



Legislation Text

File #: 15772, **Version:** 1

Fiscal Note

\$225,000 in Federal HOME funds are available for this project to make improvements to 11 rental units located in the buildings known as Northpointe I (specifically 601 Vera Ct. and 3806 Peterle Pl.). Funding will be in the form of a deferred loan secured by a mortgage, promissory note and land use restriction agreement with a 10-year affordability requirement.

Title

Authorizing a loan of HOME funds to Future Madison Northpointe, Inc. in an amount not to exceed \$225,000, and authorizing the Mayor and Clerk to execute any required agreements with Future Madison Northpointe.

Body

Background: Beginning in 1993, the CDBG Committee began a partnership with Future Madison to invest CDBG and HOME funds in acquiring and renovating aging rental properties along Vera Court. The project, containing a total of 124 rental units, became known as Northpointe Phases I, II and III and the owner became Future Madison Northpointe, Inc.

In 2007, the CDBG Committee approved \$308,000 in HOME and AHTF money to The Road Home Dane County, Inc. for the purpose of identifying and purchasing property to be used as supportive permanent housing for formerly homeless families. The Road Home partnered with Meridian Group who helped The Road Home identify two 8-unit buildings (714 & 802 Vera Court) that would be suitable for its project.

The Road Home is purchasing two (out of a total of three) 8-unit buildings that make up Northpointe III from Future Madison. Future Madison is required by the terms of its promissory note that accompanied its HOME deferred loan to repay to the City the amount of federal funds invested (\$300,000 for three buildings in NP III) or 34% of the fair market value, whichever is higher. An appraisal will be completed prior to signing an agreement in order to determine the value of the two buildings being sold to The Road Home.

Future Madison is requesting that the CDBG Committee approve a new loan for the same amount as the funds being repaid (as a result of the sale to The Road Home) to reinvest in Northpointe I. It has been 15 years since the last renovation was done on these buildings and improvements need to be made to ensure that they remain good quality affordable rental housing. In return Northpointe retains the 11 units of HOME affordable for the balance of 30 years from the original project date and adds an additional 11 HOME affordable units for another 10 years as a requirement of the federal HOME rules.

WHEREAS, CDBG staff and the CDBG Committee have reviewed this proposal and find that it furthers the goals expressed in the 2005-2009 Five Year Community and Neighborhood Development Plan and the 2009 Community Action Plan; and,

WHEREAS, the reinvestment of capital in the units that partially make up Northpointe I (NP I) will ensure that additional units are maintained as affordable housing for 10 years; and,

WHEREAS, the sale of the two buildings in NP III to The Road Home ensures that the units will be maintained as affordable for very low income families with children and funds previously loaned to Future Madison Northpointe for the acquisition and renovation of NP III will be reinvested in the adjoining NP I project; and,

WHEREAS, the funds for this projects are available as a result of the payback of funds for a project where the CDBG Committee invested funds in 1993 and no new funds are being requested; and,

WHEREAS, the terms of the loan will be a deferred loan secured by a promissory note, mortgage, and land use restriction agreement and require that the HOME funded units remain affordable for 10 years;

NOW, THEREFORE BE IT RESOLVED that the Common Council authorizes a loan of HOME funds in an amount not to exceed \$225,000 and authorizes the Mayor and Clerk to execute any required agreements with Future Madison Northpointe, Inc. consistent with the terms of the Resolution.