



Legislation Text

File #: 32590, **Version:** 4

Fiscal Note

Sufficient Federal Housing Development funds of up to \$500,000 are available for this project within the Community Development Division's Housing Development Reserve Fund, which was authorized as part of the CD Division's 2014 Adopted Operating budget. The Resolution also proposes the expenditure of up to \$295,000 from the Affordable Housing Trust Fund (AHTF). The current estimated balance of the AHTF is \$3.09M. The 2014 adopted City operating budget authorized no expenditure from the AHTF, so a budget amendment is required. The expenditure of \$295,000 will come from account #SO31-57700 (Affordable Housing Trust Fund loan expense). The use of these funds will have no impact on the local levy.

Title

SECOND SUBSTITUTE Authorizing the Mayor and City Clerk to execute a loan agreement with Lutheran Social Services of Wisconsin and Upper Michigan, Inc. or an affiliate legal entity, for up to ~~\$795,000~~ \$500,000 in Housing Development Reserve funds and up to \$295,000 in Affordable Housing Trust Funds for the development of multi-family affordable rental housing at the Tennyson Lane site and amending the budget of the Affordable Housing Trust Fund to authorize the expenditure. The loans will partially finance the development of 72 units of multi-family rental housing.

Body

Lutheran Social Services of Wisconsin and Upper Michigan, Inc. (LSS) is a non-profit affordable housing developer with more than 130 years of experience. LSS has proposed to construct 72 units of mixed affordable housing located at the NEC of Tennyson and Eliot Lane on Madison's north side. Housing Development Reserve and AHTF funds will be used to create these 72 units. LSS will use their current request of \$500,000 in Housing Development Reserve funds and \$295,000 in AHTF to provide a \$795,000 loan to its affiliated legal entity.

Plans for Tennyson Ridge Apartments include a mix of 1, 2, and 3 bedroom units of affordable housing with all 72 units for low to moderate income households with incomes at or below 60% AMI.

LSS will submit an application for WHEDA Low-Income Housing Tax Credits in January 2014 for approximately \$7M to partially fund this project in addition to the funds requested from the CD Division. Commitment of local funds in advance of the tax credit application significantly enhances the applicant's ability to submit a competitive application. LSS will use any funds approved by the Council to close the project's development financing gap.

WHEREAS the CDBG staff and the CDBG Committee have reviewed this proposal and find that it furthers the goals expressed in the Affordable Housing Trust Fund ordinance (MGO 4.22), 2010-2014 Five-Year Community and Neighborhood Development Plan and the 2014 Action Plan; and

WHEREAS, the successful completion of this project will add 72 units of CDD-assisted permanently affordable rental housing which is in high demand by low income households; and

WHEREAS, the terms of the WHEDA Tax Credit project require a waiver to the standard loan terms as published in the AHTF RFP, the CDBG Committee recommends that the City provide the AHTF loan with a 17-year term with interest at 2.75% or below the variable Annual Federal Rate (currently 3.49%), whichever is lower, and payable annually beginning one year after project completion contingent upon sufficient cash flow to support the project. In the event that the cash flow is insufficient to pay all or a portion of the annual payment, the balance of the payment due will be repaid at the end of the 17-year period; and

WHEREAS, the terms of the Housing Reserve Fund funds are provided as a 0% long term deferred loan with shared appreciation according to the terms of the 2013-2014 Program Funding Framework; and

WHEREAS, allocation and disbursement of ~~the~~ up to \$ 795,000 in AHTF and Housing Development Reserve Fund funds is contingent upon Movin' Out's LSS's receipt of financing adequate to complete the project;

WHEREAS, allocation and disbursement of funds would also be contingent upon CDD approval of plans and documents required to meet the regulations of the federal and City funding sources;

NOW THEREFORE BE IT RESOLVED that the Common Council authorize the use of up to \$500,000 in Housing Development Reserve Funds and amending the budget of the AHTF to authorize the expenditure of up to \$295,000 in AHTF funds for the affordable housing development as described above which will remain affordable per the federal and AHTF requirements and the written loan agreement.

BE IT FURTHER RESOLVED that the Housing Development Reserve funds be provided as a 0% long term deferred loan with shared appreciation according to the terms of the 2013-2014 Program Funding Goals and Objectives.

BE IT FURTHER RESOLVED that the AHTF funds be provided as a 17-year loan with interest below the variable Annual Federal Rate and payable annually beginning one year after project completion contingent upon sufficient cash flow to support the project.

BE IT FURTHER RESOLVED that the provision of Housing Development Reserve and AHTF funds be provided contingent upon receipt of 2014 Low Income Housing Tax Credit Financing, obtaining a post-construction appraisal supporting a 115% secured loan-to-value ratio, an environmental assessment, the receipt of all relevant city land use and zoning approvals, CDD approval of a tenant selection plan and any change in property manager, and incorporation of neighborhood feedback and alder support.

BE IT FUTHER RESOLVED, that the Common Council hereby authorize the Mayor and City Clerk to execute a Loan Agreement with the Lutheran Social Services of Wisconsin and Upper Michigan, Inc. and/or an affiliate legal entity, which will be secured by a mortgage, promissory note and Land Use Restriction Agreement and any other loan documentation as deemed necessary and appropriate by the City Attorney.

BE IT FURTHER RESOLVED that the Mayor and the City Clerk are hereby authorized to execute, deliver, publish, file and record such other documents, instruments, notices and records and take such other actions as shall be necessary or desirable to accomplish the purposes of this Resolution and to comply with and perform the obligations of the City hereunder.
phone.