TO:

Members of the Plan Commission

FROM:

Hickory R. Hurie

SUBJECT: Analysis of IZ Waiver Request for Kennedy Point (Krupp Development)

DATE: November 17, 2005

#### SUMMARY:

Krupp Development proposes a 43-unit condominium development at the corner of First Street and Winnebago on Madison's east side, a .614-acre site that currently includes several residential buildings. Krupp seeks a change in the zoning from its current R-3 to a PUD. The company proposes to demolish the existing buildings and construct the multi-family building with enclosed parking for 44 stalls and 14 tandem stalls. (Based on discussions with the Urban Design Commission, the proposed development, now includes **42 condos**, in order to accommodate an entrance at the corner of First and Winnebago.)

Krupp Development sought a full waiver of the inclusionary zoning requirements due to the tight site constraints and projections of unit costs.

This analysis for an inclusionary zoning waiver is based upon data furnished by the Krupp Development Company and by the Planning Unit during September through November 2005, with the latest budget from October 4, 2005. The analysis focuses solely on the proposal for the residential units, including constraints recommended by the Urban Design Commission and Traffic Engineering.

#### **METHOD OF ANALYSIS:**

The Council adopted a waiver provision as part of the inclusionary dwelling unit ordinance that requires an analysis of project financial feasibility. The method consists of running three or more scenarios, using data provided by the developer. The first run is based upon a scenario whereby the project, using <u>current zoning</u> levels, is set at market rate sales. If this version is financially feasible according to the standards adopted by the Common Council, the project is then run with the <u>full 15% inclusionary dwelling units</u> included in the project. If this full IZ scenario does not meet the Council standards for financial feasibility, a scenario is selected with attributes (a combination of a partial percentage of IZ units, with units off-site, or payment in lieu of units onsite or reduction of expected number of units) that will provide a sufficient return for financial feasibility.

# MARKET RATE SCENARIO:

The IZ ordinance suggests that the market rate scenario should be run within the density of the current zoning classification for the parcel. The current zoning for this site (R-3) permits up to 10 dwelling units on the site. In circumstances where there is no current zoning, the City will consider using the adopted Neighborhood Plan. In this case, the adopted Plan suggests a range of 25 to 30 dwelling units/acre, and would permit 18 units on the site. The Krupp proposal requests a density of 70 dwelling units/acre, or 42 units on the site.

**Current zoning and Neighborhood Plan Level:** Running the full-market rate scenario at the current zoning density of R-3 yields a project with a gross profit margin of a <u>negative</u> 15%. Even running the full-market rate scenario at the density permitted under the adopted neighborhood plan (which presumes a change in zoning from the current density) yields a project with a gross profit margin of <u>negative</u> 4.7%. Neither scenario meets the standards adopted by the Council for feasibility, and would normally not qualify for a waiver. (See note on second page.)

#### IZ SCENARIO WITH ADDITIONAL DENSITY:

In spite of the above conclusions, we ran a third scenario with the same cost assumptions but with the density requested by the developer, <u>and</u> the inclusion of the affordable units. According to the Planning unit, the requested density of 70 dwelling units per acre is 536% greater than the current zoning permits, and <u>over twice</u> the density permitted under the neighborhood plan.

This third scenario, with the additional market rate units and the seven inclusionary units (15% of 42 rounded up) does not meet the feasibility standards adopted by the Council. It does suggest, however, a gross profit margin several times the rate of the full market rate project within the

adopted plan densities, or about a positive 1.4% (A fourth scenario, with parking prices deleted from the sales prices of the IZ units, changes this gross profit margin to 2.5%.)

#### Consideration of extraordinary Costs:

Following the November 9 discussion of the Plan Commission, we ran a fifth scenario at the Neighborhood Plan Level density that excluded the extraordinary costs of the street reconstruction, since these appear to be imposed by the City on the project in spite of alternatives. Under this scenario, the full market rate project does achieve a positive gross profit margin of 3.3%, in addition to the permitted 7.6% development fee.

