

Discussion of City Financial Support for 4% Tax Credit and Other WHEDA Funded Housing – v2

PREPARED BY THE CITY OF MADISON DEPARTMENT OF PLANNING, COMMUNITY &
ECONOMIC DEVELOPMENT

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Area Median Income

Household Size	30%	50%	60%	80%	100%
1	\$21,050	\$35,050	\$42,060	\$54,850	\$70,100
2	\$24,050	\$40,050	\$48,060	\$62,800	\$80,100
3	\$27,050	\$45,050	\$54,060	\$70,650	\$90,100
4	\$30,050	\$50,050	\$60,060	\$78,500	\$100,100

WHEDA Rent Limits

Size	30%	50%	60%	80%	100%
Efficiency	\$525	\$876	\$1,051	\$1,402	\$1,716
1	\$563	\$938	\$1,126	\$1,502	\$1,839
2	\$675	\$1,126	\$1,351	\$1,802	\$2,208
3	\$781	\$1,301	\$1,562	\$2,083	\$2,551

Geography Comparison

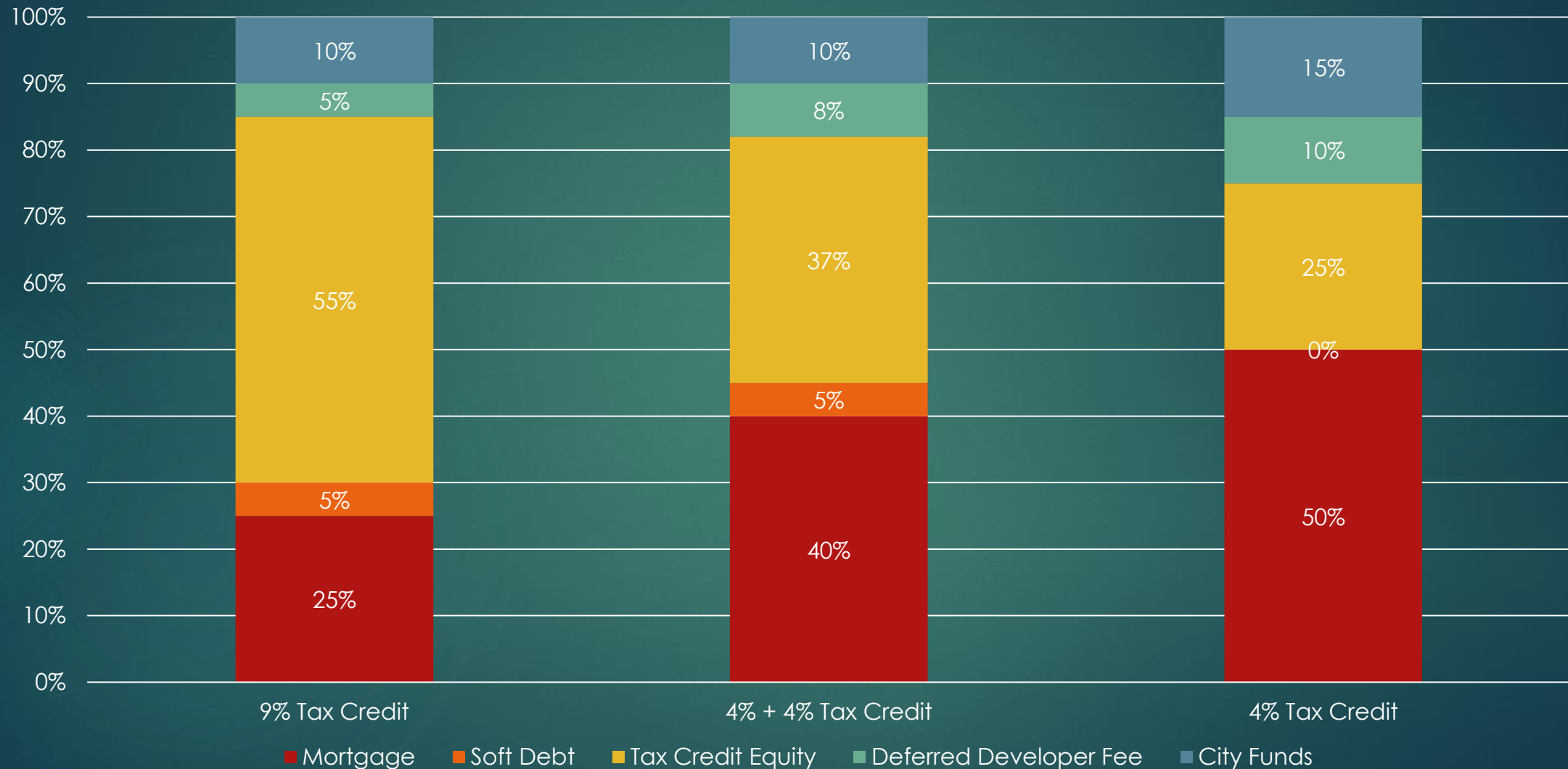
- ▶ Downtown
 - ▶ Land Cost \$\$\$
 - ▶ Steel & Concrete Construction w/ structured parking \$\$\$
- ▶ Transit/Commercial Corridors
 - ▶ Land Cost \$\$
 - ▶ 4-5 Story Stick Built w/ underground parking \$\$
- ▶ Edge of City
 - ▶ Land Cost \$
 - ▶ 2-4 Story Stick Built w/ combination underground/surface parking \$

Geography Comparison

	Downtown	Transit/Commercial Corridor	Edge of City
Land	\$ 3,000,000	\$ 2,000,000	\$ 1,000,000
Construction	\$ 20,000,000	\$ 15,000,000	\$ 13,000,000
Parking	\$ 2,000,000	\$ 1,000,000	\$ 500,000
Soft Cost	\$ 6,000,000	\$ 5,500,000	\$ 5,000,000
Total	\$ 31,000,000	\$ 23,500,000	\$ 19,500,000

*Assume a 100 unit 4% Tax Credit development

Capital Structure



Challenges

▶ Shallow Subsidy

- ▶ Cannot reach 30-50% AMI households
- ▶ Needs deep City subsidy if located on expensive site

▶ Property Value

- ▶ 7/10 building **might** generate enough tax increment to cover its gap
- ▶ 4% tax credit building **will not** generate enough tax increment to cover its gap

Key Decisions

- ▶ Should we explore City Financial Support for non-competitive (4% Tax Credit & 7/10) financed development in situations such as:
 - ▶ On a planned BRT route
 - ▶ Part of a larger mixed income phased development
 - ▶ Developer is not experienced in 9% tax credit development
 - ▶ Project is not a good fit for the 9% tax credit program
 - ▶ In a TIF District
 - ▶ On City-owned land

Key Decisions

- ▶ Are 80% AMI Units Sufficient? Are 60% AMI Units Sufficient?
 - ▶ At a relatively high cost per unit
- ▶ Where should the subsidy come from beyond increment generated by the project?
 - ▶ Allow for tax increment from market rate phases to be applied to affordable housing (with a guarantee)
 - ▶ Donor TIF
 - ▶ AHF Reserves (if available)
 - ▶ GO Debt
- ▶ Should we modify TIF underwriting standards for affordable housing?
 - ▶ Allow for the higher developer fees that are the norm in WHEDA funded developments