



Legislation Text

File #: 35050, **Version:** 2

Fiscal Note

The Resolution proposes the provision of up to \$1,300,000 in City funding assistance for the acquisition and rehabilitation of an apartment complex. City funding sources include up to \$650,000 in Federal Department of Energy EECBG funds, authorized and available as part of the Community Development Division/CDBG 2014 adopted operating budget, plus up to \$650,000 from the City's Affordable Housing Trust Fund (AHTF), in the form of a loan to be repaid over a sixteen year term. The current balance of the AHTF is approximately \$3.3M.

Title

SUBSTITUTE-Authorizing the Mayor and City Clerk to execute a loan agreement with Mirus Partners, Inc., or an affiliate LLC, for up to \$1,300,000 of City-administered funds for the acquisition and rehabilitation of the Woodland Terrace Apartments

Body

Woodland Terrace Apartments (Woodlands), located at 523 Northport Drive, contains 128 units of affordable rental housing. They include 32 one-bedroom, 64 two-bedroom and 32 three-bedroom units. The rental property has settled into an advanced state of disrepair and is the subject of numerous citations for City building code violations. The current owner has largely failed to address these issues and the City has deemed about one-fourth of the units to be uninhabitable due to structural defects. The Woodlands property has been identified by the City of Madison Building Inspection Unit and the Neighborhood Resource Team as one with significant health and safety issues. These issues have affected the current residents, many of whom have filed for rent abatement, as well as the adjacent neighborhood, and have become a significant drain on City resources. There is further concern that the owner is at risk of defaulting on its loans.

Mirus Partners, Inc. is proposing to invest more than \$16 million to acquire the property and undertake extensive rehabilitation that will preserve all 128 units, and keep them affordable for low-income households. The project will invest about \$54,000 per unit in physical improvements through a combination of both interior and exterior repairs. The primary sources of project financing include approximately \$5.2 million through WHEDA Low Income Housing Tax Credits (LIHTC), which Mirus plans to request; about \$8.7 million in bond financing, and funds requested from the City's Community Development Division.

In the hope of avoiding foreclosure, further deterioration of the housing units and the consequences such developments would have on current tenants, Mirus proposes to purchase the property and begin renovations in October 2014. As some of these renovations involve roof replacement and heating system improvements, the project needs to proceed before cold weather sets in if serious disruptions in occupancy are to be avoided.

WHEREAS, Mirus Partners, Inc. has proposed acquiring a 128-unit apartment complex known as Woodland Terrace Apartments, and is proposing to invest more than \$16 million to undertake badly needed renovations; and,

WHEREAS, the occupancy of the facility's current tenants, most or all of whom are low-income, is threatened if the proposed project does not proceed, and their ability to find alternative housing would be made very difficult by the low rental vacancy rates that exist throughout Madison; and,

WHEREAS, the successful completion of this project would preserve 128 units of long-term affordable rental housing; and,

WHEREAS, renovation and repositioning the property will provide immediate benefits to the current tenants,

the neighborhood and the City as a whole; and,

WHEREAS, some of the proposed renovations involve investments and repairs that will improve the energy efficiency of the units; and,

WHEREAS, the City retains access to approximately \$1.7 million of unused energy funds, made available in 2010 by the U.S. Department of Energy, provided those funds are used for activities that achieve energy efficiency and conservation, and that are approved by the DOE; and,

WHEREAS, CDBG staff and Committee have reviewed this proposal and find that it furthers the goals expressed in the 2010-2014 Five Year Community and Neighborhood Development Plan,, the 2014 Action Plan, the AHTF ordinance (MGO 4.22) and the Energy Efficiency and Conservation Block Grant fund (EECBG); and

WHEREAS, the terms of the WHEDA Tax Credit program require a waiver to the AHTF loan terms, and the CDBG Committee recommends that the City provide the AHTF funds as a 16-year term loan amortized over 30 years with interest at 2.75 or below the variable Annual Federal Rate, whichever is lower, and payable annually beginning one year after project completion contingent upon sufficient cash flow to support the project. In the event that the cash flow is insufficient to pay all or a portion of the annual payment, the balance of the payment due will be repaid at the end of the 16 year period; and

WHEREAS,the terms of the Housing Development Reserved Fund outlined in the 2013 -2014 goals and objectives allow for a maximum trust fund allocation per project of up to ~~\$375,00~~ \$375,000. The CDBG Committee recommends a waiver to allow additional funds for this project; and

WHEREAS, Community Development staff recommends that up to \$650,000 of these energy funds be applied as an alternative source for a portion of the \$1.3 million City commitment to this project, provided the use of those funds is approved by the DOE; and,

WHEREAS, the disbursement of \$1.3 million in City-administered funds including energy funds, subject to DOE approval, is contingent upon Mirus Partners Inc. confirming receipt of other financing sufficient to complete the project and CDD's approval of plans and documents required to meet the regulations of the federal and City funding sources;

NOW, THEREFORE BE IT RESOLVED, that the Mayor and the Common Council authorize the use of up to \$1,300,000 of City-administered funds to support the acquisition and rehabilitation of the Woodland Terrace Apartments as described above under terms that will ensure that, for a period of at least 30 years, the affected 128 housing units will remain affordable long term be made available only to tenants earning not more than 60% of the area median income, and at rent levels set forth in the Land Use Restriction Agreement that ensures affordability as part of the LIHTC Program; and,

BE IT FURTHER RESOLVED, that the provision of City administered funds also be made contingent upon Mirus Partner's Inc. agreement to make every reasonable effort to minimize the dislocation of current tenants during the rehabilitation project, and to offer current tenants the opportunity to remain at the property so long as they meet qualifying income guidelines under the LIHTC Program and are not in violation of the terms of their leases; and,

BE IT FURTHER RESOLVED, that the Mayor and the Common Council authorize the Community Development Division, in coordination with the CDBG Committee, to identify up to \$1.3 million from HOME, CDBG, AHTF and available federal energy funds to help finance the proposed project; and,

BE IT FURTHER RESOLVED, that the provision of City administered funds be made contingent upon Mirus

Partner Inc.'s receipt of 2014 LIHTC financing, and satisfaction of all relevant federal and City requirements and approvals; and,

BE IT FURTHER RESOLVED, that the Common Council hereby authorizes the Mayor and the City Clerk to execute a Loan Agreement and Documents with Mirus Partners, Inc. or an affiliate LLC; and,

BE IT FINALLY 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 purpose of this Resolution and to comply with and perform the obligations of the City hereunder.