



Department of Administration
Community Block Grant Administration

John O. Norquist
Mayor
David R. Riemer
Director
Juanita Hawkins
Administration—Block Grant Director

TO: Members of the Community Development Policy Committee

FROM: Juanita Hawkins *Juanita Hawkins*
Director

DATE: November 12, 2001

RE: Resolution # 010982 -Allocation of HOME funds from the Housing Production Pool for the purpose of providing HOME funds for the Acquisition and Renovation of the Kunzelmann/Esser building

The Department of City Development (DCD) is requesting \$625,000 of HOME funds for the renovation of the former Kunzelmann/Esser furniture store, located at the corner of 7th and Historic Mitchell Street.

When complete, the building will contain 67 income and rent restricted affordable housing units and 9,162 square feet of ground floor commercial space, 20% of the units, designated as HOME assisted units, will be income and rent restricted to families earning less than 50% of area median income. A commercial tenant has not yet been identified for the commercial space.

DCD states that the project currently has a financing gap of \$625,000. Total project costs are just less than \$8 million. WHEDA through a 40-year mortgage will provide \$4.3 million and \$3.1 million will be provided through the low income and historic and state tax credits.

Based on the estimated appraised value of the project upon completion, DCD anticipates that the project will add more than \$3 million to the City's tax base.

We will take funds from the 2001 HOME Housing Production Pool account and set up a separate account for the Kunzelmann/Esser Acquisition/Rehab project.

HOME Production Pool Account	\$ 2,700,119	
Kunzelmann/Esser Project	\$ 625,000	
Balance -HOME Production Pool Account		\$2,075,119

The Kunzelmann-Esser Project

Summary Information

Request

Allocation of up to \$625,000 in HOME funds for the Kunzelmann-Esser project.

Project Description

The project will involve the renovation of the former Kunzelmann-Esser furniture building located at 710 West Mitchell. When complete, the building will contain 67 affordable housing units, and 9,162 square feet of ground floor commercial space. 40 underground parking spaces and 30 surface parking spaces will be provided.

Project Cost

Total project cost is just under \$8 million. \$4.3 million will be provided by WHEDA through a 40 year 6.25% mortgage (funded through tax exempt bonds) and \$3.1 million will be provided through the syndication of the low income and historic and state tax credits. The project currently has a gap of \$621,000.

Developer

The project's developer and long term manager is Gorman & Company Inc. Headquartered in Madison, Gorman & Company has extensive experience in the ownership, development, and management of multifamily housing. Recent Milwaukee experience includes the 180 unit Arbor Ridge Apartments at 107th and Bradley Road, the 106 unit Golden Dome Apartments at 6th and Lapham and the 98 unit Historic Fifth Ward Lofts at 1st and Oregon.

Provisions/Requirements

Project will comply with all HOME program requirements. This includes the provision that all units will be affordable to, and occupied by families earning under 60% of area median income for a period of 15 years.

Project subject to final underwriting including verification of all project costs and receipt of all final financing commitments. Construction costs to be reviewed by third party consultant engaged by the Department of City Development.

Developer to guaranty completion of construction.

Project to comply with 18% DBE requirements for all on site construction work.

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The Kunzelmann-Esser Project

Summary Information

Sources and Uses of Funds

Uses

Acquisition	\$ 950,000
Construction	\$5,681,200
Architectural and Engineering	\$ 271,000
Soft Costs	\$ 975,500
Reserves	\$ 67,000
<u>Total Uses</u>	\$7,944,700

Sources

WHEDA loan	\$4,270,000
Equity (syndication of tax credits)	\$3,054,100
Gap	\$ 620,600
<u>Total Sources</u>	\$7,944,700

Unit Breakdown

<u>Type</u>	<u># of Units</u>	<u>Proposed Rent</u>
Efficiency	8	\$500
1 bedroom	30	\$575
2 bedroom	29	\$650
Commercial space	9,162 sq. ft.	\$9.50/sq.ft