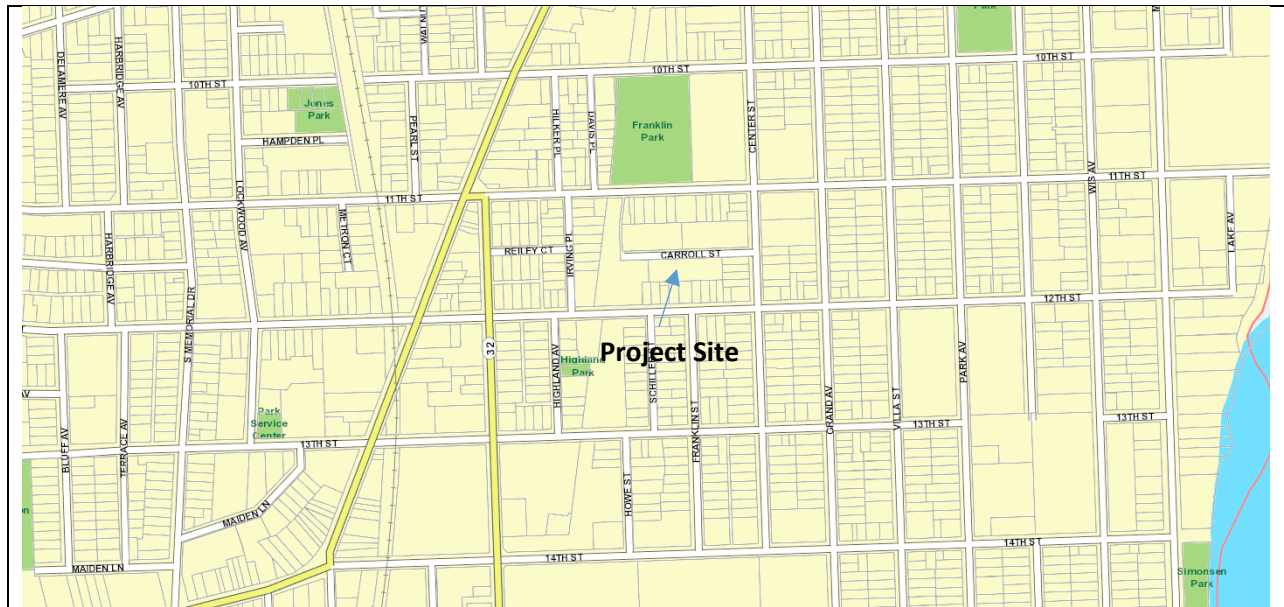




City of Racine, Wisconsin
AGENDA BRIEFING MEMORANDUM

AGENDA DATE:	October 11, 2018
SUBJECT:	Request by Brinshore Development for a CDBG Multifamily Loan
PREPARED BY:	Matthew Rejc, Manager of Housing and Community Development
EXECUTIVE SUMMARY:	<p>Department of City Development - Division of Housing and Community Development requests that the Loan Board of Review recommend approval of a Resolution authorizing a \$350,000 CDBG Multifamily loan to Brinshore Development for the development of 821 and 930 Carroll Street and 1140-1130 Center Street into multifamily housing.</p>
BACKGROUND AND ANALYSIS:	<p>Brinshore Development and St. Paul Community and Economic Development Corporation intend to develop 63 units of multifamily housing on the property located at 821 and 930 Carroll Street and 1140-1130 Center Street, distributed among two- and three-bedroom apartments. The project would consist entirely of new construction on the site, which is currently owned by St. Paul Missionary Baptist Church of Racine. The development team has executed letter of intent with the owner to secure the site.</p> <p>Below are other details about the project based on the submitted application:</p> <ul style="list-style-type: none">• Project is expected to consist of a two-story townhome structure on the south side of Carroll Street and a four-story multifamily structure on the north side of Carroll Street• Units will be mixed-income (market-rate, 80%, 60%, 50%, and 30% AMI)• Brinshore applied for a \$600,000 CDBG loan, but is being recommended for a \$350,000 loan due to demand for the product, as well as the projected LIHTC score. However, the development would consist of 63 units and would be near the Greater Uptown NRSA• 14 units are expected to be set aside for veterans• 51% of units would be affordable for the first year of operation per HUD CDBG guidelines• The project fits goals outlined in the Uptown Strategic Plan, the Greater Uptown Neighborhood Revitalization Plan (NRSA), and meets overall housing development needs within the City of Racine. Project site is located just outside of the NRSA area, but its proximity would have a significant effect on the area. <p>Project Site</p>



