

**MILWAUKEE COUNTY
INTER-OFFICE COMMUNICATION**

DATE: August 29, 2018

TO: Supervisor Theodore Lipscomb, Sr., Chairman, Milwaukee County Board of Supervisors

FROM: Mary Jo Meyers, 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 \$500,000 with Cardinal Capital Management for the construction of four units of affordable housing at 9801 S. 27th Street in Franklin

Issue

The Department of Health and Human Services (DHHS) is requesting authorization to enter into a HOME Written Agreement for \$500,000 of HOME funds with Cardinal Capital Management (DBA 9801 S. 27th St. Franklin, LLC) to assist in the construction of four units of affordable housing at 9801 S. 27th Street in Franklin, Wisconsin. These four units will be a part of a 92-unit development in Franklin.

Background

The HOME program originated from the National Affordable Housing Act of 1990 and is 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 one-bedroom unit is \$1,000 and the maximum is \$160,615. The proposed development is within this range at \$125,000 per unit.

The identified units 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. Rents shall be calculated by using an actual utility allowance or other approved schedule.

Below are the tables for the 2018 limits and period of affordability:

2018 HOME Program Rents Milwaukee/Waukesha	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom
Low HOME Rent Limit	\$611	\$725	\$870	\$1,005
High HOME Rent Limit	\$611	\$742	\$911	\$1,152

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.

Discussion

The proposed development will consist of 92 units of which four of the one-bedroom units will be affordable under HOME guidelines. The units will be set aside for referrals from the Milwaukee County Housing Division.

The property, located at 9801 S. 27th Street in Franklin, Wisconsin was the former location of Nature's Nook Nursery. The property was foreclosed upon and is currently a bank-owned property. Housing Division staff identified this property for potential development and began working with Cardinal Capital Management to jointly develop the property to include multi-family housing. Cardinal Capital Management is one of the developers who responded to a Housing Division Request for Proposal (RFP) for joint real estate development with the Housing Division.

Since its establishment in 2004, Cardinal Capital has gained a national reputation as an industry leader in acquiring, developing, financing, and managing multifamily housing. The company's principals, Erich Schwenker and Dan O'Connell, each have over 40 years of real estate investment and management experience. Cardinal's portfolio includes market rate housing, supportive housing for veterans and for persons recovering from mental illness, persons with hearing or vision loss, and homeless individuals. Cardinal Capital has successfully invested over \$140 million in private equity for some of the largest investment entities in the country. The developer also has a long history of successfully co-developing projects with various non-profits and other entities across the United States.

The Milwaukee County Housing Division has partnered with Cardinal Capital Management on several permanent supportive housing developments in Milwaukee County. Two of those developments, Highland Commons and Thurgood Marshall Apartments, have both won the prestigious HUD Healthy Homes Award.

Recommendation

It is recommended that the Milwaukee County Board of Supervisors authorize the Director, Department of Health and Human Services, or her designee, to enter into a HOME written agreement approved by Corporation Counsel and Risk Management, for the use of \$500,000 of HOME funds to Cardinal Capital Management (DBA 9801 S.27th Street Franklin, LLC) for the construction of four units of affordable housing at 9801 S. 27th Street in Franklin, Wisconsin.

Fiscal Effect

The county's contribution to this development project is completely funded with federal HOME revenue. A fiscal note form is attached.

Respectfully Submitted:



for

Mary Jo Meyers, Director
Department of Health and Human Services

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