

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: August 16, 2024

TO: Marcelia Nicholson, Chairwoman, County Board of Supervisors

FROM: Celia Benton, Economic Development Director, Department of Administrative Services

SUBJECT: Request for \$2.5 million for the Gorman & Company affordable housing project at 1220 West Vliet Street (the Marcia P. Coggs Human Services Center)

REQUEST

Economic Development requests that the \$2.5 million initially allocated toward the demolition of 1220 W. Vliet Street be repurposed for the Gorman & Company affordable housing at the same location.

POLICY

This report relates to the following Milwaukee County Board file numbers:

- Milwaukee County Board file 20-485: “From the Director, Facilities Management Division (DAS-FMD), Department of Administrative Services providing an informational report regarding an assessment of the Marcia P. Coggs Human Services Center”
- Milwaukee County Board file 21-436: “An informational report from the Director, Department of Administrative Services, Facilities Management Division (DAS-FMD), regarding a financial analysis of the Marcia P. Coggs Human Services Center”
- Milwaukee County Board file 21-1110: “A report from the Director, Department of Health and Human Services, requesting approval of an American Rescue Plan Act (ARPA) Funding Request for the Marcia P. Coggs Human Services Center Renovation”
- Milwaukee County Board file 22-617: “A report from the Director, Department of Health and Human Services, and the Director, Department of Administrative Services, providing further analysis on construction options for the Marica P. Coggs Human Services Center”

BACKGROUND

Milwaukee County has entered into an Option Agreement (“Option”) for the sale of 1220 W. Vliet Street (Marcia P. Coggs Human Services Center Building or “Coggs building”) with Gorman & Company (“Developer”) for the development of an estimated 65 affordable housing units (note this is an increase from the original proposal of 59 units) as well as commercial space for Milwaukee County Behavioral Health Services and a small cafe.

In accordance with State Statute (59.17), the transaction was approved by the County Executive, Comptroller and Intergovernmental Cooperation Council (“ICC”) appointee from the City of Milwaukee.

The Marcia P. Coggs Human Services Center was built in 1910 as Schuster’s Department Store. It is a three-story, rectangular commercial building located in the King Park neighborhood. At the June 2024 meeting of the City of Milwaukee’s Historic Preservation Commission, the Commission recommended the building receive historic designation.

The Milwaukee County Department of Welfare bought the building in 1963 and the building became the Marcia P. Coggs Human Services Center in 2003. Current occupants include the Milwaukee County Department of Health and Human Services (DHHS), Friedens Food Pantry and The Hunger Task Force.

Milwaukee County DHHS plans to move its current operations out of this building at the completion of construction of their new building, anticipated to be in mid-2025. Part of the new DHHS building scope considered the demolition of the Coggs building to create a surface parking lot for County employees. The Department of Administrative Services will instead meet the parking needs of County employees through maintaining control of the two current parking lots on W. Cherry Street between N. 12th and N. 13th Street as well as through adding additional parking along N. 13th and W. Cherry Streets.

Milwaukee County Economic Development issued a Request for Information (RFI) in February of 2023 to solicit options for adaptive reuse or redevelopment of the Coggs building while also seeking solutions to meet County parking needs. The RFI followed our standard process of a selection committee to review the pool of applicants and identify key criteria for future project selection. There were four proposal teams offering five concepts. Key takeaways from the proposals include:

- Underground parking at the Coggs building is a viable option
- Market rate housing is not viable at the site, but affordable housing is
- All proposals suggested adaptive reuse of the building rather than redevelopment

The County reserved the right to negotiate an agreement from the RFI respondents and Gorman and Company was chosen as the Developer from criteria that scored them favorably for their development experience, their property management reputation, their commitment to racial equity and the scope of the development - which includes larger, family-serving affordable units.

Gorman & Company has developed numerous projects that convert historic buildings into housing since 1984. Notable examples of recently completed adaptive reuse projects in Milwaukee County include the Fifth Street School, the Alexander Lofts, the Sherman Park Commons, and the Blue Ribbon Lofts.

Gorman & Company’s project will preserve the historic character of the building while providing quality homes for the residents of the King Park neighborhood. Their proposal includes adaptive reuse of the Coggs building into an estimated sixty-five affordable housing apartments for individuals and families. Some of the spaces will be designed as live-work units. Apartments will range between 740 and 1,740 square feet (updated from

the original plans) and will include both one and three-bedroom units. Rental rates are defined by the U.S. Department of Housing and Urban Development and are expected to range between \$823 and \$1,576 a month. The first floor will be anchored by Milwaukee County Behavioral Health Services, which is expected to lease approximately 17,000 square feet, and a 1,500 square foot café. The Developer intends to place solar panels on the roof of the Coggs building to reduce energy costs.

Project Funding

The Developer intends to acquire the building through a development agreement by or before June of 2025. The Developer will purchase the land for one million dollars through a payment plan (Economic Development will provide additional details on this once this plan has been negotiated). The option period allows the Developer to acquire the property and to secure financing for the project. The Developer's capital stack anticipates a financing gap of \$3.5 million. This gap is due to higher construction rates as well as to the target demographic of families with a household income of 60% of the county median income. The developer wishes to provide these residents with reduced energy costs through solar panels as well as with an estimated 90 parking spots underground to support resident transportation. Underground parking is the only option that maintains County interest in our current parking spots and provides the amenity to future residents at this location.

