



Legislation Details (With Text)

<b>File #:</b>	74456	<b>Version:</b>	1	<b>Name:</b>	Awarding up to \$1.65 million from the City's Affordable Housing Fund (AHF) to help finance the development of affordable housing, up to \$1.25 million in Community Development Block Grant (CDBG) funds and up to \$1.1 million in HOME Investment Partnerships
<b>Type:</b>	Resolution	<b>Status:</b>			Passed
<b>File created:</b>	10/26/2022	<b>In control:</b>			Community Development Division
<b>On agenda:</b>	12/6/2022	<b>Final action:</b>			12/6/2022
<b>Enactment date:</b>	12/9/2022	<b>Enactment #:</b>			RES-22-00824

**Title:** Awarding up to \$1.65 million from the City's Affordable Housing Fund (AHF) to help finance the development of affordable housing, up to \$1.25 million in Community Development Block Grant (CDBG) funds and up to \$1.1 million in HOME Investment Partnerships Program (HOME) funds to support seven housing services programs, and up to \$100,000 in City levy to support two homebuyer education programs; and authorizing the sale of five lots, as the recommended outcomes of a competitive "Housing Forward: Financing for Homeownership" Request for Proposals (RFP) process conducted by the Community Development Division; and authorizing the Mayor and City Clerk to enter into agreements with those agencies to implement the specified development and services projects.

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**Indexes:**

**Code sections:**

**Attachments:** 1. Housing Forward Memo to CDBG Committee - November 2022.pdf, 2. RegistrantsReport-CDBG Committee 11-3-22 Final.pdf

Date	Ver.	Action By	Action	Result
12/6/2022	1	COMMON COUNCIL	Adopt	Pass
11/28/2022	1	FINANCE COMMITTEE	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER	Pass
11/3/2022	1	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE	Return to Lead with the Recommendation for Approval	Pass
11/1/2022	1	FINANCE COMMITTEE	Referred	
11/1/2022	1	COMMON COUNCIL	Refer	Pass
10/26/2022	1	Community Development Division	Referred for Introduction	

**Fiscal Note**

The proposed resolution authorizes awarding funding to various affordable housing development projects, housing services programs, and homebuyer education programs. The resolution also authorizes the sale of five City lots and authorizes the Mayor and City Clerk to execute agreements and take other actions as needed to accomplish the purpose of the resolution. The projects and programs identified in the resolution were selected through a competitive RFP process and recommended by the CDBG Committee. Funding for the projects are included in the Community Development Division's 2023 adopted budget and leverages multiple funding sources, including up to \$1.65 million from the Affordable Housing Fund (AHF), up to \$1.25 million in federal Community Development Block Grant (CDBG) funds, up to \$1.1 million in federal HOME Investment Partnerships Program (HOME) and up to \$100,000 in City levy. No additional appropriation is required.

## Title

Awarding up to \$1.65 million from the City's Affordable Housing Fund (AHF) to help finance the development of affordable housing, up to \$1.25 million in Community Development Block Grant (CDBG) funds and up to \$1.1 million in HOME Investment Partnerships Program (HOME) funds to support seven housing services programs, and up to \$100,000 in City levy to support two homebuyer education programs; and authorizing the sale of five lots, as the recommended outcomes of a competitive "Housing Forward: Financing for Homeownership" Request for Proposals (RFP) process conducted by the Community Development Division; and authorizing the Mayor and City Clerk to enter into agreements with those agencies to implement the specified development and services projects.

## Body

### *BACKGROUND*

The Community Development Division (CDD) released the "Housing Forward: Financing for Homeownership" RFP on August 8, 2022, and accepted applications through September 1. Sixteen proposals were submitted: three organizations submitted proposals for affordable housing development, four organizations submitted proposals for housing services programs, and two organizations submitted proposals for homebuyer education programs.

At its November 3, 2022 meeting, the CDBG Committee reviewed the proposals and recommended the following:

