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Keeping it affordable: High costs of downtown Milwaukee housing

City Housing Authority weighing all options to build \$150M tower



By [Sean Ryan](#) – Reporter, Milwaukee Business Journal
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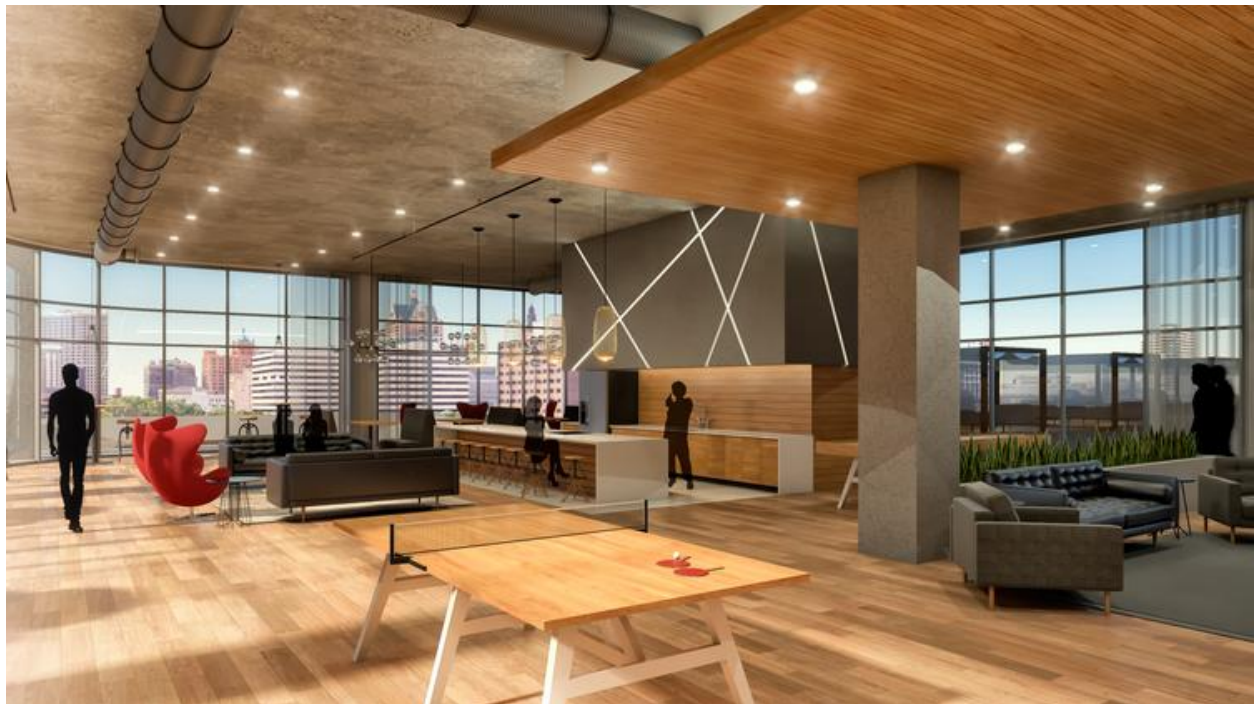
The Housing Authority of the City of Milwaukee could break ground next year on a 32-story building with 350 mixed-income apartments. Korb + Associates Architects

If [Scott Simon](#) and the team can work it out, they'll be the first to develop a new high-end apartment tower in downtown Milwaukee where folks working hourly service-sector jobs can live alongside the well-to-do renters.

The Housing Authority of the City of Milwaukee could break ground next year on that 32-story building with 350 mixed-income apartments. Planned for the northern edge of downtown on North Milwaukee Street and East Ogden Avenue, the up to \$150 million project is staggering considering the private sector for years has fought hard just to rehab existing downtown buildings into affordable apartments counted in the tens, not hundreds.

