

**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:** Mills Street Apartments
 2. **Agency Name:** Movin' Out Inc.
 3. **Requested Amount:** \$550,000 Rental Reserve Funds (including ~\$128K in 2012 HOME funds)
 \$375,000 AHTF Funds for a total of \$925,000

4. **Project Type:** New Continuing

5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**

D: Rental Housing: Expand the number of affordable rental units and/or improve the quality and/or diversity of units available to lower income individuals throughout the community.

6. **Product/Service Description:**

With Gorman & Co., Inc. as a co-developer, Movin' Out proposes to acquire and newly construct two residential buildings at Mills and Mound Streets at St. James Ct. with a total of 50 rental apartment units.

7. **Anticipated Accomplishments (Numbers/Type/Outcome):**

A total of 50 rental housing units will be created with 19 One-, 17 Two- and 14 Three-Bedroom units. Five (5) of the units will be targeted to households with <30% CMI. Forty-six (46) of the 50 units will have income targets at/below 60% AMI. At least 50 households will be served with approximately 150 individuals in the first year based on an average of 2.5 residents per unit.

8. **Staff Review:**

Movin' Out submitted applications for both Reserve Funds and Affordable Housing Trust Funds for a total of \$925,000. Meriter Hospital currently owns the properties at the proposed construction site and intends to sell them as part of their workforce housing redevelopment plan to the most attractive and viable project. Movin' Out and Gorman & Co. have submitted an application for an option on this site through an RFP process. Construction would begin in October 2013 with a planned completion date of October 2014.

Six buildings currently that exist at this site would be demolished. All but two buildings are vacant. One single-family and one duplex are currently occupied. Movin' Out's relocation plan and budget would assist tenants in any units eligible for relocation benefits. Movin' Out has experience in three previous projects with relocation and is confident in their ability to comply with state and federal relocation requirements.

Gorman will provide the property management services. As 50/50 co-developer and co-owner, Movin' Out will maintain ownership of half of the project including the 11 HOME-assisted units and 10 AHTF-assisted units at \$50,000 and \$37,500 subsidy per unit. With a total of 21 assisted units, this project meets the 2013-2014 Program Funding Framework maximum per unit subsidy limits of all CDD funds to \$60,000 per unit.

This project will leverage a substantial amount of additional funds. Movin' Out indicated if awarded tax credit equity of \$7.6M that they could obtain a favorable first mortgage loan of approximately \$2.4M at 6.6% plus the remaining funds needed to complete the project. Movin' Out is also in the process of obtaining a commitment from the CDA for four (4) Project Based Vouchers also known as "sticky vouchers" which will subsidize rents at 30% of household income. The CDA's commitment of this assistance requires the applicant having won a competitive award for funding, i.e., HOME, AHTF, etc.

This proposal meets the AHTF and City's goals of redevelopment, workforce housing, mixed-income affordable rental housing, and accessible housing for people with disabilities. The development is also consistent with the Greenbush-Vilas Neighborhood Revitalization Strategy (2010) specifically improving the housing stock and providing affordable housing opportunities.

If Movin' Out is recertified as a Community Housing Development Organization (CHDO) in 2013 (as anticipated), this project will qualify towards HUD's requirement to utilize a portion of the HOME funds for CHDO development activities.

Movin' Out staff met with Alder Ellingson about the proposed project. She has indicated tentative support for the project pending neighborhood meetings and input.

Movin' Out initially proposed a total of \$925,000 as follows:

- \$375,000 in AHTF as a short-term construction loan financing (approximately three years) at 2.75% interest with interest only payments beginning at closing.
- \$550,000 in HOME/HOME Match Funds loan with 0% interest deferred with shared appreciation, until sale or change in use (comprised of \$128,318 in HOME funds from their uncommitted 2012 Rental Development agreement and \$421,682 in new Reserve Funds).

HOME/HOME Match funds available were insufficient to fund the project under these terms. Staff worked with Movin' Out in an attempt to utilize AHTF funds and maximize the return to the City. Movin' Out revised their project budget based on those discussions resulting in a request to utilize \$128,318 in 2012 HOME/HOME Match and \$422,000 in AHTF funds for a total request of \$550,000. The terms of the AHTF RFP as published are an installment loan with terms amortized over 10 years with 2.75% interest. In order to meet WHEDA's Tax Credit financing and investor requirements, permanent debt must be structured for at least the first 15 years. In order for a tax credit application to receive points for the receipt of these loan funds, the interest rate must be below the variable annual federal rate (currently at 2.31%) which varies monthly and repayment must be after the project cash flows. With these terms, the applicant anticipates that the project will have cash flow sufficient to pay the AHTF loan after Year 1. However, a revised pro-forma needs to be submitted.

Total Cost/Total Beneficiaries Equals:	$\$10,576,833/50 = \$211,537$ per beneficiary unit
CD Office Funds/CD-Eligible Beneficiaries Equals:	$\$550,000/21 = \$50,000$ per unit
	$\$128,318/11 = \$11,665$ /per HOME unit
	$\$421,682/10 = \$42,168$ /per AHTF unit
CD Office Funds as Percentage of Total Budget:	$\$550,000/\$10,576,833 = 5.2\%$ Total CD Funds

9. Staff recommendation:

*Approve use of up to **\$128,318** in previously authorized 2012 HOME/HOME Match funds as a 0% long term deferred loan with shared appreciation according to the terms of the 2013-2014 Program Funding Framework and provide **\$421,682** in Affordable Housing Trust Fund funds as an installment loan for a total loan of \$550,000. The terms of the AHTF loan will be amortized over 16 years with interest below the variable annual federal rate and payable annually beginning one year after project completion contingent upon sufficient cash flow to support the project. In the event that the cash flow is insufficient to pay all or a portion of the annual payment, the balance of the payment due will be repaid at the end of the 16 year period. The Mills Street Apartments affordable rental housing project will produce a total of 50 units with 11 HOME-Assisted and 10 AHTF-Assisted units.*

Staff also recommend that the calculation of the applied interest rate (i.e. whether it be calculated on a monthly basis, annual basis, average basis...) be determined so that it maximizes efficiency and return to the City.

CDD funds will be contingent upon receipt of 2013 Low Income Housing Tax Credit Financing, obtaining site control, obtaining a post-construction appraisal supporting 115% secured loan to value ratio, an environmental assessment, CDD-approval of change in property management team, incorporation of neighborhood feedback and alder support.