

**2020 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:** CWD Rental Hsg 5802 Raymond Rd

2. **Agency Name:** Common Wealth Development

3. **Requested Amount:** \$1,045,000

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.

6. **Product/Service Description:**

Common Wealth Development (CWD) proposes to use HOME funds, in part, to construct an 11-unit apartment building on the site located at 5802 Raymond Road. This project would increase the number of units that Common Wealth Development owns and manages on the City's southwest side to 46 units.

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

Eleven housing units will be developed for occupancy by low- and moderate-income households. All of these units will be designated as HOME units, and will be income-restricted to households earning no more than 80% of the Area Median Income. CWD is also contemplating the use of conventional debt and providing some of its own equity to finance the remainder of the development. This capital stack will help finance the construction of affordable housing and office space in a corridor on Madison's southwest side in which CWD has been gradually investing over the past several years.

Within CWD's full portfolio of 146 housing units, nearly all units are rented to households earning at or below 80% of the Area Median Income. After lease-up is complete, CWD expects to serve up to 41 individuals among 11 households in studio, one-, two-, and three-bedroom units, with two units on the ground floor being fully accessible.

8. **Staff Review:**

CWD currently serves numerous low-income households in both the Williamson-Marquette and Meadowood neighborhoods, and this development will help CWD expand and stabilize its portfolio of units under management in this targeted area of the City. The site is currently vacant, and CWD's proposal will add much needed housing units to Madison's limited housing market, while also improving the use of the site. CWD has already completed an environmental assessment of the property, which found no significant environmental conditions of concern, and has identified mitigation strategies should any arise. CWD intends to construct a new 11-unit structure using federal HOME Investment Partnerships Program funds and its own equity to ensure that new and existing residents of the Meadowood neighborhood can remain in this location without the threat of rising rents. In using federal HOME funds to help complete this development, CWD will designate all eleven units in this building as HOME units. At least three units will be designated as Low HOME units, restricted to households with incomes not exceeding 50% of the Area Median Income. The remaining eight units will be designated as High HOME units, with at least seven units restricted to households earning at or below 60% of the Area Median Income and no more than one unit restricted to a household earning at or below 80% of the Area Median Income. A market study completed by CWD and reviewed by City staff shows that there is substantial unmet demand for income-restricted housing in the area surrounding the proposed site.

There are still some outstanding items, as required by the HOME program, that need to be submitted and addressed before staff can move forward with this proposal. An after-construction rent-restricted appraisal will also be due to City staff to determine the value of the property for purposes of the City's loan.

In addition to submitting the aforementioned due diligence documentation, CWD is also requesting a waiver of the CDD housing subsidy limit of \$90,000 per unit of affordable housing. The proposal requests a total of

\$1,045,000 in federal HOME funds, which equates to \$95,000 per unit of affordable housing. Given the need for quality and stable affordable housing in this neighborhood, along with CWD's strong track record of providing services to hundreds of Madison's low- and moderate-income population as a Community Housing Development Organization (CHDO), City staff recommend a one-time waiver of this limit in order to help CWD attain its critical mass of units in the Meadowood neighborhood.

CWD has shown that this project is ready to move forward. The development team has demonstrated a high willingness to work with residents in the surrounding neighborhood by incorporating their feedback into their design, and this is evidenced by the number of neighborhood meetings held by CWD with the neighborhood association and its leadership councils. CWD has already gone before the City's Plan Commission, and received necessary approvals to move forward. As a result of CWD's responsiveness to City goals and priorities, and its demonstrated willingness to work with the neighborhood and with CDD staff in refining its proposal, CDD staff is comfortable with moving forward with this proposal.

If awarded HOME funds, and if the developer is able to secure all other necessary permanent financing to complete the project, the proposed development will increase the number of units of housing CWD is able to provide to low-income households to 146 across its portfolio. The demand for affordable housing in City of Madison is a priority. Funding this project will ensure that these apartments will be leased to primarily low- and moderate-income households and will provide these residents with a safe, quality, and affordable place to live.

Total Cost/Total Beneficiaries Equals:	$\$2,440,376/41 = \$59,521$ per beneficiary
CD Office Funds/CD-Eligible Beneficiaries Equals:	$\$1,045,000/41 = \$25,488$ per beneficiary
CD Office Funds as Percentage of Total Budget:	$\$1,045,000/\$2,440,376 = 43\%$

Staff Recommendation:

9. Staff recommendation is to provide up to \$1,045,000 in federal HOME funds to Common Wealth Development for the construction of 11 units of rental housing under the terms of the existing CDD Goals and Objectives and the most recently published RFP. Funds will be contingent on CWD 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.