



## Legislation Text

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### **Fiscal Note**

The proposed resolution authorizes awarding up to \$1.7 million in affordable housing development loans and up to \$1.36 million from CDD's 2021 adopted operating budget to support four housing services programs. The proposed resolution also authorizes awarding up to \$50,000 to support one homebuyer education program, which is included in the 2021 adopted operating budget. The \$1.7 million proposed for developer loans will be funded by the estimated \$4.1 million of remaining budget authority not yet committed to specific housing projects within the Affordable Housing-Development Projects capital program. The proposed \$1.36 million of combined CDBG, HOME, and EECBG program funding is included in CDD's 2021 Community Development Grants adopted operating budget. No additional City appropriation is required with adoption of this resolution.

### **Title**

Awarding up to \$1.7 million from the Affordable Housing Fund and up to \$300,000 in Energy Efficiency and Conservation Block Grant (EECBG) funds to help finance the development of affordable housing, and up to \$360,000 in Community Development Block Grant (CDBG) funds and up to \$700,000 in HOME Investment Partnerships Program (HOME) funds to support four housing services programs, and up to \$50,000 in City levy to support one homebuyer education program, as the recommended outcome of a competitive Request for Proposals (RFP) process conducted by the Community Development Division; and authorizing the Mayor and the City Clerk to enter into agreements with those agencies to implement the specified development projects.

### **Body**

#### **Background**

The City of Madison's 2021 Adopted Capital and Operating Budgets include approximately \$1.3 million of Community Development Block Grant (CDBG) funds, approximately \$2.6 million in HOME Investment Partnerships Program (HOME) funds, \$900,000 in Energy Efficiency and Conservation Block Grant (EECBG) funds, \$2 million from the City's Affordable Housing Fund for the purpose of supporting developments not seeking WHEDA tax credits, and \$50,000 in other City funds for the purpose of supporting innovative homebuyer education programs. The Community Development Division made these funds available through 2020-2021 Housing Forward Request for Proposal(s).

The Community Development Division (CDD) released the RFP on October 30, 2020, and accepted applications through November 25, 2020. Six organizations submitted proposals for affordable housing development, four nonprofits submitted proposals for housing services programs, and three nonprofits submitted proposals for funding homebuyer education programs. At its February 4, 2021 meeting, the CDBG Committee reviewed the proposals and recommended the following:

- Allocate up to \$500,000 in Affordable Housing Funds to Common Wealth Development, Inc. for the acquisition and rehabilitation of four properties that will expand its lease-purchase program
- Allocate up to \$200,000 in HOME funds to Habitat for Humanity of Dane County, Inc. to support down payment assistance to income-qualified first-time homebuyers
- Allocate up to \$360,000 in Affordable Housing Funds to the Madison Area Community Land Trust for

its acquisition and rehabilitation of four units of housing on the Northside

- Allocate up to \$108,000 in CDBG funds to the Madison Area Community Land Trust to support the creation of a maintenance fund for its homeowners
- Allocate up to \$168,570 in Affordable Housing Funds and EECBG funds to Madison Community Cooperative for the rehabilitation of a cooperative house downtown
- Allocate up to \$490,100 in HOME funds to Movin' Out, Inc. to support down payment assistance to income-qualified first-time homebuyers
- Allocate up to \$250,000 in CDBG funds to Project Home, Inc. to support a minor home repair program for income-qualified and elderly homeowners
- Allocate up to \$688,149 in Affordable Housing Funds and EECBG funds to RefineJenifer, LLC for the rehabilitation and conversion of two houses into a housing cooperative
- Allocate up to \$50,000 in City levy to the Urban League of Greater Madison, Inc. to support its homebuyer education program for first-time homebuyers
- Allocate up to \$255,000 to the Wisconsin Partnership for Housing Development, Inc. to support the construction of four owner-occupied single-family homes that will be sold to income-qualified first-time homebuyers

This resolution is intended to authorize the commitment of City and federal funds, to the designated developers and agencies, and in the amounts specified, for project proposals selected in this year's RFP process. It is also intended to authorize the Mayor and City Clerk to execute loan agreements, contracts, and other documents necessary to proceed with financial commitments to these projects.

#### *ACTION*

WHEREAS, in order to advance the City's objectives of expanding the supply of affordable housing and improving housing stability called for in the 2021 Executive Capital and Operating Budgets, the Community Development Division issued a Request for Proposals (RFP) in October 2020 seeking proposals for housing developments not seeking Low-Income Housing Tax Credits and seeking proposals for housing assistance; and,

WHEREAS, in response to the RFP, the City received six applications seeking assistance for the following housing development proposals:

- 19 N Hancock Cooperative Phase II Rehab submitted by Madison Community Cooperative;
- Acquisition Rehab for Permanently Affordable Homes on the Northside submitted by the Madison Area Community Land Trust;
- Housing Forward-Lease Purchase submitted by Common Wealth Development, Inc.;
- Oak Glen Single Family Affordable Homeownership submitted by the Wisconsin Partnership for Housing Development, Inc.;
- ReJenerate Housing Cooperative submitted by RefineJenifer, LLC; and,
- The Gift of Keys submitted by Sankofa Educational Leadership United;