The housing authority is still deep in its planning process to figure out how to make this project work, said [Scott Simon](#), vice president of development for authority affiliate Travaux Inc. It'll take an unusual alchemy of public and private money to happen, and Simon said the most important piece of that is the new federal Opportunity Zone program.

"The people who aren't making top dollar, as well as the people who are more challenged on their incomes, we're trying to meet the need at all levels," Simon said. "The overall demand for affordable housing on a nationwide basis is huge. At the housing authority, we are looking at every option out there to create every level of affordable. We're doing what we can."



Convent Hill is expected to have a large amenity space for residents. Korb + Associates Architects

Housing affordability has been a tough challenge in downtown Milwaukee. It affects all of downtown's businesses that can't offer more than \$50,000 for every job, but still need to find employees. Milwaukee Mayor Tom Barrett made affordable housing a policy priority in his 2018 State of the City Speech. Aldermen in 2017 tried, unsuccessfully, to mandate affordable units in all downtown area projects.

"The demand may be there, but being able to deliver the product is very difficult," said developer [Cal Schultz](#), who opened 37 new affordable apartments in downtown Milwaukee in September.

"There are a lot of jobs in downtown Milwaukee now and a lot of those jobs are individuals who qualify for affordable housing," he said. "You'd have to go quite a ways outside of downtown Milwaukee to find affordable housing."

The size of the Convent Hill project is partially because it has to cover the cost of a lot of interior parking spaces, Simon said. It would replace parking lots at the authority's Convent Hill property at North Milwaukee and East Knapp streets. Those lots are currently used by the authority's 120-unit senior housing building on the property, which would remain.

The development must provide replacement parking for those existing senior apartments, and cover the cost of building them. The plans call for 425 interior parking spaces, which is why the building's base covers essentially all of the available land on the block, said project architect Jason Korb of Korb + Associates, Milwaukee. It took more apartments to generate money to pay for all of that parking. The building also has 40,000 square feet of rentable office space.



► CONVENT HILL

Address: 1325 N. Jefferson St., Milwaukee

Height: Two wings standing 12 and 32 stories tall, respectively

Budget: \$140 million to \$150 million

Apartment units: Between 315 and 350, including 11 to 13 townhouses and 18 two-level "skip-stop" units

Commercial space: 40,000 square feet of offices

Interior parking: 425 spaces

Developer: Housing Authority of the City of Milwaukee

Architect: Korb + Associates, Milwaukee

The higher apartment count also means a higher quality of affordable housing than is commonly found in Milwaukee. Amenities would include an interior pool with large overhead doors that can open during the warmer months.

The mix of market-rate versus affordable apartments hasn't been locked down, Simon said, and is one of the variables as the housing authority works out the project budget. The rental rates for those units, or income restrictions for their residents, also is yet to be determined. Different public financing sources have different requirements.

"We're looking at all of the different options that are out there right now," Simon said. "We want to figure out how we can optimize the amount of affordable we can provide and still make the project work."

FINANCING CHALLENGES

As the project's up to \$150 million budget shows, downtown housing doesn't come cheap. One developer noted the rents on downtown apartments are so high because that's the only way to make a project work financially. Average rents are over \$1,400 a month, according to a fourth-quarter 2018 report by Marcus and Millichap.

The only way private developers have made affordable units work is public financing programs, said Pete Moegenburg, president of Brookfield real estate consulting firm [Moegenburg Research Inc.](#) Those include city tax incremental financing and affordable housing tax credits that are highly competitive, he noted.



"That capital stack has to have a public-private relationship component to it," he said.

Schultz, president of Keystone Development LLC in Oshkosh, pulled from three major public financing sources to finance the new apartments he built into the Century Building on Old World Third Street in downtown Milwaukee. The Century Building used two separate housing tax credit awards, state and federal historic restoration tax credits, a Federal Home Loan Bank Affordable Housing Program grant and a first mortgage from Choice Bank.

But the Century Building's 37 affordable apartments are full. The largest downtown area affordable housing development in recent years was the Beerline B at 1710 N.

