



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: September 30, 2019

RE: Awarding up to \$3.225 million from the Affordable Housing Fund and \$900,000 in federal HOME funds to support three affordable housing development projects, as a result of the City's 2019 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 at \$4.5 million annually to support the development of affordable rental housing primarily by leveraging Low-Income Housing Tax Credits (LIHTCs) administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

Over the past five years, the City has been successful in utilizing these funds to leverage approximately \$130 million in LIHTC financing from WHEDA to support the development of a total of 1246 units of rental housing, 1091 of which are or will be available households with incomes at or below 60% of the County Median Income (CMI).

It is expected that the City's 2020 Capital Budget, scheduled for adoption in November 2019, will include \$5 million for the Affordable Housing Fund. In anticipation of that budget, CDD staff issued a Request for Proposals (RFP) in May 2019 soliciting applications for affordable rental housing developments that would utilize these funds to leverage 2020 LIHTCs.

Current Development Proposals

The following four applications were received in response to the 2019 RFP:

1. Elderberry Place Apartments, submitted by Age Better, Inc. and Gorman & Company
2. 1212 Huxley Street Apartments, submitted by MSP Real Estate, Inc.
3. Red Caboose Apartments, submitted by Movin' Out, Inc.
4. TSA Mifflin Street Apartments, submitted by The Salvation Army

A staff team reviewed the four development proposals received against benchmarks outlined in the RFP. Utilizing both AHF and HOME funds available in the Community Development Division's 2020 anticipated budget to be approved in November, recommendations for three of the four proposals for a total award of \$4.125M funds are summarized below and attached in greater detail:

1. Up to \$1.4M (of AHF funds) to Age Better, Inc. and Gorman & Company, LLC or an affiliate LLC for Elderberry Place Apartments
2. Up to \$1.7M (of AHF funds) to MSP Real Estate, Inc., or an affiliate LLC for 1212 Huxley Street Apartments

3. Up to \$1.025M (\$125,000 of AHF funds and \$900,000 of HOME funds) to Movin' Out, Inc., or an affiliate LLC for Red Caboose Apartments

In total, these three projects would add 236 units of rental housing, of which 199 would be available to households with incomes at or below 60% of the CMI. Final authorization of City funding will be contingent upon an allocation of LIHTCs from WHEDA and other contingencies as outlined in the authorizing resolution.

Due to the complex nature of the Salvation Army's proposed campus redevelopment, staff will be considering the potential commitment of funds to their housing proposal under a separate resolution with presentation anticipated at the November 7th CDBG Committee meeting. The Land Use Application for the Salvation Army redevelopment, along with the other proposals, will be under consideration by the Plan and Urban Design Commissions beginning in October.

Staff Recommendation

Award a total of \$4.125 million in City Affordable Housing Funds (\$3.225M) and HOME funds (\$900,000) to three 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.