WHEREAS, in response to the RFP, the City received four applications seeking assistance for the following

housing services proposals:

- Habitat Mortgage Reduction Program submitted by Habitat for Humanity of Dane County;
- Maintenance Fund for Permanently Affordable Homes in Community Land Trust submitted by the Madison Area Community Land Trust;
- Minor Home Repair submitted by Project Home, Inc.; and
- Movin' Out Mortgage Reduction Assistance submitted by Movin' Out, Inc.;

WHEREAS, in response to the RFP, the City received three applications seeking assistance for the following homebuyer education proposals:

- Homebuyer Education & Counseling submitted by Housing Resources, Inc.;
- Housing Counseling submitted by Movin' Out, Inc.; and
- The Urban Economic Empowerment Center submitted by the Urban League of Greater Madison;

WHEREAS, a review team, comprised of staff from the City's Community Development and Economic Development Divisions evaluated proposals based on criteria that addressed issues such as the number and mix of housing units; financial viability; gap financing needed; per-unit subsidy requested; incorporation of energy efficiency, renewable energy and other sustainability features; project team experience; readiness to proceed; and history of implementing affordable housing programs; and,

WHEREAS, based on this review, the staff team concluded that the identified five development projects, four housing services proposals, and one homebuyer education proposal were sufficiently responsive to the City's criteria; and,

WHEREAS, all of these proposals are consistent with the goals and requirements set forth in the City's 2020 -2024 Five-Year Consolidated Plan, formally adopted by the Common Council on February 25, 2020, which guides the use of U.S. Department of Housing and Urban Development (HUD) funds; and,

WHEREAS, based on these reviews, the CDD staff team formulated the following recommendations that seek to allocate up to \$1.7 million from the Affordable Housing Fund, up to \$300,000 in EECBG funds, up to \$360,000 in CDBG funds, up to \$700,000 in HOME funds, and up to \$50,000 in City levy to support the following five development proposals, four housing services proposals, and one homebuyer education proposal:

- Up to \$500,000 in Affordable Housing Funds to Common Wealth Development, Inc. for Housing Forward-Lease Purchase (Development)
- Up to \$200,000 in HOME funds to Habitat for Humanity of Dane County, Inc. for Habitat Mortgage Reduction Program (Housing Services)
- Up to \$360,000 in Affordable Housing Funds to the Madison Area Community Land Trust for Acquisition Rehab for Permanently Affordable Homes on the Northside (Development)
- Up to \$108,000 in CDBG funds to the Madison Area Community Land Trust for Maintenance Fund for Permanently Affordable Homes in Community Land Trust (Housing Services)

- Up to \$168,570 in Affordable Housing Funds and EECBG funds to Madison Community Cooperative for 19 N Hancock Phase II Rehab (Development)
- Up to \$490,100 in HOME funds to Movin' Out, Inc. for Movin' Out Mortgage Reduction Assistance (Housing Services)
- Up to \$250,000 in CDBG funds to Project Home, Inc. for Minor Home Repair (Housing Services)
- Up to \$688,149 in Affordable Housing Funds and EECBG funds to RefineJenifer, LLC for ReJenerate Housing Cooperative (Development)
- Up to \$50,000 in City levy to the Urban League of Greater Madison, Inc. for The Urban Economic Empowerment Center (Homebuyer Education)
- Up to \$255,000 to the Wisconsin Partnership for Housing Development, Inc. for Oak Glen Single Family Affordable Homeownership (Development)

WHEREAS, at least 50% of funds awarded to housing development proposals will be provided in the form of a zero percent, long-term deferred loan payable upon sale, transfer, or change in the use of property; and the accompanying promissory note will require repayment of either a percentage of the appraised value after rehab or construction, based on the amount of CDD funds invested in the property, or a percentage of the net proceeds, whichever is less; and,

WHEREAS, up to 50% of funds awarded to housing development proposals will be provided in the form of a zero percent 15-year loan that requires no repayment so long as there is no sale, transfer, or change in the use of the property within 15 years of the date of final City disbursement of funds. Each year after the final City disbursement in which the project continues to operate as the intended use, a portion of the loan amount will be forgiven. After year 15, no repayment is required and the balance of the note is forgiven; and,

WHEREAS, there shall be no obligation for housing services proposals to repay funds awarded through this RFP, except where federal requirements dictating Program Income apply; and,

WHEREAS, as development projects proceed through final design stages and securing remaining financing, applicants may need to make minor project adjustments, including to the number and mix of housing units, if such changes will improve project feasibility and/or comply with land use requirements; and,

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and the Common Council approve funding allocations as recommended by the CDBG Committee and articulated herein; and,

BE IT FURTHER RESOLVED, that CDD staff is authorized to approve minor alterations to proposals, including to the number and mix of housing units, if such changes are deemed necessary to improve prospects for securing all financing required to complete the project as presented and/or comply with City land use requirements, but may not exceed the level of City financial assistance without Council approval; 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.