Current anticipated funding sources for the project include:

- Wisconsin Housing and Economic Development Association (WHEDA) permanent debt: \$4,194,000
- Federal Home Loan Bank of Chicago: \$2,000,000
- Tax Incremental Financing from the City of Milwaukee: \$875,000
- Deferred Developer Fee: \$675,000
- Low Income Housing Tax Credits: 13,900,000
- Historic Tax Credits: \$7,175,000

The total expected development costs are \$32,319,000. This leaves an estimated gap of \$3.5 million. Gorman & Company is seeking to reduce this gap through more detailed design scopes as well as seeking funding from the City of Milwaukee and Milwaukee County.

The construction of the new Department of Health and Human Services building currently includes a \$2.5 million allocation for the demolition of the building for surface parking. If the Gorman & Company project should not succeed, these funds would be needed for demolition or for mothballing the building.

On the other hand, a successful partnership with Gorman will create an estimated 200 jobs, add to the stock of affordable housing in Milwaukee and take a building past its prime for current use and renovate it for contemporary social needs. Milwaukee County Economic Development also expects this project will further catalyze the County's significant investments into the King Park neighborhood while also activating Vliet Street and enhancing public safety.

Request

- Authorization for the Office of Strategy, Budget, and Performance and the Office of the Comptroller to process administrative appropriation transfer(s) to convert \$2,500,000 of unobligated Federal American Rescue Plan Act (ARPA) funds in capital project WY045606 - DHHS Admin Coggs Building to tax levy for a net \$0 tax levy impact
- Authorization of the Office of Strategy, Budget, and Performance and the Office of the Comptroller to process administrative appropriation transfer(s) to reallocate \$2,500,000 of unobligated ARPA funds in capital project WY045606 - DHHS Admin Coggs Building to Public Health and Safety Operational costs, or other operational expenses that are eligible under the ARPA rules
- Authorization of the Office of Strategy, Budget, and Performance and the Office of the Comptroller to process administrative appropriation transfer(s) to reallocate an \$2,500,000 of tax levy revenue from Public Health and Safety operating budgets to capital project WY045606 - DHHS Admin Coggs Building
- Authorization for the DAS-Economic Development Division to enter into an agreement with Gorman & Company to provide up to \$2,500,000 of funds from capital project WY045606 contingent on Gorman & Company securing other anticipated revenue sources and completing their affordable housing project as defined in the Option Agreement with Milwaukee County, subject to the approval of Risk Management and Corporation Counsel.

ALIGNMENT TO STRATEGIC PLAN

County strategic priorities in entering the Option, in no particular order, included:

- Strategic Focus Area 3B: Enhance the County's fiscal health and sustainability through vacating an underutilized, costly and inefficient building and putting it back on the tax roll, and through collaborating with an experienced developer.
- Strategic Focus Area 3C: Dismantle barriers to diverse and inclusive communities through bringing additional County services to the neighborhood, adding affordable housing units in the county and supporting a development that aligns with the neighborhood plan and promotes activation of Vliet Street.
- Strategic Focus Area 2C: Apply a racial equity lens to all decisions through supporting a developer that will partner with ACRE graduates (One 5 Olive) on the project.
- Strategic Focus Area 1C: Increase the number of County contracts awarded to minority and women-owned businesses through economic development's community benefits goals.

FISCAL EFFECT

Approval of this resolution will provide authorization to reallocate \$2,500,000 of ARPA State and Local Fiscal Recovery Funds (SLFRF) and tax levy funds. The realignment is

proposed to ensure that Milwaukee County meets all ARPA obligation and expenditure deadlines. ARPA funds must be obligated by the end of 2024 and fully spent by the end of 2026.

TERMS

If approved, Economic Development would enter into an agreement with Gorman & Company to provide up to \$2.5 million in funds contingent on Gorman & Company securing the remaining sources and completing the project substantially as defined in the option agreement.

VIRTUAL MEETING INVITES

Celia Benton, Economic Development Director, Department of Administrative Services:
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Ted Matkom, Wisconsin Market President, Gorman & Company:
tmatkom@gormanusa.com

PREPARED BY:

Celia Benton
Celia Benton
Economic Development Director, Department of Administrative Services

ATTACHMENTS:

Option Agreement

cc:

David Crowley, County Executive
Liz Sumner, Comptroller
Economic and Community Development Committee Members
MaryJo Meyers, Chief of Staff, Office of the County Executive
Aaron Hertzberg, Director, Department of Administrative Services
Shakita LaGrant-McClain, Director, Department of Health and Human Services
David Muhammad, Deputy Director, Department of Health and Human Services
James Mathy, Housing Administrator, Department of Health and Human Services
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Allyson Smith, Committee Coordinator
Ken Smith, County Board Research Analyst