



Department of Planning and Community & Economic Development

Community Development Division

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Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

To: CDBG Committee

From: Julie Spears, Community Development Specialist

Date: October 24, 2018

RE: Awarding up to \$4.82 million from the Affordable Housing Fund and \$2.28 million in federal HOME funds to support four development projects, as a result of the City's 2018 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, \$4.5 million has been designated for use in supporting the development of affordable rental housing by leveraging Low-Income Housing Tax Credits (LIHTCs) administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

After four years, the City has been successful in utilizing its Affordable Housing Initiative (AHI) funds to leverage approximately \$90 million in LIHTC financing from WHEDA to support the development of a total of 949 units of rental housing, 839 of which are or will be affordable to households earning at or below 60% of the County Median Income (CMI). Attached are the current recommendations for AHI funded developments.

Current Request

It is expected that the City's 2019 Capital Budget, scheduled for adoption in November 2018, will again include \$4.5 million for the AHF. In anticipation of that budget, CDD staff issued a Request for Proposals in May 2018 soliciting applications for affordable rental housing projects that would utilize these funds to leverage 2019 LIHTCs.

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

- Bayview Foundation Apartments, submitted by Bayview Foundation, Inc. & Horizon Development Group, Inc.;
- Packers Flats, submitted by Impact Seven, Inc. (*Withdrawn*);
- Red Caboose Apartments, submitted by Movin' Out, Inc. (*Withdrawn*);
- Schroeder Road Apartments, submitted by Stone House Development, Inc.;
- The Ace Apartments, submitted by Movin' Out, Inc. & Mirus Partners, Inc.;
- Valor on Washington, submitted by Gorman & Company, LLC.

A staff team reviewed the four remaining proposals against a set of benchmarks and recommended the allocation of a total of \$7.1 million, utilizing both AHF and HOME funds available in the 2019 Capital Budget, as well as the AHF balance.

A total award of \$7.1 million in AHF funds is recommended as follows:

- Bayview Foundation Apartments by Bayview Foundation, Inc. & Horizon Development Group, Inc. – up to \$2.9 million (\$1,910,000 from AHF and \$990,000 from HOME);
- Schroeder Road Apartments by Stone House Development, Inc. – up to \$1,850,000 from AHF;
- The Ace Apartments by Movin' Out, Inc. & Mirus Partners, Inc. – up to \$1.4 million (\$110,000 from AHF and \$1,290,000 from HOME);
- Valor on Washington by Gorman & Company, LLC – up to \$950,000 from AHF.

In total, these four projects would add 355 units of rental housing, of which 310 would be affordable. Final authorization of City funding will be contingent upon an allocation of LIHTCs from WHEDA and other contingencies as outlined in the authorizing resolution.

Staff Recommendation

Award a total of \$7.1 million in City Affordable Housing Funds (\$4.82M) and HOME funds (\$2.28M) to four 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.