



Department of Planning and Community & Economic Development

## Community Development Division

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Child Care  
Community Resources  
Community Development Block Grant  
Madison Senior Center

To: CDBG Committee

From: Julie Spears, Community Development Specialist

Date: October 28, 2022

RE: Awarding up to \$8.95 million from the Affordable Housing Fund to support three affordable housing development projects, selected through a City Request for Proposals (RFP) process that will support construction of approximately 500 units of new rental housing in Madison, 344 of which will be affordable, and authorizing the execution of related loan agreements

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### **Background**

The Affordable Housing Fund (AHF) was first included in the City's 2015 Capital Budget as a new housing initiative that would expand, improve or preserve the supply of affordable housing primarily for Madison's lower-income rental households. Since 2013, the City has been successful in utilizing these funds to leverage approximately \$240 million in equity generated from Low-Income Housing Tax Credits (LIHTCs), administered by the Wisconsin Housing and Economic Development Authority (WHEDA), as a primary program strategy.

To date, this Community Development Division (CDD)-administered program has supported the development of nearly 2000 units of rental housing, approximately 1600 of which are, or will be, available to households with incomes at or below 60% of the County Median Income (CMI), and have rents restricted at levels affordable to households at those income levels. To date, about 1400 of these units have been completed and placed in service.

The City's 2023 Capital Budget, scheduled for adoption in November 2022, is expected to include \$10 million for the Affordable Housing Fund. In anticipation of that budget, CDD staff issued a Request for Proposals (RFP) in June 2022 soliciting applications for affordable rental housing developments that would utilize these funds to leverage primarily 2023 LIHTCs while also committing to a minimum 40-year period of affordability, significant energy efficiency, renewable energy and sustainability measures, and aligning with previously established City priorities.

### **Current Development Proposals**

CDD received six applications in response to the 2022 RFP as follows:

1. Washington Avenue Lofts, submitted by Gorman & Company, LLC
2. The North End, submitted by MSP Real Estate, Inc.
3. Merchant Place Apartments, submitted by Northpointe Development in partnership with Dreamlane Real Estate Group
4. St. John's Lutheran Church Redevelopment, submitted by St John's Lutheran Church, in partnership with Urban Land Interests
5. Scattered Site Rehab (71-units) and New Construction (8-unit), submitted by Movin' Out, Inc. and Housing Initiatives, Inc.
6. Gardner Bakery Redevelopment, submitted by Wisconsin Housing Preservation Corp.

An interdisciplinary City staff team reviewed the six development proposals against benchmarks outlined in the RFP.

Upon the conclusion of those reviews, staff recommends a total of \$8.95M of AHF funds be awarded to three proposals as summarized below and described in more detail in the attached table:

1. Up to \$2,500,000 to Northpointe Development, in partnership with Dreamlane Real Estate Group, for Merchant Place Apartments
2. Up to \$3,500,000 to St. John's Lutheran Church, in partnership with Urban Land Interests, for St. John's Lutheran Church Redevelopment
3. Up to \$2,950,000 to Wisconsin Housing Preservation Corporation (WHPC) for Gardner Bakery Redevelopment

In total, these three projects propose to add approximately 500 units of rental housing, of which 344 would be available to households with incomes at or below 60% of the CMI. Furthermore, 236 of these units will remain permanent affordability through a recorded Land Use Restriction Agreement (LURA).

Final authorization of City funding will be contingent upon an allocation of LIHTCs from WHEDA as well as other contingencies as outlined in the authorizing resolution. It should be noted that the Gardner Bakery Redevelopment will apply for non-competitive 4% LIHTC's which should allow it to move forward early in 2023.

The following three proposals are not being recommended for funding at this time:

1. Movin' Out, Inc. and Housing Initiatives, Inc. proposed a Scattered Site Rehab (71-units) and New Construction (8-unit) project. This is primarily a preservation project that proposes significant rehabilitation to 71 existing units and construction of at least 8 new units. These units, both existing and new, are supportive housing units for individuals and families experiencing homelessness with mental illness and/or other permanent disabilities. For that reason, the staff review team deemed this project to be very responsive to the RFP and highly desirable. However, the development team has not yet secured site control for the new construction component. Once it does, and total project costs are more fully developed, CDD staff anticipate returning to the Council with a funding recommendation, which may require an amendment to the 2023 Capital Budget.
2. MSP Real Estate, Inc. withdrew its proposed The North End in September.
3. Gorman and Company's Washington Avenue Lofts is not being recommended for funding at this time.

### **Staff Recommendation**

Award up to \$8,950,000 in City Affordable Housing Funds to the three projects identified above and as further outlined in the attached resolution, and authorize the Mayor and City Clerk to execute loan agreements associated with these affordable housing development projects.