

**2013 STAFF REVIEW OF PROPOSALS FOR
COMMUNITY/NEIGHBORHOOD DEVELOPMENT RESERVE FUNDS**
(Housing Development Funds, Affordable Housing Trust Funds, Facility Acquisition/Rehab Funds, Futures Funds)

-
1. **Project Name/Title:** OM House
 2. **Agency Name:** Occupy Madison, Inc. (OM)
 3. **Requested Amount:** \$275,000
 4. **Project Type:** ☒ New ☐ Continuing
 5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:** Expand the number of affordable housing rental units available to lower income individuals.
 6. **Product/Service Description:** Purchase and rehab an office building to be used as shared sleeping and living quarters for individuals who are homeless and office/service delivery space for OM and related organizations.
 7. **Anticipated Accomplishments (Numbers/Type/Outcome):** Creation of sleeping areas and shared living space for 20 individuals.
 8. **Staff Review:**
The current project specifics are different than what was proposed in the application. Plans are being developed daily and the project specifics changing rapidly.

Occupy Madison (OM) is a recently incorporated organization in process of applying for non-profit status. They hope to have non-profit status in 6 months – 2 years. They are hoping to have a fiscal agent soon which would be necessary to enter into an agreement with the City and to provide tax deductions for donations related to their fundraising efforts.

OM initially proposed to lease the property for 5-6 months and then purchase. Currently they are considering purchasing the property up front. They still need to negotiate a price. An appraisal will need to be completed. The appraisal will need to be sufficient to support a 115% loan to value.

The property is owned by Hmong Family Services, Inc who currently occupies the property. They have recently had a significant reduction in funding and need to sell the building. OM would need to rehab the facility. Recent estimates for rehab are \$75,000 (up from \$20,000 proposed in their application).

OM proposes to operate the facility as a mission house for members of Occupy Madison, Inc. Members are currently the group of individuals camped at Token Creek Park as well as volunteers. The property is currently zoned for a mission house requiring an administrative review of a site plan which OM has submitted. Occupants will share sleeping and living areas. Length of stay will vary depending on the needs of the occupants. They may proceed in the future with applying for a conditional use so they may operate the facility as permanent co-op housing.

The definition of a mission house requires that occupants live free of charge. The operating budget in the application proposes income from rent. During the time that OM operates the facility as a mission house they will need to fundraise the \$4,500/mo (or higher) needed to replace the proposed rent. The operating budget as proposed is very slim. It proposes only \$3,000/year for repairs. It does not include property taxes which OM would have to pay until they had non-profit status. It does not include a replacement reserve.

OM is proposing a self-governing model for operations of the facility. There is no budget for support services offered on site. Occupants will determine what services they need. There will not be a property manager but rather members will make operational decisions at weekly membership meetings. OM is considering having some decisions related to the building handled by the Board. Board members and officers will serve terms of 6 months.

In addition to providing sleeping areas, OM would maintain office/service delivery space for their organization and other related organizations. They may also provide spaces such as a computer lab, laundry facility and showers depending on the status of the day-shelter at the time they purchase and rehab the property. The property may also serve as a "safe house" for individuals who need temporary shelter in the middle of the night. They anticipate that due to their location and the services provided that foot traffic would be limited to 30-40 people per day.

The capital budget shows the need for \$63,000 in donations. This amount increases to \$118,000 due to rehab costs being higher than initially proposed. Approximately \$35,000 has been raised to date. The capital budget does not include any contingencies or reserves.

The project development group has very limited experience in housing development or management of affordable housing. The group does have experience in advocating for and supporting individuals who are homeless.

The CDBG Office is aware of neighbor concerns regarding developing this project on the proposed site. Ald. Rhodes-Conway is holding a neighborhood meeting to discuss this proposal on January 12. OM has recently met with non-profit agency neighbors to discuss their concerns. They are in process of developing a safety plan including a grievance procedure to address concerns.

The AHTF RFP identifies particular interest in projects that "reduce the number of individuals who are homeless due to a lack of affordable permanent housing options." This project does reduce the number of individuals who are homeless and if it develops from a mission house to co-op housing it would provide a permanent housing option. It conforms with the Emerson East-Eken Park Neighborhood Plan which seeks to "Encourage new multi-family, higher density housing units on major transportation corridors and appropriate underutilized sites." The plan does not address short term housing developments.

An environmental review would need to be done on this site.

Total Cost/Total Beneficiaries Equals:	\$413,000/20 indiv = \$20,650 per individual
CD Office Funds/CD-Eligible Beneficiaries Equals:	\$275,000/20 indiv = \$13,750 per individual
CD Office Funds as Percentage of Total Budget:	66.6%

- 9. Staff recommendation:** Table the application until the May CDBG Committee meeting. This will allow the agency to focus the project purpose and flesh out the related details. The applicant will need to submit the following information by April 5, 2013 in advance of the May CDBG Committee meeting:

- Identification of a fiscal agent
- Identification of a consultant (paid or volunteer) who has experience in housing development and who will assist in the development of this project
- Specific purpose of the project (i.e. short-term housing, transitional housing, office space, etc.)
- Operational plans (i.e., property and tenant management structure, rent &/or fees, etc.)
- Revised sources and use statement for capital and 30 year operating proforma
- Neighborhood and alder feedback incorporated into project plans
- Additional information as may be requested