

**MILWAUKEE COUNTY
INTER-OFFICE COMMUNICATION**

DATE: January 19, 2015

TO: Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors

FROM: Héctor Colón, Director, Department of Health and Human Services
Prepared by James Mathy, Administrator - Housing Division

SUBJECT: Report from the Director, Department of Health and Human Services (DHHS), requesting authorization to enter into a HOME written agreement for \$2 million with Bender Road Apartments, LLC for the construction of 11 units of affordable housing at 1633 W. Bender Road in Glendale

Issue

The Department of Health and Human Services (DHHS) is requesting authorization to enter into a HOME Written Agreement for \$2 million of HOME funds with Bender Road Apartments, LLC to assist in the construction of 11 units of affordable housing at 1633 W. Bender Road. These 11 units will be a part of a 56-unit development in Glendale.

Background

The HOME program was born out of the National Affordable Housing Act of 1990 and was a spin-off of the Community Development Block Grant (CDBG) program to address housing needs only. Milwaukee County, as a designated Urban County, is part of a HOME Consortia with West Allis and Wauwatosa.

Financing of rental projects is an eligible HOME activity and Glendale is part of the HOME Consortium jurisdiction. Financing of the project, if approved, will include a mortgage and promissory note at 0 percent interest deferred for 20 years. Eligible costs for the project include construction costs of the HOME units, a proration of required common areas, proration of land acquisition costs and a maximum reserve of 18 months. Minimum HOME investment per unit is \$1,000 and the maximum is listed below.

NON ELEVATOR TYPE	Basic Limit Per No. of Bedrooms				
	0	1	2	3	4
	\$122,294	\$141,005	\$170,057	\$217,678	\$242,501

ELEVATOR TYPE	Basic Limit Per No. of Bedrooms				
	0	1	2	3	4
	\$128,698	\$147,530	\$179,398	\$232,080	\$254,753

The property will have to remain affordable for 20 years. During that period of affordability, the HOME Written Agreement, as approved by Corporation Counsel and Risk Management, will be enforced and there will be a covenant recorded against the property. Even if the loan is repaid early or there is a change in ownership, the period of affordability will remain for the full duration. During this period, at least 20 percent of the units must be "Low HOME rent" units; the remaining may be at the high rent limit. Rents shall be calculated by using an actual utility allowance or other approved schedule.

Below are the tables for the 2014 limits and period of affordability. Attachment A further explains the tenant and unit requirements.

Activity	Minimum period of affordability in years
Rehabilitation or acquisition of existing housing per unit amount of HOME funds: Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15
New construction or acquisition of newly constructed housing	20

The Low Rent Unit annual gross income limits (50% of County Median Income (CMI)) are:

1 person	\$24,650
2	\$28,150
3	\$31,650
4	\$35,150

The "flat" Low Rent Unit monthly rent amount limits are:

0 bedrooms	\$559
1	\$681
2	\$823
3	\$951
4	\$1,062

The High Rent Unit annual gross income limits (60% of CMI) are:

1 person	\$29,580
2	\$33,780
3	\$37,980
4	\$42,180

The High Rent income annual gross limits for up to 10% of the units (80% of CMI) are:

1 person	\$44,750
2	\$51,150
3	\$57,550
4	\$63,900

The High Rent Unit monthly rent amount limits are:

0 bedrooms	\$559
1	\$681
2	\$840
3	\$1,067
4	\$1,120

The developer shall be responsible for conducting income qualification reviews of tenants based on the 24 CFR Part 5 definition of income. The County will be responsible for monitoring files and conducting annual inspections. County Housing staff as well as an independent party with experience in subsidy layering reviewed the project using the HUD recommended template (see the underwriting template in Attachment B). The subsidy layering analysis shows the amount requested is reasonable and that the project is feasible.

Discussion

The proposed development will consist of 56 townhome units of which 45 of the units will be market rate and 11 units will be affordable. The 11 units will be set aside as supportive housing units for disabled individuals and the developer will coordinate these referrals with the Milwaukee County Housing Division.

The property, located at 1633 W. Bender Road in Glendale, Wisconsin had been owned by the Louise B. Mirochnick Trusts, which has as its trustee, Jay Dolgin. Though currently unoccupied, the property contains a former nursing home/assisted living facility that began operations in the late 1960s. Prior to construction of the nursing home, the property served as a dump for the Village of Shorewood. As such, the property is known to be contaminated. In 2009, conditional site closure was sought and granted from the Wisconsin Department of Natural Resources. More information can be found on the BRRTS website (Site ID: 02-41-553743).

The property has been tax delinquent since 2008 and currently carries an outstanding balance of \$759,157.14. Despite this large sum, the Milwaukee County Treasurer's Office has declined to foreclose on the property because of its status as a brownfield.

Bond Realty, LLC, a partnership made up of neighboring property owner David Hobbs Honda and Edward Matkom, an individual developer, approached the County's Economic Development Division about the possibility of working with the County to acquire the property (Bender Road Apartments, LLC is an affiliate). Bond Realty, LLC intends to rehabilitate the existing structure to create new rental housing stock for the City of Glendale.

In July 2014, Bond Realty made an offer to purchase the property and the County Board accepted this offer (Resolution File No. 14-584). Bond Realty's offer appeared to be the most viable option for redevelopment due to the blighting influence of the property to the City of Glendale, the County's desire to see the property back on the tax rolls in a meaningful way and the statutory provision permitting the County to assign its right to take judgment of foreclosure on brownfield properties to a third party under certain circumstances.

Recommendation

It is recommended that the County Board of Supervisors authorize the Director, DHHS, or his designee, to enter into a HOME written agreement, with approval of Corporation Counsel and Risk Management, for the use of \$2 million of HOME funds to Bender Road Apartments, LLC for the construction of 11 units of affordable housing at 1633 W. Bender Road in Glendale.

Fiscal Effect

This projected is completely funded with HOME revenue. A fiscal note form is attached.

Respectfully Submitted:



Héctor Colón, Director
Department of Health and Human Services

cc: County Executive Chris Abele
Raisa Koltun, County Executive's Office
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