

# City of Madison

Community Development Division

Suite 300, 215 Martin Luther King, Jr. Blvd.

Madison, WI 53703-3348

## REQUEST FOR PROPOSALS

### **Subsection A**

RFP #2022-11066

See General Requirements

### **Subsection A**

Housing Forward: Financing for Homeownership - Development

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## SECTION A-1: ELIGIBILITY REQUIREMENTS

### 1. Eligible Applicants

To be considered for financing under **Homeownership - Development**, applicants must be:

1. Not-for-profit corporations. Must be at the time of application, a 501(c)(3) or 501(c)(4) tax-exempt organization with an active board that meets regularly in accordance with its by-laws, and is in good standing with the Wisconsin Department of Financial Institutions; and/or
2. Associates in Commercial Real Estate (ACRE) Program Graduate

**AND** must meet all of the following requirements:

- a) Demonstrate that the proposed project is economically viable and the applicant has the financial ability to repay awarded funds if the project is not completed consistent with written agreement.
- b) Demonstrate financial capacity and experience, or a partnership with another person or firm with such experience, in producing high-quality affordable housing, financed in whole or in part with HOME, CDBG and/or other local, state, or federal funds, on schedule and as proposed.
- c) Contribute a minimum of 5% of the total project development costs, through ownership equity or a first mortgage, and demonstrate the ability to secure all funds that may be necessary or convenient to complete the project as proposed.
- d) At the time of application, all applicants must have an active registration in the System for Award Management website, if applying for federal funds. Registration for the SAM website can be found at <https://sam.gov/content/entity-registration>. If the ownership entity is different from the applicant, the ownership entity must have an application in SAM at time of contracting.

If a **collaborative activity/project is proposed**, applicants should describe the purpose of the collaboration, how it is expected to enhance the activity/project and how it will operate, be governed and share resources. The proposal must identify a lead agency and include a Memorandum of Understanding (MOU) signed by each of the collaborating agencies.

### 2. Eligible Properties

To be eligible, properties that are the subject of proposed projects must meet the following City standards and/or requirements:

- a) The property must be located in the City of Madison. A development or acquisition-rehabilitation proposed on a property that is currently in the Town of Madison, but destined to attach to the City of Madison on October 31, 2022 as part of the Three Party Agreement between the City of Madison, the Town of Madison and the City of Fitchburg, is eligible for funding under this RFP, however, CDD will not execute a contract for such a project until the property is annexed or attached to the City of Madison.
- b) All housing units must meet all applicable state and local building codes, ordinances and zoning regulations at the time of project completion. All housing must meet the accessibility standards of the Fair Housing Act (and amendments) and Section 504 of the Rehabilitation Act of 1973, as applicable.
- c) The property must undergo and pass an environmental review, conducted by CDD, **prior to receiving a formal commitment of federal funding.**

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- d) The total financing secured for a project, from all sources, including any City funds awarded under this RFP, may not exceed 115% of the property's estimated valuation upon the project's completion. However, the City may deem eligible for City support a project with a loan-to-value ratio of up to 125% if the project is located in an area the City considers of high priority, including, for example, a designated Neighborhood Resource Team (NRT) area. A project for which a community land trust serves as the owner of the underlying land will also be eligible for funding so long as the secured funds-to-value ratio for the entire project - land and property – does not exceed 125%.

## SECTION A-2: SCOPE OF WORK

### Development Requirements – City-wide

#### Eligible Activities

Projects, proposals or activities that will help expand homeownership opportunities through the acquisition, rehabilitation, and/or construction of single-family, townhouse or condominium properties.

