



DORSCHNER ASSOCIATES

Architecture  
Planning


**RESPONSE TO CITY OF MADISON**

**REQUEST FOR PROPOSALS**

**646 EAST GORHAM STREET**

DAWN O'KROLEY

11.07.11



Architecture  
Planning

November 7, 2011

Dan Rolfs, AICP  
Community Development Project Manager  
Department of Planning and Community and Economic Development  
215 Martin Luther King Jr Blvd Room 312  
Madison WI 53701-2985

Subject: City of Madison 646 East Gorham Request for Proposals

Dear Dan,

Enclosed please find a proposal that uniquely combines skillfully restoring the character of a historic Landmark building on a gateway to our city; returning an owner-occupied residential use in support of the goals of the City and the neighborhood; and a thoughtful design approach to create a place rich in history and energy in which each component is strengthened by the other.

This commitment to the long-term improvement of 646 East Gorham Street in the Fourth Lake Ridge Historic District was developed by a team well versed in the requirements for rehabilitating historic Landmark structures. As an architect, my experience designing and managing projects and managing a local business is met with my ambition and desire to create a welcoming home that is well connected to the natural context it is located within. My financial strength and the strength of this proposal are displayed in the attached proforma, as initially qualified by First Business Bank and further qualified by Monona State Bank. My personal commitment as a Madison native, to well designed spaces in the city and the contribution architecture makes to the public realm and the community is displayed in our work and through my appointment to the Urban Design Commission in 2008.

I appreciate the opportunity to discuss this proposal with the selection committee, please contact me at 608.239.8426 or 608.204.0777, dokroley@dorschnerassociates.com.

The undersigned has read the City of Madison's Request for Proposals for the re-use and rehabilitation of 646 East Gorham Street. I agree to and accept the terms, specific limitations, and conditions expressed herein. WE HAVE READ, RELY UPON, ACKNOWLEDGE, AND ACCEPT THE CITY OF MADISON'S DISCLOSURE AND DISCLAIMER, AS PROVIDED IN THIS RFP, HERE TO FULLY EXECUTED AND FULLY INCORPORATED INTO THIS LETTER.

Sincerely,

Dawn O'Kroley, AIA  
Principal

Proposer Name: Dawn O'Kroley

**PROJECT CONCEPT STATEMENT**



previous page, project concept image: 1937 aerial photograph of East Gorham Street  
development team page image: 1974 aerial photograph of East Gorham Street project cost page image:  
current aerial photograph provided by Dane County Planning and Development archives

**PUBLIC STEETSCAPE**

**NATURAL ENVIRONMENT**



**PUBLIC ACCESS**

**PUBLIC ACCESS**



**30' SETBACK  
640 E GORHAM**

## PROJECT CONCEPT STATEMENT

This rehabilitation of **646 E GORHAM STREET** will serve as an outstanding example of adaptive reuse that appropriately preserves the historic character while bringing a new vitality to the property through a thoughtful restoration to improve the quality of living and public access. The combination of skillfully restoring the character of a historic building; returning a use appropriate to the neighborhood; and well designed, sustainable architecture **CREATES A PLACE** rich in history and energy in which each component is strengthened by the other.

The 1908 Anna and Cornelius Collins House, designed by Claude and Stark, is an eclectic combination of features found in Tudor, Craftsman and Prairie Style design and **WILL REMAIN IN ITS CURRENT LOCATION**. All rehabilitation work will comply with the **CITY OF MADISON LANDMARKS ORDINANCE AND THE SECRETARY OF THE INTERIOR'S STANDARDS FOR THE TREATMENT OF HISTORIC PROPERTIES**. All work will be compatible with the historic building in scale, material, color and texture and approvals from all applicable agencies will be obtained. The required improvements to meet current building codes; repairs to address deferred maintenance; and improvements to revitalize the property will respect the history of the site. The rehabilitation will contribute to the character of the street and neighborhood **SUPPORTING OF THE GOALS OF THE COMPREHENSIVE PLAN**.

The appraisal completed for the City by Scott Appraisal Company per their July 22, 2011 inspection, indicates the **BEST USE OF THE PROPERTY** is to remain a four unit residential rental building. This proposal improves the use of the property to return to an **OWNER-OCCUPIED** four unit residential building in support of the City's goal to increase owner-occupied residential use in the Mansion Hill-James Madison Park Neighborhood and the goals of the Tenney Lapham Neighborhood Plan. The current interior configuration will remain and the Landmark nomination indicated the existing interior changes to the building have been minimal to accommodate the four living units and **NO EXISTING ALTERATIONS AFFECT THE INTEGRITY OF THE BUILDING**. The appraisal reflects the mix of units, however, the first floor unit does not contain three bedrooms but the current occupants utilize the first floor dining room, southwest living room and a lower level room as sleeping areas. The dining room will continue to provide the one bedroom for the unit by creating a freestanding piece of furniture to define a sleeping area while the opposite side of this piece of furniture will create the closet. This furniture will be in scale and proportion to the wood trim and paneling around the perimeter of the room and will be removable and not damage the existing wood floors. The southwest living room will remain a living room and the alcove bench will be restored. The room in lower level being used as a sleeping room contains exposed mechanical piping, likely asbestos floor tile, and is accessed through an unfinished space with a stair that is not code compliant as riser heights are unequal. The lower level will remain unfinished space as the renovations required for a bedroom in this space are cost prohibitive at this time. Tenants will be provided notice and unclaimed items will be donated to allow water and moisture damage be addressed. The restored first floor screen porch could be filled with two tables lengthwise creating a dining room for a family gathering on a summer holiday. This description of the proposed owner occupied use is provided to display the substantial improvement to the quality of the space and use of space appropriate to the original residential occupancy.

