



Legislation Text

File #: 72503, **Version:** 2

Fiscal Note

The proposed resolution authorizes awarding up to \$1.5 million in HOME Investment Partnership funds and up to \$551,000 from the Affordable Housing Fund to help finance the development of affordable housing. The proposed HOME funding is included in the Community Development Division's (CDD) 2022 adopted operating budget for Community Development Grants. The proposed AHF funding is included within the Affordable Housing - Development Projects capital program (Munis # 17110). No additional City appropriation is required with adoption of this resolution.

Title

SUBSTITUTE: Awarding up to \$1.5 million in HOME Investment Partnership funds and up to \$551,000 from the Affordable Housing Fund to help finance the development of affordable housing, as the recommended outcome of a competitive Request for Proposals (RFP) process conducted by the Community Development Division; and authorizing the Mayor and the City Clerk to enter into agreements with those agencies to implement the specified development projects.

Body

Background

The City of Madison's 2022 Adopted Capital and Operating Budgets include approximately \$4.5 million in HOME Investment Partnerships Program (HOME) funds and up to \$3 million from the City's Affordable Housing Fund for the purpose of supporting affordable housing developments not seeking Low Income Housing Tax Credits. The Community Development Division (CDD) made these funds available through 2022-2023 Housing Forward: Financing for Rental Housing Development Request for Proposal(s).

The Community Development Division (CDD) released the RFP on February 1, 2022, and accepted applications through March 2, 2022. Four organizations submitted proposals for affordable housing development, responding to various preferences and goals identified by the City as necessary for gaining financial assistance, with all meeting the baseline goal to expand the supply of affordable housing for renters.

- Johnson-Butler Junction - a site-specific new construction proposal submitted by Kaba Bah
- MDC: The Lillian - a site-specific new construction proposal submitted by Madison Development Corporation
- Velma Apartments - a site-specific new construction proposal submitted by Wisconsin Housing Preservation Corp.
- Zapata Housing Cooperative - a targeted geography proposal by Madison Area Cooperative Housing Alliance and Sunny Side Development

Typically CDBG Committee funding recommendations flowing from an RFP process are advanced in a single action. However the timelines of processes to secure funding and other needed approvals can vary considerably from proposal to proposal. In the current environment of rising construction costs and interest rates, delays in the City's funding decisions could have adverse impacts on the feasibility of development proposals. Accordingly, the Community Development Block Grant (CDBG) Committee considered funding recommendations at its July 7, 2022 meeting for two of the four proposals submitted through this RFP that

plan to utilize this funding imminently as detailed below. Additional Committee recommendations regarding the two proposals submitted but not addressed in this resolution may follow as those proposals continue to move toward project readiness.

At its July 7, 2022 meeting, the CDBG Committee reviewed the following proposals and recommended the following:

- Allocate up to \$1,500,000 in HOME funds to Madison Development Corporation for The Lillian, a 24-unit, site-specific new development as described in the MDC The Lillian Housing Forward - Rental Development proposal
- Allocate up to \$551,000 in AHF funds to Madison Area Cooperative Housing Alliance and Sunny Side Development for Zapata Housing Cooperative, an anticipated 10-20 member housing cooperative acquisition and rehab development in a targeted geography as described in the Zapata Cooperative Housing Forward - Rental Housing Development proposal

This resolution is intended to authorize the commitment of City and federal funds, to the designated developers and agencies, and in the amounts specified, for the initial project proposals selected in this RFP process. It is also intended to authorize the Mayor and City Clerk to execute loan agreements, contracts, and other documents necessary to proceed with financial commitments to these projects.

