



Department of Planning & Community & Economic Development

Community Development Division

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Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

Memo

To: CDBG Committee

From: Julie Spears, Grants Administrator

Date: 4/28/2015

Re: Contract Amendment for Common Wealth Development's Balsam Rd. Property

Common Wealth Development, Inc. (CWD) is seeking an amendment to the CWD Balsam Road Rental Housing Acquisition and Rehab contract. (See attached CWD letter.)

Background

In September 2014, Common Wealth Development, Inc. (CWD) and the City of Madison entered into a contract for \$439,029 in federal HOME funds for the acquisition and rehabilitation of eight units of affordable rental housing at 5726 Balsam Road as part of the 2013-14 funding process. CWD has since identified the need for a resident manager to provide a much needed on-site presence and related resident services. The change entails the following:

- Reducing the number of HOME-assisted units at 5726 Balsam Rd. from eight to seven units for the purpose of creating an unrestricted resident manager unit not subject to the regulations of the federal HOME funds. This resident manager position would provide a much needed on-site presence and related resident services for the purpose of stabilizing this property, CWD's other properties in the vicinity, and the neighborhood by extension;
- Investing an additional \$6,000 per unit based on increased costs to provide accessibility, lead based paint mitigation, and energy efficiency improvements; and
- Investing an additional \$2,718 per unit above the maximum investment of \$60,000 per unit for a total investment of \$62,718 per unit. Exceeding the maximum investment per unit requires a waiver of the 2013-2014 CD Program Goals and Objectives under which it was funded.

In 2012, Common Wealth Development, Inc. launched a strategic expansion of its affordable rental development activities in Southwest Madison. With support from the City of Madison's HOME program and backing from Monona State Bank, CWD began to acquire and rehabilitate several of the most challenged properties in the Meadowood Neighborhood (in the Balsam/Russet NRT). Thus far, CWD has acquired and rehabilitated 20 units of rental housing at or near the intersection of Balsam Rd. and Leland Dr. for low-income households. As part of a long-term strategy to stabilize the neighborhood, the Community Development Division has funded CWD to acquire and rehabilitate 12 additional units in the Balsam-Russett NRT area by the end of 2016 for a total portfolio of 32 units.

CWD uses a comprehensive community development approach to neighborhood revitalization and stabilization. CWD received 2014 Emerging Opportunities Program funds for the Southwest Transitional Employment Program (STEP) to connect unemployed and underemployed residents with employment opportunities. This innovative approach has a stabilizing effect not only on the households involved, but also on the neighborhood.

Staff Analysis

1. Reducing Number of HOME-assisted Units.

As CWD's rental development portfolio and neighborhood stabilization work on Madison's southwest side has progressed, utilizing a resident manager to provide an expanded on-site presence has become an increasingly attractive strategy. However, federal HOME funding contains a number of complex regulations (chiefly income limits and lease provisions) that makes utilizing a HOME unit for a resident manager problematic. If granted the requested contract change, the number of HOME-assisted units for this project would be reduced by one.

2. Increasing Amount of CDD Funds per Unit.

CWD's original 2014 award was for the maximum basic amount of \$54,000 per unit for a total of \$432,000. A one-time additional \$7,029 cost of living adjustment (COLA) was added to the 2014 budget. In order to maintain financial feasibility of the project which is nearing completion, the amount of funds awarded to the project would remain at \$439,029. This would result in the CDD providing a total of \$62,718 per unit for seven units. This triggers two additional levels of review:

1. Considering an investment up to \$60,000 per unit based on increased costs to provide accessibility, lead based paint mitigation, and energy efficiency improvements; and
2. Exceeding the maximum investment of \$60,000 per unit requires a waiver of the 2015-2016 CD Program Goals and Objectives.

The accessibility, lead based paint mitigation, and energy efficiency improvements, as demonstrated CWD's attached documentation, justify the increase in per unit award from \$54,000 to \$60,000. The request for a total investment of \$62,718 per unit also merits approval as it represents a worthwhile City investment toward stabilization of CWD's southwest portfolio and the Meadowood Neighborhood.

Staff Recommendation

Approve resolution authorizing an amendment to the CWD Balsam Road Rental Housing Acquisition and Rehab contract to reduce the number of HOME-assisted units from eight (8) to seven (7) for the purpose of creating an unrestricted resident manager unit. The resolution contains related authorizations to:

- Invest an additional \$6,000 per unit based on increased costs to provide accessibility, lead based paint mitigation, and energy efficiency improvements; and
- Invest an additional \$2,718 per unit above the maximum investment of \$60,000 per unit for a total investment of \$62,718 per unit thereby waiving the 2013-2014 CD Program Goals and Objectives under which it was funded.