If the Plan Commission were to use this scenario's gross profit margin as the benchmark for profitability, the Plan Commission could consider the street reconstruction costs as extraordinary costs inherent in the project, and qualify the proposed project for some sort of waiver of the full 15% on-site provision of seven IZ units.

Using this assumption, and the additional density raised to the 42-unit level requested by the developer, a project with a partial waiver based on 4 IZ dwelling units and a payment of \$77,923 for the other three would meet that new project-specific feasibility standard. This scenario would achieve a slightly higher level of feasibility (3.7%) than the full market-rate project at the Neighborhood Plan level (excluding the extraordinary street reconstruction costs) (3.3%).

Staff discussed other options of providing the inclusionary units with the developer and both concluded that the provision of new off-site units was not likely, given the lack of available sites in the area and the recent developments constructed by the developer himself.

#### CONCLUSION:

According to the ordinance provisions, the project does not meet the initial standards of financial feasibility for a market rate project at the density levels permitted either under the current zoning or the neighborhood plan. Hence if the Plan Commission were to find that the street reconstruction costs were extraordinary costs, and use the Neighborhood Plan level of density for the feasibility benchmark, then the project would meet that standard of feasibility with a waiver based on the provision of 4 IZ units and a payment in lieu of the remaining three.

Cc: Alder J. Olson, Jeanne Hoffman, Brad Murphy, Pete Olson, Barb Constans

# For your information, the project run at market rate and at the density requested by the developer, but without any IZ units, does make a gross profit market of 7.8%, which is also outside the Council adopted standards.

Note: Part of the logic inherent in the discussions leading up to the adoption of the IZ ordinance suggested that the City should not be helping an <u>infeasible project</u> at market rate become feasible by waiving one of the primary City public goals (affordable units within larger projects).)

# Krupp Development Kennedy Point Condos: 42 units, 4 IZ For Sale Parameters for Determining Financial Infeasibility of Inclusionary Zoning For the periods from January 01, 2006 through December 31, 2016

		la diministration di la	PROPERTY OF THE PARTY OF THE PA
inancing with the course of the course of the course of		Principal Company	101192 1171 1171 1171 1171 1171 1171 1171
Interest rate	Prime plus 0.5	Within standards	7.0%
rojections and the state of the			
Land/Building acquisition - per square foot raw land	\$5 per square foot - raw land		\$29,83
	\$50 - \$55 per square foot, downtown - vacant land		\$29.83
	\$90 - \$125 per square foot, downtown - improved with building	Lower than standard fo	
		downtown propoerty with	\$29.83
		biuldings	
Hard cost contingency	5% new, 8% rehab of AIA contract	Within standards	4.7%
Soft cost contingency	5% new/rehab of soft costs	Within standards	2.5%
Contractor profit	6% of AIA contract (net of profit, overhead and general requirements)	Within standards	5.9%
Contractor overhead	2% of AIA contract (net of profit, overhead and general	Within standards	5.007
	requirements)		2.0%
Contractor general requirements	4% of AIA contract (net of profit, overhead and general	Within standards	4.0%
	requirements)		4.076
Parking	\$1,000 per stall - surface		
	\$15,000 per stall - first level underground	i	\$87,000,00
•	\$20,000 per stall for second level underground		
D1	\$27,000 per stall for three levels or more of underground		·
Development fees	8% of total project costs, net of development fees and reserves	Within standards	7.6%
Square foot cost of construction, includes buildings including profit	4 stories and under - \$62.50 per square foot, 5 to 8 stories - \$95,	Falls outside adopted	
overhead and general requirements, site improvements and personal	and 8 stories or higher \$110 - \$120	standards, but appears within	\$151.51
property,		acceptable practice in the	3131.31
		industry	
Soft cost	10% of cost of construction	Three times adopted standard	
			21.7%
Matien und de la partie de la company de			
	5 year average economic change factor for DOR website or 5 year	ns	0.0%
Dation index focusion costs	average HUD AMI increase for IZ units  [20] Section 19   19   19   19   19   19   19   19		
Dalum index foctor on costs with the contract of the contract	5 year average economic change factor for DOR website or 5 year	13.1001.1003.10.10.10.10.10.10.10.10.10.10.10.10.10.	
	average HUD AMI increase for IZ units	na i	0.004
ange of marker rate initial selling prices	Production of the control of the con	military and district San different section	0.0%
видени пинжен свестник веницарине всего положения сперали.	MLS or assessors website comps for market rate IZ as indicated in		FERRING AND AND ENTARE
	the ordinance (City of Madison annual calculation based on AMI)	na	
•	or o	l	See schedule
distriction costs			bee schedule
·	6.5% of selling price	Within stendards	\$712,997.87
Armiliste of feture 2-30 to construct the construction of the cons			
	15% - 30% (assuming 80% leverage, 20% equity) depending upon	na	
	product type	,	28.6%
allo of soles to inventory (absorption)			
	Submit similar comps for similar projects		1.0
rees or file accompile of the latest and the latest		EMISSAPHENIA SESTIMINA E	
	12.5 - 17.5 sales minus direct project costs (not costs of sale or	Falls outside adopted	
•	transaction costs)	standards	3.7%
ssociation fees a commence of the commence of		HARRIER MEGERALIA	
	Amount of fees		225 to 375/month

