



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: Mary Charnitz, Grants Administrator

Date: 10/26/2016

Re: Authorization of Affordable Housing Initiative Funds for 2017 Low-Income Housing Tax Credits

Background

In the summer of 2014, the Community Development Division (CDD) staff worked with the mayor's office to develop a new housing initiative that would expand, improve or maintain the supply of affordable housing for lower income households.

2015 was the first year the Affordable Housing Fund was included in the Capital Budget. Three million dollars was approved for the development of affordable rental housing that would use funds from the Affordable Housing Fund (AHF) to leverage low-income housing tax credits (LIHTC) administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

The City awarded the \$3 million to three projects through a competitive application process. All three projects were successful in securing 2015 LIHTC's and are currently under construction with completion targeted for 2017. These projects will create nearly 250 units of rental housing, about 200 of which will be affordable.

2016 was the second year the Capital Budget included funds for the AHF. AHF funds were again awarded to three projects. Again, all three projects received 2016 LIHTC's. These three projects are expected to add approximately 180 units of rental housing, about 150 of which will be affordable for a two year total of 350 units added to the inventory of affordable rental units. Project owners have revised their timelines to accommodate the adoption of a resolution that would waive the payment of park impact fees for these projects effective January 1, 2017. The elimination of park impact fees on affordable housing developments will reduce the upfront costs associated with these developments. It is anticipated that these projects will begin construction after the effective date of this waiver.

See the attached summary of Affordable Housing projects since inception.

Current Request

It is anticipated that the City's 2017 Capital Budget will also include \$3 million for the AHF. In anticipation of adoption of the Capital Budget in November, 2016 the Community Development Division staff issued a Request for Proposals in July 2016 soliciting applications for affordable rental housing projects that would utilize these funds to leverage 2017 LIHTC's.

In response to the RFP, the CDD received four applications. These included the following:

- Fair Oaks Apartments, submitted by Stone House Development, Inc.;
- Madison GrandFamily Housing, submitted by Gorman and Company, Inc. and Lutheran Social Services;
- Normandy Square, submitted by MSP Real Estate, Inc.;
- Salvation Army Campus, submitted by Commonwealth Development Corporation of America & Salvation Army.

The Salvation Army Campus application was withdrawn prior to the start of a review process.

A staff team reviewed the proposals against a set of benchmarks and recommended the allocation of \$3.15 million for the three projects, utilizing the \$3 million from the 2017 Capital Budget and \$150,000 from funds remaining from the 2016 Adopted Capital Budget.

During the initial review and recommendation process, the staff team recommended an award of \$850,000 for the Normandy Square project for families. Upon further review the site was determined to be a better choice for senior housing and the developer was offered the \$850,000 for such a project. Staff are in process of working with the developer to get updated information that shifts the programmatic and financial projections for a family project to a senior project. Staff will negotiate an amount of City financial commitment up to \$850,000.

Staff have also heard from Stone House that due to the City's allocation being lower than their request (request was \$1.7 million vs. recommended allocation of \$1.35 million) that they will have to lower the number of units to be constructed. Staff are in process of working with Stone House to get updated information to determine if the proposed reduction in units is merited.

A total of AHF funds of \$3.15 million are recommended as follows:

- Fair Oaks Apartments, up to \$1.3 million
- Madison GrandFamily Housing, up to \$950,000
- Normandy Square, up to \$850,000.

These three projects recommended for funding would add approximately 210 units of housing of which about 180 would be affordable. City authorization would be contingent upon a 2017 allocation of WHEDA LIHTC's and other contingencies as outlined in the authorizing resolution.

Staff Recommendation

Approve resolution file ID # 44932 authorizing the award of 2017 Capital Budget Affordable Housing Funds to three projects as identified above and as further outlined in the resolution.