



Legislation Text

File #: 38694, **Version:** 1

Fiscal Note

This Resolution reallocates funding between two Department of Planning and Community & Economic Development capital projects, both administered by the Community Development Division. There is no impact upon the tax levy. This action does, however, require an amendment to the 2015 Adopted Capital Budget, as follows:

(100,000)	17110-62-140	Affordable Housing Fund	(DPCED Project #42)
100,000	10588-62-140	Permanent Supportive Housing	(DPCED Project #35)

Title

Amending the 2015 Adopted Capital Budget to reallocate funding between two CDD-administered capital projects, to help mitigate a shortfall in the budget for the Permanent Supportive Housing project on Rethke Avenue, and thus better enable the developer to move forward with the project.

Body

BACKGROUND

The 2015 Adopted Capital Budget includes \$2 million (comprised of \$1,050,000 in City general obligation borrowing, plus \$950,000 from Dane County) to support the construction costs associated with the first phase of the City's initiative to develop very low-cost permanent housing units to serve persons who are homeless or recently homeless. The first phase, which is being undertaken in partnership with Heartland Housing, Inc., will develop 60 housing units on Rethke Avenue. The construction of these new housing units is anticipated to begin in 2015. Pre-development costs for Phase I were incurred in 2014, and included successful efforts to secure Federal Low Income Housing Tax Credits.

Heartland only recently learned that, due to the project's reliance on Section 8 vouchers, it is subject to federal Davis-Bacon Act requirements. The unexpected cost of compliance with Davis-Bacon provisions has left the developer with a more than \$450,000 gap in the project budget, and has thus delayed its closing. (The original project schedule anticipated closing by the end of May 2015.)

Heartland Housing has succeeded in reducing most of this unanticipated shortfall by leveraging a larger equity commitment from its largest investor, deferring a larger portion of its developer fee, and identifying cost saving modifications in the project's design. Heartland is seeking assistance in closing the remaining deficit.

In addition to the Rethke project, the 2015 Adopted Capital Budget includes nearly \$4.5 million for an Affordable Housing Fund. City sources comprise about \$3.7 million of that total; the balance comes from County funds. The AHF, like the Permanent Supportive Housing capital project, is administered by the City's Community Development Division (CDD). Based on a CDD staff review of likely 2015 AHF investments and expenditures, it is estimated that roughly \$700,000 of the original \$4.4 million budgeted amount is likely to remain uncommitted at the end of the year.

Given this analysis, the Community Development Division requests that up to \$100,000 of the Affordable Housing Fund's 2015 budget be reallocated to that of the Permanent Supportive Housing capital project, in order to supplement the City's current financial support of the Rethke Avenue project, and thereby assist Heartland Housing in moving forward with its development plans.

ACTION

WHEREAS, the Common Council previously approved Heartland Housing, Inc.'s development of 60 very low-cost permanent housing units at 707-709 Rethke Avenue, as Phase I of the Permanent Supportive Housing capital project (administered by the Community Development Division) that was approved within the 2015 Adopted Capital Budget; and,

WHEREAS, the developer recently learned that due to the project's reliance on Section 8 vouchers, it is subject to federal Davis-Bacon Act requirements; and,

WHEREAS, the cost of Heartland Housing's compliance with Davis-Bacon provisions has resulted in an unforeseen shortfall of more than \$450,000 in the Rethke project's budget; and,

WHEREAS, an additional City commitment to the Rethke project of \$100,000 could ensure that the project proceeds as planned; and,

WHEREAS, the Community Development Division also administers the Affordable Housing Fund (AHF), a capital project with an authorized 2015 budget of over \$4.4 million; and,

WHEREAS, CDD staff estimate that roughly \$700,000 of the AHF's authorized 2015 budget is likely to remain uncommitted by the end of the year and, thus, is available for the Rethke project;

NOW, THEREFORE, BE IT RESOLVED, that the Common Council authorizes the reallocation of up to \$100,000 from the 2015 budget of the Affordable Housing Fund (#17710) to that of the Permanent Supportive Housing capital project (#10588); and,

BE IT FURTHER RESOLVED, that the Common Council hereby amends the 2015 Adopted Capital Budget, as articulated in this Resolution's Fiscal Note; and,

BE IT FINALLY RESOLVED, that the Common Council authorizes the Mayor and City Clerk to amend or jexecute any agreements with Heartland Housing that are deemed necessary to accomplish the goals of this Resolution.