Commerce St., with 140 units. That building has remained full since it opened in 2012.

“The demand is high; the cost is high,” Schultz said.

As Schultz noted, the older methods of relying on tax credits are becoming more difficult after construction costs escalated. Developers compete annually to win those housing tax credits, and Schultz in 2017 was the last to seek them for a downtown Milwaukee project.

The Convent Hill project is too large to benefit greatly from the housing tax credit program because it is capped at \$1.55 million per project. Simon said he currently is not considering those credits for the project.



The site is located near North Milwaukee Street and East Ogden Avenue. Sean Ryan

He said Convent Hill can work because it is in a federal Opportunity Zone and can use that new financing program. Those federal zones were designated only a year ago, and local developers including the housing authority are looking for ways to use it. It offers tax breaks on money invested into projects within the zones.

“If I were on the private side right now, I would be able to do projects similar to this if I were in an Opportunity Zone,” said Simon, who had a career in private-sector development before joining the Housing Authority.

The authority is talking with three or four consultants now on using the Opportunity Zone program for the Convent Hill project, he said. Simon said he also is interested in pursuing other new housing authority projects in other Opportunity Zones in the city.

“The Opportunity Zone is one of our strongest assets in this neighborhood,” he said. “That’s the one thing we have that a lot of people don’t have access to.”

Financing for Convent Hill could also come through programs at Freddie Mac or Fannie Mae, Simon said. Private financing is another option the authority will explore, he said.

“We don’t exclude anything as a possibility,” Simon said.

Convent Hill project renderings: Slideshow Next Page



Convent Hill project renderings: Slideshow

Korb + Associates design for an up to \$150 million housing authority apartment building at Convent Hill.



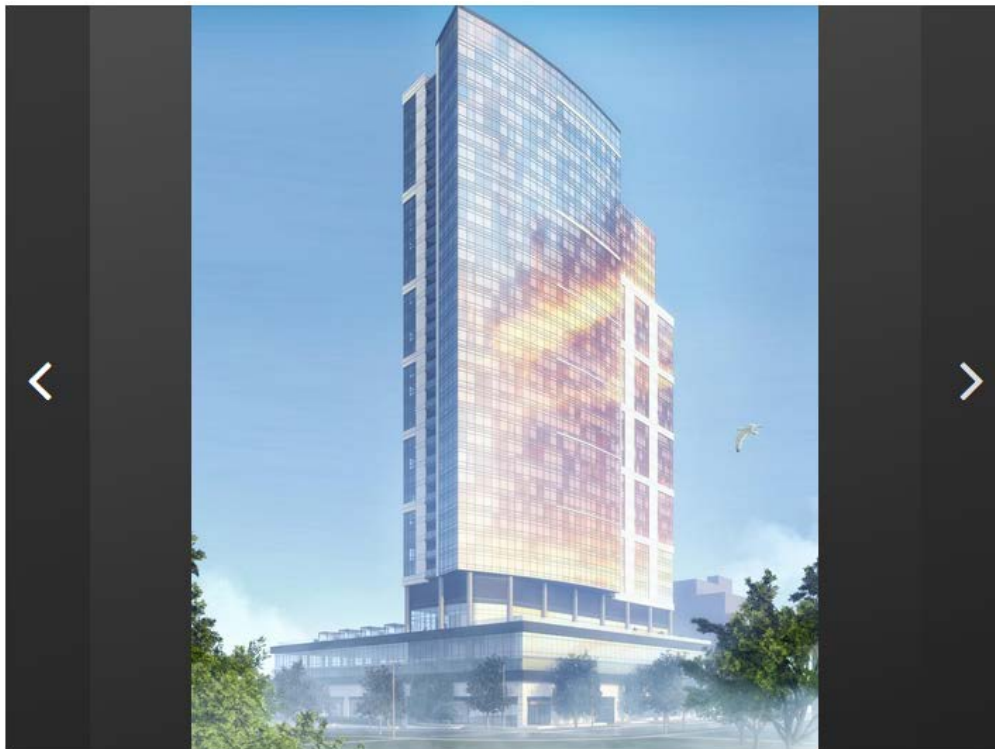
The new Convent Hill building would have a 32-story tower and a shorter 12-story section.