This adaptive reuse is **CONSISTENT WITH THE GOALS OF THE TENNY-LAPHAM NEIGHBORHOOD PLAN** for Medium Density Residential use and the **PROPOSED USE IS PERMITTED UNDER THE CURRENT ZONING CODE.**

To better **TRANSITION BETWEEN CITY AND LAKE**, the entry will be restored and landscaping appropriate to the era of construction will extend a welcoming public entry to East Gorham Street and the recently installed historic marker. A restored entry will include historically appropriate lighting of the restored structure, accessories and tuckpointing of the masonry. The existing outdoor living spaces will be rehabilitated to **STRENGTHEN THE CONNECTION BETWEEN THE INTERIOR AND EXTERIOR** as often displayed in Prairie Style design. The outdoor living spaces create a larger sense of space allowing the viability of an efficient footprint, while also serving as a second means of egress for each of the units. The building exterior will be rehabilitated, the deteriorated stair reconstructed, and waste/recycling container storage relocated to improve the public approach of this prominent public view of the lake. Any possible future work to locate electrical service underground or revise the parking configuration to minimize the impact of vehicles on the site would be completed in conjunction with 640 E Gorham Street. The existing quantity of 3 parking stalls is proposed to remain with vehicle parking as well as dedicated bicycle and moped parking enclosed in the existing garage.

The **PUBLIC ACCESS** of the site will be improved through the thoughtful rehabilitation of the structure to contribute to James Madison Park open space and the identity of the Fourth Lake Ridge Historic District. The area of the land lease is proposed to align with the 30' rear setback from 640 E Gorham Street to reduce the impact on James Madison Park and increase public access. Because the outdoor living space exists at 646 E Gorham Street, the contiguous setback is viable. Understanding the richness of the current James Madison Park rooftop landscape and Mansion Hill Period Park has continued to develop through the dedication of the neighbors, the City and other support, our team will be stewards of the planning efforts for the landscape design including public input and communication with the City. The project will gracefully transition and respect the two outstanding contexts the site holds: a beautiful natural landscape and an active urban streetscape.

The unique approach and collaborative effort to restore the properties in James Madison Park and the architecture of Claude and Stark is being considered as a lecture in the **FALL 2012 WRIGHT LECTURE SERIES**. The Wright Lecture Series, inspired by Frank Lloyd Wright, is offered at the Monona Terrace free to the public. This would be an outstanding public venue that the proposer has contacted and will coordinate the presentation as one of several contributors to the success of these properties.

The density is **CONSISTENT WITH THE COMPREHENSIVE PLAN** goals for a livable, walkable community and the plan encourages sustainable development by promoting urban infill and redevelopment. The location offers the opportunity for the Owner to walk to work at the office of Dorschner|Associates, Inc., located at 849 East Washington Avenue since 2004. The first commitment to **SUSTAINABLE DESIGN** is the reuse of an existing structure. Treatment of the landscape will respect the natural environment by improving erosion control and stormwater management in effort to improve the quality of our Lakes. U.S. Green Building Council LEED Guidelines will be utilized when designing high efficiency systems to reduce energy and water use, or selecting materials that are regional, include recycled

content or improve indoor air quality. Inappropriate materials will be safely removed through lead remediation and asbestos abatement. The restoration of exterior living spaces will include the removal of the inefficient heating of these partially enclosed spaces. The window restoration and installation of storm windows will reduce air infiltration and improve energy efficiency. This proposal is **COMMITTED TO THE LONG-TERM IMPROVEMENT TO THE NEIGHBORHOOD** and restoration of a City of Madison Landmark through a financially responsible approach.

The opinion of value provided in the Scott Appraisal Company appraisal indicates unlike older single family homes, buyers of older multi-unit properties in Madison expect certain deficiencies. Several maintenance items (asphalt shingle roof, garage, plumbing fixtures, water heater, etc.) that will likely require typical maintenance or replacement within the next 5 years are not included in the enclosed cost estimate to rehabilitate the exterior envelope. **SUBSTANTIAL WORK IS REQUIRED IN EXCESS OF TYPICAL MAINTENANCE DUE TO EXTENDED DEFERRED MAINTENANCE.** The proposed work is required to prevent further deterioration and restore the exterior enclosure to the Secretary of the Interior's Standards. The chimney appears to have deteriorated so drastically that full reconstruction above the roofline is recommended before the condition further deteriorates risking collapse or unsafe working conditions. Repair is required to address the efflorescence and long-term water infiltration at the roof to the point of causing visible water damage on the interior of the building above the first floor fireplace. Secondly, the roof of the porch enclosure contains visible penetrations in the rubber roofing membrane which have caused long term water damage to the plywood substrate and ceiling. The masonry and foundation in the northeast corner of the porch require reconstruction due to water infiltration and undermining of the soil below the foundation, interior porch stair and exterior stair. The interior and exterior visual evidence of water penetration and drainage towards the foundation has likely occurred over several years without basic repair to prevent further damage contributing to the level of deterioration present. The level of deterioration at the stucco soffit and wood brackets will require areas of replacement where original materials are damaged beyond repair.

As the property owner, architect, and Madison native, I am committed to dedicating the care, time and resources to address deferred maintenance to preserve the character of this historic building and display **THE CONTRIBUTION ARCHITECTURE MAKES TO OUR COMMUNITY** on this prominent gateway to our City.

The **SCHEDULE FOR THIS PROPOSAL** is flexible to meet the estimated dates of the approval process indicated in the RFP or an expedited schedule per the November 1, 2011 Common Council action to exempt certain properties in the James Madison Park from the shoreline parks referendum requirement. Owner-occupancy would be possible immediately following proper tenant notice or flexibility exists for occupancy to be coordinated to occur between June and August to avoid relocation of students during the academic year. Required submittals to obtain approvals for construction would proceed immediately upon completion of the approval process. Exterior restoration work will begin as soon as possible to prevent further deterioration. Interior finish upgrades will be coordinated with tenant occupancy.



**DEVELOPMENT TEAM**





top: University of Wisconsin-Madison School of Human Ecology Addition and Renovation  
bottom left: City of Madison Brittingham Boathouse bottom right: Dr. Wesley L. Scott Senior  
Community Living

## **DEVELOPMENT TEAM**

The proposed adaptive reuse will be **PRIVATELY OWNED** in support of the goals of the neighborhood. Dawn O’Kroley will be responsible for the rehabilitation, management and ongoing care and improvement of the property. Upon acceptance of this proposal, a business entity specific to this property named **FLR** (pronounced floor, derived from Fourth Lake Ridge Historic District), will be finalized with Dawn O’Kroley as owner. FLR will be registered as a DBE, WBE and SBE with the City. The proposer will be the architect and project manager to lead a collaborative approval process, thoughtfully engage the neighborhood in the public access design, actively be involved in the construction and **OWNER OCCUPY** the first floor unit. Accounting, legal and leasing professionals round out the team and additional information will be provided upon request.