#### ASSUMPTIONS:

Assumes density of 42 units requested by developer.

This is more than the density permitted by the current zoning, or the neighborhood plan.

This scenario is based on the figures submitted by the developer on October 5, so that it does include \$400,000 for street reconstruction costs.

It also includes an offfset of \$5,000/IZ unit for differences in finish, and tracks seperately the revenue for 4 parking stalls not included nor required in the base price for the IZ units.

With this scenario of 42 units, with 4 of them as IZ and a payment in lieu of 3 other IZ units of \$77,923, this scenario produces a gross profit margin of 3.7%, which is slightly more than the 3.3% gross profit margin for a project at the neighborhood plan level density of 18 full market units.

#### CONCLUSION:

This project at market rates with density based on the developer requested density of 42 units does NOT meet the normal standard for an IZ waiver, but due to the extraordinary costs of street reconstruction, the Plan Commission may wish to consider approving the project at the density of 42 units, with 4 IZ units, and a waiver fee of \$77,923.

According to the terms of the IZ ordinance, a project at market rate that does fall outside the normal standards does NOT qualify for a waiver of IZ units, on the grounds that a waiver should not make an infeasible market rate project feasible unless it addresses some of the public goals for the program. However, the Plan Commission, with advice of counsel, could choose to identify the street costs as extraordinary costs, and use the developer gross profit margin of 3.3% in the current zoning level as the benchmark standard. for profitability. (Note: This scenario also includes a development fee of 8% as permitted by the ordinance.)

# Krupp Development

### Kennedy Point Condos: 42 units, No IZ

# For Sale Parameters for Determining Financial Infeasibility of Inclusionary Zoning For the periods from January 01, 2006 through December 31, 2016

