



Department of Planning and Community & Economic Development

Community Development Division

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Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

To: CDBG Committee

From: Linette Rhodes, Community Development Supervisor

Date: November 2, 2023

RE: Approving an allocation of up to \$1,850,000 of additional Affordable Housing Funds to Wisconsin Housing Preservation Corporation (WHPC) for the Gardner Bakery Housing Redevelopment and St. John's Lutheran Church, in partnership with Urban Land Interests, for the St. John's Lutheran Church Housing Redevelopment.

Background

The Affordable Housing Fund (AHF) was first included in the City's 2015 Capital Budget as a new housing initiative that would expand, improve or preserve the supply of affordable housing primarily for Madison's lower-income rental households. Since 2013, the City has been successful in utilizing these funds to leverage approximately \$240 million in equity generated from Low-Income Housing Tax Credits (LIHTCs), administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

To date, this Community Development Division (CDD)-administered program has supported the development of over 2300 units of rental housing, approximately 1800 of which are, or will be, available to households with incomes at or below 60% of the County Median Income (CMI), and have rents restricted at levels deemed affordable to households at those income levels. To date, almost 1400 of these units have been completed and placed in service.

In 2022, the Common Council adopted RES-22-00823 (Legistar File #74454), which authorized up to \$2,950,000 of City Affordable Housing Fund (AHF) funds to Wisconsin Housing Preservation Corporation (WHPC), or an affiliate LLC, for the Gardner Bakery Housing Redevelopment, now known as Rise Apartments. The proposal will create 245 total units of new rental housing of which 161 would be affordable, designated for households with incomes at or below 30%, 50% or 60% of County Median Income, and with rents subject to limits established by federal guidelines. Additionally, the Resolution authorized up to \$3,500,000 of City Affordable Housing Fund (AHF) funds to St. John's Lutheran Church, in partnership with Urban Land Interests, or an affiliate LLC, for the St. John's Lutheran Church Redevelopment. That proposal will create 130 total units of new rental housing of which 110 would be designated for households with incomes at or below 30%, 50% or 60% of County Median Income with rents set through federal guidelines.

With this City support, the developers, were successful in securing WHEDA-administered Low Income Housing Tax Credits, and other financing. However, rising construction costs, interest rates and other factors have made it difficult for the developments to proceed within the timelines required by WHEDA. The provision of additional City support, and in the case of the St. John's Lutheran Church redevelopment, additional County support, will allow the developments to proceed.

Each award of City AHF support is made contingent upon a developer securing tax credits, as well as other needed financing. In the rare occurrence in which tax credits and/or other financing do not materialize, City funds are returned and remain available for future use. Last year, the third development proposal awarded AHF funds under RES-22-00823 was not awarded tax credits and was forced to return the \$2.5 million of AHF funds it had received. Thus, the City's adopted 2023 Capital Budget includes both new and carry-over funding authority for the AHF to support affordable housing developments. The returned funds are being used to support the awards recommended in this resolution.

Staff Recommendation

Award up to \$500,000 in additional City Affordable Housing Funds to Wisconsin Housing Preservation Corporation (WHPC), or an affiliate LLC, for the Gardner Bakery Housing Redevelopment, now known as Rise Apartments, bringing the total AHF loan to \$3,450,000. Loan terms will remain unchanged from the previously authorized resolution.

Award up to \$1,350,000 in additional City Affordable Housing Funds to St. John's Lutheran Church, in partnership with Urban Land Interests, or an affiliate LLC, for the St. John's Lutheran Church Housing Redevelopment, bringing the total AHF loan to \$4,850,000. In return, the developer agrees to incorporate Tenant Selection Plan Standards required in the 2023 AHF-TC RFP to this development. Loan terms will remain unchanged from the previously authorized resolution. This additional award of AHF will match a \$1.35 million supplemental County contribution approved as part of the County's 2024 Capital Budget.