki, TIF Coordinator
DATE: November 1, 2022

SUBJECT: TIF REPORT – WHPC Acquisitions LLC (Rise Apartments Project)

Project Description

WHPC Acquisitions LLC (“Developer”) proposes to construct a mixed-use project consisting of 245 affordable apartment units and 4,000 square feet of commercial space and 282 parking stalls (the “Project”) (see **Figure 1**). The Project is located at the former Gardner Bakery property at 3401 East Washington Avenue, within the boundary of a proposed Tax Incremental District (TID) #52 to be created in 2023.

The Project demonstrated a gap of approximately \$5,300,000, or the difference between total project cost of approximately \$74,600,000 and capital sources of approximately \$69,300,000. The estimated assessed value of the Project is \$24,926,000. Recommended TIF assistance of \$2,350,000 is at the maximum 55% amount allowed under TIF Policy (55% Gateway). The City of Madison Affordable Housing Fund (AHF) is simultaneously requesting Council authorization of \$2,950,000 AHF assistance for the project.



Figure 1

TIF Report

The following TIF Report is provided in compliance with Section 3.1 (8) of TIF Goals, Objectives and Process and Section 1 (9) of TIF Loan Underwriting Policy, adopted by the Common Council on February 25, 2014:

- (a) **Amount Requested:** \$2,350,000 (55% of TIF)
- (b) **Type of Project:** Redevelopment, Affordable Housing
- (c) **Analysis Method:** Gap Analysis
- (d) **Tax Credits:** \$31,302,000

(e) <u>Estimated Assessed Value and Tax Increments:</u>	
Approximate Project Cost	\$74,600,000
Estimated Assessed Value	\$24,926,000
Total Estimated Tax Increments	\$11,272,000

Average Annual Tax Increment	\$460,000
TIF Supportable at 50%	\$2,149,000

(f) **TID Condition:** The Project will require the creation of a new blighted-area TID 52 for an area encompassing East Washington and Stoughton Road. The \$5.3M project gap is 123% of the TIF generated by the Project. As there is limited anticipated value growth from other private development in the proposed TID 52 at present, it is financially prudent to limit TIF assistance to \$2,350,000, which represents the maximum 55% allowable under TIF Policy, thus providing financial cushion for market uncertainty and funds for public works improvements, if necessary and feasible, in future.

(g) TIF Policy Compliance

Developer Equity—Developer equity is approximately \$5,868,000 of deferred developer fee, \$2,930,000 from WHPC’s Capital Magnet Fund and \$31,302,000 of Low Income Housing Tax Credit equity from investors. Developer is providing a corporate guaranty for the Project. This amount exceeds TIF Policy that developer equity must be equal to or greater than the amount of TIF assistance.

(h) Other Applicable

- | | |
|---|---|
| 1) Quantity of living wage jobs created and/or retained. | N/A |
| 2) Quantity of affordable housing units and level of affordability. | Section F of TIF Policy Goal Statement (Figure 2). |

(i) Amount of TIF to Be Considered

TIF Eligible	\$2,149,000	50% of TIF
TIF Recommended	\$2,350,000	55% of TIF

(j) **Developer’s TIF Goals Statement**— TIF Policy requires that Developer provide a statement (See Figure 2) as to how the project addresses the following TIF Policy Goals:

- 1) Per Sections 1 and 3.4 of “TIF Goals, Objectives and Process”, how does the Project meet City and TID’s goals?
 - A) Grows the City’s property tax base
 - B) Fosters the creation and retention of family-supporting jobs
 - C) Encourages the re-use of obsolete or deteriorating property
 - D) Encourages urban in-fill projects that increase density consistent with the City’s Comprehensive Plan
 - E) Assists in the revitalization of historic, architecturally significant or deteriorated buildings or enhancement of historic districts.
 - F) Creates a range of housing types, specifically encouraging affordable housing
 - G) Funds public improvements that enhance development potential and improve City’s infrastructure
 - H) Promotes superior design, building materials and sustainability features
 - I) Reserves sufficient increment for public infrastructure in both TID Project Plan and TIF underwriting

(k) **TIF Policy Exceptions:** None.

(l) **Known Labor Agreement, Law Violations:** None indicated.

Staff Recommendation: TIF assistance in the amount of \$2,350,000 or 55% of TIF generated by the project.

Figure 2: Applicant's TIF Policy Goal Statement

Applicant TIF Policy Goal Statement | WHPC – Rise (3401 E Washington Ave.)

A. Growing the property tax base

The proposed municipal rent restricted valuation as stabilized is \$25,347,000 creating significant increment through a projected 245 affordable residential units.

B. Fostering the creation and retention of family-supporting jobs

Affordable housing at rents below market is an important economic driver. The proposed development will reduce rent burden on the tenants of the development, which leads to better outcomes in the community. The site is proximal to the urban core of the city and the I-90 corridor where a significant number of jobs exist. The development will be sited on the proposed bus rapid transit line which will give tenants access to reliable, clean, and fast transportation to commute to work. It is notable that the project is proximal to several key areas of economic opportunity including a medical clinic, a technical college, a public school, several parks, a public library, and a full-service grocery store.