As displayed in our work and Dawn’s contribution to serve the City as an Urban Design Commission member, our team is committed to the success of this project through the preservation of our City’s historic structures and natural landscape while creating a place that contributes to the community and economic development of the City.

The team includes:

### **Dawn O'Kroley, AIA**

Dawn is a principal at Dorschner | Associates, Inc., an architecture and planning firm located in Madison at 849 E Washington Ave that provides creative design solutions in support of the goals of our clients. Dawn brings her sense of design to all project phases as project architect and project manager including projects for the State of Wisconsin and local municipalities. Dawn received her Master of Architecture degree from the University of Wisconsin, Milwaukee with a Certificate in Historic Preservation. She became a principal in 2005 and has worked in the profession over 10 years. Her interest is in the preservation of buildings in an urban context concurrent with the continual transformation of the built form to bring a sense of time and history to place. She was appointed as a design professional to the City of Madison's Urban Design Commission in 2008.

Dorschner | Associates, Inc. is a full-service architecture and planning firm that provides creative design solutions in support of the goals of our clients. We provide outstanding programming, construction documentation and construction phase administration services. Our team includes four licensed architects and two technical staff. The Dorschner | Associates, Inc. team has a wealth of experience with government, civic, multi-family residential projects including sixteen projects listed on the National Register of Historic Places. The firm was founded by Diana Dorschner in November 2000 and is certified in the City of Madison as a Women Business Enterprise (WBE), Disadvantaged Business Enterprise (DBE) and a Small Business Enterprise (SBE).

Dorschner | Associates, Inc. related work includes public buildings, buildings located in parks which are sensitive to a natural context, multi-family residential design, the historic rehabilitation of over sixteen properties listed on Historic Registers and several municipal projects which included financially responsible design solutions and public input.

A brief description of Dorschner|Associates, Inc. related work includes:

Historic Survey and recommendations for window detailing appropriate to the historic structures with Gorman & Company for the conversion of the Moline High School into residential lofts; the Mitchell Wagon Factory rehabilitation into artist's residences; the renovation of the former Majestic Theater and the award winning Dr. Wesley L. Scott Housing Historic Rehabilitation.

Multi-Family experience includes several phases of the Crosswinds Condominium 16 unit buildings and two-unit buildings, including walk-out lower levels. Dawn was also a design team member on Metropolitan Place Phase I and the Oakwood Village West apartment building while with HSR Associates, Inc. We recently worked with City staff to obtain approvals for the Tamarak Studio and Gallery live-work unit. We are currently completing an adaptive reuse of a 4,000 SF commercial building with residential apartment at 118 N Franklin Street in Verona.

The Brittingham Boathouse is an example of our public building restoration work completed for the City. The relocation, restoration and addition project received the 2007 Preservation Award from the Madison Trust for Historic Preservation and the 2007 Preservation Award from the Wisconsin Historical Society.

Our experience designing buildings located in parks that are appropriate to their natural context include the DNR Newport State Park Visitor's Center and the Harrington Beach State Park shelter. For the Wisconsin Historical Society we have completed restoration work at two historic visitor center sites: the First Capitol Court and Council House and the Stonefield Historical Site.

Also for the State of Wisconsin, University of Wisconsin-Madison, School of Human Ecology, we completed programming and architectural services for a 75,000 s.f. renovation and 87,000 s.f. addition. The existing building was constructed in 1913 with a 1951 west wing addition and eligible for listing on the National Register of Historic Places. The project is currently in the construction phase.

For the City of Fitchburg, we are currently in construction of the \$2.3M Community Center Expansion, programming and full architectural services provided by Dorschner|Associates, Inc. The project included significant public input and financially responsible design through our programming study findings of the best use of renovation balanced with new construction. Paul Woodard is the project manager for the City of Fitchburg. Dawn O'Kroley is project designer and project manager.

For Dane County, we completed Space Studies and Master Plans for the National Register listed Lakeview Campus and the County owned space in the City-County Building. We have constructed two phases of the City-County Building Master Plan, including gathering information from multiple stakeholders for the shared public meeting spaces. The 11,000 s.f. Phase I was completed in 2009 for \$895,000, below the \$1,186,000 budget. Phase II was 10,000 s.f. including the primary public meeting spaces, completed in 2010 for \$608,000 below the original \$640,000 budget. We are currently in the design phase for the Room 201 renovation. Rob Nebel is the project manager for the County. Dawn O'Kroley was the project designer and project manager.

Please feel free to contact the following references:

Rob Nebel  
Assistant Public Works Director  
Dane County Department of Public Works, Highway & Transportation  
Ph: 608.575.0890  
nebel@countyofdane.com

Paul Woodard  
City of Fitchburg  
Director of Public Works  
Ph: 608.270.4261  
paul.woodard@city.fitchburg.wi.us

Al Martin  
Planner III/Secretary, Urban Design Commission  
City of Madison  
Department of Planning & Development, Planning Unit  
Ph: 608.267.8740  
amartin@cityofmadison.com

Matt Karnick  
AVP, Business Development Officer  
First Business Bank  
Ph: 608.232.5926  
mkarnick@firstbusiness.com

The following contractors and design team members bring skilled experience with historic rehabilitation projects and public projects, an understanding of the project concept and site through the pre-proposal tours provided by the City, and are great people that are a pleasure to work with:

**General Contractor, Muir Cabinetry and Construction**

Bill Muir, owner of Muir Cabinetry and Construction, has been providing residential construction services in Dane County for 23 years. MCC specializes in restoration and remodeling of older homes. Our well-equipped shop allows us to create customized cabinetry and millwork to match historical details and designs.

Two of our projects have won awards from the Madison Trust for Historic Preservation for successful historical renovations. We have worked on several significant homes in Madison, including two on the National Register of Historic Places. We have done extensive interior and exterior work on the Louis

Sullivan-designed Bradley House on North Prospect Street, and are currently performing restoration on the William T. Leitch House on Gorham Street.