ACTION

WHEREAS, in order to advance the City's objectives of expanding the supply of affordable housing called for in the 2022 Executive Capital and Operating Budgets, the Community Development Division issued a Request for Proposals (RFP) in February 2022 seeking proposals for housing developments not seeking Low-Income Housing Tax Credits; and,

WHEREAS, in response to the RFP, the City received four applications seeking assistance for the following housing development proposals:

- Johnson-Butler Junction - a site-specific new construction proposal submitted by Kaba Bah
- MDC: The Lillian - a site-specific new construction proposal submitted by Madison Development Corporation
- Velma Apartments - a site-specific new construction proposal submitted by Wisconsin Housing Preservation Corp.
- Zapata Housing Cooperative - a targeted geography proposal by Madison Area Cooperative Housing Alliance and Sunny Side Development

WHEREAS, a review team, comprised of staff from the City's Department of Planning, Community, and Economic Development evaluated proposals based on criteria that addressed issues such as the number and mix of housing units; financial viability; gap financing needed; per-unit subsidy requested; incorporation of energy efficiency, renewable energy and other sustainability features; project team experience; readiness to proceed; and history of implementing affordable housing programs; and,

WHEREAS, based on this review, the staff team concluded that the identified development projects were sufficiently responsive to the City's criteria; and

WHEREAS, the proposal submitted by Madison Development Corporation has secured all needed City approvals and is prepared to proceed; and,

WHEREAS, the proposal submitted by Madison Area Cooperative Housing Alliance and Sunny Side Development requested a commitment be reserved to be used for the development of a site yet to be identified so that the agency may respond quickly when a suitable property becomes available; and,

WHEREAS, all of these proposals are responsive to the goals and requirements set forth in the City's 2020-2024 Five-Year Consolidated Plan, formally adopted by the Common Council on February 25, 2020, which guides the use of U.S. Department of Housing and Urban Development (HUD) funds; and,

WHEREAS, based on its reviews, the DPCED staff team formulated, and the CDBG Committee concurred in, the following initial recommendations that seek to allocate up to \$551,000 from the Affordable Housing Fund and up to \$1,500,000 in HOME funds to support the following two development proposals:

- Allocate up to \$1,500,000 in HOME funds to Madison Development Corporation for The Lillian, a 24-unit, site-specific new development as described in the MDC The Lillian Housing Forward - Rental Development proposal
- Allocate up to \$551,000 in AHF funds to Madison Area Cooperative Housing Alliance and Sunny Side Development for Zapata Housing Cooperative, an anticipated 10-20 member housing cooperative acquisition and rehab development in a targeted geography as described in the Zapata Cooperative Housing Forward - Rental Housing Development proposal; and,

WHEREAS, funds awarded to Madison Development Corporation's new construction proposal will be provided in the form of a zero percent, long-term deferred loan payable upon sale, transfer, or change in the use of property; and the accompanying promissory note will waive shared appreciation and interest in exchange for a land use restriction agreement securing permanent affordability; and,

WHEREAS, once a site is identified by the proposer, and approved by CDD staff, at least 50% of funds awarded to Madison Area Cooperative Housing Alliance and Sunny Side Development's Targeted Geography proposal will be provided in the form of a zero percent, long-term deferred loan payable upon sale, transfer, or change in the use of property; and the accompanying promissory note will require repayment of either a percentage of the appraised value after rehab or construction, based on the amount of CDD funds invested in the property, or a percentage of the net proceeds, whichever is less; and,

WHEREAS, once a site is identified by the proposer, and approved by CDD staff, up to 50% of funds awarded to Madison Area Cooperative Housing Alliance and Sunny Side Development's proposal will be provided in the form of a zero percent 15-year loan that requires no repayment so long as there is no sale, transfer, or change in the use of the property within 15 years of the date of final City disbursement of funds. Each year after the final City disbursement in which the project continues to operate as the intended use, a portion of the loan amount will be forgiven. After year 15, no repayment is required and the balance of the note is forgiven; and,

WHEREAS, it is understood that, as development projects proceed through final design stages and securing

remaining financing, applicants may need to make minor project adjustments, including to the number and mix of housing units, in order to improve project feasibility and/or comply with land use requirements

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and the Common Council approve funding allocations as recommended by the CDBG Committee and articulated herein; and,

BE IT FURTHER RESOLVED, that CDD staff is authorized to approve minor alterations to proposals, including to the number and mix of housing units, if such changes are deemed necessary to improve prospects for securing all financing required to complete the project as presented and/or comply with City land use requirements, but may not increase the level of City financial assistance without Council approval; 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.