



## Legislation Text

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**File #:** 40651, **Version:** 1

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### **Fiscal Note**

An investment of up to \$6 million was authorized for the Affordable Housing Fund as part of the City's 2016 Adopted Capital Budget (Community Development Division Project No. 17110).

### **Title**

Authorizing the allocation of Affordable Housing Funds to support the creation of approximately 160 units of affordable rental housing in Madison, Wisconsin.

### **Body**

#### **BACKGROUND**

The City of Madison's adopted 2016 Capital Budget authorizes \$6 million for the Affordable Housing Fund (AHF). The adopted AHF guidelines stipulate that a portion of the fund will be used to help increase or preserve the supply of affordable rental housing, and establish a goal of adding approximately 150 affordable rental units per year.

The AHF guidelines also stipulate that these City funds may be used to leverage federal Low-Income Housing Tax Credits (LIHTC) administered by the Wisconsin Housing and Economic Development Authority (WHEDA). LIHTCs are allocated through an annual competitive process with applications due by January 29, 2016. The commitment of City funds proposed by this Resolution is intended to improve the competitiveness of City-supported applications to WHEDA.

#### **ACTION**

WHEREAS, in order to carry out the objective of expanding the supply of affordable rental housing, which is embodied in the 2016 Capital Budget, and using City resources in concert with federal Low-Income Housing Tax Credits, and as authorized by the Mayor and the Common Council in RES-15-00522 (adopted 6/16/15, Legistar #38491), the Community Development Division issued a Request for Proposals (RFP) in June 2015 seeking tax credit eligible projects; and,

WHEREAS, the RFP offered up to \$3 million in Affordable Housing Funds to support such projects, contingent upon the approval of these funds as part of the adopted 2016 Capital Budget; and,

WHEREAS, in response to the RFP, the City received applications for the following five projects:

- Mifflin Street Apartments, submitted by Stone House Development, Inc.;
- 8Twenty Park Phase I, submitted by JT Klein Company, Inc.;
- 8Twenty Park Phase II, submitted by JT Klein Company, Inc.;
- Madison on Broadway, submitted by Movin' Out, Inc.;
- Ganser Ridge Apartments, submitted by Oakbrook Corporation; and,

WHEREAS, together these projects propose to develop approximately 275 new units of rental housing, about 240 of which would be designated as "affordable" (defined as reserved for households earning not more than 60% of the county median income); and,

WHEREAS, a review team, comprised of staff from the City's Community Development Division, Economic Development Division, Planning Division and Community Development Authority, evaluated each proposal

based on criteria that addressed issues such as the number and mix of units proposed; project location with respect to nearby amenities such as public transit routes, schools, retail and employment opportunities, etc.; financial strength of the proposal; requested per-unit subsidy; experience of the development team; likelihood of the developer securing needed land use approvals; and anticipated strength of the project from the perspective of WHEDA's LIHTC application process; and,

WHEREAS, based on this review process, the staff team selected three projects that it concluded were most responsive to the review criteria described above, and that, with the support of City Affordable Housing Funds, were believed best positioned to compete successfully for WHEDA LIHTCs in 2016; and,

WHEREAS, the staff team recommended allocating up to \$3 million in Affordable Housing Funds among three of the projects (approximately \$1 million for Mifflin Street Apartments; approximately \$1.25 million for 8Twenty Park, Phase 1; approximately \$530,000 for Madison on Broadway) to support an estimated 180 total units of rental housing, about 160 of which are proposed to be affordable; and,

WHEREAS, the final dollar amount allocated to each of projects, not to exceed \$3 million in aggregate, will be determined through negotiations between CDD staff and applicant organizations (and/or their development partners) no later than the WHEDA application deadline of January 29, 2016; and,

WHEREAS, consistent with the terms of the City's RFP, it is anticipated that funds, unless otherwise noted, will be offered in the form of low-cost loans, 50% of which will be amortized over 30 years and repayable over 16 years, contingent upon available cash flow, and 50% of which will have repayment deferred until a change in use or sale of the property occurs;

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and the Common Council hereby authorize the allocation of up to \$3 million in Affordable Housing Funds to support the Mifflin Street Apartments; 8Twenty Park, Phase 1; and Madison on Broadway projects, with the specific award amounts and terms for each to be determined via CDD staff negotiations no later than January 29, 2016; and,

BE IT FURTHER RESOLVED, that the disbursement of City funds will be made contingent upon each project developer demonstrating that it has (1) secured financing sufficient to complete the project, including 2016 WHEDA LIHTCs; (2) received from the City all necessary land use and permit approvals; (3) satisfied any other City requirements; and (4) provided any other City-requested documentation, including a commitment to a 30-year period of affordability secured by a Land Use Restriction Agreement; and,

BE IT STILL FURTHER RESOLVED, that CDD staff is authorized to provide a letter of funding commitment for each approved project by January 29, 2016, with the amounts and terms consistent with this Resolution; and,

BE IT STILL FURTHER RESOLVED, that the Common Council hereby authorizes the Mayor and City Clerk to execute loan agreements and related documents with each project's applicant agency, the applicant agency's development partner(s), and/or an affiliate LLC, once 2016 AHF funds are available; and,

BE IT FINALLY RESOLVED, that the Mayor and 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 deemed necessary or desirable to accomplish the purpose of this Resolution, and to comply with and perform the obligations of the City hereunder.