Interest rate Prime plus 0.5 - Within standards	7.0%  7.0%  \$29.59 \$29.59 \$29.59  4.7% 2.6% 5.9% 2.0% 3.9%
Interest rate Prime plus 0.5  Use Figure 5.5  Land/Building acquisition - per square foot raw land S50 - S55 per square foot, downtown - vacant land S90 - S125 per square foot, downtown - improved with building Lower than standard for downtown propoerty with building Hard cost contingency 5% new, 8% rehab of AIA contract Within standards Soft cost contingency 5% new/rehab of soft costs Within standards Contractor profit 6% of AIA contract (net of profit, overhead and general requirements) Contractor overhead 2% of AIA contract (net of profit, overhead and general requirements 4% of AIA contract (net of profit, overhead and general requirements) Contractor general requirements 4% of AIA contract (net of profit, overhead and general requirements) S1,000 per stall - first level underground S20,000 per stall for second level underground S20,000 per stall for three levels or more of underground	\$29.59 \$29.59 \$29.59 \$29.59 4.7% 2.6% 5.9%
Land/Building acquisition - per square foot raw land  S5 per square foot - raw land  S50 - S55 per square foot, downtown - vacant land  S90 - S125 per square foot, downtown - vacant land  S90 - S125 per square foot, downtown - improved with building  Hard cost contingency  S9 new, 8% rehab of AIA contract  Within standards  Soft cost contingency  S9 new/rehab of soft costs  Within standards  Contractor profit  6% of AIA contract (net of profit, overhead and general requirements)  Contractor overhead  2% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements  4% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements  4% of AIA contract (net of profit, overhead and general requirements)  Farking  S1,000 per stall - surface  S15,000 per stall for second level underground  S20,000 per stall for second level underground  S27,000 per stall for second level underground	\$29.59 \$29.59 \$29.59 \$29.59 4.7% 2.6% 5.9%
Land/Building acquisition - per square foot raw land  \$50 - \$55 per square foot, downtown - vacant land  \$90 - \$125 per square foot, downtown - vacant land  \$90 - \$125 per square foot, downtown - improved with building  Lower than standard fo downtown proposerty with biuldings  Hard cost contingency  \$5% new, 8% rehab of AIA contract  Within standards  Soft cost contingency  \$5% new/rehab of soft costs  Within standards  Contractor profit  \$6% of AIA contract (net of profit, overhead and general requirements)  Contractor overhead  \$2% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements  \$4% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements  \$51,000 per stall - surface  \$15,000 per stall for second level underground  \$20,000 per stall for three levels or more of underground	\$29.59 \$29.59 4.7% 2.6% 5.9%
S50 - S55 per square foot, downtown - vacant land   Lower than standard fo downtown proposerty with biuldings   Lower than standard fo downtown proposerty with biuldings	\$29.59 \$29.59 4.7% 2.6% 5.9%
S90 - \$125 per square foot, downtown - improved with building downtown propoerty with buildings buildings	\$29.59 4.7% 2.6% 5.9% 2.0%
S90 - \$125 per square foot, downtown - improved with building downtown propoerty with buildings buildings	4.7% 2.6% 5.9% 2.0%
Hard cost contingency  5% new, 8% rehab of AIA contract  Within standards  Soft cost contingency  5% new/rehab of soft costs  Within standards  Contractor profit  6% of AIA contract (net of profit, overhead and general requirements)  Contractor overhead  2% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements  4% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements  4% of AIA contract (net of profit, overhead and general requirements)  Farking  51,000 per stall - surface  \$15,000 per stall for second level underground  \$20,000 per stall for three levels or more of underground	4.7% 2.6% 5.9% 2.0%
Hard cost contingency  5% new, 8% rehab of AIA contract  Within standards  5% new/rehab of soft costs  Within standards  6% of AIA contract (net of profit, overhead and general requirements)  Contractor overhead  2% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements  4% of AIA contract (net of profit, overhead and general requirements)  Within standards  requirements  Within standards  requirements  5% of AIA contract (net of profit, overhead and general requirements)  Farking  \$1,000 per stall - surface  \$15,000 per stall - first level underground  \$20,000 per stall for second level underground  \$20,000 per stall for three levels or more of underground	2.6% 5.9% 2.0%
Hard cost contingency  5% new, 8% rehab of AIA contract  Within standards  5% new/rehab of soft costs  Within standards  Contractor profit  6% of AIA contract (net of profit, overhead and general requirements)  Contractor overhead  2% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements  4% of AIA contract (net of profit, overhead and general requirements)  Within standards  requirements  Within standards  requirements  5% of AIA contract (net of profit, overhead and general requirements)  Farking  \$1,000 per stall - surface  \$15,000 per stall - first level underground  \$20,000 per stall for second level underground  \$20,000 per stall for three levels or more of underground	2.6% 5.9% 2.0%
