

WHEDA Financing of Welford Sanders Historic Lofts

Wisconsin Housing & Economic Development Authority
Rental Housing: Encouraging New Production

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Overview

The Welford Sanders Historic Lofts (WSHL) is a \$21 million historic renovation of an underutilized, blighted 190,000 square foot industrial building originally constructed as the Nunn Bush Shoe Factory in Milwaukee in 1916. The development, formerly known as King Drive Commons V, was re-named in memory of long-time Martin Luther King Economic Development Corporation (MLKEDC) Executive Director Welford Sanders who passed away unexpectedly in May 2015.

Details/Services/Amenities

Welford Sanders proposed that a development team undertake a public/private fundraising effort to initiate a neighborhood charrette with the University of Wisconsin Milwaukee-Community Design Solutions. The goal was to develop a variety of ideas for this building as well as other sites in Milwaukee's northside neighborhood along Martin Luther King Drive. The charrette consisted of public officials including WHEDA representatives, community residents impacted by the development, and private-sector developers and architects, all working together in an accelerated timeframe to create possible development options. The mission the team was to generate development in central city neighborhoods that had not realized new investment in over a decade. This led to a mixed-used development solution called King Drive Commons now happening in the community.

WSHL is the fifth King Drive Commons development and by far the largest and most noteworthy structure, taking up almost a city block, six stories high in a neighborhood of two-story homes. The building was rapidly deteriorating, in a state of near foreclosure, and was becoming a blighting influence. Conditions needed to be addressed or the building would have had to be demolished. A local partner purchased the historic building, and then donated it to a development team. Renovation of the structure was critical to the neighborhood's ongoing stability and transformation. This incremental approach met WHEDA's strategic objectives to address economic conditions, improve housing stock, and for WHEDA to be a long-term partner in these types of developments. WHEDA was significantly involved in all five King Drive Commons development phases.

WSHL held its grand opening October 9, 2018. Located in one of Milwaukee's poorest and most underserved neighborhoods, the mixed-use development features a neighborhood job center and community service providers along with an adjoining loft style housing development with 59 new units. Onsite, residents can access a fitness studio, movie theater, Welford Sanders library, game and pool room, large common area meeting space, community job center conference room, and an exterior community courtyard. There is no similar Milwaukee neighborhood housing development offering these types of services and amenities. WSHL's features meet two of WHEDA's strategic objectives: increasing the availability of quality, safe affordable housing units; and providing onsite resident support services.

WSHL made every effort to minimize costs, maximize financial benefits, and achieve sustainable financial viability. Finally, it is noteworthy that the hard construction costs were below \$90 per square foot, meeting WHEDA cost cap guidelines. Development activities also met the WHEDA strategic objective of providing opportunities for emerging businesses and low-income workers.

The developer utilized historic preservation standards to prevent demolition. WSHL both retained and celebrated the building's historic features in this renovation including all hardwood floors, removal of paint and exposing historic structural timbers. All environmentally harmful materials were removed such as lead paint, lead pipes and asbestos. There are new double-glazed energy efficient windows matching the historical profile of the original existing and deteriorating single glazed windows. The entire building was completely tuck-pointed to historic standards. Each loft style unit has high efficiency furnaces, high SEER air conditioning units, ceiling fans, and Energy Star appliances. A new roof was completed, exceeding an R-20 insulation factor. All residential units have dimmable LED light fixtures. Many of the apartments are located on a single loaded corridor allowing natural daylight and minimizing artificial common area lighting. All common area lighting is regulated by light sensors and motion detectors further reducing energy consumption. All energy saving measures further help residents to lower their monthly housing expenses.

WSHL also provides free interior safe and secure parking for all residents. The building is also completely accessible with strategically added elevators, lifts, and ramps. All apartment units and office spaces are accessible with several residential units being fully accessible for disabled individuals.