Bill Muir and Rich Glover have reviewed the condition of the property and are committed to the historic rehabilitation of the building and financially responsible allocation of resources. Rich brings extensive experience in historic restoration including the successful application for tax credits.

Please feel free to contact the following references for Bill Muir:

Rex Jones

Historic Louis Sullivan house restoration work, library

608.250.8585

Jack Holzheuter

Complete house gut and remodel, two additions, kitchen, baths

608.767.2280

Liz and Paul Faye

Complete first floor remodel, kitchen, bathroom, new sun room

608.273.6044

### **Kurt Frey, Structural Engineer**

Kurt is an associate with Pierce Engineers, Inc. and is responsible for directing and providing the structural engineering services offered. He is responsible for the overall planning, collaboration, coordination, design, and construction administration for structural systems on numerous project types. He excels at optimizing and understanding Architecture / Engineering / Construction systems, designs, processes, and team structures to create optimal and client valued projects. He offers a distinctive acumen and proven ability to develop innovative, cost effective, and constructible solutions to the dynamic design processes of architecture, engineering and construction to meet the challenges of projects.

Related Historic Rehabilitation Work completed by Pierce Engineers, Inc. include the Tobacco Lofts at Findorff Yards, Turner Hall Ballroom, The Wicked Hop, Gullen Tannery, Lo Duca Building (Commission House), Bockl Building and 757 North Water Street in Milwaukee, WI

### **John Thompson**

John will provide all masonry restoration services and is also an architect. He has worked extensively with the Wisconsin Historical Society on several historic restoration projects and is well versed in the Secretary of the Interior's Standards for the Treatment of Historic Properties. His experience includes restoration work for Frank Lloyd Wright and Louis Sullivan designed historic structures. John was referred by Ledell Zellers for his work restoring her Mansion Hill residence at 510 N Carroll Street. John completed the assessment of the condition of the masonry and is an expert in masonry restoration and chimney reconstruction skillfully preserving and reusing the existing masonry in the reconstruction.

**Richard Slayton**

Richard's experience includes over three decades of practicing landscape architecture including over 15 years with Marshall Erdman & Associates/Cogdell Spencer + ERDMAN. His work ranges from master planning, urban design, site design and estimating and serving on the American Society of Landscape Architects Executive Committees for New York and Wisconsin. Richard is currently serving on the Urban Design Commission and well communicates and integrates the desires of the public appropriately into the design solution. His work typically incorporates sustainable practices including stewardship of natural processes and the protection / restoration of native plant communities.

**COSTS AND FINANCIAL PLAN**







left: condition of the chimney viewed from driveway bottom right: visible interior water damage at the first floor fireplace due to chimney deterioration middle right: condition of the masonry at the northeast corner and downspout draining towards foundation top right: existing unprotected rubber roofing membrane and visible penetration allowing water to deteriorate the wood roof porch structure

## **COSTS AND FINANCIAL PLAN**

The team is committed to a financially responsible proposal for the rehabilitation and ongoing care and maintenance of the property.

An industry standard 10% contingency is indicated in the construction cost should unforeseen expenses arise while undergoing a renovation. In addition, the proposer is self performing all finish work, general labor for the window restoration and providing design services. The value of these efforts is indicated as Added Investment in the following cost estimate and proforma based on the contractor estimated cost for the work and industry standard design fees.

Proposer commits to the **ONGOING REINVESTMENT OF HISTORIC TAX CREDITS** in the improvement of the property.

Several factors contribute to the condition adjustments included in the offer purchase price that are not reflected in the appraised building value provided by Scott Appraisal Company.

The proposed land lease area is reduced from the 7000 SF assumed in the appraisal. The leasable area is proposed to align with the 30' rear setback from 640 E Gorham Street to reduce the impact on James Madison Park and increase public access. Because the outdoor living space exists at 646 E Gorham Street, the contiguous setback is viable.

The Scott Appraisal Company appraised value reflects the highest and best use of 646 E Gorham Street is as a four unit multi-family rental. No condition adjustments were made in the appraisal for comparable improvements as discussed in the appraisal as needed in order to be suitable for an owner-occupied use versus the current rental use. The quantity of bedrooms indicated in the appraisal reflects the current use of spaces, but the level of existing construction does not support the quantity of bedrooms.

Rental rates and rental market have been discussed with neighboring properties including McBride Point and the Lincoln School Apartments. This project concept supports the goals of New Urbanism and is **ECONOMICALLY RESPONSIBLE** based on the attached proforma developed in part through attendance at the Congress for New Urbanism, CNU 19, session titled Challenging Development Math for Small Urban Infill Projects.

No improvement costs related specifically related to interior improvements were deducted from the property value to arrive at the purchase price. The rental rates indicated in the proforma reflect the conditions that exist. The income from laundry is not anticipated to continue upon owner-occupancy as the first floor tenants would seem to be the primary users as the location of the washer and dryer are within that unit. The attached proposal increases tenant financial responsibility and allocates electric costs to the tenants (MG&E provided average monthly costs for Unit 1 at \$77/mo, Unit 2 at \$117/mo, Unit 3 at \$60/mo and Unit 4 at \$46/mo). Electrical cost being paid directly by tenants will also likely increase energy efficiency with a direct correlation between use and cost. Tenants would also incur added costs by paying for parking based on the proforma estimate of \$65/month per stall.

Any income over the first several years will be required to be dedicated to the anticipated maintenance and improvements, some of which are indicated in the cost estimate. Added owner contribution will be required beyond the point of loan to value ratio not exceeding 80% of appraisal value (\$200,000 assumed) will be by owner cash contributions, the reinvestment of cash flow and up to an additional \$50,000 funding commitment from Douglas O’Kroley, should required maintenance repairs be required prior to the development of cash flow to establish a financially sustainable property.

The proposer is willing to negotiate the terms of the 99 year ground lease for the property that the structure sits upon including outdoor living space additions and access easements. The proposer requests a transferrable ground lease allowing for the sale of the structure. The proposer requests the right to rebuild a structure of a comparable size and use should the structure be damaged beyond 50%. Payment terms of the lease to commence upon substantial completion with consideration for recapture of investment during the terms of the estimated 20 year debt service. Re-evaluation terms are negotiable.

