



Legislation Text

File #: 83201, Version: 1

Fiscal Note

The proposed resolution authorizes assignment and assumption of Affordable Housing Fund loans originally made to Heartland Housing, Inc. to Cinnaire Solution Corporation, or an affiliate LLC, in order to support the preservation of affordable housing at 715 Rethke Ave and 7933 Tree Ln. No additional City appropriation is required.

The original loan amounts to Heartland Housing, Inc. were authorized via three resolutions in 2015-2016: RES-15-00180 (Legistar file 37626), RES-15-00532 (Legistar file 38694), and RES-16-00064 (Legistar file 41200).

Title

Authorizing an assignment and assumption of the City of Madison Affordable Housing Fund loans, made by the City to Heartland Housing, Inc. to help finance affordable housing developments at 715 Rethke Avenue and 7933 Tree Lane, to Cinnaire Solutions Corporation, or an affiliate LLC. (District 9 & District 12)

Body

WHEREAS, the City of Madison, in the early years of its Affordable Housing Initiative, helped bring about the development of two permanent supportive housing properties (the "Properties"), the first at 715 Rethke Avenue, which provided 60 studio apartments for single adults experiencing homelessness, and the second at 7933 Tree Lane, which included 45 two-, three- and four-bedroom apartments for families with homeless experience; and,

WHEREAS, development of the Properties was undertaken by Heartland Housing Inc., a Chicago-based non-profit agency with demonstrated experience in such developments, which was selected by the City following competitive Request for Qualifications processes; and,

WHEREAS, in March 2015, the Madison Common Council authorized a deferred payment loan of \$1.15 Million to Heartland Housing, Inc. to assist in the development of 60 units of affordable housing at 715 Rethke Avenue, secured by a recorded Collateral Assignment and Promissory Note; and,

WHEREAS, in January 2016, the Common Council authorized a separate deferred payment loan of \$1.5 Million to Heartland Housing, Inc. to assist in the development of 45 units of affordable housing at 7933 Tree Lane, secured by a recorded Collateral Assignment and Promissory Note; and,

WHEREAS, the Properties were further supported through financial support from Dane County; through the allocation of Federal Low-Income Housing Tax Credits from the Wisconsin Housing and Economic Development Authority; through the assignment of 54 project-based Section 8 housing vouchers to the Rethke property, and 40 project-based Section 8 housing vouchers to the Tree Lane property, split equally between the Madison Community Development Authority and the Dane County Housing Authority; and through the provision of ongoing financial assistance from the City and Dane County to help pay for on-site support services; and,

WHEREAS, despite this financial support, as well as other forms of sustained support from City staff and others in the community, persistent deficiencies in property and financial management practices plagued both properties and created very difficult conditions for tenants as well as for neighboring residents and property owners; and,

WHEREAS, in the spring of 2023, Heartland Housing Inc. notified the City it was on the brink of insolvency and intended to relinquish its control of the Properties, as well as other properties it operated in Milwaukee and Chicago; and,

WHEREAS, in June of that year, a Dane County judge placed the Properties under the control of a Receiver with instructions to improve the living conditions at the Properties and find a replacement for Heartland Housing Inc. to operate them; and,

WHEREAS, in December, the Receiver advised the judge that attempts to find a replacement for Heartland Housing Inc. had proven unsuccessful and that funds available to operate the Properties were nearly depleted, and sought permission to list the Properties for sale; and,

WHEREAS, the judge approved the Receiver's request, adding that any sale be subject to approval by the City, Dane County and WHEDA; and

WHEREAS, after reviewing purchase proposals received by the Receiver, City, County and WHEDA staff concluded that the proposal put forth by Cinnaire Solutions Corporation, a non-profit housing developer with offices in Madison, most closely aligned with their stated goals of preserving long-term affordability at the Properties, ensuring the retention of some units to support households experiencing or at risk of homelessness, and protecting the interests of existing and future tenants; and,

WHEREAS, Cinnaire Solutions Corporation has made an offer to acquire and rehabilitate the Properties at a combined total cost of approximately \$7.5 million and, through negotiations with the City, agrees to assume responsibility for the outstanding secured loans made by the City to Heartland Housing Inc. to support development of the Properties, and to honor the existing requirements to maintain current affordability that are set forth in the Land Use Restriction Agreements for the Low-Income Housing Tax Credits.

NOW, THEREFORE, BE IT RESOLVED, that the Common Council authorizes the secured debt of \$1.15 Million associated with the property at 715 Rethke Avenue, and \$1.5 Million associated with the property at 7933 Tree Lane, to be assigned to and assumed by Cinnaire Solutions Corporation, or an affiliate LLC, to support the preservation of affordable housing at those locations; and,

BE IT FURTHER RESOLVED, that the Council authorizes the Mayor and City Clerk, on behalf of the City, to execute, deliver, publish, file and record such other documents, instruments, notices and records, and take such other actions as shall be deemed necessary or desirable to accomplish the purpose of this Resolution, in a form or forms approved by the City Attorney.