- a) **All** proposals must demonstrate a commitment to:
- Helping to meet the City's goal of achieving net-zero carbon emissions by 2030. See [Residential Rehabilitation Standards](#).
  - Expanding opportunities for homeownership among under-represented communities in Madison, including by adopting an Affirmative Marketing Plan (AMP) that embraces the [CDD's AMP Best Practices](#).
  - Embracing the City's Racial Equity and Social Justice Initiative in all aspects of the project including, but not limited to, bidding, hiring, marketing, tenant selection, and property management.
- b) For development proposals involving **new construction**:
- Applicant must have site control and must commit to a construction start date **no later than one (1) year** from the awarding of funds.
    - Site control is not required for development proposals that involve properties made available by the City through this RFP process.
    - Pre-development costs are not eligible for funding. After commitment, a loan agreement will be available pending land use approval, if necessary. See [Attachment D](#) in **General Requirement's** Appendix for Land Use Approval Process.
- c) For development proposals involving **acquisition and rehab**:
- An award is valid for 2 years from the date funds are awarded.
- d) If the applicant does not have site control at the time of application, the applicant must identify where properties will be sought (citywide or a targeted area of the City) or the population/demographic the project is intended to serve.
- e) Lease to Purchase proposals must include a Tenant Selection Plan (TSP) that embraces the [CDD's TSP Best Practices](#).

**Preference** will be given to proposals that:

- are "shovel ready," meaning construction or rehab can be expected to begin within six months of receiving a financial commitment.

- involve smaller scale, infill developments that will help expand and diversify homeownership choice. This includes, but is not limited to, pocket neighborhoods, bungalow courts, townhomes, rowhomes, condominiums, live/work units, co-housing, etc.
- are proposed by Community Housing Development Organizations ([CHDO Application](#)).
- are new construction proposals that demonstrate a commitment to incorporating Universal Design features for all proposed units and common areas.

**Owl Creek Development (Small Scale Multifamily Homeownership Development)**



**Background:** Owl Creek is a neighborhood and residential subdivision on Madison’s southeast side comprised of single-family homes, duplexes, four-plexes, and vacant lots. The subdivision was created during the housing market peak prior to 2008 but development stalled not long thereafter due to changing market forces. In 2014, the City purchased the remaining undeveloped lots with the goal of guiding future development in the neighborhood. The City used six of those lots to expand Owl Creek Park and accommodate additional park features. In 2020, the City issued a Request for Proposals to solicit proposals from

buyers and developers willing to purchase and develop lots in the neighborhood. Eighteen of the twenty-two available lots were sold in 2021.

**Request:** The City is now seeking proposals from developers who wish to purchase and develop the three (3) available lots listed below. Applicants may bid on some or all of the lots. The selected developer(s) will be responsible for performing all aspects of project development, including obtaining required permits and approvals, architectural design, construction, all needed site work and landscaping, and the ultimate sale of completed homes. The City will offer each lot for purchase to the chosen developer(s) for \$1.

Subject Property Details			
Lot	Address	Square Feet	Zoning
29	<a href="#">4210 Owl Creek Drive / 5141 Horned Owl Drive</a>	11,590	SR-V1
40	<a href="#">5166-72 Great Gray Drive</a>	12,874	SR-V1
41	<a href="#">5165-73 Great Gray Drive</a>	13,280	SR-V1

**Additional Required Conditions:**

- The selected developer(s) will be required to execute a Land Use Restrictive Agreement (LURA) for each property, at closing, which will require they construct homes for owner occupancy for a minimum of 10 years.

- Homes shall be completed and a certificate of occupancy shall be issued within (1) year of the developer purchasing the lots from the City.
- A new construction warranty standard to the residential construction industry, and effective for at least one year, shall be furnished for each completed home upon closing.

Preference will be given to proposals that:

- Are income restricted to be sold to households at 80% or below Area Median Income ([HOME & CDBG Income Limits](#))
- Include small-scale development homeownership models such as townhomes. See [Attachment F in General Requirement’s Appendix](#) for Potential Site Design.
  - Note: The parcels are zoned SR-V1 and have permitted use for up to four (4) single-family attached dwellings.

### Mosaic Ridge Development (Single Family Development)



**Background:** “Mosaic Ridge” is part of a larger ongoing project in the Allied-Drive neighborhood located in the southwest part of Madison. In 2007, the City of Madison entered into a Cooperation and Development Agreement with the Community Development Authority (CDA) for the Allied Drive neighborhood redevelopment. In Phase I, CDA completed the construction and lease up of 48 affordable apartments, known as “Revival Ridge.” CDA also moved forward with Phase II, which consisted of the development of 24 single-family homes, known as “Mosaic Ridge.” Two (2) lots in Mosaic Ridge remain undeveloped.