KORB + ASSOCIATES ARCHITECTS



Its first floor would have townhouses offering two-bedroom units.

KORB + ASSOCIATES ARCHITECTS



The building will offer views of Lake Michigan starting on its sixth floor.

KORB + ASSOCIATES ARCHITECTS



A rendering of the lobby for the building's apartments

KORB + ASSOCIATES ARCHITECTS



Convent Hill will have a large amenity space for residents, plus an indoor pool.

KORB + ASSOCIATES ARCHITECTS



A recessed courtyard on the fourth floor will offer an outdoor space for people working in the building's 40,000 square feet of office space.

KORB + ASSOCIATES ARCHITECTS



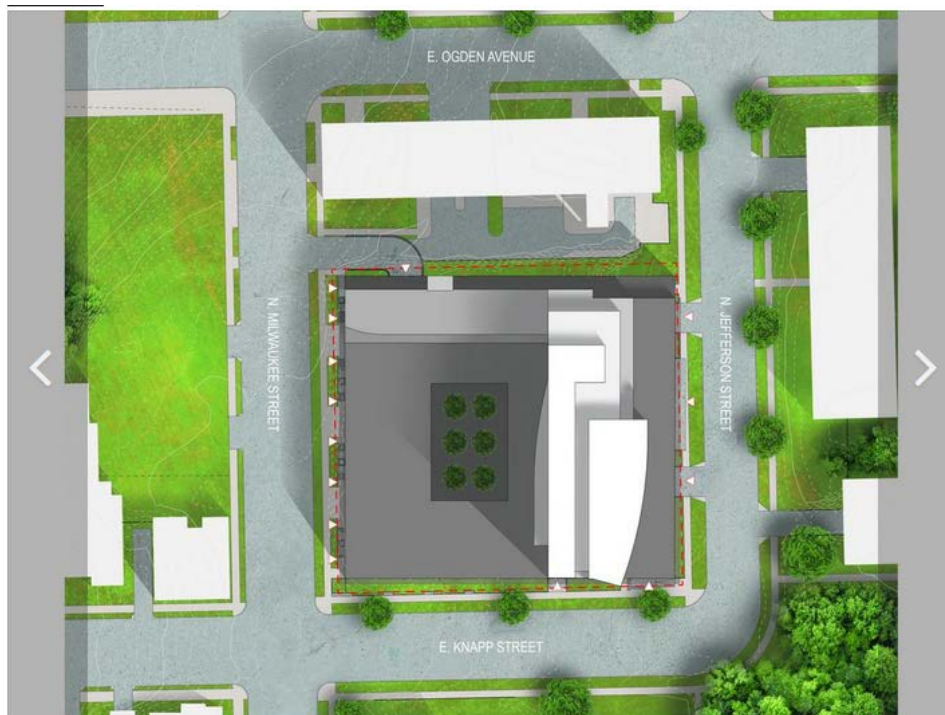
The office lobby could have a green wall with growing plants.

KORB + ASSOCIATES ARCHITECTS



A closer look at the first-floor townhouses that would face Milwaukee and Knapp streets

KORB + ASSOCIATES ARCHITECTS



An overhead view of the site plan, including the existing Convent Hill senior housing building that would remain

KORB + ASSOCIATES ARCHITECTS



The future development site is mostly used for surface parking.

SEAN RYAN



Convent Hill got its name from a Notre Dame convent that was built on the land in the mid-1800s. The bells from that convent remain on-site, and will be incorporated into the new building's design.



The existing Convent Hill building is nine stories tall with 120 senior apartments.



The new building will have an interior parking structure with 425 spaces because it must replace surface parking the senior housing will lose.