



City of Racine, Wisconsin
AGENDA BRIEFING MEMORADUM

AGENDA DATE:	November 16, 2017
SUBJECT:	Request by Lutheran Social Services for CDBG Multifamily Loan
PREPARED BY:	Laura Detert, Manager of Housing and Community Development

EXECUTIVE SUMMARY:

Department of City Development - Division of Housing and Community Development requests that the Loan Board of Review approve a resolution authorizing a \$700,000 CDBG Multifamily loan to Lutheran Social Services for conversion of 1701 Packard Ave to housing units (“Gold Medal Lofts”).

BACKGROUND & ANALYSIS:

Lutheran Social Services (LSS) and J. Jeffers & Co plan to co-develop “Gold Medal Lofts”, a conversion of the former Gold Medal Furniture Building, located at 1701 Packard Avenue, into seventy-nine one-, two-, and three-bedroom apartments. LSS has requested a \$700,000 CDBG Multifamily loan from the Loan Board of Review for site acquisition costs at 2% interest over 30 years contingent on cash flow.

- Staff recommends a \$720,000 loan at 1% interest over 20 years contingent on cash flow.
- Payment on staff recommended loan would be \$39,899 annually.
- Loan would be with Lutheran Social Services for land and building acquisition costs.
- If project does not have excess cash at the end of the fiscal year (as documented in annual audit), balance would be due by the end of 20 years.
- Property taxes are projected at \$64,500 annually.
- Tenant management is planned through Horizon Management Services, Inc.
- Units will be mixed-income (market-rate, 60%, 50%, and 30% AMI).
- 16 units will be targeted towards those needing supportive living units with Racine ADRC as the referral agent.
- The building entrances, common areas and elevator will be handicap accessible.
- The project will achieve a minimum 150 points under the Wisconsin Green Built guidelines
- 51% of units would be affordable at rent-up per HUD CDBG guidelines. No ongoing monitoring or Land Use Restriction Agreement would be required.
- 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.

BUDGETARY IMPACT:

\$720,000 would be loaned from the CDBG Multifamily Loan account for 20 years at 1%. Payments would be contingent on demonstrated cash flow and all accrued principle and interest due after 20 years. The funds would be secured with a mortgage and note.

RECOMMENDED ACTION:

Staff recommends that the Loan Board of Review approve a resolution to loan Lutheran Social Services \$720,000 for acquisition costs of 1701 Packard Avenue at 1% interest over 20 years contingent on cash flow. Mortgage, note, and CDBG agreement to be signed at closing and demonstrated full project financing.