

HOUSING FORWARD: HOMEOWNERSHIP RFP WORKSHOP #1

DEVELOPMENT – SUBSECTION A

Welcome!

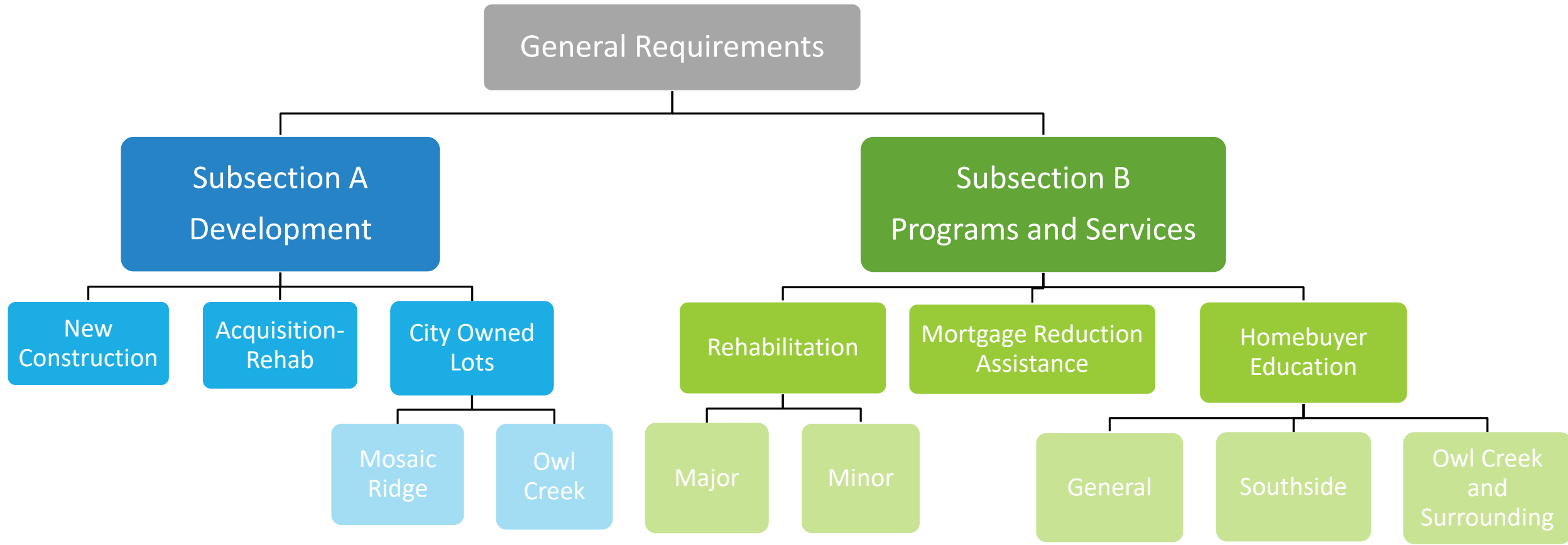
Agenda this morning

- I. City Staff Introductions
- II. Overview of Request for Proposals (RFP) – Subsection A Development
- III. Questions from Attendees

RFP Goals

- 1 Improve Existing Owner-Occupied Housing Stock** Preserve, upgrade and make accessibility improvements to the current inventory of affordable, owner-occupied housing units.
- 2 Expand the Supply of Owner-Occupied Housing** Increase the number of affordable, owner-occupied housing units through new construction, renovation or conversion.
- 3 Homebuyer Assistance** Put stable, affordable homeownership within reach of a broader mix of Madison households.

Structure



Structure

General Requirements

Subsection A
Development

New
Construction

Acquisition-
Rehab

City Owned
Lots

Mosaic
Ridge

Owl
Creek

Subsection B
Programs and Services

Rehabilitation

Mortgage Reduction
Assistance

Homebuyer
Education

Major

Minor

General

Southside

Owl Creek
and
Surrounding

Requirements

- Applications must meet all eligibility criteria outlined in the RFP
- Applicants accepting federal funds must meet all federal requirements either at time of application or prior to a commitment of funds
- Additional requirements and conditions for City Owned Lots
- Proposals that do not meet these threshold criteria will be disqualified and deemed ineligible for funding

Eligibility

Applicants

- Not-for-Profit Entities
- Associates in Commercial Real Estate (ACRE) Graduates
- Collaborative Proposals – Memorandum Of Understanding (MOU) must be included

Properties

- City of Madison
- Site Control is **required** for New Construction
 - **EXCEPT** proposals that involve properties made available by the City through this RFP process
 - Mosaic Ridge and Owl Creek Lots
- **NO** Targeting Requirement for Acquisition – Rehabilitation proposals

Preferences

- Applicants strongly encouraged to meet as many of the RFP's preferences as feasible to ensure a competitive application
- Proposals that commit to more preferences typically score better through competitive analysis. Applicants are strongly encouraged to consider all City preferences when applying.
- Preferences outlined below each Scope of Work Category
 - Citywide Development
 - City Owned Lots: Mosaic Ridge and Owl Creek

Preferences Citywide Development

- Shovel Ready
- Low to Medium Density Homeownership Housing Types
- Proposals from Community Housing Development Organizations (CHDOs)
- New Construction incorporating commitment to Universal Design

What is a CHDO?

CHDO stands for **Community Housing Development Organization**

- Under HOME regulations, defined at §92.2
 - Not-for-profit 501c3 or 501c4
 - Purpose (in charter or bylaws) provision of **decent affordable housing with history of serving the community**
 - Board of Directors composition:
 - Not more than 1/3rd appointed by Participating Jurisdiction (PJ) = City of Madison
 - Not more than 1/3rd appointed by for—profit sponsor
 - At least 1/3rd low-income residents or elected representatives of low income neighborhood organizations
 - Must provide formal process for low income program beneficiaries to advise CHDO
 - Demonstrate capacity for HOME activities
- City of Madison must certify CHDO through application process

Preferences Owl Creek / Mosaic Ridge

Owl Creek

- Medium Density Owner Occupied Housing (i.e. Townhomes)
- Support households at or below 80% CMI

Mosaic Ridge

- Longer Term or Permanent Affordability
- Support households at or below 50% CMI

Financing

0%, Long Term Deferred Loan (LTD)

“At least 75% of all funds offered by the City to support a project must be used for capital costs... 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”

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. **Shared appreciation repayment ratio applied to amount transferred to future owner.**

Example: \$150,000 award

- **Dev. Fee** (soft cost) = up to \$15,000 (10% of award)
- **Grant for Soft Costs** = up to \$37,500 (25% of award, would include dev fee \$15,000, soft costs = \$22,500)
- **Loan: \$112,500 LTD** (Total award minus soft costs)
 - Portion for Mortgage Reduction to homebuyer: \$40,000 in gap financing to make affordable.
 - Unallocated portion of loan repaid to City at time of transfer to buyer: \$72,500
 - Home sold for \$230,000, \$40,000 provided to homeowner, shared appreciation ratio = $\$40,000 / \$230,000 = 17.39\%$

Highlights

Increased per unit subsidy max

- Up to \$150,000

Alternative Financing Terms

- Commit to Permanent Affordability through 99-year LURA
 - Applicant can have 50% of LTD 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.

No Targeting Requirement for Acquisition Rehabilitation Proposals

Timeline

Application due September 1st at Noon

Staff Reviews, Supplemental Questions

Applicants present to CDBG Committee October 13th (may be split into 2 presentation sessions)

Funding Recommendations Approval at CDBG Committee
November 3rd

Common Council Approval December 6th , Contracts begin 2023

QUESTIONS?