



**City of Waukesha**  
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<b>Committee:</b> Redevelopment Authority	<b>Date:</b> 5/16/2022
<b>Common Council Item Number:</b> ID# N/A	<b>Date:</b> N/A
<b>Submitted By:</b> Jennifer Andrews, Community Development Director	<b>City Administrator Approval:</b> N/A
<b>Finance Department Review:</b> N/A	<b>City Attorney's Office Review:</b> N/A
<b>Subject:</b> <b>HODAG Rental Rehab Loan – Berkshire at Kensington, 1800 Kensington Drive.</b>	

**Details:**

At the April meeting, the Redevelopment Authority reviewed a request by General Capital Group (177 Kensington, LLC) for a Redevelopment Authority Rental Rehab Loan to fund an extensive renovation/update to the Berkshire at Kensington. Their request was for a \$600,000 zero (0) percent interest loan amortized over 10 years. Their request also included a deferment of any payments until 2036. The Redevelopment Authority ultimately approved a loan of \$300,000 at 1.75% simple interest with payments starting in December 2023. The approval also included these additional conditions:

- Applicant shall obtain a minimum of two estimates/bids for the work.
- Applicant will receive loan funds as project costs are incurred with options for how funds would be dispersed: either the applicant pays contractors and submits paid invoices to us for reimbursement, or the City can make direct payment to contractors upon applicant authorization that the work was completed
- Interest only accrues on money spent, not the full \$300,000.
- The loan would be repaid over a 5-year period with the first payment due December 31, 2023.
- Annual interest payments must be paid prior to Dec 2023.

The applicant is returning to the Redevelopment Authority with a different loan request as the terms of the original approval don't meet their financing needs. They are proposing a new application for funds with a proposal under the following terms:

- Requested loan amount is \$550,000
- Simple interest rate of 1.75% (annual interest payment made on December 15th each year, starting 2022, based upon outstanding principal balance).
- Annual principal payment of \$55,000 starts on December 15, 2023 and is due by December 15 of each year through 2032 (10 year repayment period).
- Loan would be paid in full should the property be sold prior to the loan maturity date.

The applicant will also be present at the meetings to go over the extent of the project, estimated costs and to answer any questions. Since this is a new request and is significantly different than the proposal before the RDA in April, it can be on the RDA agenda as New Business.

As indicated in April, the loan would be used to assist with extensive renovations to the buildings and property including exterior repairs and replacements, parking area resurfacing, interior repairs and replacement and other repairs to plumbing and HVAC

systems. Due to the income restrictions on 158 units, it is difficult to finance extensive repairs to these aging buildings which is why they are requesting use of the City's rental rehab loan funds for this project.

The general RDA guideline for 4 or more units on a gateway street (the property fronts on St. Paul Avenue) is a maximum of \$10,000 per unit, with a \$75,000 unit maximum, however the RDA has discretion to increase the loan amount for larger scale projects such as this.

**Options & Alternatives:**

The Redevelopment Authority can adjust any aspect of the loan request or deny the request.

**Financial Remarks:**

There is a balance of \$834,478.60 available for Rental Rehab loans. The program has not been as well utilized as was anticipated when it was created. To date we have issued \$205,782.46 in loans. If this loan is approved there would still be \$284,478.60 available for rehab loans. Starting in 2023 when repayment begins, the annual loan payments would be available for additional applications.

**Executive Recommendation:**

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