- Allocate up to \$450,000 in City of Madison Affordable Housing Funds (AHF) to Common Wealth Development, Inc. for the acquisition and rehabilitation of three properties that will expand its lease-purchase program.
- Allocate up to \$150,000 in AHF funds to Common Wealth Development, Inc. for the construction of one owner-occupied single-family home at 1605 Fremont Avenue that will be sold through the lease-purchase program to an income-qualified first-time homebuyer.
- Allocate up to \$30,000 in federal Community Development Block Grant (CDBG) funds to Habitat for Humanity of Dane County, Inc. to support a minor home repair program for income-qualified homeowners.
- Allocate up to \$172,000 in federal HOME Investment Partnerships Program (HOME) funds to Habitat for Humanity of Dane County, Inc. to support the provision of down payment assistance to income-qualified first-time homebuyers.
- Allocate up to \$143,469 in CDBG funds to Madison Area Community Land Trust to support a maintenance fund for its homeowners through a minor home repair program.
- Allocate up to \$882,350 in HOME funds to Movin' Out, Inc. to support the provision of down payment assistance to income-qualified first-time homebuyers.
- Allocate up to \$50,000 in City levy funds to Movin' Out, Inc. to support a targeted and longer-term financial literacy and homebuyer education program for South Madison residents and Section 8 voucher holders.
- Allocate up to \$600,000 in CDBG funds to Project Home, Inc. to support a major home repair program for income-qualified homeowners.
- Allocate up to \$300,000 in CDBG funds to Project Home, Inc. to support a minor home repair program for income-qualified homeowners.
- Allocate up to \$150,000 in CDBG funds to Project Home, Inc. to support a targeted minor home repair grant program in South Madison.
- Allocate up to \$50,000 in City levy funds to Urban League of Greater Madison, Inc. to support its financial literacy and homebuyer education program for first-time homebuyers.
- Allocate up to \$150,000 in AHF funds to the Wisconsin Partnership for Housing Development, Inc. in collaboration with Madison Area Community Land Trust, Inc., for the acquisition and rehabilitation of one scattered site property into a permanently affordable owner-occupied home to be sold to an income-qualified homebuyer.
- Allocate up to \$300,000 in AHF funds to Wisconsin Partnership for Housing Development, Inc., in

collaboration with Madison Area Community Land Trust, Inc., to support the development of two permanently affordable owner-occupied single-family homes to be sold to income-qualified first-time homebuyers. Community Development Division will collaborate with the current owner, the Community Development Authority (CDA), to sell two lots located at 2407 Dunn's Marsh Terrace and 2421 Dunn's Marsh Terrace in the Mosaic Ridge Development for \$1 each to Wisconsin Partnership for Housing Development, Inc.

- Allocate up to \$600,000 in AHF funds to Kaba Baal, LLC in collaboration with Madison Area Community Land Trust, Inc., to support the development of four permanently affordable owner-occupied homes to be sold to income-qualified first-time homebuyers in the Owl Creek neighborhood and authorize the current owner, the City of Madison, to sell the lot located at 5165-73 Great Gray Drive to Kaba Baal, LLC.
- Authorize the sale of two lots located at 4210 Owl Creek Drive / 5141 Horned Owl Drive and 5166-72 Great Gray Drive, owned by the City of Madison, in the Owl Creek neighborhood for \$1 each to Habitat for Humanity of Dane County, Inc. to support the development of four affordable owner-occupied homes to be sold to income-qualified first-time homebuyers. (Habitat for Humanity relies on its own financing and thus no additional City allocation is required).

This Resolution is intended to authorize the commitment of City and federal funds and authorize the sale of City of Madison owned lots, to the designated developers and agencies, and in the amounts specified and the lots described, for project proposals selected through 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 objective of expanding the supply of affordable housing, improving housing stability, and providing homebuyer assistance called for in the 2023 Executive Capital and Operating Budgets, the Community Development Division issued a "Housing Forward: Financing for Homeownership" Request for Proposals (RFP) in August 2022, seeking proposals for affordable homeownership developments and homeownership programs and services; and,

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

- Lease-Purchase Program (3 units) submitted by Common Wealth Development, Inc.
- 1605 Fremont - New Construction (1 unit) submitted by Common Wealth Development, Inc.
- Permanently Affordable Homeownership Development - Mosaic Ridge (2 units) submitted by Madison Community Area Land Trust, Inc., in collaboration with Kaba Baal, LLC and Wisconsin Partnership for Housing Development
- Permanently Affordable Homeownership Development - Owl Creek (4 units) submitted by Madison Community Area Land Trust, Inc., in collaboration with Kaba Baal, LLC and Wisconsin Partnership for Housing Development
- Permanently Affordable Homeownership Development- Scattered Site (1 unit) submitted by Madison Community Area Land Trust, Inc., in collaboration with Kaba Baal, LLC and Wisconsin Partnership for Housing Development
- Habitat for Humanity Home Building Program - Owl Creek (2 duplexes, 4 units total) submitted by Habitat for Humanity of Dane County, Inc.
- Habitat for Humanity Home Building Program - Mosaic Ridge (2 units) submitted by Habitat for Humanity of Dane County, Inc.; and,

WHEREAS, in response to the RFP, the City received seven applications seeking assistance for the following **housing services** proposals:

- Minor Home Repair Program submitted by Project Home, Inc.
- South Madison Minor Home Repair Grant Program submitted by Project Home, Inc.
- Major Home Repair & Rehabilitation Loan Program submitted by Project Home, Inc.
- Mortgage Reduction Assistance Program submitted by Movin' Out, Inc.
- Financial Literacy/Home Buyer Education- South Madison submitted by Movin' Out, Inc.
- Maintenance Fund for Permanently Affordable Homes in Community Land Trust submitted by Madison Area Community Land Trust, Inc.
- Minor Home Repair Program submitted by Habitat for Humanity of Dane County, Inc.
- Homebuyer Mortgage Reduction Program submitted by Habitat for Humanity of Dane County, Inc.; and,

WHEREAS, in response to the RFP, the City received two applications seeking assistance for the following **financial literacy and homebuyer education** proposals:

