

**COUNTY OF MILWAUKEE**  
INTEROFFICE COMMUNICATION

DATE: March 28, 2011

TO: Lee Holloway, Chairman, County Board of Supervisors

FROM: Pamela Bryant- Capital Finance Manager

SUBJECT: Due Diligence Report for the allocation of funds from the County's Housing Trust Fund to United Methodist Children's Services (UMCS) for a supportive housing development.

**Request**

The Department of Administrative Services is recommending approval of the attached resolution to adopt requirements for financial proposals and approval of a \$100,000 grant from the Special Needs Housing capital project to the UMCS Phase III project to provide five supportive housing units for Milwaukee County Behavioral Health clients.

**Special Needs Housing Program**

In 2007, Milwaukee County created the SNHP for the purpose of providing partial financing for the development of supportive housing in Milwaukee County. The SNHP is financed through loans from the Board of Commissioner's State Trust Fund Loan program. The SNHP project scope for the loans consists of the following: acquisition of land and construction and or renovation of facilities for the purposes of providing housing for persons with mental illness and/or others served by the Milwaukee County Department of Health and Human Services (DHHS) - Behavioral Health Division (BHD). When the fund was created, the County Board also adopted specific criteria that are required for a project to be eligible to receive funds from this program. The criteria are as follows:

- **Eligible Applicants-** non-profit developers or agencies who have the capacity and experience to develop and own the housing and whose project team includes members, who have experience providing housing/services to adults living with serious and persistent mental illness. Eligible applicants may partner with an appropriate service agency to provide the services necessary to support people living with serious and persistent mental illness in permanent housing.
- **Eligible Projects-** new construction or rehabilitation projects that provide permanent housing where:
  - At least 40% of the units developed are (in accordance with applicable fair housing laws) primarily set aside for use by Behavioral Health Division consumers living with serious and persistent mental illness (as determined by Behavioral Health Division), and
  - Who are under 30% of median income

- **Eligible funding requests-** grants for any given year may not exceed 10% of the total development costs for units set aside for Behavioral Health Division consumers living with serious and persistent mental illness. The dwelling unit set aside shall be for 10 years or the term of the tax credit commitment, whichever is longer.
  - Minimum request of \$100,000
  - Maximum request of \$500,000
  
- **Eligible Activities-** project costs related to new construction, rehabilitation, acquisition of real property, clearance and demolition, removal of architectural barriers, and other activities necessary for the development of the project.
  
- **Disadvantaged Business Enterprise (DBE) participation-** in order to be considered for County funding, project developer must agree to meet or exceed County DBE requirements pertaining to construction projects.

The Department of Health and Human Services (DHHS) has submitted a report for the April cycle to the committees on Economic Development, Health and Human Needs, and Finance and Audit. The DHHS is requesting County Board approval to allocate \$100,000 from the Special Needs Housing Program (SNHP) to United Methodist Children's Services (UMCS) to partially fund the UMCS Phase III development. The development will be located at 3800 West Lisbon Avenue.

The Department of Administrative Services in accordance with Administrative Procedure 7.92 Due Diligence, has conducted a due diligence review of UMCS' request for funding from the SNHP.

### **Background**

UMCS is a nonprofit organization that has provided social, housing, and support services to low-income children and families in the Milwaukee community since 1962. They have developed a number of low-income and supportive housing developments throughout Milwaukee County.

The organization has operated a 16-unit transitional living facility for 15 years. They are located on 40<sup>th</sup> and Lisbon, where they have their administrative offices and a licensed day care with the capacity for 60 children. In 2007, the organization developed UMCS Phase I- UMCS Townhomes, which is a six-unit development for low-income families. Adjacent to this is UMCS Phase II- Washington Park Apartments, which is a 24-unit supportive housing development for families with 10 of those units designated for BHD consumers with children. This development includes community-serving space and the Family Resource Center, which includes a food pantry. In 2009, Milwaukee County provided \$277,000 from the SNHP to support this development. UMCS Phase III is the latest proposed development that would consist of 24 scattered-site units, of which 14 units will be townhomes. In addition, the development would consist of a 10-unit multifamily permanent supportive housing building with five units designated for BHD clients with one or two children.

## **Review & Analysis**

The Department of Administrative Services (DAS)- Fiscal Affairs has reviewed the project proposal from UMCS and prepared the analysis as follows:

The original request was for an allocation of \$100,000 for a 10-unit development with four units designated for BHD clients. However, this was not within the criteria which state that an organization is eligible to receive 10% of the development costs for the construction of the units designated for BHD clients, and the minimum request that is allowed is \$100,000. The total cost of the 10-unit development is \$2,169,636 and the construction of the four units is \$867,854. Based on these criteria, the organization is only eligible to receive \$86,785, which does not meet the criteria for the minimum request. DAS worked with UMCS and Housing to designate a fifth unit for BHD clients to meet the minimum request criteria. With the addition of the fifth unit for BHD clients, the total project cost for five units is \$1,084,818, which would increase the eligible grant amount for the development of the project to \$108,482.

The funding requested from Milwaukee County would only be used to support the construction of the five units designated for BHD clients. The county has received supporting documentation verifying that the organization will also receive funding from the following sources:

- \$4,031,159 in Tax Credits
- \$495,000 from the City of Milwaukee's Neighborhood Stabilization Fund
- \$750,000 in Permanent Financing from Great Lakes Capital Fund

UMCS will be the primary developer on this project with the assistance of Community Development Advocates (CDA), LLC. CDA has worked as the development consultant on several development projects to include UMCS Town Homes and Washington Park Apartments, as well as other housing developments.

Having additional housing developments that provides permanent supportive housing to BHD clients is beneficial to Milwaukee County, as it would be an increase in services for the mentally ill while allowing them to live as independently as possible.

## **Financial Impact**

The County created a Special Needs Housing Fund in its capital program in 2007. A total of \$3,000,000 has been allocated to the Fund since its inception: \$1,000,000 in 2007 and \$2,000,000 in 2009, for approved supportive housing development projects. There is approximately \$372,000 remaining in this fund.

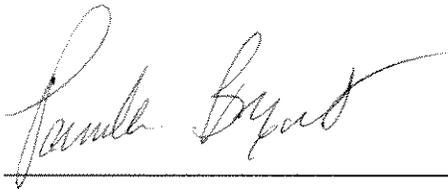
The County is currently paying approximately \$425,000 annually through 2017 to retire the loan from the State Trust Fund Loan Program. The annual amount decreases to \$278,000 each year for

the two remaining years 2018 and 2019. Approval of the grant request from UMCS for \$100,000 will reduce the amount remaining in the SNHF to \$272,000.

**Recommendation**

The DAS is recommending approval of the \$100,000 grant to UMCS for the UMCS PHASE III development with the following conditions:

1. Development agreement includes language that specifies that five of the 10 units constructed would house BHD clients.
2. UMCS will provide an annual report to the County relating to the number of BHD clients living in UMCS Phase III.
3. Development agreement includes language that specifies that if for some reason the building or land is sold, the County will recover 10% of the sale proceeds or \$100,000, whichever is greater.



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Pamela Bryant, Capital Finance Manager