



HOUSING AUTHORITY OF THE
CITY OF MILWAUKEE

Tom Barrett
Mayor

Antonio M. Pérez
Secretary-Executive Director

Board of Commissioners

August 24, 2021

Michael J. Murphy
Alderman, 10th District
Chairman, Finance and Personnel Committee
City of Milwaukee
200 East Wells Street
Milwaukee, WI 53202

Dear Ald. Murphy,

First of all, thank you for meeting to discuss our \$15mm request in American Rescue Plan Act (ARPA) funds to complete the construction of Westlawn Gardens, a City of Milwaukee Choice Neighborhood Initiative (CNI) Project. In response to your letter dated August 3, 2021, we are providing additional information that you requested for a better appreciation of the project and its financing.

The Westlawn-CNI Project is not only a housing revitalization project but also includes major initiatives impacting People, Education and Neighborhood. Although the Housing component targeted only the existing Westlawn public housing development, the whole CNI is expected to impact a broader neighborhood from W. Villard Avenue to W. Mill Road and N. Sherman Boulevard to N. 76th Street.

The CNI grant was awarded to the City in 2015. The Housing component projected/proposed an investment of around \$231mm for the construction of new affordable and market rate housing and installation of new site infrastructure. Please see the attached Housing Sources and Uses (Narrative Attachment 20) that was submitted with the grant application. It is important to note that none of the funding sources nor the uses were "locked in" at that time of application. The overall budget showed a "To be Sourced" amount of \$25mm, which we expected to fill from various sources as the project implementation progressed.

The housing revitalization component is in multiple phases: Resident Relocation, Demolition, Site Infrastructure and Housing Construction. All of these phases were further "sub-phased" to make them financially feasible and logistically possible. Presented in Attachment A is the current Housing Plan. It details the multiple phases of housing reconstruction at various stages of completion. Each of these phases/projects is a separate legal entity and owned or will be owned by partnerships made up of HACM and different investors. The infrastructure component runs on a different schedule from housing reconstruction. For obvious reasons,

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infrastructure has to be completed ahead of the housing phases to ensure occupancy once buildings are completed. This required HACM to front infrastructure costs as no HUD funding is allowed to pay for these costs until financial closing is approved by HUD and project financing is closed.

As presented in Attachment E (Projected Cost vs. Original CNI Budget), we are not significantly over budget. Technically these are variances reflecting price escalations from 2015 when the estimates were made for the CNI projected budget, compared to the projected or actual bids when the projects were closed. The only phase that we anticipate may be over budget is Phase 4B. This is an ongoing project impacted by the COVID-19 health and economic crisis. The modular contractor has presented us with a potential change order for \$1.5mm resulting primarily from lumber price increases.

Below are responses to your specific questions or requests for information.

1. What factors contributed to Westlawn being \$15mm over budget – a number that is triple the cost of new development activities for 2020?

Response: Please refer to Attachment A for detailed financial pro-forma and budget. The project is not significantly over budget. The \$15mm request is to fill the gap of the overall project financing. The grant application pro-forma that was submitted in 2015 already anticipated a “To be Sourced” amount of \$25mm. We were unable to close that gap during project implementation despite the various grant funding and financial deal structuring we have pursued.

2. An update on the status of the 2018 allocations from the Five-Year Action Plan.

Response: Please refer to Attachment B. Actual Capital Fund allocations from 2018-2021 are presented including the Obligation and Spending status. All budget line items highlighted in yellow represent Westlawn funding deployments. Note that the 2018 Five-Year Action Plan includes estimates and projections. We make final budget allocations every year as the actual amounts of grants are received.

3. The budget for the 2020 and 2021 year to date development activities, including the amount expended, encumbered, and remaining work to be done.

Response: Please refer to Attachment C. We have two ongoing projects in 2020-2021 in Westlawn – Phase 3 and Phase 4B. A significant portion of the remaining work to be done is related to the construction of units.

4. The budget for the planned use of the requested \$15mm, including the work completed and the work to be done on infrastructure, replacement housing and market rate rental and home ownership units. Please provide a detailed estimate of hours and labor for the remaining part of the project.

Response: Please refer to Attachments A and D-Infrastructure Budget for the planned use of the \$15mm. Phase 4 of the infrastructure plan is yet to be completed and will include completion of lighting installation, porous pavements, bio-boxes, fencing, concreting, etc. We estimate that labor hours for the remaining projects [Phase 4A, 4C, Market Rate units] to be around 321,752 hours. We expect this estimated number will change once the final design and specs are completed, final cost estimate is done

and trades are finally bid out. Please refer to Attachment F - Estimated Hours and Wage Determination. Since this is a HUD-funded project, Davis Bacon wages will apply.

5. The current estimated funding sources vs. the estimated budget as well as initial estimated funding sources vs. budget.

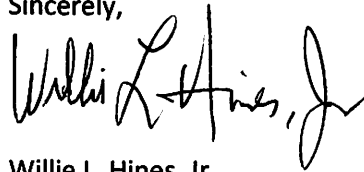
Response: Please refer to Attachment A depicting the current housing plan's projected sources and uses and Attachment E that shows the variances between the current housing plan projected sources and uses and the original budget submitted with the grant application. I hope these will provide you with the necessary information.

6. The original budget by spending category vs. actual expenses.

Response: Please refer to Attachment E. Note it is not possible to compare by phase/project since there were changes in the number of units and configurations including other assumptions when the original budget was developed compared to the current projected budget. Accordingly, Attachment E presents the Consolidated Total for all phases/projects.

We recognize the volume of information provided to you, so we would really appreciate the opportunity to discuss and present these to you in person.

Sincerely,



Willie L. Hines, Jr.

Acting Secretary-Executive Director

Cc: Lafayette L. Crump, Commissioner, Department of City Development
Aycha Sawa, City Comptroller
Dennis Yaccarino, Director, DOA- Budget & Management Division
Common Council Members

Attachments:

Attachment A – Current Housing Plan

Attachment B – 2018- 2021 Capital Fund Allocations [Five Year Action Plan]

Attachment C – 2020-2021 Ongoing Projects Activities Budget Status [2 tabs]

Attachment D – Infrastructure Budget

Attachment E - Current Budget vs. Original CNI Budget [submitted with the grant application]

Attachment F – Estimated Hours and Wage Determination

Narrative Attachment 20: Housing Sources and Us