File #: 19442, **Version:** 2

Fiscal Note

This resolution proposes a $1,025,000 loan from the Affordable Housing Trust Fund (AHTF) to the Community Development Authority as a source of funding for the CDA's renovation of existing low rent public housing units. Under the proposed terms, the loan repayment would be $68,333.33 per year plus interest over a 15 year period, with interest pegged at .25% above the rate that the Affordable Housing Trust Fund earns on the investment of available funds. Based on current investment yields, the initial interest rate would be approximately 1.75% per year. Sufficient funds are available to provide the loan proposed in this resolution.

A recently enacted amendment to the AHTF ordinance broadens the definition of eligible expenditures to include, among other things, the repair, preservation and upgrade of existing affordable units. Additionally, it removed the strict annual expenditure limitation that existed under the original ordinance, replacing it with the provision that no more than 25% of the fund balance as of January 1st of the year prior to disbursement could be spent on any single project. The balance in the AHTF was $113,096 on January 1, 2009. Thus, under the newly adopted ordinance, a loan of up to $1,028,000 could be made to any single project in 2010. The CDA's revised application requested $1,025,000 in loan funds, an amount which qualifies under the new AHTF ordinance limitation.

Title

SUBSTITUTE - Authorizing a loan from the Affordable Housing Trust Fund to the Community Development Authority for the Truax Park Apartments Project and authorizing the Mayor and City Clerk to execute a Loan Agreement with the CDA.

Body

Preamble

The Community Development Authority of the City of Madison ("CDA") intends to renovate and rehabilitate seventy-one existing low rent public housing family units located in six buildings at the CDA's Truax property using Section 42 tax credits. In order to close a financing gap for the project, the CDA has requested a loan from the Affordable Housing Trust Fund in the amount of ~~$1,050,000~~ $1,025,000 to partially finance capital expenses of the project. Throughout the term of the tax credit period, the CDA shall retain ownership of the land underlying the project, and Truax Park Redevelopment, Phase 1, LLC will own the rehabilitated buildings and manage the project construction. All seventy-one units shall be affordable as defined by the Affordable Housing Trust Fund ordinance. Legistar File No. 17266 ~~includes a proposed~~ authorized an amendment to Section (4)(a) of the Affordable Housing Trust Fund ordinance which~~, if enacted,~~ will increase the allowable disbursements from the Trust Fund Account to up to 25% of the balance in such Account as of January 1st of the year prior to the disbursement.

NOW THEREFORE, BE IT RESOLVED, that the Common Council authorizes a loan from the Affordable Housing Trust Fund in the principal amount of ~~$1,050,000~~ $1,025,000 to the CDA under the following terms and conditions:

1. The CDA shall provide the loan funds to Truax Park Redevelopment, Phase 1, LLC, and shall ensure that the loan funds are used solely for capital improvements to the project.
2. The CDA shall repay the loan by making 15 equal payments of principal annually to the City, along with variable interest on the outstanding debt at the rate of the City's investment portfolio yield plus 25 basis points, as calculated using the average yield for the previous twelve months.
3. The City shall receive a first mortgage from the CDA on the land underlying the project, and will provide a subordination of mortgage to the project's construction lender, in a form to be approved by the City Attorney.
4. The CDA shall ensure the project remains affordable for all seventy-one units for thirty (30) years. The

CDA shall ensure that a thirty-year land use restriction agreement is recorded with the Dane County Register of Deeds to memorialize the affordability requirement.

5. The CDA shall have approved the terms of the loan as set forth herein at its August meeting.
6. The CDA shall use its best efforts to seek funding to allow it to retire the Affordable Housing Trust Fund loan early, and it shall attempt to negotiate with the investor member to use excess cash flow from the project, if any, to make prepayments to the City on the Affordable Housing Trust Fund loan debt. The CDA shall make annual reports to the City on these efforts throughout the term of the loan,
7. The CDA will work with CDBG Committee to arrive to an agreement on how the cash flow will be used to repay AHTF Loan.

NOW THEREFORE BE IT FURTHER RESOLVED, that the Common Council hereby authorizes the Mayor and City Clerk to execute a Loan Agreement with the CDA, and any other loan documentation as deemed necessary and appropriate by the City Attorney.

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