



## Legislation Text

File #: 44932, Version: 2

### Fiscal Note

The proposed resolution demonstrates the City's commitment to create ~~180~~ 165 units of affordable rental housing as part of the City's Affordable Housing program. The 2017 Capital Budget includes \$4.5 million in new appropriation for the Affordable Housing project. This commitment will allow the project developers to seek WHEDA tax credits when the application period opens during the 1<sup>st</sup> Quarter of 2017. Specific projects outlined in this resolution include: Fair Oaks Apartments, Madison Grand Family, and Normandy Square.

### Title

SUBSTITUTE - Authorizing the allocation of \$3.15 Million from the Affordable Housing Fund to support the creation of approximately ~~180~~ 165 units of affordable rental housing in Madison, Wisconsin.

### Body

#### Background

The City of Madison's adopted 2017 Capital Budget authorizes \$4.5 million for the Affordable Housing Fund (AHF). The adopted AHF guidelines stipulate that a portion of the fund will be used to help increase or preserve the supply of affordable rental housing, and establish a goal of adding approximately 150 affordable rental units per year.

The AHF guidelines also stipulate that these City funds may be used to leverage federal Low-Income Housing Tax Credits (LIHTC) administered by the Wisconsin Housing and Economic Development Authority (WHEDA). LIHTCs are allocated through an annual competitive process with applications due by February 3, 2017. The commitment of City funds proposed by this Resolution is intended to improve the competitiveness of City-supported applications to WHEDA.

### ACTION

WHEREAS, in order to carry out the objective of expanding the supply of affordable rental housing, which is embodied in the 2017 Capital Budget, and using City resources in concert with federal Low-Income Housing Tax Credits, the Community Development Division issued a Request for Proposals (RFP) in July 2016 seeking tax credit eligible projects; and,

WHEREAS, the RFP offered up to \$3 million in Affordable Housing Funds to support such projects, contingent upon the approval of these funds as part of the adopted 2017 Capital Budget; and,

WHEREAS, in response to the RFP, the City received applications for the following four projects:

- Fair Oaks Apartments, submitted by Stone House Development, Inc.;
- Madison GrandFamily Housing, submitted by Gorman and Company, Inc. and Lutheran Social Services;
- Normandy Square, submitted by MSP Real Estate, Inc.;
- Salvation Army Campus, submitted by Commonwealth Development Corporation of America & Salvation Army; and,

WHEREAS, The Salvation Army Campus application was withdrawn prior to initiating a review process; and,

WHEREAS, a review team, comprised of staff from the City's Community Development Division, Economic Development Division, Planning Division and Community Development Authority, evaluated each proposal based on criteria that addressed issues such as the number and mix of units proposed; project location with respect to nearby amenities such as public transit routes, schools, retail and employment opportunities, etc.; financial strength of the proposal; requested per-unit subsidy; experience of the development team; likelihood of the developer securing needed land use approvals; and anticipated strength of the project from the perspective of WHEDA's LIHTC application process; and,

WHEREAS, based on this review process, the staff team selected three projects that it concluded were most responsive to the review criteria described above, and that, with the support of City Affordable Housing Funds, were believed best positioned to compete successfully for WHEDA LIHTCs in 2017.

WHEREAS, the selection of these projects promises to create affordable units for a range of target populations, with Fair Oaks Apartments for families; the Madison GrandFamily for seniors with children in their care and Normandy Square for seniors; and,

WHEREAS, the staff team recommended awarding up to \$3.15 million in Affordable Housing Funds among the three projects (up to \$1.350 million for Fair Oaks Apartments; up to \$950,000 for Madison GrandFamily and up to \$850,000 for Normandy Square) to support an estimated 240 200 total units of rental housing, about 180 165 of which would be designated as "affordable" (defined as reserved for households earning not more than 60% of the county median income); and,

WHEREAS, the final dollar amount and unit counts to be allocated to each of these three projects, not to exceed \$3.15 million in aggregate, will be determined through negotiations between CDD staff and applicant organizations (and/or their development partners) no later than the WHEDA application deadline of February 3, 2017 with the final details subject to approval by the Council; and,

WHEREAS, consistent with the terms of the City's RFP, it is anticipated that funds will be offered in the form of low-cost loans, 50% of which will be amortized over 30 years and repayable over 16 years, contingent upon available cash flow, and 50% of which will have repayment deferred until a change in use or sale of the property occurs;

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and the Common Council hereby authorize the award of up to \$3.15 million in Affordable Housing Funds to support the Fair Oaks Apartments project; the Madison GrandFamily project, and the Normandy Square project with the specific award amounts, unit counts and terms for each to be determined via CDD staff negotiations no later than February 3, 2017; and,

BE IT FURTHER RESOLVED, that the disbursement of City funds will be made contingent upon each project developer demonstrating that it has (1) secured financing sufficient to complete the project, including 2017 WHEDA LIHTCs; (2) received from the City all necessary land use and permit approvals; (3) satisfied any other City requirements; and (4) provided any other City-requested documentation, including a commitment to a 30-year period of affordability secured by a Land Use Restriction Agreement; and,

BE IT STILL FURTHER RESOLVED, that CDD staff is authorized to provide a letter of funding commitment for each approved project by February 3, 2017, with the amounts and terms consistent with this Resolution; 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.