



Legislation Text

File #: 36185, **Version:** 1

Fiscal Note

An investment of up to \$4.25 million was authorized for the Affordable Housing Fund as part of the City's 2015 Adopted Capital Budget (PCED Project No. 42).

Title

Authorizing the allocation of Affordable Housing Funds to support the creation of approximately 200 units of affordable rental housing in Madison.

Body

Background

As part of the City's 2015 Adopted Capital Budget, \$4.25 million was authorized to support affordable housing in the City of Madison during 2015 through a major new initiative, the Affordable Housing Fund (AHF). The AHF guidelines propose utilizing a portion of those funds to help increase or preserve the supply of affordable rental housing, and established a goal of adding approximately 150 rental units per year.

Additionally, the AHF guidelines propose using City funds to leverage federal low-income housing tax credits (LIHTC) administered by the Wisconsin Housing and Economic Development Authority (WHEDA) to further this objective. LIHTCs are allocated through an annual competitive process. Applications for this process are due the end of January 2015. The commitment of City funds is intended to improve the competitiveness of selected projects under the WHEDA application process.

ACTION

WHEREAS, in order to carry out the objective of expanding the supply of affordable rental housing, which is embodied in the 2015 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-14-00583 (adopted 8/7/2014, Legistar #34819), the Community Development Division issued a Request for Proposals (RFP) in September 2014 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 the funds as part of the adopted 2015 Capital Budget; and,

WHEREAS, the City received six applications in response to the RFP, two of which were subsequently withdrawn; and,

WHEREAS, the remaining four proposals under consideration included the following projects:

- East Prairie Square, submitted by East Prairie Square LLC;
 - Maple Grove Commons, submitted by Oakbrook Corporation;
 - Tennyson Ridge, submitted by Lutheran Social Services of Wisconsin and Upper Michigan, Inc.;
- and
- Union Corners Residential Phase I, submitted by Gorman and Company, Inc.; and

WHEREAS, these projects proposed developing a total of 371 new rental housing units, 334 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 team comprised of staff from the City's Community Development Division, Community Development Authority, Economic Development Division and Planning Division evaluated each proposal based on criteria addressing issues such as the number and mix of units being proposed, the project location and nearby amenities, the financial strength of the proposal, the requested per-unit subsidy, the experience of the development team, the likelihood of the developer securing needed land use approvals, and the 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 best positioned to compete successfully for LIHTC funds in 2015; and,

WHEREAS, the staff team recommends allocating up to the available \$3 million in Affordable Housing Funds among three projects (Maple Grove Commons, Tennyson Ridge and Union Corners Residential Phase I) to support the proposed aggregate development of nearly 250 units of rental housing, about 200 are proposed to be affordable; and,

WHEREAS, the specific dollar amounts to be allocated to each of these projects will be determined through negotiations between CDD staff and applicant agencies (and/or their development partners) no later than the WHEDA application deadline of the end of January 2015; and,

WHEREAS, consistent with the terms laid out in the City's RFP, it is anticipated that funds will be offered to the designated developers in the form of low-cost loans, 50% of which will be amortized over 30 years and payable over 16 years, contingent upon available cash flow, and 50% of which will be deferred until 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 of Affordable Housing Funds to support the Maple Grove Commons, Tennyson Ridge and Union Corners Residential Phase I projects, the specific terms and award amounts for each project to be determined via CDD staff negotiations no later than the end of January 2015; and,

BE IT FURTHER RESOLVED, that the disbursement of City funds is contingent upon each project developer demonstrating that it has secured financing sufficient to complete the project, including 2015 LIHTCs; that it has received from the City all necessary land use and permit approvals; and that it has satisfied any other City requirements or documentation, including 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 the end of 2014, with the terms and amounts described in this Resolution; and,

BE IT STILL FURTHER RESOLVED, that the Common Council hereby authorizes the Mayor and the 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 2015 AHF funds are available; and,

BE IT FINALLY 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 purpose of this Resolution, and to comply with and perform the obligations of the City hereunder.