This a unique opportunity and I am committed to dedicate my abilities to **CREATE A PLACE** that respects the natural and historic context, while creatively infusing thoughtful design to improve quality of life, connection with the site and public access.

The proposed schedule, costs and ground lease terms are negotiable to ensure this project is the long-term **BEST USE OF SITE** and the most significant increase in the tax assessment roll.

Thank you for your consideration of our team. We appreciate the opportunity to discuss this proposal with you and provide any additional information requested.

Proforma (NOI and Cap Rate Analysis)

646 E Gorham Street - James Madison Park - 4 unit residential - Madison, Wisconsin

prepared by D. O'Kroley

**Project Costs**

		4101 SF livable space	
Property Cost	75000		
Acquisition Fees and Permit Fees	5000		
Construction Costs	120000		
Added Investment: Work by Owner		80000	
Added Investment: Tax Credit ReInvestment		25000	
<b>Project Costs</b>	<b>200000</b>		
<b>Project Costs including Added Value</b>		<b>305000</b>	

**Net Operating Income**

Revenue Assumptions:	SF	monthly rent	annual rent		
First Floor	1719	1200	14400		
Second Floor East	1334	700	8400		
Second Floor West		700	8400		
Third Floor	1048	1000	12000		
Building SF	<b>4101</b>	3600	43200		
Annual Rent				<b>43200</b>	<b>Gross Potential Income GPI</b>
Potential additional parking income, revise to by tenant				2340	Revise to electric by tenant
2.5 % vacancy rate				(1080)	
				<b>44460</b>	<b>Gross Operating Income GOI</b>

**Annual Operating Expenses**

Property management	8 %	3456			
Accounting/insurance		2000			
Property tax	0.022 mil rate	9292	9.5 GRM	422370	Gross Rent Multiplier GRM
Land lease		7800	30 % NOI		negotiable, area to be defined
Utilities, water		1200	(Madison Water Utility Estimate)		
Utilities, gas and electric		2400	(MG&E current utilities house meter only)		
subtotal		26148		26148	
				<b>18312</b>	<b>Net Operating Income NOI</b>
				305000	<b>Project Cost</b>
				6.00%	<b>Cap Rate NOI/Project Cost</b>

**Cash Flow**

Acquisition Cost/Project Cost		20000		
Added Investment: Work by Owner			(80000)	
Added Investment: Reinvestment of Historic Restoration Tax Credits			(25000)	
Down Payment	20%	40000		
<i>Assumes 20 year amortization</i>		160000		
Monthly payment P&I (5.75% 5 yr fixed rate)		(1100)	rate estimated until closing	
Annual NOI		18312		
Annual Debt Service		(13,200)		
<b>Annual Cash Flow above debt service and operating expenses:</b>		<b>5,112</b>		12.78% pre-tax equity on down payment only
<b>Debt Service Coverage Ratio:</b>	1.39			NOI/annual debt service

Estimate of Construction Cost

646 E Gorham Street

prepared by D. O'Kroley

	Work included In Project Cost	Added investment Work by Owner
<b>General Construction and Site Work</b>		
Soffit and fascia repair	17350	
Window Complete Restoration, storm replacement	6200	11700
Membrane Roof replacement, replacement of rotted substrate installation of decking to protect membrane	8500	8500
Second and third floor exterior restoration	9875	
Exterior painting (second floor and below by Owner)	8000	8000
First floor rear porch restoration	4000	6800
Replace/Restore entry doors, hardware to meet city Ordinance	1200	
Site improvements, landscape, stormwater management relocate waste/recycling		1000
Plaster repair due to water damage at chimney	3000	
Asphalt Shingle roof replacement at chimney	1000	
Remove concrete walk and redirect stormwater		6900
Insulate joist pockets, seal voids		500
Reconstruction of chimney, new counterflashing No base flashing, reuse of existing brick, new flue tiles	19800	
Foundation repair northeast corner at water undermined soils	5000	
Masonry repair northeast corner	4000	
Subtotal	87925	
General Conditions                      10%	8793	
<b>Subtotal General Construction and Site Work</b>	<b>96718</b>	
<b>HVAC</b>		
Ductless air conditioners on first and third, remove window units	6000	
<b>Subtotal HVAC</b>	<b>6000</b>	
<b>Electrical</b>		
Smoke and Carbon Monoxide detectors	6500	
<b>Subtotal Electrical</b>	<b>6500</b>	
<b>Subtotal Construction Cost</b>	<b>109218</b>	
<b>Contingency: 10%</b>	<b>10922</b>	
<b>Total Construction Cost</b>	<b>120139</b>	
<b>Added Investment: Work by Owner</b>		<b>43400</b>
<b>Added Investment by Owner: Design Services (LA, Arch, Struct)</b>	<b>11 %</b>	<b>12014</b>
<b>Added Investment Reinvestment of Tax Credits, HVAC</b>		
Replace existing boilers with High Efficiency Boiler	18000	
Rework exterior wiring while scaffolding is in place	6500	
<b>Added Investment Reinvestment of Tax Credits</b>	<b>24500</b>	



Estimate of Construction Cost

646 E Gorham Street

prepared by D. O'Kroley

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	Work included In Project Cost	Added investment Work by Owner
<b>Added Investment: Work by Owner, future anticipated improvements</b>		
Self contained air conditioning unit serving second floor units		6000
Water efficient plumbing fixture replacement		2000
100A 24 CKT single phase PNLs w/ required breakers		7800
Interior improvements		10000
<b>Total anticipated Added Investment by Owner within 5-10 years</b>		<b>81214</b>

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Notes:

Future care and maintenance costs by Owner

Estimates are based on review of the property by qualified contractors:

- Muir Cabinetry and Construction
- Electrical Dimensions
- E&W Heating
- John Thompson, mason



**Muir Cabinetry and Construction**

Bill Muir, Owner

Mail: 7413 Cedar Stone Drive

Sauk City, WI 53583

Telephone: 608-643-0608

Fax: 608-643-0608

Dawn O'Kroley  
Dorschner Associates, Inc.  
849 E. Washington Ave, Suite 112  
Madison, WI 53703

November 1, 2011

Dear Dawn:

I am writing to let you know how excited we are about your proposal to renovate the house at 646 E. Gorham Street in Madison. We want you and the selection committee responsible for reviewing the proposal to know that, should your proposal be approved, we are enthusiastically committed to working with you on all the renovations outlined in our bid to you. We understand that the selection process may take several months, and that the project may not start until the spring of 2012. Please let me know if there is any other information we can provide.

