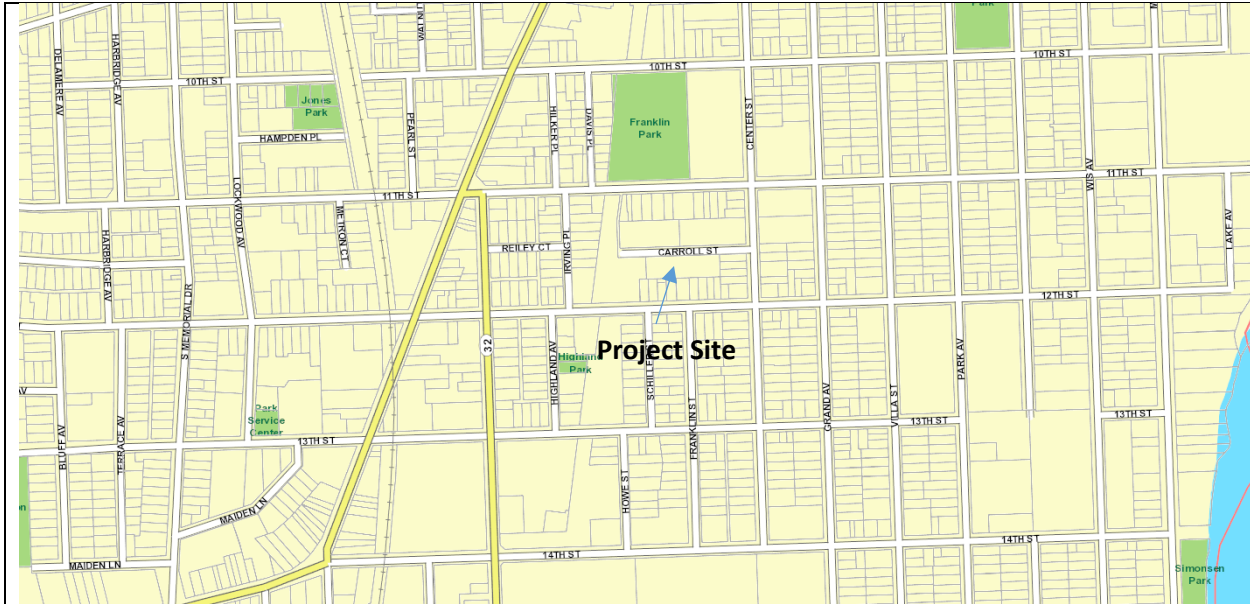




City of Racine, Wisconsin

AGENDA BRIEFING MEMORANDUM

AGENDA DATE:	CDBG Advisory Board: December 6, 2021 Common Council: December 7, 2021
SUBJECT:	Request by Brinshore Development for a HOME Multifamily Loan
PREPARED BY:	Matthew Rejc, Assistant Director of City Development
EXECUTIVE SUMMARY:	Communication sponsored by Mayor Mason amending Resolution #1317-19 and requesting permission to authorize a HOME Multifamily Loan with Brinshore Development for up to \$300,000 related to the St. Paul Commons project.
BACKGROUND AND ANALYSIS:	<p>Brinshore Development and St. Paul Community and Economic Development Corporation intend to develop 36 units of townhome-style housing on the property located at 821 and 930 Carroll Street and 1140-1130 Center Street. The units would consist of two- and three-bedroom apartments. The project would involve new construction of all units at the project site, which is currently owned by St. Paul Missionary Baptist Church of Racine.</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 entirely of two-story townhome structures primarily along Carroll Street• Units are intended to serve a range of populations<ul style="list-style-type: none">○ One (1) market-rate unit○ Fourteen (14) units reserved for households making up to 60% of Area Median Income (AMI) annually○ Twelve (12) units reserved for households making up to 50% of AMI annually○ Nine (9) units reserved for households making up to 30% of AMI annually• Nine of the 36 units are intended to be reserved specifically for veteran households• Brinshore Development was previously approved for a CDBG Multifamily Revolving Loan Fund award of up to \$350,000 on this property via Resolution 0326-18 on October 16, 2018• At least 51% of units must be reserved for occupancy by households making under 80% of AMI at initial occupancy per CDBG guidelines, and two units would remain affordable for 20 years following project completion per HOME program requirements• 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



Developer and Management Capacity

Brinshore Development (Co-Developer): Based in Northbrook, Illinois. Brinshore has developed 70 multifamily projects around the country since 1996, consisting of a total of 4,992 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 for many years, 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

HOME provides formula grants to states and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership. It is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low- and moderate-income households. In 2019, the City of Racine received an annual allocation of \$505,439.

The request from Brinshore Development was submitted as a response to a Notice of Funding Availability (NOFA) for eligible multifamily rental projects seeking HOME funds from the City of Racine. The additional \$50,000 on top of the previously awarded funding would attempt to mitigate rising costs and expenses associated with the development and increase its competitiveness in pursuit of other financing.

Staff Loan Recommendation

Staff recommends authorizing a \$300,000 loan at 1% interest over 20 years contingent on cash flow. HOME Loan documents will not be executed until the developer is able to demonstrate sufficient secured financing to complete the project, including an award of Low-Income Housing Tax Credits (LIHTC) from the Wisconsin Housing and Economic Development Authority (WHEDA), and compliance

with all federal, state, and local regulations. All City HOME funds would be secured with a mortgage, note, and land use restriction agreement, as well as a HOME developer agreement. 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 \$300,000 would be loaned from the City's allocation of HOME multifamily funds over a 20-year term at 1% interest. Payments would be contingent on demonstrated cash flow and all accrued principle and interest would be due at the end of the loan term.

The HOME funding would be providing separately from, but in addition to, the \$350,000 in CDBG Multifamily Revolving Loan funds previously allocated to the project via Resolution 0326-18. Total Federal funding allocated to the project would not exceed \$650,000.

RECOMMENDED ACTION:

Staff recommends that That an amendment to Resolution #1317-19 for an increase in the loan amount from \$250,000 to \$300,000 be approved, and that the Mayor and City Clerk be authorized to execute a HOME loan to Brinshore Development related to the St. Paul Commons project for up to \$300,000 at 1% interest with a 20-year term. Mortgage, promissory note, land use restriction agreement, and HOME agreement, and necessary subordinations to be signed at closing after demonstrating full project financing and a completed HUD Part 58 environmental review.