

**2018 STAFF REVIEW OF PROPOSALS FOR
COMMUNITY/NEIGHBORHOOD DEVELOPMENT RESERVE FUNDS**
(Housing Development Funds, Affordable Housing Trust Funds, Facility Acquisition/Rehab Funds, Futures Funds)

1. **Project Name/Title:** Prairie Crossing Rental Housing Rehab
2. **Agency Name:** Project Home, Inc.
3. **Requested Amount:** \$355,000
4. **Project Type:** New Continuing
5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**
 - Objective 1.1 Housing Supply: Preserve, improve, and expand the supply of affordable housing for homeowners and renters.
 - CDBG National Objective: Benefit to Low and Moderate Income (LMI) Persons – Limited Clientele
6. **Product/Service Description:**

Project Home, Inc. (Project Home) proposes to use CDBG funds, in part, to complete a rehabilitation project on their 48-unit property, including a unit converted into a management office, at 2402-2446 Allied Drive, which consists of six buildings.

7. **Anticipated Accomplishments (Numbers/Type/Outcome):**

Forty-seven housing units will be preserved for occupancy by low to moderate income households in 2019. Twenty of these units have project-based vouchers that were renewed in January 2018 by the CDA of the City of Madison for an additional two years, which will continue to serve extremely low-income households while allowing Prairie Crossing to maintain a healthy cash flow. Project Home is also applying for AHP funds from the Federal Home Loan Bank of Chicago and a loan from Johnson Bank, which will provide funding for upgrades and improvements necessary to extend the useful life of these units and help to maintain their status as affordable rental units in this area of Madison.

Approximately two-thirds of Prairie Crossing's tenant households earn under 30% of the Area Median Income, and the project currently has 45 of its 48 units occupied. Over the course of 15 years, Project Home expects to serve 105 unduplicated low and moderate income individuals each year.

8. **Staff Review:**

Prairie Crossing currently serves several low-income families in Madison, and has received both HOME and CDBG funds from the City of Madison CDD in the past, which have helped to ensure that the majority of the units are leased to persons earning under 80% of the Area Median Income. Although construction is not expected to commence until 2019, Project Home has applied for federal CDBG funds at this time to make their application for \$705,000 in AHP funds more competitive. These AHP funds will be in the form of a grant and comprise approximately half of the development budget. As part of their application for AHP funds, Project Home is committing to restrict at least 60% of their units to households earning at or below 50% of the area median income for the next 15 years. Additionally, the project was rehabilitated in 2000 with Low-Income Housing Tax Credit equity, and the development still maintains the same income eligibility criteria for these units, with over half of its units restricted to households earning under 50% of the area median income.

The City of Madison Community Development Division has funded Prairie Crossing several times in the past, dating back to 1998. The City has provided HOME funds to Project Home for Prairie Crossing in the amount of \$385,000; two loans of CDBG funds in an amount totaling \$120,000; and a loan of HOME Match funds in the amount of \$365,000. The additional \$355,000 in CDBG funds would bring the loan-to-value ratio for the property to approximately 97%, using the property's 2007 appraised value.

Prairie Crossing serves a vital role in the Allied Drive area of Madison by serving a large number of low and moderate income persons through both the provision of stable housing and connecting individuals to resident services. According to Project Home, there have been no evictions at the property for over five years, due in part

to the high level of attention that Project Home's staff pays to each tenant household needing help with housing-related issues. Project Home's commitment to providing affordable rents and the lack of evictions have underscored this property's importance to homeless prevention efforts in the City of Madison.

Project Home commissioned a Capital Needs Assessment (CNA) of the property to identify what upgrades were necessary to maintain the useful life of the property and to evaluate the cost of making these repairs over time. The CNA highlighted approximately \$1.7 million in projected repair and maintenance expenses beyond what Project Home has been budgeting in its operating budget. The rehabilitation that Project Home will be undertaking if it receives the AHP grant and CDBG funds will address the majority of these upgrades called out in the CNA, including health and safety items, improvements to flooring, boiler replacements, and addressing common area maintenance items. To account for some of the future projected costs not addressed during construction, Project Home will set aside \$40,000 of the development budget to add to its replacement reserve account, which currently has a balance of approximately \$27,000.

The demand for affordable housing in City of Madison is a priority. Funding this project will ensure that these apartments will continue to be leased to primarily low and moderate income households and will provide these residents with a safe, quality, and affordable place to live.

According to Project Home's application, Alder Cheeks has expressed his support for the project and for Project Home's mission in the neighborhood.

Total Cost/Total Beneficiaries Equals:	$\$1,415,000/105 = \$13,476$ per beneficiary
CD Office Funds/CD-Eligible Beneficiaries Equals:	$\$355,000/105 = \$3,381$ per beneficiary
CD Office Funds as Percentage of Total Budget:	$\$355,000/\$1,415,000 = 25\%$

9. Staff Recommendation:

Staff recommendation is to provide up to \$355,000 in CDBG Reserve funds to Project Home for the rehabilitation of 47 units of affordable rental housing under the terms of the existing CDD Goals and Objectives. Funds will be contingent on Project Home obtaining a post-rehabilitation appraisal that supports a maximum 125% loan-to-value ratio, a commitment of sufficient permanent financing to complete the project, and related due diligence documentation.