Best of luck working your way through the approval process. We look forward to the chance to work with you on this wonderful property.

Take care,

Bill Muir  
Muir Cabinetry and Construction



Bill Muir  
7413 Cedar Stone Drive  
Sauk City, Wisconsin 53583  
Phone/fax: 608-643-0608

# PROPOSAL

**Client:** Dawn O’Kroley  
**Address:** 646 E. Gorham St.  
Madison, WI  
**Date:** 10/30/11  
**Phone:** 239-8426

**Project:** 646 Gorham St.

Description	Amount (\$)												
<p>The following is a preliminary proposal for exterior renovations to 646 E. Gorham Street in Madison. This is a preliminary estimate pending final specifications. Throughout these renovations we will match the original materials and craftsmanship to the best of our ability. Current lead safety protocols will be implemented during any demolition work.</p> <p><b>1) South, west and east side exterior repairs and restoration:</b> Includes repair or replacement of stucco soffit panels between exposed soffit brackets on the south side using expanded metal lath and two coat stucco application to match original stucco texture. Deteriorated sections of the exposed soffit brackets and fascia on the south side will be repaired as needed, including replacement of badly deteriorated parts using western red cedar and restoration of other deteriorated areas using the Abatron epoxy wood replacement system. On the east and west sides large sections of the stucco soffits are deteriorated or coming loose. These sections will be replaced or repaired. The fascias and crown moldings at the eaves will be replaced or repaired as needed. The large decorative soffit brackets will also be repaired, including milling replacement parts using western red cedar. The fascias, soffits and frieze boards on the small dormer on the west side to the left of the chimney will also be restored as needed. The first floor “bay” on the east side that is currently wrapped in aluminum will be restored to it’s original condition. Until the aluminum is removed we won’t know what that original condition was, but we are assuming stucco panels set into wood trim, similar to the existing gable ends.</p> <p>Cost summary:</p> <table data-bbox="284 1654 1136 1858"> <tr> <td>Scaffold installation and removal on all three sides:</td> <td>1,850.00</td> </tr> <tr> <td>Carpentry materials and supplies:</td> <td>950.00</td> </tr> <tr> <td>Lead safe demolition labor: 36 hrs. @ \$50</td> <td>1,800.00</td> </tr> <tr> <td>Carpentry repair/restoration labor: 185 hrs. @ \$50</td> <td>9,250.00</td> </tr> <tr> <td>Stucco repairs/replacement:</td> <td><u>3,500.00</u></td> </tr> <tr> <td>Total</td> <td>17,350.00</td> </tr> </table>	Scaffold installation and removal on all three sides:	1,850.00	Carpentry materials and supplies:	950.00	Lead safe demolition labor: 36 hrs. @ \$50	1,800.00	Carpentry repair/restoration labor: 185 hrs. @ \$50	9,250.00	Stucco repairs/replacement:	<u>3,500.00</u>	Total	17,350.00	<p style="text-align: right;">17,350.00</p>
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## 2. North side exterior repairs and restoration:

**A. Rubber roof and deck:** Includes removal of existing rubber roof membrane and deteriorated roof sheathing under rubber roof, repairs to any deteriorated roof framing members, removal of the deck railings, installation of new 3/4" plywood roof sheathing where necessary, 1/2" insulation backer board, 60 mil rubber membrane with painted galvanized steel flashings and roof edge, galvanized steel upper deck post flashings. The existing fascias and soffits on this rubber roof will be repaired as needed. We are assuming we will recreate the existing built-in gutters on this rubber roof, (although replacing them with half round galvanized gutters and down spouts attached to the fascias would be historically appropriate, easier to maintain and less expensive to install). Once the rubber roof is complete a wood walking surface will be installed on top of the rubber to accommodate foot traffic and deck furniture. This deck will be constructed out of pressure treated sleepers and removable deck panels. The existing railings will be replaced with new historically appropriate painted cedar rails and balusters.

Cost summary:

Demolition, dumpsters, structural repairs:	3,500.00	
Rubber roof, built-in gutters:	6,500.00	
Walkable wood deck, rails and balusters:	<u>9,000.00</u>	
Total	19,000.00	19,000.00

**B. Second and third floor exterior restoration:** The existing second and third floor exterior surfaces on the north side are all wrapped with aluminum, concealing the original wood and stucco. We will remove all the aluminum on these surfaces, restore or replace the wood trim and stucco as needed to recreate the original design. Repairs to the gable end fascias and soffits will also be made. Until the aluminum is removed, it is impossible to know how extensive this restoration will be. For the purposes of this estimate we are assuming we will need to restore 30% of the wood trim and all the stucco panels on this north side.

Cost summary:

Scaffolding	550.00	
Lead safe demolition:	1,200.00	
Carpentry materials:	725.00	
Carpentry labor:	3,900.00	
Stucco	<u>3,500.00</u>	
Total:	9,875.00	9,875.00



