



Legislation Text

File #: 49038, **Version:** 1

Fiscal Note

The 2018 Executive Capital Budget includes \$4.5 million of new funding for the Affordable Housing Fund. In addition to the newly authorized appropriation anticipated for 2018, \$2.7 million from the 2017 allocation is not committed due to projects that did not receive funding through the WHEDA process. Between the 2017 and 2018 allocations there is \$7.2 million available for projects to participate in the application process for WHEDA Low-Income Tax Credits in their spring 2018 process.

This resolution, if adopted, will allocate \$2.0 million to Heartland Housing for a project at 1202 S Park Street. The project will create approximately 60 units of affordable permanent supportive housing.

Title

Authorizing the allocation of up to an additional \$500,000 to Heartland Housing Inc, from the 2018 Affordable Housing Fund, and reauthorizing 2017 AHF loan commitments to Heartland to support development costs associated with a proposed project to construct approximately 60 units of permanent supportive housing in Madison, Wisconsin and authorizing the Mayor and City Clerk to execute a loan agreement with Heartland.

Body

Background

The City of Madison's 2018 Capital Budget is expected to authorize continuation of the Affordable Housing Fund, at an annual level of \$4.5 million. The AHF was created in 2015 to help increase and/or preserve the supply of affordable rental housing. It seeks to leverage other financing resources, most notably federal Low-Income Housing Tax Credits (LIHTCs), to help achieve the City's goal of adding approximately 150-200 new affordable rental units per year. Twenty-five percent of those units are sought specifically to provide housing to homeless persons.

In Wisconsin, LIHTCs are administered by the Wisconsin Housing and Economic Development Authority (WHEDA). WHEDA allocates credits annually through a highly competitive process. The review criteria that WHEDA employs favors development proposals that demonstrate local financial participation.

Heartland was awarded \$1,570,000 of AHF funds on December 6, 2016 in support of the development of approximately 60 units of permanent supportive housing at 1202 S Park St, - \$1,415,000 to be used for development costs and \$155,000 for pre-development costs. Heartland failed to secure 2017 LIHTCs from WHEDA but intends to re-apply for credits in 2018. The application deadline is December 8, 2017.

Heartland and Community Development staff have re-analyzed the proposed project with respect to the impacts of rising construction costs and declining tax credit values as well as potential project modifications that could improve its competitiveness under WHEDA's scoring criteria. CDD staff believe additional support of up to \$500,000 would serve both to address these financial issues and make the project more likely to secure tax credits. If approved, those funds would be drawn from 2018 AHF funds and raise the support for project development costs to \$1,915,000.

This resolution is intended to authorize the commitment of additional City funds to Heartland and reauthorize 2017 AHF loan commitments to support the development of approximately 60 units of permanent supportive housing in Madison, Wisconsin. It is also intended to authorize the Mayor and City Clerk to execute loan agreements and other documents necessary to proceed with the project.

Action

WHEREAS, on June 7, 2016 (RES-16-00435, Legistar # 42709), the Common Council directed the CDA to draft and issue a request for qualifications (RFQ) for development services associated with the development, operation and financing of housing for homeless adults (Phase III of the City's permanent supportive housing initiative); and

WHEREAS, on July 19, 2016 (RES-16-00548, Legistar #43550), the Common Council approved the selection of a team comprised of Heartland Housing, Inc., (the "Developer") to develop and provide property management services for the housing project; and Heartland Health Outreach to provide support services to the residents of that housing; and

WHEREAS, on December 6, 2016 (RES-16-00897), the Common Council approved an award of \$1,570,000 to Heartland Housing, Inc. for the development of permanent supportive housing at 1202 S. Park Street (the "Property"), with \$1,415,000 contingent on the award of LIHTCs from WHEDA; and

WHEREAS, in May of 2017, Heartland notified the City that they were not awarded tax credits for 2017 and planned to pursue a December 2017 application for 2018 tax credits; and

WHEREAS, on September 5, 2017 (RES-17-00734), the Common Council approved the assignment of a Purchase and Sales Agreement to the City of Madison from Heartland to acquire the Property and authorized up to \$640,000 of 2017 AHF, previously awarded to Heartland, to be used by the City of Madison to acquire the Property, and reauthorized the remaining AHF loan commitment of \$775,000 in 2018; and

WHEREAS, the City will execute a new Purchase and Sale Agreement with Heartland and close on the Property with Heartland or Dane County, upon receipt by Heartland of 2018 tax credits, and re-apply the \$640,000 from that sale to project development costs; and

WHEREAS, upon re-analysis of the proposed project with Heartland officials, Community Development staff concluded that an additional allocation of up to \$500,000 of AHF funds toward project development costs could both help to close a financing gap brought about by rising project costs and declining tax credit values and also improve the proposal's competitiveness under WHEDA's scoring criteria. .

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and the Common Council hereby authorize the award of up to \$500,000 of 2018 AHF funds to support Heartland in developing approximately 60 units of permanent supportive housing at 1202 S Park Street; and

BE IT FURTHER RESOLVED that the remaining \$775,000 loan commitment of 2017 AHF funds to Heartland for development costs pursuant to RES-16-00897 is reauthorized in 2018 and \$640,000 recaptured from the sale of the Property in 2018 will also be available for development costs to Heartland as previously awarded; and

BE IT FURTHER RESOLVED that up to \$1,915,000 in total shall be provided to Heartland for development activities in 2018 from AHF, under the following terms:

Form of Loan

- The assistance be a 0% interest, long-term deferred loan payable upon sale or change in use of the property; and

- The developer shall apply the proceeds of the Loan to the expense of acquiring, constructing and/or rehabilitating the property which includes no fewer than 60 units to be used as affordable housing for income eligible households as specified above; and
- The disbursement of City funds continues to remain contingent upon each project developer demonstrating that it has secured financing sufficient to complete the project, including LIHTC's; that it has received from the City all necessary land use and permit approvals; and that it has satisfied any other City requirements or documentation, including commitment to a 30-year period of affordability; and
- The Loan will be secured by a subordinate mortgage, note and Land Use Restriction Agreement with a 30-year period of affordability; and
- The Loan Agreement will be in full force and effect until the loan is repaid or at the expiration of the period of affordability, whichever is longer.

Assignment

- The loan shall not be assigned without permission of the City except for an assignment to an affiliate entity of the developer prior to loan closing.

Closing

- Prior to closing, the developer must submit to the City a standard ALTA commitment for a loan policy of title insurance in the amount of the Loan for such Property, which will be subject only to municipal and zoning ordinances and agreements entered under them, recorded easements for the distribution of utility and municipal services, mortgages, security agreements, assignments of leases and rents, regulatory and land use restriction agreements and an extended use commitment pursuant to Section 42 of the Internal Revenue Code, recorded building and use restrictions and covenants, taxes levied in the year of closing, and any other encumbrances acceptable to the City; and
- Provide evidence of property insurance as required by the Mortgage containing a standard loss payee endorsement identifying the City as mortgagee. Developer agrees to provide evidence of property insurance annually by February 10th or before expiration of current policy.

BE IT FURTHER RESOLVED that the Loan Agreement executed on June 2, 2017 by the City of Madison and Heartland for \$155,000 to fund in pre-development costs will be carried over to 2018; and

BE IT STILL FURTHER RESOLVED, that the execution of a loan agreement and disbursement of City funds will be made contingent upon Heartland demonstrating that it has (1) secured financing sufficient to complete the project, including 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; 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.