



## Legislation Text

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**File #:** 40653, **Version:** 1

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### **Fiscal Note**

Sufficient Federal HOME, HOME Match and/or CDBG funds are available for allocation to this project within the CDD's Housing Development Reserve Fund, which was authorized as part of the City's 2015 Adopted Operating Budget. Approval of this resolution will have no impact on the City levy.

### **Title**

Authorizing an allocation of up to \$600,000 in Housing Development Reserve Funds to assist Housing Initiatives, Inc. to acquire and rehabilitate two properties at 310 E. Mifflin & 103 N. Butler Streets for a total of fourteen (14) units of affordable rental housing for low-income people.

### **Body**

#### **BACKGROUND:**

Housing Initiatives, Inc. (HII) is a local community-based agency that provides permanent, affordable rental housing for people with mental illness who are experiencing homelessness. Housing Initiatives acquires and rehabilitates rental properties, manages the properties as affordable housing, and actively assists their tenants in maintaining case management services.

With this commitment of funds, HII will acquire and rehabilitate a 6-unit property, comprised of five 1-bedroom units and one efficiency unit; and an adjacent 8-unit property, comprised of seven 1-bedroom units and one efficiency unit. In 1996, Madison Development Corporation (MDC) acquired and rehabilitated these properties with assistance of \$206,000 from City-administered HOME & CDBG. In 2015, the two properties were valued at approximately \$1.1M. Under the terms of the HOME and CDBG loans, MDC, upon sale of the properties, is obligated to repay the original loan amounts plus a proportionate share (46%) of the properties' appreciated value. The repayment amount, pending appraisal, is estimated to be about \$500,000. MDC will repay these funds to the City of Madison. If this resolution is approved, the Community Development Division (CDD) will enter into a new loan agreement with Housing Initiatives and execute loan documents to support its acquisition of the properties.

#### **ACTION:**

WHEREAS, the CDD staff and the CDBG Committee have reviewed this funding proposal and find that it furthers the goals expressed in the *City of Madison's 2015-2019 Five-Year Consolidated Plan* and its *2015 Action Plan*, both of which guide the City's use of U.S. Department of Housing and Urban Development funds; and

WHEREAS, this project is eligible in accordance with the CDBG Committee-approved *2015-2016 Community Development Program Goals and Objectives* and meets the goals, objectives, priorities and strategies detailed within; and

WHEREAS, in June 2013, the Common Council accepted a staff report prepared at its request and entitled *Strategies to Provide Affordable Housing with Supportive Services for the Homeless* (the "SRO Report"), which described the growing demand for housing for homeless adults, with an emphasis on chronically homeless individuals who have co-occurring diagnoses of physical disabilities, mental illness, and/or alcohol and other drug abuse (AODA) issues that consume a disproportionate amount of social services; and,

WHEREAS, the Dane County Continuum of Care's *Community Plan to Prevent and End Homelessness*, which received support from the City, also articulates a strategy to develop additional housing for homeless persons that connects them with supportive services as one approach to reducing homelessness; and,

WHEREAS, the successful completion of this project will preserve 14 units of permanent, affordable rental housing stock which is in high demand for low-income people, especially those with mental illness who are experiencing homelessness; and

WHEREAS, the successful completion of this project will also meet the high priority of preserving the supply of affordable housing for low-income people, especially downtown and proximate to jobs, services, and transit; and

WHEREAS, the offer of up to \$600,000 in CDD Housing Development Reserve Funds is made contingent upon Housing Initiatives, Inc. obtaining sufficient permanent financing to complete the project while maintaining 115% secured loan to value ratio; and

NOW, THEREFORE, BE IT RESOLVED that the Common Council approves up to \$600,000 in CDD Housing Development Reserve Funds in support of the proposed project, and authorizes the Mayor and the City Clerk to enter into an agreement with Housing Initiatives, Inc. to provide funds to acquire, rehabilitate, and maintain at least fourteen (14) units of affordable rental housing at 310 E. Mifflin & 103 N. Butler Streets; and

BE IT FURTHER RESOLVED that the assistance be provided as a long-term deferred loan payable upon sale, transfer, or change in the use of the property with repayment due in accordance with the terms and conditions articulated in the *2015-2016 Community Development Program Goals and Objectives*; and

BE IT FURTHER RESOLVED that the assistance be provided contingent upon Housing Initiatives, Inc. obtaining a post-rehabilitation appraisal that supports a maximum of 115% secured loan to value ratio, sufficient permanent financing to complete the project, and related due diligence documentation; and

BE IT FURTHER RESOLVED that the Mayor and the City Clerk are hereby authorized to execute a Subordination of Mortgage in favor of first mortgage financing in forms as shall be approved by the City Attorney consistent with this Resolution; and

BE IT FINALLY RESOLVED, that the Mayor and City Clerk are hereby authorized to execute a contract and related loan documents with Housing Initiatives, Inc. and to execute, deliver, accept, publish, file and record any and all other documents, instruments, notes and records and take such other actions as shall be necessary or desirable to accomplish the intent of this resolution in a form approved by the City Attorney, and to comply with and perform the obligations of the City hereunder.