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<p><b>C. Exterior painting:</b> Includes scraping, priming and painting (two coats) all the soffits, fascias, brackets, wood trim and stucco panels on all four sides. This includes all gable ends and dormers, and the restored "bay" on the east side, but does not include any other painting from the second floor windows down to the ground, except the restored portions of the north wall and rubber roof fascias and soffits. The front entry, first and second floor windows and doors and garage trim are not included. The cost for repairs and painting of the windows and frames is included below in item E.</p>	10,000.00												
<p><b>D. Concrete sidewalk replacement:</b> The sidewalk and concrete steps on the east side leading to the back yard are deteriorated and slope towards the foundation. We are proposing removing and replacing this walk and steps, directing water away from the foundation in the process. A built-in rain gutter and grate will be set into the sidewalk to accommodate the down spout that currently dumps onto this side walk.</p>	6,900.00												
<p><b>E. Window restoration:</b> Includes restoration of all double hung and fixed windows, jambs and sills. The sashes will be removed from their openings, reglazed as needed, scraped, sanded, primed and painted/polyurethaned inside and out. The jambs, exterior trim and sills will also be scraped, sanded, recaulked as needed, primed and painted. Any deteriorated wood will be restored using the Abatron epoxy restoration system. Lead safety protocols will be adhered to throughout. The sashes will be re-installed with added weather stripping at the top and bottom of the sashes. The existing storm windows will be replaced with historically appropriate storm/screen combination windows.</p>													
<p>Cost summary:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Storm/screen combination windows, installed</td> <td style="text-align: right;">5,500.00</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Restoration materials:</td> <td style="text-align: right;">700.00</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Restoration and painting labor: 260 hrs.</td> <td style="text-align: right;"><u>11,700.00</u></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">16,900.00</td> <td style="text-align: right; vertical-align: bottom;">16,900.00</td> </tr> </table>	Storm/screen combination windows, installed	5,500.00		Restoration materials:	700.00		Restoration and painting labor: 260 hrs.	<u>11,700.00</u>		Total	16,900.00	16,900.00	
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Restoration and painting labor: 260 hrs.	<u>11,700.00</u>												
Total	16,900.00	16,900.00											
<p><b>F. First floor rear porch restoration:</b> The large porch on the rear of the house on the first floor contains fixed and casement windows on the east and west sides which appear to be original. The existing windows on the north side are not original. It is our assumption that the north side originally had interchangeable screen and storm panels. We propose restoring the existing casement windows on the two sides, including reglazing, priming and painting the sashes and frames, and restoring or replacing the crank mechanisms so that these windows open and close. New screen panels will be fitted to these</p>													



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openings. New interchangeable wood storms and screens will be installed on the north side to recreate the original design. The existing electric baseboard heater will be removed.

**Cost summary:**

Demolition:	900.00	
Casement window restoration, screen panels:	3,300.00	
New wood storm and screen panels:	4,800.00	
Misc. repairs:	<u>1,800.00</u>	
<b>Total:</b>	<b>10,800.00</b>	<b>10,800.00</b>

**G. Ductless Air Conditioners:** Includes installation of Mitsubishi ductless air conditioner units on the first and third floor (two total).

6,000.00

**Total**

**Approved by:**

\_\_\_\_\_  
Client Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Contractor Signature

\_\_\_\_\_  
Date

Upon approval, please sign and return one copy, keep one copy for your files.

July 1, 2011

RE: Dawn O'Kroley  
640 East Gorham Street Purchase  
First Business Bank Reference Letter

To Whom It May Concern:

Please use this letter as a bank reference letter, and financial strength verification, as it relates to Dawn O'Kroley and the proposed purchase of 640 East Gorham Street in Madison, WI. In evaluating the financial strength of Dawn O'Kroley First Business Bank evaluated the following:

- **Personal Credit Score & History:** Dawn's personal credit score of **XX** as of 7/1/11 through TransUnion is stellar. When evaluating personal credit scores, anything above 700 is both remarkable and difficult to obtain. A personal credit score of **XX** indicates Dawn's impeccable credit history and minimal use of debt. Historically, she has shown the ability to acquire and pay down debt rapidly. Dawn previously had mortgage and vehicle installment loans that were promptly paid on time. It should be noted that all historical installment loans have been paid off in full with no delinquent payments. Historically, no delinquent payments on any loans (both installment and revolving) are listed.
- **Personal Cash Flow:** A Personal Cash Flow indicates an individual's ability to repay their current debt obligations based on their current listed income. When completing a personal cash flow for Dawn, we used her 2009 and 2010 personal tax returns as verification of personal income and her personal credit report to verify debt obligations. The end result, and key measurement, is the Debt to Income Ratio. Two personal cash flows were calculated. One for her current debt obligations, and one with the proposed new debt related to the 640 East Gorham Street purchase included. Dawn's Debt to Income Ratios for 2009 and 2010 were as follows:


<u>Year</u>	<u>Debt to Income Ratio (As Is)</u>	<u>Debt to Income Ratio (w/Gorham purchase)</u>
2009	0.00	0.26
2010	0.00	0.29

When evaluating a Debt to Income Ratio, anything below a 0.40 is considered strong. As a reference, Federal Housing Administration (FHA) requires that a Debt to Income Ratio of 0.43 be obtained to acquire home financing. As indicated, Dawn's Debt to Income Ratio (including the proposed 640 East Gorham purchase) of 0.26 and 0.29 in 2009 and 2010, respectively, are well below the previously mentioned guidelines.

Based on the Personal Credit Score and Personal Cash Flow evaluation, Dawn is considered to be in a position of financial strength. For reference I have attached the First Business Bank Proposed Summary of Terms.

If you would require any additional information, please do not hesitate to contact me directly.

Sincerely,



Matthew D. Karnick  
First Business Bank  
608-232-5926

**Dawn O’Kroley, or LLC to be named  
Proposal - Summary of Terms  
July 1, 2011**

*This proposal is for discussion purposes only and is not a commitment to lend.  
\*Rates are subject to change daily.*

**Real Estate Purchase & Improvement Request**

**Amount:** Up to \$220,000

**Purpose:** Purchase & Improvement costs related to 640 East Gorham Street in Madison, WI

**Term:** Up to 5 years

**Rate:\*** During Improvements

- *Variable Rate\**: Prime + 1.00%, variable (rate floor of 5.00%)

After Construction

- *Variable Rate Option\**: Prime + 1.00%, variable (rate floor of 5.00%)
- *Fixed Rate Options\**:
  - **3 Year Fixed Rate:** Currently 5.55%
  - **5 Year Fixed Rate:** Currently 5.75%

\*rates are subject to change daily

**Prepayment Premium:** During Improvements: 3% of the then outstanding principal balance.

After Improvements:

- *Variable Rate Option:* None
- *Fixed Rate Options:*
  - **3 Year Fixed Rate:** Of the then outstanding principal balance: 3% in year one, 2% in year two and 1% in year three.
  - **5 Year Fixed Rate:** Of the then outstanding principal balance: 3% in years one and two, 2% in years three and four, and 1% in year five.