**Request:** The City of Madison is soliciting proposals from developers to purchase and develop the two (2) lots listed below. Applicants may bid on one or both. The selected developer(s) will be responsible for performing all aspects of project development, including obtaining all required permits and approvals, architectural design, construction; all needed site work and landscaping, and the ultimate sale

of completed homes. The City will sell each lot for \$1.

Subject Property Details		
Address	Square Feet	Zoning
<a href="#">2407 Dunns Marsh Terrace</a>	5,886	TR-C3
<a href="#">2421 Dunns Marsh Terrace</a>	5,523	TR-C3

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### Additional Required Conditions:

- The selected developer(s) will be required to execute a Land Use Restrictive Agreement (LURA) for each property, at closing, which will require they construct single-family homes for owner occupancy, for a minimum of 10 years.
- Homes shall be completed and a certificate of occupancy shall be issued within (1) year of the developer purchasing the lot(s) from the City.
- A new construction warranty, standard to the residential construction industry, and effective for at least one year, shall be furnished for each completed home upon closing.
- All construction plans must be consistent with the Mosaic Ridge Architectural and Landscape Guidelines, and are subject to review and approval by the Community Development Authority (CDA) and its Architecture Review Committee (ARC). See [Attachment G](#) in **General Requirement's Appendix** for Mosaic Ridge Architectural and Landscape Design Guidelines.

Preference will be given to proposals that:

- Offer longer term or permanent affordability; and/or
- Support households at or below 50% Area Median Income ([HOME](#) & [CDBG](#) Income Limits)

## SECTION A-3: FINANCING

### Financing Terms

The CDD shall secure funding for capital costs with a promissory note and a mortgage in the form of a non-recourse loan, and a LURA, if required by a funding source.

Funds will be provided in the form of a long-term deferred loan. Developer shall use a portion of the City funds for mortgage reduction to the homebuyer. Developer will return un-allocated portion of the Deferred Loan as repayment to the City of Madison at the time of transfer to Homebuyer. The promissory note with homebuyer will reflect the following loan terms:

- Zero percent, long-term deferred loan payable upon sale, transfer, or change in the use of the property. The promissory note will require repayment of either a specified percentage of the appraised value after rehab or construction, based on the amount of the CDD funds invested in the property, or a specified percentage of the net proceeds, whichever is less.

At least 75% of all funds offered by the City to support a project must be used for capital costs, as defined by CDD, to include those related to acquisition and construction, and will be offered as loans. Up to 25% of awarded funds may be offered as grants, of which 10% can be used for developer fees and the remainder to pay for soft costs (e.g. closing costs, design, engineering costs).

### Alternative Financing Terms

- Developers willing to commit to permanent affordability on the subject property, through a 99-year Land Use Restriction Agreement (LURA) can choose to have 50% of the Deferred Loan forgiven at time of sale to the first homebuyer of each respective property. The LURA will require subsequent sales to benefit future low-to-moderate income households and require the non-profit to assist the homeowner in the resale process of the property.



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- CDD anticipates offering gap-financing awards in the range of up to \$150,000 per unit of affordable housing, depending on the scale or number of proposed units in the development. The amount of subsidy offered will reflect the extent to which proposals match the City's stated goals, objectives, and preferences as described in this RFP; the extent to which all other available financing sources are leveraged; and the availability of funds. Final commitment of funds (execution of a written agreement with the City of Madison) will be subject to federally required, subsidy layering/underwriting.
  - An awarded applicant must make an equity contribution equal to a minimum of 5% of the project's budget. In lieu of making the required equity contribution, applicants may choose to defer a portion of the proposal's development fee, or provide a combination of owner equity and deferred development fee that equals at least 5% of the project budget.
  - In addition to direct subsidies offered as part of this RFP, applicants may also qualify for an exemption from the payment of Park Impact Fees for the creation of new low-cost owner-occupied housing units. A low-cost owner-occupied unit is defined as one reserved for households with incomes less than or equal to 80% AMI.
  - The City may alter the terms and conditions of its loans from those described above if deemed necessary to maximize the expansion of affordable housing units or better respond to stated preferences.



