



## Legislation Text

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### Fiscal Note

The City will accept a total of \$27,500 including \$25,000 on behalf of Housing Initiatives, Inc. for rehabilitation of three units. \$2,500 will be retained by the City for administrative expenses. Project costs and a portion of the program administration will be covered by the grant and administered through a segregated fund.

By Legislative ID #28407 (RES-13-00035) adopted January 23, 2013 and Legislative ID #30269 (RES-13-00448) adopted June 19, 2013, the City approved two awards with loans totaling \$329,000 to Housing Initiatives, Inc., to acquire one 4-unit property and one 3-unit property. Housing Initiatives is seeking to borrow \$173,550 from Wisconsin Housing and Economic Development Authority (WHEDA) to provide favorable, permanent first mortgage and rehabilitation financing. To secure that loan, WHEDA requires a first mortgage on the properties with the City subordinating its interest to second position, as is customary. No appropriation or expenditure is required.

### Title

Authorizing the CDBG Office to accept a supplemental award of funds from the State of Wisconsin's Neighborhood Stabilization Program (NSP) on behalf of Housing Initiatives, Inc. and amending the 2014 CDBG Adopted Operating Budget to recognize \$27,500 in additional expenditure and revenue authority; and authorizing the Mayor and City Clerk to execute agreements with the State of Wisconsin and Housing Initiatives, Inc. to implement a specific rental housing project for low income households with NSP funds at a previously foreclosed property; and authorizing the Mayor and City Clerk to execute a Subordination of Mortgage in favor of first mortgage financing for two previously approved loans to Housing Initiatives, Inc. to Wisconsin Housing and Economic Development Authority (WHEDA) in forms as shall be approved by the City Attorney consistent with this Resolution.

### Body

#### Accepting and Awarding NSP Funds

The City of Madison was previously awarded a 2009 contract and 2010 amended contract with the State of Wisconsin totaling \$1,497,077 in Neighborhood Stabilization Program (NSP) funds. [Legislative ID #14939 (RES-09-00601) adopted July 07, 2009 and Legislative ID #16984 (RES-10-00091) adopted February 03, 2010]. The City provided these funds to non-profit community based organizations to acquire foreclosed properties and rehabilitate them for use as affordable housing for low income households. The State recently made a small amount of supplemental funds available to previous NSP recipients for eligible projects able to incorporate the funds for immediate use. The State of Wisconsin will grant the CDBG Office a total award of \$27,500 in supplemental NSP funds. The City will retain \$2,500 for administrative expenses and accept \$25,000 on behalf of Housing Initiatives, Inc. to complete rehabilitation of a 3-unit vacant, foreclosed property at 3437 W. Karstens Drive which it was in the process of acquiring using the City's CDBG/HOME Housing Development Reserve Funds.

#### Authorizing Subordination to WHEDA

Housing Initiatives is a local community-based agency that provides permanent, affordable rental housing to people who are homeless and disabled through chronic mental illness. Housing Initiatives acquires and rehabilitates rental properties, manages the properties as affordable housing, and actively assists their tenants in maintaining case management services.

The Common Council approved two long-term deferred loans totaling \$329,000 in HOME/CDBG funds to Housing Initiatives, Inc. in 2013 (Legislative ID #28407 and Legislative ID #30269) to acquire and rehabilitate foreclosed multifamily properties. With these funds Housing Initiatives has acquired one 4-unit property

located at 425 Troy Drive and one 3-unit property located at 3734 W. Karstens Drive. Housing Initiatives expects to borrow \$173,550 from WHEDA to provide favorable first mortgage financing and necessary rehabilitation. WHEDA financing will require a first mortgage lien on the properties.

**Action:**

WHEREAS, the Common Council approved the application for, and acceptance of, State of Wisconsin Neighborhood Stabilization Program Funds in 2009 and 2010 which provided for acquisition and rehabilitation of foreclosed properties in the City of Madison by Consortium members; and

WHEREAS, the Common Council has supported measures to address the City's high priority of reducing the number of foreclosed properties that negatively impact neighborhoods while adding to the permanent, affordable rental housing stock by providing assistance to non-profit organizations to acquire and rehabilitate properties for affordable housing; and

WHEREAS, the State of Wisconsin is prepared to award \$27,500 in supplemental NSP funds which will be provided as an amendment to the existing NSP contract (NSP 09-15); and

WHEREAS, CDBG staff and the CDBG Committee have reviewed the proposed acceptance and use of these NSP funds and find that it furthers the goals expressed in the 2010-2014 Five-Year Community and Neighborhood Development Plan and the 2013 Community Action Plan; and

WHEREAS, this project is eligible based on the 2013-2014 Community Development Program Goals and Priorities; and

WHEREAS, the Common Council approved two loans to Housing Initiatives, Inc. to assist in the acquisition of one 4-unit property located at 425 Troy Drive and one 3-unit property located at 3734 W. Karstens Drive; and

WHEREAS, CDBG staff and the CDBG Committee have reviewed Housing Initiatives, Inc.'s request for the City to subordinate its loan to WHEDA to enable Housing Initiatives to provide favorable, permanent first mortgage and rehabilitation financing for these properties;

WHEREAS, the City's award of funds was contingent Housing Initiatives, Inc. obtaining sufficient, permanent first mortgage financing to complete the projects while maintaining 115% secured loan to value ratio;

NOW, THEREFORE, BE IT RESOLVED THAT the Common Council accept these additional awarded NSP funds, and authorize the Mayor and the City Clerk to execute an amendment to the City's contract with the State and the related contract with Housing Initiatives, Inc. to implement the project; and

BE IT FURTHER RESOLVED, that the Common Council authorize the subordination of the previously approved City loans in the amounts totaling \$329,000 to Housing Initiatives, Inc. to a loan from Wisconsin Housing and Economic Development Authority in the amount of \$173,550 and authorize the Mayor and City Clerk to sign agreements to effect such subordination; and

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; and

BE IT FINALLY RESOLVED THAT the 2014 adopted CDBG operating budget be amended as follows:  
\$27,500 SC01-54920-260000 (Expenditures: Community Agency Contracts)  
(\$27,500) SC01-73213-260000 (Revenues: State Grants)