**Amortization:** Up to 20 years

**Payment:** During Improvements: Up to 6 months of interest only payments

After Improvements: Monthly principal and interest payments based on an amortization of up to 20 years.

**Collateral:** 1<sup>st</sup> position real estate mortgage on the property located at 640 East Gorham in Madison, WI.

**Guaranties:** Unlimited Personal Guaranty of Dawn O’Kroley.

**Documentation Fee:** \$550

**Other Fees:** Reimbursement for any out of pocket expenses incurred by Bank.

**Subject To:**

- Receipt and Bank approval of new appraisal on 640 East Gorham Street in Madison, WI .
  - *Loan amount not to exceed 80% of appraised value (required appraised value of \$275,000)*
- Receipt and Bank approval of construction/improvement budget
- Receipt and Bank approval of signed lease (if applicable)
- All constructions draw requests to be submitted through a title company and approved by Bank
- Subordination of City of Madison Land Lease to First Business Bank mortgage

**Sources & Uses:**

Sources		%	Uses		%
\$176,000	FBB Note	80%	\$65,000	Purchase Price	30%
\$44,000	Personal Equity	20%	\$130,000	Improvements	59%
			\$5,000	Acquisition Fees	2%
			\$20,000	Overages/Misc.	9%
TOTAL (\$220,000)		100%	TOTAL (\$220,000)		100%

**Financial Reporting:**

Dawn O’Kroley

- Annual Personal Tax Return
- Annual Personal Financial Statement

LLC to be Named (if applicable)

- Annual Corporate Tax Return
- Annual Rent Roll

**Covenants:**

To Be Determined

**Other:**

Primary deposit accounts of the following to be opened, and maintained, at Bank at all times:

- Dawn O’Kroley
- LLC to be Named (if applicable)

**Conditions Precedent:**

The following Conditions are to be satisfied and acceptable to First Business Bank (“Bank”) as a condition of any financing commitment and/or closing:

- Title insurance policy with endorsements acceptable to Bank (ALTA coverage) on the full amount of the loan request
- Evidence of property and liability insurance naming Bank as mortgagee
- Any other cost incurred with the commitment and closing of the proposed credit facility will be at the Borrower’s expense
- Bank approval of terms and conditions of proposed credit facility
- Other terms, conditions and documentation acceptable to Bank and as normal and customary for a credit facility of this type

*\*This Proposal is not a commitment to lend and should not be interpreted as a commitment to lend. This document reflects a proposed loan structure that is not yet finalized or approved. Rates indicated are subject to change from time to time based on market conditions and the Bank’s cost of funds.*



October 27, 2011

Dawn O'Kroley  
2709 Stevens Street  
Madison, WI 53705

Dear Dawn:

Monona State Bank is pleased to offer this term sheet outlining a potential loan structure for the purchase of 646 East Gorham St in Madison, WI. Please note that this is not a commitment to lend, but would act as a framework to move towards a loan commitment.

**BORROWER:** Dawn O'Kroley, or LLC to be named

**LOAN AMOUNT:** \$200,000 based upon a LTV not to exceed 80% of appraised value.

**PURPOSE:** Purchase of property located at 646 East Gorham St in Madison, WI.

**INTEREST RATE:** During construction variable rate of Prime + .75% with 5.00% floor rate.  
5.30% fixed for a three year period.  
5.50% fixed for a five year period.

**ORIGINATION FEE:** \$250.00

**MATURITY:** Three years or five years as proposed.

**AMORTIZATION:** 20 years.

**COLLATERAL:** First lien mortgage on subject property, assignment of rents and leases, and GBSA by LLC to be named.

**APPRAISAL:** Appraisal to reflect a loan to value of 80% on property subject to improvements.

**INSURANCE:** The Borrower will provide the Bank with liability coverage on the subject property at replacement cost. The policy will acknowledge the Bank and/or its assigns as Loss Payee.

**TITLE COMPANY:** An approved title company will be required by the Bank to close transaction.

All construction draws and inspections to be completed through Title Company

**PREPAYMENT PENALTY:** A prepayment penalty of 3% in loan year one, 2% in loan year two and 1% in loan year three, of the principal balance then outstanding shall be paid to the bank.

**ENVIRONMENTAL QUESTIONNAIRE:** No adverse items at bank's sole discretion.

**GUARANTEES:** Dawn O'Kroley to personally guarantee all debt.

**ADDITIONAL REQUIREMENTS:** Bank approval of construction budget  
Subordination of Madison Land Lease to Monona State Bank.  
Copy of current leases

All loans are subject to the following requirements:

**FINANCIAL DATA:** While the loan is unpaid or there remains any commitment by the Bank, the Borrowers shall provide the Bank with:

- Annual personal financial statements.
- Annual personal tax returns
- Annual rent roll
- Annual Corporate Tax Returns

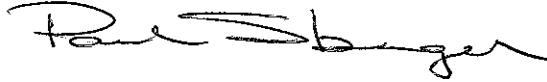
**EXPENSES:** The Borrowers shall be responsible for all fees in connection with the loans including but not limited to appraisal fees, recording fees, title insurance premiums, and other expenses whether or not the loan is made.

**NO MATERIAL CHANGE:** The Bank reserves the right to revoke this commitment upon written notice to the borrower, if any of the following events (as determined by the sole discretion of the Bank) shall occur between the date hereof and the date of expiration of this commitment: (i) any material adverse change in the financial condition or business prospects of the borrower; (ii) any materially adverse change in the character or value of the collateral to be granted the Bank in connection with this loan transaction; (iii) any materially adverse change in the economic conditions prevailing in the industry in which the borrower does business; (iv) discovery that any of the representations made at any time by the borrower to the Bank were untrue at the time they were made or ceased to be true at any time prior to the closing.



If you have any questions feel free to contact me. It is a pleasure to provide this term sheet to you and we look forward to providing the necessary financing for this transaction.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Schlumberger". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Paul W. Schlumberger  
Vice President, Business Banking