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Mixed income apartment tower approved for downtown Milwaukee



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Convent Hill South would mix luxury-priced housing with apartments reserved for low-income residents. Korb + Associates Architects

A \$150 million tower with high-end and low-income apartments gained approval from Milwaukee elected officials Tuesday, advancing a first-of-its-kind project for the city public housing authority that would build it, and the downtown market overall.

The 32-story building would be developed on housing authority's Convent Hill land at Milwaukee and Knapp streets, with up to 350 apartments, some office space and interior parking. The Milwaukee Common Council on Tuesday approved the project plans with no discussion, marking its last major endorsement needed from elected officials.

There are several steps ahead before the project, dubbed Convent Hill South, becomes reality. The Housing Authority of the City of Milwaukee's development arm still must cement project plans, including the ratio of affordable versus luxury apartments, and secure private financing.

[Scott Simon](#), senior vice president of development for housing authority affiliate

Travaux Inc., said a request for proposals will be issued this month to select a construction manager for the project. Next steps also include completing market studies, which will help determine the mix and layout of apartments in the building.

“That allows us to get a handle on our cost estimating as well as our revenue going into August,” Simon said.

Simon said discussions already are underway over project financing. Those include talks with Freddie Mac and Fannie Mae, private lenders and operators of Opportunity Zone funds that could secure equity investments for the project. The Opportunity Zone funds, created through a federal incentive program, offer tax breaks to investors in projects in low-income areas.

The goal, Simon said, is to set construction schedules by fall and break ground in spring 2020.

Milwaukee’s public housing authority is venturing into new territory with the mixed-income building, and several have questioned the details as the public affordable apartment developer acts more like its private-sector counterparts.

The authority’s Convent Hill South tower near downtown would have a mix of affordable apartments reserved for low-income residents, but also luxury units competing with private-sector buildings such as Northwestern Mutual’s 7Seventy7. The exact mix hasn’t been nailed down, but the number of luxury apartments in the building could range from 190 to 280, based on the range of possibility authority officials have discussed.

The foray into mixed income housing had some in the real estate world and a few aldermen asking about the flow of money and uses of eventual profits on the building, and why the housing authority has its subsidiary called Travaux Inc. leading the project.

During a roundtable of real estate executives hosted Tuesday by the Milwaukee Business Journal, some questioned the cost-efficiency of building a high-rise. High-rise housing costs more to construct than a shorter building, adding 20% or 30% to the cost of creating each unit, said Stu Wangard, CEO and chairman of Milwaukee real estate firm Wangard Partners Inc.

More apartments could be built if the resources were dedicated to smaller-scale structures, he said.

“Neighborhood housing can be delivered in a very efficient manner, family-friendly, three-bedroom units,” Wangard said. “The moment you go to high-rise construction the complexity goes up, the cost goes up, everything that is in that building is built for extraordinary conditions because of the height of the building.”

Travaux officials, when announcing the project earlier this year, said the height is dictated partially by the demands of the downtown property. The building must provide extra parking in its lower floors for the Housing Authority’s neighboring Convent Hill senior apartment tower. A taller building with more apartments can better absorb the cost of that structured parking.

Simon said a taller building can also have more amenities, which means the market-rate apartments can demand higher rents. Renters of the affordable units will also enjoy those amenities, he said. He said at least 300 apartments are needed to cover the amenities planned for the building. The final plans will include between 300 and 350.

The housing authority is operating through its subsidiary company Travaux to develop Convent Hill South, which raised other questions from aldermen. Travaux has been operating about two years as the main real estate development arm of the public authority, and is entirely owned by the housing authority, said Fernando Aniban, chief financial officer of the housing authority.

Travaux was created partially to let the authority act more like a private real estate firm. That could include doing development work on behalf of other owners.

In those cases, or in authority projects like Convent Hill South, returns generated by projects become a new revenue source for the housing authority itself. If successful, Convent Hill South is expected to have excess profits after private investors and loans are paid off, Aniban said.

“If there’s profit left, that’s what goes into the housing authority’s pocket,” Aniban said.

That additional funding can pay for authority services such as public safety workers who are no longer financed through federal programs, said Travaux vice president of construction Warren Jones.

“It doesn’t have infinite money; the money has been dwindling over the years,” Jones said. “To expand the sources of revenue that they can get through legitimate and profitable means I think is a good thing. It will be beneficial quite a bit in the future.”

One reason for the subsidiary is employees of Travaux don’t have the same long-term pension programs as city employees who work directly for the housing authority, Jones said. That can mean lower operations costs on housing authority projects like Convent Hill South, and a better competitive position if Travaux is pursuing work on non-housing authority projects, he said.

“In order to be competitive, because we are going to be competing with other affordable housing developers, we had to come up with a different model to do that,” Jones said. “Travaux still has nice benefits, they are paid reasonable competitive wages, but there’s just not the long legacy costs that are affiliated with the city and also the housing authority.”