Financing

WSHL was innovative as demonstrated by the complex financial structure that WHEDA and the WSHL development team put together. Financing included the securing of federal/state Historic Tax Credits along with 4% Federal Housing Tax Credits, and tax-exempt WHEDA bond financing. Through the sale of tax credits, over \$14 million in private sector investment dollars were raised from two private sector equity syndicators. WHEDA also provided \$4 million in long-term debt financing and nearly \$15 million in initial construction financing. WHEDA also funded a city of Milwaukee \$1.2 million developer funded Tax Incremental Financing (TIF) loan package. Developers also provided a nearly \$2 million deferred mortgage to help move the project forward. This complex packaging took several years to assemble and was critical to the project's short- and long-term success. These efforts also matched WHEDA strategic objectives of locating a variety of new sources of capital and creating new and necessary public and private strategic partnerships.

Results

The 40,000 square foot job center focuses on job creation in a community of great economic need and is now supporting 200 permanent jobs. Nearly all the tenants in the job center are community service organizations. These agencies currently serve over 2,500 clients each year. An employment partnership has been developed with these tenants to expand their collective presence by addressing barriers to employment, recidivism and helping achieve self-sufficiency through finding their clients sustainable and family supporting jobs. There is also a daycare center onsite serving apartment residents, office tenants and their clients. Job center agencies can get top quality, new office spaces at reasonable rates, to ensure their long-term success in this neighborhood. This effort also met WHEDA strategic objectives by offering more central city employment opportunities and locating affordable housing developments near a job center. The job center is a major component of the development. This holistic development approach serves as a replicable model for other housing developments.

This noteworthy, repeatable, and innovative development included awarding nearly 30% of construction contracts to emerging businesses and over 40% of the actual work hours went to underemployed or unemployed individuals, providing economic development opportunities to those living in this neighborhood. The development averaged 70 full-time construction jobs per month over the one-year construction period at family supporting wages. This was also done with overall development cost containment being a necessary project objective. This was achieved through cost containment procedures such as utilizing Habitat for Humanity forces to remove existing items for desired reuse and securing Focus on Energy rebates for the many energy efficient items such as high efficiency furnaces, air conditioning units, and light fixtures. The development team also sought a minimum of three bids for every construction line item. Once the construction started, the team held weekly job meetings to address immediate items regularly seen on a complicated historic renovation.

The post-development property tax assessment value for this structure saw a 1500% increase. The redevelopment of this building turned a neighborhood liability and eyesore into a neighborhood asset that is no longer jeopardizing the other King Drive Commons phases that WHEDA had previously supported. The community saved costs by not having to tear down a 190,000 square foot industrial building that represented an important part of Milwaukee's history. WSHL and other spinoff developments underway represent over \$100 million of new public-private partnership investments that is changing the face of this reemerging central city neighborhood. The project benefits far outweigh the project costs.

All the available spaces in the job center and daycare were leased upon construction completion. In addition, all 59 residential units were leased on a floor-by-floor basis once the construction was complete and the units became available. Residential units are in great demand. The job center has no more available space.

WHEDA and MLKEDC received the 2019 Federal Home Loan Bank of Chicago Community First partnership award highlighting WHEDA's role in providing tax credits, debt and equity in making WSHL and the other four phases of King Drive Commons financially possible.

Summary

The developers of WSHL together with WHEDA collaborated on an innovative development that has been an important component in revitalizing and strengthening this immediate Milwaukee community. WSHL provided integrated resident supportive spaces and services, created an employment center for groups to address barriers to employment and provide onsite job training opportunities. WSHL meets many of WHEDA's strategic objectives for housing and can serve as a model for future affordable housing developments. WSHL has been nominated for and received many local, state and national awards. This includes nominations for historic preservation, economic development and partnership formation. This is truly an exceptional project.

Links to Welford Sanders Lofts Media Coverage

<http://milwaukeeens.org/2017/06/24/construction-of-welford-sanders-lofts-provides-jobs-for-underemployed/>

<http://www.milwaukeeindependent.com/photos/final-work-underway-welford-sanders-historic-lofts-prepares-occupancy/>

<https://urbanmilwaukee.com/2018/10/10/107-new-apartments-for-n-5th-street/>

<https://urbanmilwaukee.com/2017/03/21/the-story-of-welford-sanders-lofts/>

<http://archive.jsonline.com/business/king-drive-project-would-fulfill-welford-sanders-legacy-b99554181z1-321957311.html>

