



Legislation Text

File #: 80810, **Version:** 1

Fiscal Note

The proposed resolution approves the use of up to \$1,850,000 from the Affordable Housing Fund (Munis program 17110) for additional loan allocations for development projects already approved for AHF loans. The additional loans will be allocated as follows:

- Wisconsin Housing Preservation Corporation (WHPC): up to \$500,000
- St. John's Lutheran Church in partnership with Urban Land Interests: up to \$1,350,000

The additional funds are made available due to the return of \$2.5 million for a loan approved via RES-22-00823 (Leg file 74454). With approval of this resolution, the total loan amount for WHPC will be \$3,450,000; for St. John's Lutheran in partnership with Urban Land Interests, \$4,850,000. No additional City appropriation required.

Title

Approving the allocation of up to \$1,850,000 of additional Affordable Housing Funds to be divided between Wisconsin Housing Preservation Corporation (WHPC) for Gardner Bakery Housing Redevelopment and St. John's Lutheran Church, in partnership with Urban Land Interests, for St. John's Lutheran Church Housing Redevelopment and authorizing the Mayor and City Clerk to execute loan agreements with the developers of those projects. (District 2 and District 12)

Body

In 2022, the Common Council adopted RES-22-00823 (Legistar File #74454), which authorized up to \$2,950,000 of City Affordable Housing Fund (AHF) funds to Wisconsin Housing Preservation Corporation (WHPC), or an affiliate LLC, for the Gardner Bakery Housing Redevelopment, now known as Rise Apartments. The proposal will create 245 total units of new rental housing of which 161 would be affordable, designated for households with incomes at or below 30%, 50% or 60% of County Median Income, and with rents subject to limits established by federal guidelines. Additionally, the Resolution authorized up to \$3,500,000 of AHF funds to St. John's Lutheran Church, in partnership with Urban Land Interests, or an affiliate LLC, for the St. John's Lutheran Church Housing Redevelopment. That proposal will create 130 total units of new rental housing of which 110 would be designated for households with incomes at or below 30%, 50% or 60% of County Median Income with rents set through federal guidelines.

With this City support, the developers, were successful in securing WHEDA-administered Low Income Housing Tax Credits, and other financing. However, rising construction costs, interest rates and other factors have made it difficult for the developments to proceed within the timelines required by WHEDA. The provision of additional City support, and in the case of the St. John's Lutheran Church redevelopment, additional County support, will allow the developments to proceed.

Each award of City AHF support in the above resolution is made contingent upon a developer securing tax credits, as well as other needed financing. In the rare occurrence in which tax credits and/or other financing do not materialize, City funds are returned and remain available for future use. Last year, the third development proposal awarded AHF funds under RES-22-00823 was not awarded tax credits and, thus, was forced to return the \$2.5 million of AHF funds it had received. Thus, the City's adopted 2023 Capital Budget includes both new and carry-over funding authority for the AHF to support affordable housing developments. The returned funds are being used to support the awards recommended in this resolution.

This resolution seeks to authorize allocations totaling up to \$1,850,000 of additional Affordable Housing Funds to the two identified projects. It also seeks authorization for the Mayor and City Clerk to execute loan agreements and other documents necessary to proceed with that commitment.

Action:

WHEREAS, on December 6, 2022, the Common Council adopted RES-22-00823 (Legistar File #74454) awarding \$2,950,000 of City Affordable Housing Fund (AHF) funds to Wisconsin Housing Preservation Corporation (WHPC), or an affiliate LLC, for the Gardner Bakery Housing Redevelopment, now known as Rise Apartments and \$3,500,000 of AHF funds to St. John's Lutheran Church, in partnership with Urban Land Interests, or an affiliate LLC, for the St. John's Lutheran Church Housing Redevelopment; and,

WHEREAS, both Developers remain committed to the construction of a combined 375 units of rental housing, of which 271 will be income- and rent-restricted for households with incomes at or below 30%, 50%, or 60% of the County Median Income; and,

WHEREAS, in return for the offer of an additional \$1.35 million of City AHF funds, and an additional \$1.35 million from Dane County, St. John's Lutheran Church, in partnership with Urban Land Interests, or an affiliate LLC, will incorporate Tenant Selection Plan Standards required in the 2023 AHF Request for Proposals into the Loan Agreement; and,

WHEREAS, on November 2, 2023 the CDBG Committee reviewed and approved staff recommendations to award up to \$1.85 million of additional AHF split between the two developments.

NOW, THEREFORE, BE IT RESOLVED, that the Common Council authorizes an additional \$1,350,000 of AHF funds be awarded to St. John's Lutheran Church, in partnership with Urban Land Interests, or an affiliate LLC, in support of the St. John's Lutheran Church Housing Redevelopment, bringing the total AHF loan to \$4,850,000; and,

BE IT FURTHER RESOLVED, that the Council authorizes an additional \$500,000 of AHF funds be awarded to Wisconsin Housing Preservation Corporation (WHPC), or an affiliate LLC, to support the Gardner Bakery Housing Redevelopment, now known as Rise Apartments, bringing the total AHF loan to \$3,450,000; and

BE IT STILL FURTHER RESOLVED that the Council authorizes the Mayor and City Clerk to execute loan agreements, utilizing CDD-administered funds, for the affordable housing projects as described below and reflecting any minor adjustments approved by CDD staff or caused by the application of other resources:

- Form of Loans
 - The AHF assistance will be provided in the form of a loan, up to 50% of which will be amortized over 30 years and payable over 16 years, contingent upon available cash flow, and at least 50% of which will be a 0% interest, long-term deferred loans with shared appreciation, payable upon sale, transfer, or change in the use of the property; and
 - The AHF loan will be secured by a subordinate mortgage, note, and Land Use Restriction Agreement securing a permanent period of affordability; and
 - The developer shall apply the proceeds of the Loan to the expense of acquiring the property and/or constructing the project, including at least the total number of units and units to be used as affordable housing, for rent to income-eligible households as specified above; and
 - The loan agreement will be in full force and effect until the loan is repaid or at the

expiration of the respective periods of affordability, whichever is later.

- Assignment
 - The loan shall not be assigned without permission of the City except for an assignment to an affiliate entity of the developer prior to loan closing.

- Closing
 - Prior to closing, the developer must submit to the City a standard ALTA commitment for a loan policy of title insurance in the amount of the Loan for such Property, which will be subject only to municipal and zoning ordinances and agreements entered under them, recorded easements for the distribution of utility and municipal services, mortgages, security agreements, assignments of leases and rents, regulatory and land use restriction agreements and an extended use commitment pursuant to Section 42 of the Internal Revenue Code, recorded building and use restrictions and covenants, taxes levied in the year of closing, and any other encumbrances acceptable to the City; and
 - Prior to closing, the developer must provide evidence of property insurance as required by the Mortgage, containing a standard loss payee endorsement identifying the City as mortgagee. Developer also agrees to provide evidence of property insurance annually by February 10th or before expiration of existing policy; and,

BE IT FINALLY RESOLVED, that the Council authorizes the Mayor and City Clerk 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 in a form approved by the City Attorney.