Soft cost contingency  5% new/rehab of soft costs  Within standards  Contractor profit  6% of AIA contract (net of profit, overhead and general requirements)  Contractor overhead  2% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements  4% of AIA contract (net of profit, overhead and general requirements)  Parking  \$1,000 per stall - surface \$15,000 per stall - first level underground \$20,000 per stall for second level underground \$27,000 per stall for second level underground	2.6% 5.9% 2.0%
Contractor profit  6% of AIA contract (net of profit, overhead and general requirements)  Contractor overhead  2% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements  4% of AIA contract (net of profit, overhead and general requirements)  Within standards requirements  4% of AIA contract (net of profit, overhead and general requirements)  Farking  \$1,000 per stall - surface \$15,000 per stall - first level underground \$20,000 per stall for second level underground \$27,000 per stall for three levels or more of underground	5.9% 2.0%
requirements)  Contractor overhead 2% of AIA contract (net of profit, overhead and general requirements)  Contractor general requirements 4% of AIA contract (net of profit, overhead and general requirements)  Parking 51,000 per stall - surface S15,000 per stall for second level underground S20,000 per stall for three levels or more of underground	2.0%
Contractor overhead 2% of AIA contract (net of profit, overhead and general requirements) 4% of AIA contract (net of profit, overhead and general requirements) 4% of AIA contract (net of profit, overhead and general requirements) 51,000 per stall - surface 515,000 per stall - first level underground 520,000 per stall for second level underground 527,000 per stall for three levels or more of underground	
requirements   4% of AIA contract (net of profit, overhead and general requirements   4% of AIA contract (net of profit, overhead and general requirements   51,000 per stall - surface   515,000 per stall - first level underground   520,000 per stall for second level underground   527,000 per stall for three levels or more of underground   527,000 per stall for thr	
Contractor general requirements 4% of AIA contract (net of profit, overhead and general requirements)  Parking \$1,000 per stall - surface \$15,000 per stall - first level underground \$220,000 per stall for three levels or more of underground	3.9%
requirements    Parking   \$1,000 per stall - surface   \$15,000 per stall - first level underground   \$20,000 per stall for second level underground   \$27,000 per stall for three levels or more of underground   \$27,000 per stall for three levels	3.9%
Parking \$1,000 per stall - surface \$15,000 per stall - first level underground \$20,000 per stall in the second level underground \$20,000 per stall for second level underground \$27,000 per stall for three levels or more of underground	
\$15,000 per stall - first level underground \$20,000 per stall for second level underground \$27,000 per stall for three levels or more of underground	
\$20,000 per stall for second level underground \$27,000 per stall for three levels or more of underground	
\$27,000 per stall for three levels or more of underground	\$87,000.00
Development fees	
	7.7%
·	1.170
Square foot cost of construction, includes buildings including profit 4 stories and under - \$62.50 per square foot, 5 to 8 stories - \$95, Falls outside adopted	
overhead and general requirements, site improvements and personal and 8 stories or higher \$110 - \$120 standards, but appears within	
property acceptable practice in the	\$150,66
industry	
Soft cost 10% of cost of construction Three times adopted standard	
Soft Cost	20.6%
	anagamania wa wanza
	0.0%
average HUD AMI increase for IZ units	UPSINITE CONTROL OF THE
	<b>美的技术用程</b> 型
5 year average economic change factor for DOR website or 5 year na	
average HUD AMI increase for IZ units	0,0%
MLS or assessors website comps for market rate IZ as indicated in na	
the ordinance (City of Madison annual calculation based on AMI)	
	See schedule
erronsurhop costs (1)	Andrew Arten
6.5% of selling price Within standards	\$740,070.24
rnal rule of renormality and the control of the con	
15% - 30% (assuming 80% leverage, 20% equity) depending upon na	
product type	28.6%
io al sales (o inventory (absorption)	(ZEPANICA HERADEK
Submit similar comps for similar projects	1.0
08/01/00 1580 00 10 10 10 10 10 10 10 10 10 10 10 10	
12.5 - 17.5 sales minus direct project costs (not costs of sale or Falls outside adopted standards	7.8%
	7.8%
12.5 - 17.5 sales minus direct project costs (not costs of sale or Falls outside adopted standards	7.8%

