

Memo



To: CDBG Committee Members
From: Julie Spears, Grants Administrator
Date: April 12, 2017
Re: Award of up to \$400,000 in HOME funds to Madison on Broadway Development

Movin' Out, Inc. (MOI) is seeking \$400,000 in CDD Housing Development Reserve Funds for the proposed Madison on Broadway development at 2230 Broadway on Madison's south side. If awarded, these funds would supplement the existing commitment of \$530,000 in 2015 Affordable Housing Funds (AHF) towards this project.

Background

MOI and its co-developer Mirus Partners have assembled \$10.6 million dollars in financing commitments to develop 48 units of affordable rental housing utilizing WHEDA Section 42 Tax Credits. The project, as proposed in 2015, included 36 units of rental housing above a first floor neighborhood center space and 12 townhouse units on the site of the existing neighborhood center. At the time the 2015 AHF award was offered, it was anticipated that tax increment financing could be utilized to finance a portion of the project, which also included redevelopment of the neighborhood center. Subsequently, it was determined that this financing strategy was not permissible creating a need to redesign the project. Simultaneously, the tax credit market experienced a downward adjustment which yielded reduced funding for the project. Meanwhile, construction costs have continued to rise sharply. Cumulatively, these events have created a \$400,000 financing gap which the developers are seeking to address with HOME funds.

The redesigned project, which proposes 48 units at one site, has total development costs of just over \$11 million dollars. The proposed project cannot move forward unless the gap can be filled. Furthermore, the project will lose its WHEDA's tax credit award, and therefore all other sources of financing, if the necessary funds are not secured by September 2017. The development team has exhausted all other possible resources.

Staff have analyzed the request and verified the project's need for additional funds. The project is able to meet the requirements of the federal HOME funds available in the CDD's Housing Development Reserve Funds. At \$23,250 per affordable unit ($\leq 60\%$ CMI), awarding additional funds would be consistent with other CDD awards for affordable rental housing development. Therefore, this request warrants approval as it represents a necessary investment of funds on a project to which the City is already committed and will help meet the goal of increasing the supply of affordable rental housing.

Additional background information and project details can be found in MOI's attached application for reserve funds, 2015 AHF application, and correspondence from PCED Director Natalie Erdman to Alder Sheri Carter dated December 7, 2016.

Staff Recommendation

Approve the resolution authorizing \$400,000 in Housing Development Reserve Funds to Movin' Out, Inc. and Mirus Partners for the proposed Madison on Broadway affordable housing development at 2230 Broadway. The terms and conditions of the federal HOME funds are outlined in the resolution.