

Hotel project may include low-income apartments

Written by Steve Ostermann
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Firm redeveloping landmark building wants to seek financing that would require at least four subsidized units

The firm planning to redevelop the former Grafton Hotel is poised to apply for financing that would require allowing at least four low-income apartments in the landmark building.

The Village of Grafton's Community Development Authority was scheduled on Wednesday, Feb. 16, to consider a request from Mueller Hotel Inc. of Cedarburg to participate in a bond program offered by Wisconsin Housing and Economic Development Authority.

Mueller Hotel has applied for a Housing and Urban Development loan for the project, which calls for restoring the building at 1312 Wisconsin Ave. and constructing 18 apartments and commercial space. Approval of the application is expected early this year.

Village Administrator Darrell Hofland said the new request is for additional long-term financing through Midwestern Disaster Area Bonds. The bonds, which are issued through WHEDA, would provide 30-year fixed financing but require 20% of the apartments to be set aside for low-income rentals.

Under WHEDA regulations, the rents cannot exceed 60% of the median income in Ozaukee County. Hofland said village staff have no concern about allowing low-income units in the project but questioned if the units would affect the value of the property.

A development agreement Mueller Hotel signed with the village requires the firm to guarantee a minimum value of \$1.6 million for the property by Jan. 1, 2012. Hofland said the village's appraisal of the property would be income-based.

"If rent on a significant number of units is at a lower level than the market rate, the concern was that it would affect the property valuation," Hofland said.

But Hofland also said Mueller Hotel representatives believe the value would still be met because the county's median income level is higher than other parts of the state.

In addition to the HUD loan and WHEDA bonds, Mueller Hotel is applying for a construction loan from a private bank to expedite the long-awaited redevelopment project, Hofland said.

"The project is not contingent on obtaining the WHEDA financing," he said. "But Mueller Hotel sees it as a great opportunity to obtain a fixed-rate, long-term loan."

Constructed in the late 1800s, the Grafton Hotel building has been vacant since 2005. The CDA purchased the property for \$25,000 in 2009, and the development agreement calls for the village to sell it to Mueller Hotel for the same price.

Mueller Hotel is headed by Paul Rushing and Jim Reed, who received a \$360,000 development

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incentive from the village to complete the project. Besides interior remodeling, plans call for construction of a 7,100-square-foot addition on the south end of the 10,272-square-foot building.

Pending approval of the HUD application, construction could begin as early as March, Hofland said.