



Department of Planning & Community & Economic Development

Community Development Division

30 W. Mifflin Street, 8th Floor
P.O. Box 2627
Madison, Wisconsin 53703
Phone: (608) 266-6520
Fax: (608) 261-9626
www.cityofmadison.com

Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

To: CDBG Committee

From: Mary Charnitz, Grants Administrator

Date: September 27, 2017

RE: Authorizing the allocation of \$4.35 million from the Affordable Housing Fund as a result of the City's 2017 Request for Proposals process and authorizing the execution of related loan agreements

Background

The Affordable Housing Fund (AHF) was first included in the City's 2015 Capital Budget as the result of a new housing initiative that would expand, improve or preserve the supply of affordable housing for Madison's lower-income households. Funding has continued in each subsequent Capital Budget. Annually, \$3 million has been designated for use in supporting the development of affordable rental housing by leveraging low-income housing tax credits (LIHTC) administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

After three years, the City has been successful in utilizing its Affordable Housing Initiative funds to leverage approximately \$60 million in LIHTC financing from WHEDA to support a total of 538 units of rental housing, 462 of which will be affordable. Attached is a detailed summary of AHF projects that have successfully secured LIHTC's since the Fund's inception, as well as the current recommendations for AHF funding. Page 2 of the summary chart references other City funded completed or proposed LIHTC projects for the period 2013-2017.

Current Request

It has been expected that the City's 2018 Capital Budget, scheduled for adoption in November 2017, will again include \$3 million for the AHF. In anticipation of that budget, CDD staff issued a Request for Proposals in May 2017 soliciting applications for affordable rental housing projects that would utilize these funds to leverage 2018 LIHTC's.

In response to the RFP, the following three applications were received:

- Fair Oaks Apartments, submitted by Stone House Development, Inc.;
- The Grove Apartments, submitted by MSP Real Estate, Inc.; and
- Metro Commons, submitted by JTKlein & DCHA (but later withdrawn)

A staff team reviewed the two remaining proposals against a set of benchmarks and recommended the allocation of a total of \$4.35 million, utilizing funds available in the 2018 Capital Budget and the AHF balance.

A total award of \$4.35 million in AHF funds is recommended as follows:

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- Fair Oaks Apartments, by Stone House Development, Inc. - up to \$1.35 million
- The Grove Apartments, MSP Real Estate, Inc. - up to \$3 million

In total, these two projects would add approximately 210 units of rental housing, of which about 175 would be affordable. Final authorization of City funding will be contingent upon an allocation of LIHTC's from WHEDA and other contingencies as outlined in the authorizing resolution.

Staff Recommendation

Authorize the allocation of \$4.35 million in City Affordable Housing Funds to two projects identified above and as further outlined in this resolution and authorize the Mayor and City Clerk to execute loan agreements associated with these affordable housing development projects.