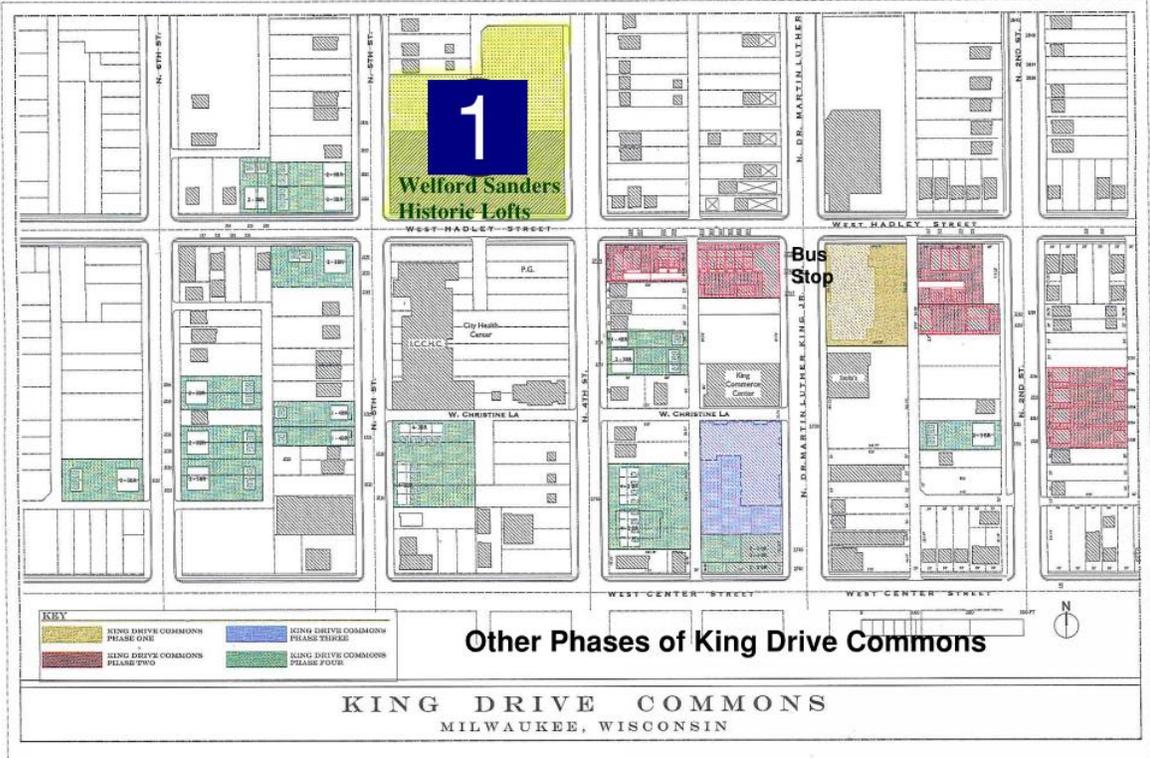
<https://www.jsonline.com/story/opinion/contributors/2017/04/03/winston-welford-sanders-legacy-king-drive-milwaukee/99990620/>

Photos and captions for Welford Sanders Lofts



Nunn-Bush Shoe Factory, Milwaukee, Wis.

The Former Nunn Bush Shoe Factory originally constructed in 1906 that nearly took up an entire city block and encompassed 190,000 square feet.



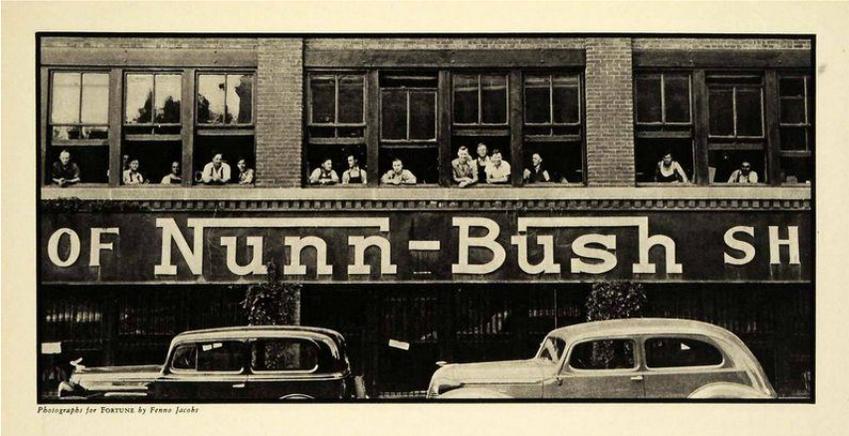
The Phases of King Drive Commons with Welford Sanders Historic Lofts #1 on the plan



An interior of a two-bedroom, two bathroom loft style unit with historic features.



