

Memo



To: CDBG Committee Members
From: Linette Rhodes, Grants Administrator
Date: May 30, 2017
Re: Award of up to \$594,000 in HOME funds to Linden Cohousing, LLC

Linden Cohousing, LLC has requested \$648,000 in CDD Housing Development Reserve Funds for the proposed CohoMadison Cohousing Project at 2048-2100 Winnebago Street. If awarded, these funds would support the construction of 45 residential condominium units, with a mix of 1, 2 and 3 bedrooms units.

Background

In 2014, City of Madison Community Development Division (CDD) staff met with representatives of Schenk-Atwood-Starkweather-Yahara Neighborhood Association to discuss the possible development of Cohousing at Union Corners. CDD executed a contract with Design Coalition, Inc to research feasibility of such a project at Union Corners. The final results of Design Coalition study suggested that there was interest in City of Madison residents for new, mixed-income housing development in the area. Enrollment at community input sessions had a steady increase at the end of the reporting period. Due to the group decision making processes in typical Cohousing development and the scale of housing development residents identified the need to hire a project manager with development experience to continue to lead the project. CohoMadison Inc, a non-stock corporation made up of 44 members, was formed who then hired Greg Rosenberg to be the lead project manager.

CohoMadison, Inc negotiated with the developer at Union Corners but was unable to come to a final agreement on development terms. Another location in the area was identified and negotiations began with Accipiter Properties to re-developed 2048-2100 Winnebago Street. While CDD funds will be used to subsidize the development of affordable housing units the overall development project for the site is larger. The project will be 63,000-64,000 square feet and include; 45 residential condominiums, common areas, underground parking and artist studios. The first phase of the development project will also construct new space for the Madison Circus Space that currently occupies the area.

CohoMadison, Inc is looking to develop mixed-income units with subsidy provided to low-moderate income buyers to provide mortgage reduction/down payment financing at the time of closing. There has been limited development of condominiums in the Madison market due to the limitations of financing for new construction. CohoMadison, Inc has a group of mortgage lenders willing to work with potential clients but these lenders will only be able to offer portfolio mortgage products until the condo projects is "saleable" to mortgage holders like Fannie Mae. This causes a major barrier to low-moderate income buyers as a 20% down payment will be required for financing. The financing offered by CDD will eliminate that barrier if a household is eligible. Additional background information and project details can be found in Linden Cohousing, LLC's attached application for reserve funds.

Staff Recommendation

As submitted the application requests funding for twelve affordable units for low-moderate income buyers. CDD's Goals and Objectives limit the amount of subsidy to \$54,000 per unit (12 x \$54,000= \$648,000).

If HOME funds are used for the acquisition or construction of 12 or more "assisted units" Davis Bacon requirements will be imposed on the entire project. Reviewing the project's current construction budget, additional labor requirements like Davis Bacon would add approximately \$325,000 to construction costs. CohoMadison, Inc would not be able to finance those additional costs with their current debt structure.

Staff's recommendation is to approve a resolution authorizing eleven "assisted HOME units" for a total project subsidy of \$594,000 in HOME funds from CDD's Housing Development Reserve Fund. The terms and conditions associated with federal HOME funds are outlined in the resolution.

Staff also recommends waiving the maximum per unit subsidy of \$54,000. This restriction would result in an inability to adjust support to individual units in a way that will address gap financing at the time of sale. It could result in over-subsidizing some units to the detriment of others. Waiving the per unit requirement, but maintaining an aggregate maximum subsidy that includes up to \$54,000 per unit will allow flexibility to offer deeper levels of support for larger units.