



Legislation Text

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Fiscal Note

The proposed resolution authorizes a grant of up to \$1,527,600 of uncommitted federal Emergency Rental Assistance (ERA, Munis project 76121) funds to Cinnaire Solutions for the acquisition of properties at 715 Rethke Terrace and 7933 Tree Lane. No additional City appropriation required.

Title

Authorizing a grant of up to \$1,527,600 to Cinnaire Solutions Corporation, to be drawn from funds authorized under the American Rescue Plan Act, for its use in acquiring and rehabilitating the properties at 715 Rethke Avenue and 7933 Tree Lane and preserving their long-term affordability for persons with household incomes at or below 60% of the County Median Income. (District 12 and District 9)

Body

WHEREAS, the City of Madison, in the early years of its Affordable Housing Initiative, helped bring about the development of two permanent supportive housing properties (the "Properties"), the first at 715 Rethke Avenue, which provided 60 studio apartments for single adults experiencing homelessness, and the second at 7933 Tree Lane, which offered 45 two-, three- and four-bedroom apartments for families with homeless experience; and,

WHEREAS, development of the Properties was undertaken by Heartland Housing Inc., a Chicago-based non-profit agency with demonstrated experience with such developments, which was selected by the City following two separate competitive Request for Qualifications processes; and,

WHEREAS, the developments were undertaken with the benefit of direct financial assistance from the City of Madison (\$1.15 million to assist with development costs at Rethke Avenue and \$1.5 million at Tree Lane), and from Dane County, and through Federal Low-Income Housing Tax Credits allocated by the Wisconsin Housing and Economic Development Authority (WHEDA), as well as from other sources; and,

WHEREAS, the Properties were further supported by the assignment of 54 project-based Section 8 housing vouchers to the Rethke property, and 40 project-based Section 8 housing vouchers to the Tree Lane property, divided in equal numbers by the Madison Community Development Authority and the Dane County Housing Authority, and through the provision of ongoing financial assistance from the City and Dane County to help pay for on-site support services; and,

WHEREAS, despite this financial assistance, as well as other forms of sustained support from City staff and others in the community, persistent deficiencies in property and financial management practices plagued both properties and created very difficult conditions for tenants as well as for neighboring residents and property owners; and,

WHEREAS, in the spring of 2023, Heartland Housing Inc. notified the City it was on the brink of insolvency and intended to relinquish its control of the Properties, as well as other properties it operated in Milwaukee and Chicago; and,

WHEREAS, in June of that year a Dane County judge placed the Properties under the control of a Receiver with instructions to improve the daily living conditions for residents at the Properties and to find a replacement for Heartland Housing Inc. to operate them; and,

WHEREAS, in December, the Receiver advised the judge that attempts to find a replacement for Heartland Housing Inc. had proven unsuccessful and that funds available to operate the Properties were nearly depleted, and sought permission to list the Properties for sale; and,

WHEREAS, the judge approved the Receiver's request adding that any sale be subject to approval by the City, Dane County and WHEDA; and,

WHEREAS, after reviewing purchase proposals received by the Receiver, City, County and WHEDA staff concluded that the proposal put forth by Cinnaire Solutions Corporation (Cinnaire), a non-profit housing developer with offices in Madison, most closely aligned with their stated goals of preserving long-term affordability at the Properties, ensuring the retention of some units to support households experiencing or at risk of homelessness, and protecting the interests of existing and future tenants; and,

WHEREAS, Cinnaire has made an offer to acquire and rehabilitate the Properties at a combined total cost of approximately \$7.5 million and, through negotiations with the City, agrees to assume responsibility for the outstanding secured loans made by the City to Heartland Housing Inc. to support development of the Properties, and to honor affordability commitments that are set forth in the Land Use Restriction Agreements for the Low-Income Housing Tax Credits; and,

WHEREAS, Cinnaire has prepared a project budget, totaling nearly \$7.5 million, that includes costs associated with acquiring the Properties and returning them to use, including, for example, making needed structural and systems repairs and replenishing depleted operating reserves at both properties and satisfying an additional existing lien on the Tree Lane property; and,

WHEREAS, Cinnaire is proposing to finance these costs through a combination of conventional debt financing and assistance from the City of Madison, Dane County, and WHEDA; and,

WHEREAS, the processes by which approvals for said assistance from Dane County and WHEDA will be secured are in progress; and,

WHEREAS, in 2021, Congress enacted the American Rescue Plan Act of 2021 which included funding for the Emergency Rental Assistance (ERA) Program to be distributed to state and local governments to support their eviction prevention and other housing stabilization efforts; and,

WHEREAS, more than \$45 million of ERA funds came to the City of Madison, most of which was used to support the Dane CORE rental assistance program and the Eviction Defense and Diversion Program, and all of which must be spent by September 30, 2025; and,

WHEREAS, the guidance provided to state and local governments by the U.S. Treasury regarding eligible uses of ERA funds has evolved over the life of the program and, in July 2022, was modified to authorize the use of ERA funds to support the construction, rehabilitation and preservation of affordable housing so long as assisted housing units are dedicated to serving households that earn not more than 50% of the County Median Income; and,

WHEREAS, upon review of Treasury's guidelines, Community Development Division (CDD) staff have concluded that the \$1,527,600 of proposed acquisition and rehabilitation costs for which Cinnaire is seeking funding from the City are eligible for ERA assistance; and,

WHEREAS, the CDD's adopted 2024 Operating Budget includes uncommitted ERA funds; and,

WHEREAS, CDD staff recommend to the Common Council that the City draw on these funds to award a grant to Cinnaire, in an amount not to exceed \$1,527,600, to help finance development costs associated with the

acquisition and rehabilitation of the Properties, provided Cinnaire secures all other financing necessary to complete the project, and agrees to use City funds only for costs associated with units that will serve households earning not more than 50% of Dane County's Median Income, and to enter into Land Use Restriction Agreements to memorialize that agreement.

NOW, THEREFORE, BE IT RESOLVED, that the Common Council authorizes a grant not to exceed \$1,527,600 of Federal ERA funds to Cinnaire, or an affiliate LLC, to support the preservation of affordable housing at 715 Rethke Avenue and 7933 Tree Lane; and,

BE IT FUTHER RESOLVED, that the Council authorizes the Mayor and City Clerk, on behalf of the City, 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, in a form or forms approved by the City Attorney.