The late Welford Sanders, a professor at UWM School of Urban Planning and Executive Director of MLKEDC



A Nunn Bush Shoe factory worker picture along Hadley Street in Milwaukee.



The community courtyard that was created to enhances resident engagement in the summer months. A blank space in the courtyard for the soon to be Welford Sanders statue, to be the first Milwaukee African American statue in Milwaukee’s history.



The finished Welford Sanders Historic Lofts exterior after completion of the historic development.



The Welford Sanders theater is one of the many resident support spaces offered in the development.



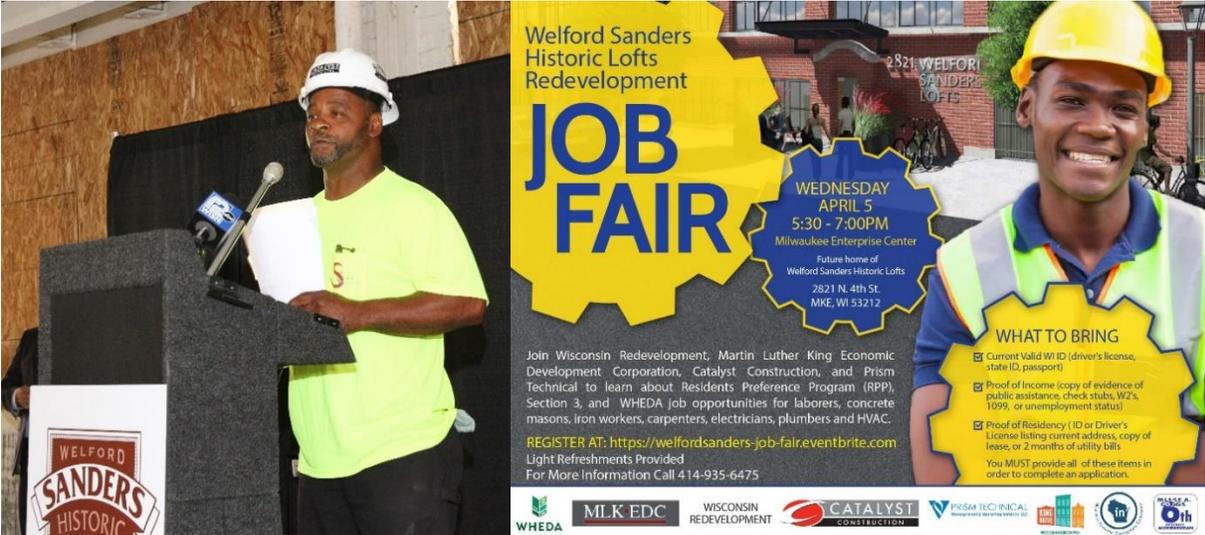
The completed job center spaces with exposed and refinished timbers, beams, hardwood floors complete with an existing refurbished skylight.



The combined ribbon cutting and ground breaking of different development phases of Welford Sanders Historic Lofts



Governor Walker and Mayor Barrett with Welford Sanders' children at the job center ribbon cutting.



Louis Thomas telling a ribbon cutting community audience the importance of getting his job. A community job fair recruiting poster prior to start of construction included over 100 job applicants coming to the building looking for work.



This picture celebrates the buildings past historical use as a Nunn Bush Shoe factory. Many historic features are saved and celebrated including hardwood floors, timbers and exposed brick.



Many uses of the community room including presentations and community events like a resident Halloween party



Federal Home Loan Bank of Chicago Community First partnership award to WHEDA and MLKEDC