

**MILWAUKEE COUNTY  
INTER-OFFICE COMMUNICATION**

**DATE:** August 24, 2012

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

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

**SUBJECT:** Report from the Director, Department of Health and Human Services, Requesting Authorization to Enter into a HOME Written Agreement for \$822,953 with Marian Center for Non-profits, LLC for the construction of 11 units of affordable housing at 3211 S. Lake Drive in St. Francis

**ISSUE**

The Department of Health and Human Services is requesting authorization to enter into a HOME Written Agreement for \$822,953 of HOME funds with Marian Center for Non-profits, LLC to assist in the construction of 11 units of affordable housing at 3211 S. Lake Drive in St. Francis.

**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 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 St. Francis is part of the HOME Consortium jurisdiction. Financing of the project, if approved, will include a mortgage and promissory note at 0% 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
	\$50,956	\$58,752	\$70,857	\$90,699	\$101,042

ELEVATOR TYPE	Basic Limit Per No. of Bedrooms				
	0	1	2	3	4
	\$53,624	\$61,471	\$74,749	\$96,700	\$106,147

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% of the units must be "Low HOME rent" units, the remaining may be at the high-rent limit. Rents shall be calculated by using the Section 8 utility allowance or other approved schedule. Below are the tables for the 2012 limits and period of affordability. Attachment A further explains the tenant and unit requirements.

<b>Activity</b>	<b>Minimum period of affordability in years</b>
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	\$25,650
2	\$29,300
3	\$32,950
4	\$36,600
5	\$39,550
6	\$42,500
7	\$45,400
8+	\$48,380

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

0 bedrooms	\$608
1	\$686
2	\$823
3	\$951
4	\$1,062

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

1 person	\$30,780
2	\$35,160
3	\$39,540
4	\$43,920
5	\$47,460
6	\$51,000

7	\$54,480
8+	\$58,020

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

1 person	\$41,000
2	\$46,850
3	\$52,700
4	\$58,550
5	\$63,250
6	\$67,950
7	\$72,650
8+	\$77,300

The High Rent Unit monthly rent amount limits are:

0 bedrooms	\$608
1	\$725
2	\$866
3	\$1,091
4	\$1,124

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 Marian Center Board wishes to convert Loretto Hall, the oldest portion of the building to housing. Loretto Hall is within St. Francis city limits. The goal is 40 units of family housing – 8, one bedroom; 20, two bedroom and 12, three bedroom, with 11, two-bedroom units set aside for disabled individuals receiving services through the Milwaukee County Disability Services Division. HOME funds would be used to benefit these individuals.

A City of St. Francis and Milwaukee landmark, the Marian Center for Nonprofits was St. Mary's Academy from 1904-1991. It is now an independent, nonprofit corporation sponsored by the Sisters of St. Francis of Assisi to "promote human development through education, the arts and social justice in response to human needs." Though sponsored by the Sisters of St. Francis of Assisi, the Marian Center for Nonprofits is non-denominational in its leasing and rental practices.

The Marian Center's Loretto Hall was constructed in 1904 as St. Mary's Academy, a high school for young women. Expansions in 1931 and 1935 created Rosary Hall and Clare Wing, to allow for the development of St. Clare College in 1937. That institution was renamed in 1946 for Samuel Cardinal

Stritch. Cardinal Stritch College outgrew its home here and, in 1962, moved to its current location, just north of Milwaukee's city limits. In 1997, Stritch attained university status.

St. Mary's Academy continued to grow into the largest high school for young women in the State of Wisconsin. These women brought tremendous accolades for themselves and the school winning local and national recognition for scholastic achievement. In 1980, Milwaukee County and the State of Wisconsin recognized the school as an historic landmark. St. Mary's Academy closed in June of 1991, after preparing over 8,000 young women to become responsible citizens in our society, and to serve as leaders in a myriad of professions.

The Marian Center for Nonprofits was created in September 1991 to preserve the heritage of Loretto Hall, Rosary Hall and Clare Wing. The classrooms were converted to affordable offices for other nonprofit organizations.

Cardinal Capital Management, together with its sister company, Astar Capital Management, were founded in 2002 and have since developed, acquired, rehabilitated and managed over 7,400 affordable housing units. Astar Capital Management acts as the third party contract administrator and co-developer for the Wisconsin Housing Preservation Corporation which owns over 6,300 housing units spread out among 54 Wisconsin Counties, including 167 units in the City of Milwaukee, and 64 units in Oak Creek.

Cardinal Capital Management's primary focus is developing Permanent Supportive Special Needs Housing, including the following in Milwaukee County: Water Tower View, Veterans Manor, United House, Empowerment Village - Lincoln, Empowerment Village - National, Highland Commons, and Farwell Studios. Cardinal is also property manager for Hawley Ridge - 58 permanent supportive housing units for blind and visually impaired individuals as well as Canticle and Juniper Court - two senior projects (100 units) on the Marian Center Campus in St. Francis. In all, Cardinal manages almost 2,600 units of housing and has averaged almost 1,000 units of rehab over the last three years, in addition to the new construction referenced above. The combined firms have 110 employees with offices in Milwaukee and Madison.

#### **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 \$822,953 of HOME funds to the Marian Center for Non-profits, LLC for the construction of 11 units of affordable housing at 3211 S. Lake Drive in St. Francis.

#### **FISCAL EFFECT**

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

Respectfully Submitted:



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Héctor Colón, Director  
Department of Health and Human Services

cc: County Executive Chris Abele  
Tia Torhorst, County Executive's Office  
Kelly Bablitch, County Board  
Patrick Farley, Director, DAS  
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