Developer and Management Capacity

Brinshore Development (Co-Developer): Based in Northbrook, Illinois. Brinshore has developed 16 multifamily projects across Wisconsin, Illinois, Missouri, and Michigan since 2013, consisting of a total of 922 units. Many of these projects have also made use of LIHTC and HUD financing.

St. Paul Community and Economic Development Corporation (Co-Developer): Based in Racine, Wisconsin. This organization has been involved in housing development activities in the City and the point of contact for this project is Bishop Lawrence Kirby.

CommonBond Communities (Property Manager): Currently manages at least 10 LIHTC-developed complexes in Milwaukee consisting of 490 units.

Program Background

The CDBG Multifamily Revolving Loan Fund (RLF) was created by the Loan Board of Review and passed by the Common Council in March, 2017. (Res.0104-17)

The program was created to support high-quality, affordable housing within Racine while earning interest on existing funds to support long-term housing program administration. Interest earned on housing rehabilitation funds not invested in housing projects that sit in City accounts must be returned to the federal government. Interest returned to the City through housing loans is considered Program Income and may be used for eligible programs and administration.

To help ensure the return of funds, eligible projects are limited to those receiving WHEDA tax credits, new market tax credits, federal or state historic tax credits, or financed in which at least 50% of units are funded by project-based housing vouchers. These additional funding sources have high long-term rates of financial success and are lower-risk housing investments.

Funds are be made available as low-interest amortizing loans (1-3%).

- All funds in the proposed Multifamily RLF would be revolved Community Development Block Grant (CDBG) funds and subject to all Federal CDBG regulations.
- Funds could be used to rehabilitate existing multifamily housing or convert buildings to housing use.
- All loans made within the Multifamily RLF Program would be subject to Loan Board of Review approval.
- Loan requests would be required to include a full application in response to a published Request for Proposals.
- Not all funds would be required to be loaned each year and would be limited to \$15,000/unit per project.

Staff Loan Recommendation

Staff recommends a \$350,000 loan at 1% interest over 20 years contingent on cash flow. Approval of Brinshore’s application will be contingent on obtaining all financing described in the application, including the LIHTC. All funds would be secured with a mortgage and note as well as a CDBG developer contract. An interest rate of 1% is recommended to ensure the project has enough reserves, under conservative financial projects, to meet all operational and building costs through the life of the program yet still ensure a financial return to the City.

BUDGETARY IMPACT:

A total of \$350,000 would be loaned from the CDBG Multifamily Loan account for 20 years at 1% interest. Payments would be contingent on demonstrated cash flow and all accrued principle and interest would be due after 20 years. The funds would be secured with a mortgage and note.

The CDBG Multifamily Loan account currently has a balance of \$1.9 million to loan to eligible projects.

RECOMMENDED ACTION:

Staff recommends that the Loan Board of Review forward a resolution to the Common Council with a recommendation to approve a loan to Brinshore Development for \$350,000 related to the multifamily housing development at 821 and 930 Carroll Street and 1140-1130 Center Street at 1% interest over 20 years contingent on cash flow. Mortgage, note, and CDBG agreement to be signed at closing and after demonstrating full project financing and demonstrated compliance with all federal, state, and local regulations.