## SECTION A-4: SCORING CRITERIA

While important, proposal scores are not the sole determinant in making funding decisions.

### Homeownership Development Proposals

Scoring Criteria	Points Available
<p><b>1. OVERALL QUALITY &amp; RESPONSIVENESS</b></p> <p>Level of responsiveness and extent to which proposal addresses overall City goals, objectives and preferences as described in this RFP. Description of project approach and all proposal components are clear, sustainable, and effective. Proposal design is likely to create the desired outcome.</p> <p>Applicant demonstrates a commitment to racial equity, and demonstrates tangible strategies to integrate principles of equity into elements of the proposal and other organizational work. Applicant describes how their agency is part of a larger system of homeownership and indicates active participation in efforts to address homeownership disparities and increase access to affordable homeownership opportunities.</p>	<p>20 points</p>
<p><b>2. CAPACITY, EXPERIENCE AND QUALIFICATIONS</b></p> <p>Applicant demonstrates relevant experience that will contribute to the proposal’s success. Applicant demonstrates organizational and financial capacity to produce a high-quality product – based on successful history of developing affordable housing, where proposal meets the greatest level of affordability fiscally possible. Financial capacity includes the ability to complete the project and ability to obtain financing for development. Applicant’s experience, capacity, and potential can be complemented through a partnership with another person or firm with such experience and capacity.</p> <p>The quality of the team’s reputation and its key members, particularly in terms of its regulatory track record, and ability to complete projects as proposed. If lease—purchase, demonstrated commitment of Property Manager to implement flexible Tenant Selection Plan and Affirmative Marketing Plan Best Practices that refrain from using unreasonable barriers to access, especially for the target population(s).</p>	<p>20 points</p>
<p><b>3. FEASIBILITY</b></p> <p>Development pro forma details reasonable sources and uses of funds, and is complete. Financial structure reflects maximized available resources, financial strength of proposal, financial strength of applicant, and includes reasonable assumptions and projections. Applicant presents a well-thought out plan that describes achievable milestones for the development type proposed. The project’s proposed timetable and the ability of the proponent to close on the property within a reasonable time timeframe, undertake, complete and market the project as presented. Applicant with a previous awarded proposal demonstrated strong project outcomes; applicant with a new proposal demonstrates solid plans to overcome challenges and achieve proposed outcomes.</p>	<p>20 Points</p>

<p><b>4. INNOVATION AND NEIGHBORHOOD STABILITY</b>  Development proposal includes non-traditional owner occupied development types (e.g. "missing middle" small scale development owner-occupied housing, cohousing, etc.), or proposes the construction of new owner occupied or lease-purchase housing. There are unique elements of development plan beyond the renovation of properties where proposal includes unique strategies or partnerships that will be employed to meet program goals. Demonstrated experience or innovative plan in the commitment to work with community groups identified as targeted population.</p>	<b>15 Points</b>
<p><b>5. DEVELOPMENT CONCEPT, PLANNING &amp; ZONING AND SUSTAINABILTY</b>  Conformance with adopted plans; permissive zoning or likelihood of project re-zoning, securing City approvals; absence of known environmental issues that might significantly delay project; strength of development concept and site plan; sensitivity to neighborhood context; anticipated market demand; readiness to proceed. Demonstrated commitment to energy efficiency, renewable energy and/or sustainable building design. Demonstrated commitment to residential rehabilitation standards.</p>	<b>15 points</b>
<p><b>6. PROPOSED SITE/TARGETED AREA</b>  Proximity to public transit, schools, employment opportunities, groceries, and other key amenities and/or benefit to surrounding neighborhood.</p>	<b>10 points</b>
<b>Total Points Available</b>	<b>100 points</b>