

January 26, 2011

City of Madison TIF Report
Wingra Commons (Wingra Commons, LLC)

Notes:

<u>Project Type:</u>	Income-restricted housing	
<u>Number of Units:</u>	63	
<u>Parking Stalls:</u>		
Underground	66 stalls	
<u>Estimated Value:</u>	\$3,276,000	
LESS: Base Value	<u>(\$157,000)</u>	
Incremental Value	\$3,119,000	Meets min. value for TID creation
TIF Available @ 50%	\$345,000	

Cost:

Land	(\$985,000)	\$29.85/SF, \$15,600 per unit
Hard Cost	(\$6,300,000)	\$92/SF
Parking Construction	(630,000)	
Soft Cost	<u>(\$2,374,000)</u>	
	(\$10,289,000)	

Sources of Capital:

Equity – Sec. 42 Tax Credits	\$6,714,000	Reflects est. \$.68 per \$1.00 of credit
Construction Loan	<u>\$3,461,000</u>	Based on debt coverage ratio of 1.2
Total Loan Sources	\$10,175,000	
Less: Cost (Uses)	(10,289,000)	
Gap	(\$114,000)	17% of TIF

Analysis:

Property re-zoned from C-2 to PUD/GDP/SIP. Current land cost (\$985,000 or \$29/SF) reflects the new allowable density (63 units) at the approved PUD zoning. Funding of project would require creation of a new TID #41. Project meets minimum standards for a TIF generator.

Construction costs are in line with this construction type—perhaps a bit lower than pre-economic recession rates. Soft costs include syndication fees, operating reserves and other tax credit-related expenses that increase its impact as a percentage of hard cost. This is typical of Section 42 projects. Operating reserves of approximately \$239,000 are not TIF eligible and must be omitted from consideration for TIF assistance. Developer is seeking CDBG funding for this amount.

Gap is attributable to financing shortfalls, not cost. Prior to the current national economic recession, Section 42 tax credits attracted prices of approximately \$.90 to \$.95 for \$1.00 of tax credit. Today, such credits attract about \$.65 to .70 for the same dollar. The lower revenues generated by such income-restricted projects dictate that the project supports much less construction debt than a typical market-rate project, in this case, only \$3.4 million of an \$10.2 million project. TIF assistance to this project is contingent upon the award of Sec. 42 tax credits in 2011.

Lower project revenues translate into lower assessed value, which in turn generate less TIF that may be provided as assistance. In this case the project supports about \$345,000 of TIF according to TIF Policy's 50% Rule. The gap requiring TIF Loan assistance represents 17% of TIF.

<u>TIF Recommendation:</u>	\$114,000	17% of TIF
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