



Legislation Text

File #: 65701, Version: 1

The proposed resolution authorizes amending the loan terms adopted by RES-21-00153 (File #63936) to allow for some of the funds originally awarded to be in the form of a forgivable loan in exchange for a 99 year Land Use Agreement to ensure future sales of the properties benefit low to moderate income households. There are no proposed changes to the level of funding originally awarded. No additional city appropriation is required.

Authorizing an amendment to loan term awarded in RES-21-00153 that committed about \$1.2 million from the Affordable Housing Fund to support owner-occupied development to Madison Area Community Land Trust, Common Wealth Development and Wisconsin Partnership for Housing Development to ensure longer term affordability of property.

On February 23, 2021, the City of Madison Common Council passed Resolution RES-21-00153 (Legistar #63936), which approved awarding up to \$3.11 million in City and federal funds to proposals submitted to the Community Development Division (CDD) in response to its Housing Forward Request for Proposals (RFP) released on October 30, 2020. Of this \$3.11 million, three nonprofit applicants were awarded approximately \$1.2 million from the Affordable Housing Fund to support their proposals for acquiring property to create new homeownership opportunities for low- and moderate-income households. The terms of the loans that these nonprofit organizations accepted when they applied for City funds were listed in the RFP. However, to encourage long-term and permanent affordability of these properties, CDD is proposing to change the terms of one of the loans to be more favorable to the nonprofit in exchange for a 99 year Land Use Restriction Agreement on the individual properties.

Action Item

WHEREAS, Community Development Division issued Housing Forward Request for Proposals (RFP #2020-8976) on October 30, 2020 that included loan terms that 50% of the funds awarded for acquisition and rehabilitation developments would be available as 15-year forgivable loan (the "Forgivable Loan"); and

WHEREAS, RES-21-00153 (Legistar #63936) committed Affordable Housing Funds to three non-profits (Common Wealth Development Inc, Madison Area Community Land Trust and Wisconsin Partnership for Housing Development) (together the "Non-Profit Developer") for the acquisition and rehabilitation of owner-occupied housing units to expand homeownership opportunities for low-to-moderate income households; and

WHEREAS, to encourage longer term affordability on subsequent sales of the properties acquired and rehabilitated with Affordable Housing Funds, CDD proposes a change to the Forgivable Loan terms to require that the Non-Profit developer agrees to a 99 year Land Use Restriction Agreement on the individual properties to ensure future sales of the properties will benefit low-to-moderate income households; and

WHEREAS, the Forgivable Loan will be forgiven upon sale by the Non-Profit Developer to a low-to-moderate income household.

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and the Common Council hereby amends the loan terms stated in RES-21-00153 for the Forgivable Loan as described in this resolution.

BE IT FURTHER RESOLVED, that Mayor and City Clerk are authorized to execute loan agreements, utilizing,

CDD-administered funds, for the affordable housing projects as described above if Non-Profit Developer agrees to loan terms on substantially the following terms and conditions:

1. At least 50% of committed funds would be provided in the form of a long-term deferred loan, payable upon change in use of the property, requiring repayment of either a percentage of the appraised value after rehab or construction, based on the amount of the CDD funds invested in the property, or a percentage of the net proceeds, whichever is less; and
2. Up to 50% of funds would be provided in the form of a forgivable loan if a 99-year Land Use Restriction Agreement
 - a. Benefit future low-to-moderate income households and
 - b. Requires the non-profit to assist homeowner in the resale of the property :
 - c. "Liquidated Damages" provision, which would outline the penalties the City could exercise on the nonprofit developer, if the property is ever sold or transferred to a non-income qualified homebuyer. These damages could include, but are not limited to, a reversionary right, which would transfer the property's ownership to the City.

BE IT Further RESOLVED, that all other provisions of Resolution RES-21-00153 not specifically amended herein remain in full force and effect.

BE FINALLY RESOLVED, that the Mayor and Clerk are authorized to execute and record any other document necessary to carry out the purposes of this resolution and RES-21-00153 in a form approved by the City Attorney.