



## Legislation Text

File #: 51861, Version: 1

### Fiscal Note

The proposed resolution authorizes execution of Affordable Housing loan agreements, totaling \$1.8 million, with Gorman Holdings, Inc. for GrandFamily Apartments and MSP Real Estate, Inc. for Normandy Square. The loan amount to Gorman Holdings will be \$950,000 for a 60-unit rental housing development with 56 affordable units. The loan amount to MSP Real Estate, Inc. will be \$850,000 for a 58-unit rental housing development with 48 affordable units. Adopted RES-16-00854 (File ID 44932) authorized allocation of \$3.15 million from Affordable Housing Funds, part of which was to support the aforementioned developments. The proposed loans will be covered by \$10.7 million of available appropriation in the Affordable Housing Fund capital project in the Community Development Division.

### Title

Authorizing the Mayor and City Clerk to execute loan agreements associated with affordable housing development projects selected as part of the 2016 Affordable Housing Fund Request for Proposals process.

### Body

The Common Council adopted #RES-16-00854 on November 22, 2016, which authorized the allocation of up to \$3.15 Million in Affordable Housing Funds to support the creation of approximately 180 units of affordable rental housing through the development of three projects: GrandFamily Apartments, Normandy Square, and Fair Oaks Apartments. Fair Oaks Apartments was not awarded 2017 Low Income Housing Tax Credits, therefore, preventing that project from moving forward in that cycle. The resolution authorizing the allocation did not articulate the specific terms related to the financial awards for each project. This resolution specifically articulates those terms and financial awards and also seeks to ensure that the Mayor and City Clerk are authorized to execute loan agreements with each of the development entities as originally anticipated.

### ACTION

WHEREAS, the Common Council, at its meeting on November 22, 2016, adopted Resolution #RES-16-00854 authorizing the allocation of up to \$3.15 million in Affordable Housing Funds to support the creation of approximately 180 units of affordable rental housing in Madison through financial assistance to the GrandFamily Apartments, Normandy Square, and Fair Oaks Apartments projects in advance of their respective applications for 2017 Low Income Housing Tax Credits; and

WHEREAS, the primary goal of the City's financial participation in these projects was to increase the likelihood of their success in the ensuing statewide competition for 2017 federal Low-Income Housing Tax Credits; and

WHEREAS, the City's financial participation in each project was contingent upon their receipt of federal Low-Income Housing Tax Credits; and

WHEREAS, the GrandFamily Apartments and Normandy Square developments respectively received an award of 2017 federal Low-Income Housing Tax Credits to support the creation of approximately 100 units of affordable rental housing in Madison; and

WHEREAS, the developers of these projects, via an affiliate LLC, are prepared to execute loan agreements and related loan documents as outlined in the RFP and Resolution #RES-16-00854 as follows: \$950,000 for GrandFamily Apartments and \$850,000 for Normandy Square.

NOW, THEREFORE, BE IT RESOLVED that the Mayor and City Clerk are authorized to execute loan

agreements, utilizing Affordable Housing Funds, for these affordable housing projects as described below:

#### Developers, Projects and Loan Amount

- \$950,000 - Gorman Holdings, Inc. (fka Gorman & Company, Inc.), or an affiliate LLC, for GrandFamily Apartments: a 60 unit rental housing development with 56 units affordable to households with incomes at a range of 30% to 60% of the County Median Income (CMI); and
- \$850,000 - MSP Real Estate, Inc., or an affiliate LLC, for Normandy Square: a 58 unit rental housing development with 48 units affordable to households with incomes at a range of 30% to 60% of CMI.

#### Form of Loans

- The assistance will be provided in the form of low-cost loans, up to 50% of which will be amortized over 30 years and payable over 16 years, contingent upon available cash flow, and at least 50% of which will be 0% interest, long-term deferred loans 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 the property and/or constructing the project, including the construction of at least the total number of units and units to be used as affordable housing, as specified above, for rent to income-eligible households; and
- The disbursement of City funds continues to remain contingent upon each developer demonstrating that it has secured financing sufficient to complete the project, including LIHTC's; it has received, from the City, all necessary land use and permit approvals; and it has satisfied any other City requirements including provision of documentation and written commitment to a 30-year period of affordability; and
- The loan will be secured by a subordinate mortgage, note(s), and Land Use Restriction Agreement; and
- The loan agreement will be in full force and effect until the loan is repaid or the expiration of the period of affordability, whichever is later.

#### 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 any other encumbrances acceptable to the City; and
- Prior to closing, the developer must 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 existing policy; and,

BE IT FINALLY RESOLVED, that the Mayor and City Clerk are hereby authorized 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.