

**MILWAUKEE COUNTY
INTER-OFFICE COMMUNICATION**

DATE: November 26, 2012

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, Requesting Authorization to Enter into a HOME Written Agreement for \$801,000 with Movin' Out Inc., a Community Housing Development Organization (CHDO), for the construction of 11 HOME units of supported housing at 11th & Madison in South Milwaukee

ISSUE

The Department of Health and Human Services is requesting authorization to enter into a HOME Written Agreement for \$834, 000 of HOME funds with Movin' Out, Inc. to assist in the construction of 11 units of affordable housing at 11th & Madison in South Milwaukee.

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. The HOME program is regulated in 24 CFR Part 92, per 92.300 requires that not less than 15 percent of an annual HOME allocation must be invested in housing developed by a CHDO.

Financing of rental projects is an eligible HOME activity under the CHDO set-aside rule and South Milwaukee is part of the HOME Consortium jurisdiction. Financing of the project, if approved, will include a 20-year forgivable mortgage and a promissory note. Eligible costs for the project include construction of the HOME units, a proration of required common areas, proration of acquisition costs and a maximum reserve of 18-months. Minimum HOME investment per unit is \$1,000 and the maximum is listed below:

NON ELEVA TOR TYPE	Basic Limit Per No. of Bedrooms				
	0	1	2	3	4
	\$50,956	\$58,752	\$70,857	\$90,699	\$101,042

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

The HOME 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. 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 HOME units must be “Low HOME rent” and the remaining may be at the “High HOME Rent.” 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.

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 income limits (50% of median income) 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 limits are:

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

The High Rent Unit income limits (60% of median income) 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 limits for up to 10% of the units (80% of median income) 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 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 the tenants based on the 24 CFR Part 5 definition of income. The County will be responsible for monitoring files and conducting annual inspections for the duration of the affordability period. 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 show the amount requested is reasonable and that the project is feasible.

DISCUSSION

Movin' Out is partnering with Horizon Development to develop land owned by the Redevelopment Authority of South Milwaukee to construct 40 units of housing, including 5 market rate units, 11 HOME/Tax Credit units, and 24 Tax Credit units. The 11 HOME units will house families with members having permanent disabilities and the units will include accessibility features. Movin' Out will work with Milwaukee County agencies serving persons with disabilities to get referrals to fill the units. The total project cost is \$5.16 million with financing sources including private financing, tax credit financing, donated land from South Milwaukee, Tax Incremental Financing loan from South Milwaukee and deferred fees.

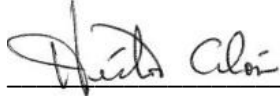
RECOMMENDATION

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 \$801,000 of HOME funds to Movin' Out, Inc. for the construction of 11 units of affordable housing at 11th and Madison Streets in South Milwaukee, Wisconsin.

FISCAL EFFECT

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

Respectfully Submitted:

A handwritten signature in dark ink, appearing to read "Héctor Colón", written over a horizontal line.

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
Craig Kammholz, Fiscal Budget Administrator, DAS
CJ Pahl, Assistant Fiscal & Budget Administrator, DAS
Antoinette Thomas-Bailey, Fiscal & Management Analyst, DAS
Janelle Jensen, County Board Staff