- Financial Literacy/Home Buyer Education - South Madison submitted by Movin' Out, Inc.
- Urban Empowerment Center: Financial & Homebuyer Education submitted by Urban League of Greater Madison, Inc.; and,

WHEREAS, a review team, comprised of staff from the City's Community Development Division, Department of Civil Rights, Community Development Authority, and a mortgage lending professional, evaluated proposals based on criteria that addressed issues including financial viability; gap financing needed; collaboration to improve service delivery; innovation and impact; incorporation of energy efficiency and other sustainability features; project team experience; readiness to proceed; history of implementing affordable housing programs; and responses to preferences noted in the RFP; and,

WHEREAS, based on this review, the staff team concluded that the six development projects, seven housing services proposals, and two homebuyer education proposals identified below 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 and CDBG Committee formulated the following recommendations that seek to allocate up to \$1.65 million from the Affordable Housing Fund (AHF), up to \$1.25 million in federal Community Development Block Grant (CDBG) funds, up to \$1.1 million in federal HOME Investment Partnerships Program (HOME) and up to \$100,000 in City levy to support the following six development proposals, seven housing services proposals, and two homebuyer education proposals:

- Up to \$450,000 in AHF funds to Common Wealth Development, Inc. for Lease-Purchase Program (3 units) (Development)
- Up to \$150,000 in AHF funds to Common Wealth Development, Inc. for 1605 Fremont - New Construction (Development)
- Up \$30,000 in CDBG funds to Habitat for Humanity of Dane County, Inc. for Minor Home Repair Program (Housing Services)
- Up to \$172,000 in HOME funds to Habitat for Humanity of Dane County, Inc. for Homebuyer Mortgage Reduction Program (Housing Services)
- Up to \$143,469 in CDBG funds to Madison Area Community Land Trust for Maintenance Fund for Permanently Affordable Homes in Community Land Trust (Housing Services)
- Up to \$882,350 in HOME funds to Movin' Out, Inc. for Mortgage Reduction Assistance Program (Housing Services)
- Up to \$50,000 in City levy funds to Movin' Out, Inc. for Financial Literacy/Home Buyer Education-South Madison (Homebuyer Education)
- Up to \$600,000 in CDBG funds to Project Home, Inc. for Major Home Repair & Rehab Loan Program

(Housing Services)

- Up to \$300,000 in CDBG funds to Project Home, Inc. for Minor Home Repair Program (Housing Services)
- Up to \$150,000 in CDBG funds to Project Home, Inc. for South Madison Minor Home Repair Grant Program (Housing Services)
- Up to \$50,000 in City levy funds to Urban League of Greater Madison, Inc. for Urban Empowerment Center: Financial & Homebuyer Education (Homebuyer Education)
- Up to \$150,000 in AHF funds to Wisconsin Partnership for Housing Development, Inc. in collaboration with Madison Area Community Land Trust, Inc. as steward, for Permanently Affordable Homeownership Development- Scattered Site (1 unit) (Development)
- Up to \$300,000 in AHF funds to Wisconsin Partnership for Housing Development, Inc. in collaboration with Madison Area Community Land Trust, Inc., for Permanently Affordable Homeownership Development - Mosaic Ridge (Development). Properties currently owned by the Community Development Authority.
- Up to \$600,000 in AHF funds to Kaba Baal, LLC in collaboration with Madison Area Community Land Trust, Inc., for Permanently Affordable Homeownership Development located at 5165-73 Great Gray Drive in the Owl Creek neighborhood - Owl Creek (4 units) and authorize the sale of the lots for \$1 from the City of Madison to Kaba Baal, LLC
- Authorize the sale of two lots located at 4210 Owl Creek Drive / 5141 Horned Owl Drive and 5166-72 Great Gray Drive, owned by the City of Madison, in the Owl Creek neighborhood for \$1 each to Habitat for Humanity of Dane County, Inc. to support the development of four affordable owner-occupied homes to be sold to income-qualified first-time homebuyers. (Habitat for Humanity relies on its own financing and thus no additional City allocation is required); and,

WHEREAS, at least 75% of the 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 the property and up to 25% of the funds awarded can be provided in the form of a grant for soft costs; the developer shall use a portion of the funds for mortgage reduction to the homebuyer, where the developer will return unallocated portion of the Deferred Loan as repayment to the City of Madison at the time of transfer to Homebuyer; and the accompanying promissory note with the homebuyer will be a zero interest, long-term Deferred Loan with 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, to encourage longer term affordability on subsequent sales of the properties acquired and rehabilitated or newly constructed, developers willing to commit to permanent affordability on the subject property, through a 99-year Land Use Restriction Agreement (LURA), can choose to have 50% of the Deferred Loan forgiven at the time of sale to the first homebuyer of each respective property; and the LURA will require subsequent sales to benefit future low-to-moderate income households and require the non-profit to assist the homeowner in the resale process of the property; 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,

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.

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

BE IT FURTHER RESOLVED, that the Council authorizes CDD staff 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 not to 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.