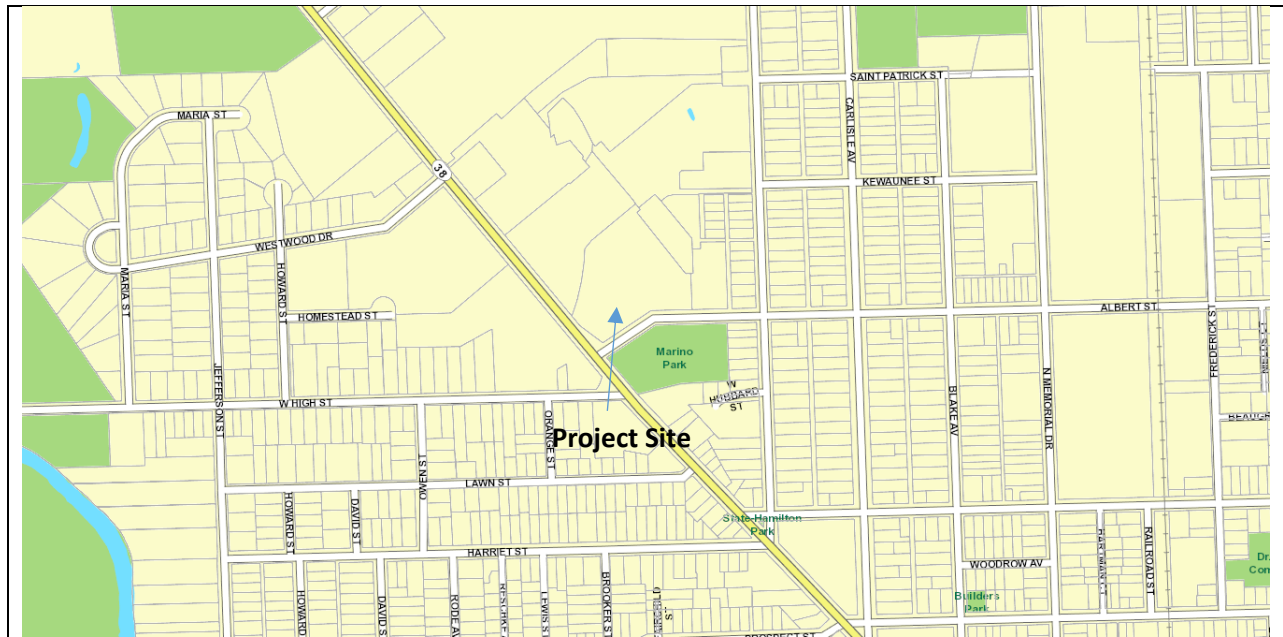




City of Racine, Wisconsin
AGENDA BRIEFING MEMORANDUM

AGENDA DATE:	October 11, 2018
SUBJECT:	Request by J. Jeffers and Co. 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 \$250,000 CDBG Multifamily loan to J. Jeffers and Co. for the redevelopment of a section of the former Horlick Malted Milk Company Factory into multifamily housing.</p>
BACKGROUND AND ANALYSIS:	<p>J. Jeffers and Co. intend to develop 40 units of multifamily housing on the property located at the former Horlick Malted Milk Company Factory (2100 Northwestern Avenue), distributed among studio, one-, two-, and three-bedroom apartments. The project would consist entirely of rehabilitation on the site, which has been purchased by J. Jeffers and Co.</p> <p>Below are other details about the project based on the submitted application:</p> <ul style="list-style-type: none">• The developer intends to use state and federal historic tax credits to leverage additional funds and ensure that the property is rehabilitated in a historically-sensitive manner• J. Jeffers and Co. applied for a \$600,000 CDBG loan at 1% interest over 30 years, but is being recommended for a \$250,000 at 1% interest over 20 years loan due to demand for the product, as well as the project's location outside of the Greater Uptown NRSA and the relatively low number of proposed units• Units will be mixed-income (market-rate, 60%, 50%, and 30% AMI).• The project will achieve a minimum 150 points under the Wisconsin Green Built Guidelines• 51% of units would be affordable for the first year of operation per HUD CDBG guidelines <p>Project Site</p>



Developer and Management Capacity

J. Jeffers & Co. (Co-Developer): J. Jeffers & Co. was founded in 2011 by Joshua Jeffers and now owns interests in 26 properties. The firm focuses on historic preservation, market rate and affordable housing, and neighborhood revitalization. The firm recently completed a \$22.7 million historic rehabilitation of the Mackie Building and Mitchell Building in Milwaukee.

Horizon Management Services (Management Company): Horizon Management Services, Inc. (Horizon) has over thirty years of property management experience with over 2,500 units under management.

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 \$250,000 loan at 1% interest over 20 years contingent on cash flow. Approval of the developer'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 \$250,000 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 J. Jeffers and Co. for \$250,000 related to the multifamily housing development at 2100 Northwestern Avenue 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.