It is also important to highlight that the proposed development is contemplating a development budget in excess of \$70 million. That investment will be realized by construction workers earning workforce wages in the community over the 18–24-month construction period.

C. Encouraging adaptive re-use of obsolete or deteriorating property

The Madison Bimbo Bakery facility has been closed since January of 2019. The proposed affordable housing redevelopment project will reinvigorate the deteriorating, blighted property back into a vibrant corner intersection on East Washington Avenue in the Hawthorne neighborhood and will serve as a catalyst for other ancillary developments.

D. Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City's Comprehensive Plan

The proposed development will increase housing density in a scale and approach that is sensitive to the neighborhood. The housing sited on the East Washington corridor will extend the city's vision for redevelopment in the area while increasing affordable housing options for the growing city.

E. Assisting in the revitalization of historic, architecturally significant, or deteriorated buildings, or enhancement of historic districts, especially landmarked and contributing buildings.

The existing property is vacant and abuts a local public elementary school. The proposed development will revitalize the property and forge a symbiotic relationship with the school, a clinic, and surrounding neighborhood residents and amenities.

The neighboring Hawthorne Elementary school has suffered a decrease in student population in recent years. The available funding for the school is tied to the population number with each pupil representing approximately \$13,815/year. The proposed development intends to include both two- and three-bedroom units which should be nicely suited to increasing enrollment at the school.

Historical Hawthorne Student Enrollment Figures – current population estimated (based on School CFO staff input)

	2012-2013	2013-2014	2015-2016	2016-2017	2017-2018	2018-2019	2021-2022
Enrollment	407	433	379	396	387	374	~325

F. Creating a range of housing types and specifically encouraging the development of workforce and affordable housing, especially housing that is for those earning much less than the area median income.

The proposed development will offer units ranging from 30% Area Median Income (AMI) up to 80% AMI. Tenants earning 30% or lower than Dane County AMI equates to \$34,590 for a four-person household and tenants earning 80% or lower than Dane County AMI equates to \$92,240 for a four-person household. This

type of income stratification will create a community providing very affordable rents and workforce housing options simultaneously.

It is important to highlight that this project is significant in scale and will not be able to introduce the desired affordability outcomes and the sound mitigation measures at \$5,000/unit but-for TIF. The project is entitled to a 20% developer fee under the WHEDA 4% Low Income Housing Program. The development team has sized the developer fee at 12% to introduce cost savings with 80% of the fee deferred into the future 15-year tax credit period. Tax credit investors would be hesitant to participate at lower developer fee levels as that line item in the budget serves as a safety valve for unforeseen cost overruns on the \$73 Million dollar project. It is also important to highlight that the proposed affordable housing development aligns with the adopted City of Madison TIF Policy as currently structured, and the development team is a non-profit with significant experience in the development of affordable housing and has the financial wherewithal to provide the required developer guarantee.

G. Funding public improvements that enhance development potential, improve the City's infrastructure, enhance transportation options, and improve the quality and livability of neighborhoods.

The proposed development aligns with the city's Capital Improvements Plan, adopted land use and transportation plans for infrastructure goals and needs of the City.

The project creates synergy with these defined projects in the 2021 City of Madison Capital Improvements Plan:

Project #17124 - Conservation Park Improvements: The development will provide a significant portion of the site as parklike green space converting the parcel from 100% hardscape into a softer, more sensitive environment. This green space will be developed and maintained by WHPC and available for use by the surrounding neighborhood.

Project #11685 – Stormwater Quality System Improvements: The project will conform to current standards for stormwater management which will greatly improve the condition of the vacant parcel by introducing significantly more green space vs. the 100% impervious surface that exists today.

Project #12758 – Urban Tree Initiatives: The project intends to install significant deciduous tree elements as part of the coordinated landscaping plan.

Project #17607 – Bus Rapid Transit: The project will be sited along the proposed route for the Bus Rapid Transit project connecting residents to this important City initiative.

Project #17110 – Affordable Housing Development Projects: This development aligns with the City's goals to increase affordable housing supply. It is important to note that this development does not contemplate relying on City Affordable Housing funds to produce the housing supply, thus reserving the funding for other projects and increasing the leverage of that subsidy.

It is also important to note that this project closely aligns with the Mayor's Housing Forward plan by increasing housing choice, creating affordable housing, and strengthening nonprofit partners. The production of approximately 245 units at the proposed site would generate units to meet up to about 20% of the stated goal to produce 1,250 new affordable housing units over the next five years while providing up to 52% of the rental units to households earning equal to or less than 50% of the area median income.

H. Promoting superior design, building materials, and sustainability features in the built environment

The project will be constructed to secure the Wisconsin Green Built Homes accreditation and will promote accessibility by implementing universal design standards such as automatic door openers and low-profile thresholds. The project will also gain energy efficiency ratings through Res-Check as required by WHEDA, the State Housing Finance Agency. Given its proximity to the airport, the project will include specific sound attenuation construction techniques including upgraded windows and enhanced insulation in exterior walls. Similarly, the project will be constructed adjacent to the proposed Fair Oaks/Wright St. bus rapid transit line along East Washington Avenue, which promotes sustainability through the use of public transportation.