### ASSUMPTIONS:

Assumes density of 42 units requested by developer.

This is more than the density permitted by the current zoning, or the neighborhood plan. This scenario is based on the figures submitted by the developer on October 5.

# CONCLUSION:

This project at market rates with density based on the Neighborhood Plan zoning does NOT meet the standard for for gross profit (7.8% compared to adopted standard of 12.5 to 18.5%.)

According to the terms of the IZ ordinance, a project at market rate that does fall outside these standards does NOT qualify for a waiver of IZ units, on the grounds that a waiver should not make an infeasible market rate project feasible unless it addresses some of the public goals for the program.

### Krupp Development

# Kennedy Point Condos: Neighb zoning with 18 units, No Street costs For Sale Parameters for Determining Financial Infeasibility of Inclusionary Zoning For the periods from January 01, 2006 through December 31, 2016

	and a substitution of the	Extra please in the	Section Visiting
nucing 25 Views 25 Park 1997 Property 1997 P			
Interest rate	Prime plus 0.5	Within standards	7.0%
rojechčnika (navad Caraba) kraja projekt			
Land/Building acquisition - per square foot raw land	\$5 per square foot - raw land		\$48.05
	\$50 - \$55 per square foot, downtown - vacant land		\$48.05
•	\$90 - \$125 per square foot, downtown - improved with building	Lower than standard fo	
		downtown proposity with	\$48.05
		biuldings	
Hard cost contingency	5% new, 8% rehab of AIA contract	Within standards	4.7%
Soft cost contingency	5% new/rehab of soft costs	Within standards	2,6%
Contractor profit	6% of AIA contract (net of profit, overhead and general	Within standards	5.9%
	requirements)		3.570
Contractor overhead	2% of AIA contract (net of profit, overhead and general	Within standards	2.0%
	requirements)		2,070
Contractor general requirements	4% of AIA contract (net of profit, overhead and general	Within standards	3.9%
	requirements)		3.770
Parking	\$1,000 per stall - surface		
	\$15,000 per stall - first level underground		\$37,285.70
•	\$20,000 per stall for second level underground		357,205.10
	\$27,000 per stall for three levels or more of underground		
Development fees	8% of total project costs, net of development fees and reserves	! Within standards	7.0%
Square foot cost of construction, includes buildings including profit	4 stories and under - \$62.50 per square foot, 5 to 8 stories - \$95, and	Falls outside adopted	
overhead and general requirements, site improvements and personal	8 stories or higher \$110 - \$120	standards, but appears within	
property		acceptable practice in the	\$144.25
FF		industry	
Soft cost	10% of cost of construction	Three times adopted standard	
			20.6%
Dation index fortible of siles 1997 1997 1997 1997 1997		F152830350192501935019450	54500000000000000000000000000000000000
	5 year average economic change factor for DOR website or 5 year	na	LOUIS CONTRACTOR OF THE PARTY O
	average HUD AMI increase for IZ units		0.0%
Ontoo index factor on costs (\$55% 350) Dis Villago (\$550) Sign			CONTRACTOR OF THE
	5 year average economic change factor for DOR website or 5 year	па	
	average HUD AMI increase for IZ units		0.0%
nee of warker rate unital selling prices:			
14 C - 4 C -	MLS or assessors website comps for market rate IZ as indicated in	па	SHEET STREET, SHEET STREET, SHEET
	the ordinance (City of Madison annual calculation based on AMI)	····	
	and ordinated (only of transfer and only of the ordinated		See schedule
e/transaction/objects to the first transaction of the first			CONTRACTOR CONTRACTOR AND
ICTION CHOICE CONTROL	6.5% of selling price	Within standards	\$331,164,47
erminate of returns (STE 1982)	0.5 % of sching price	within standards	. 1,104,47 CONTRACTOR CONTRACTOR CONTRACTOR CONTRACTOR CONTRACTOR CONTRACTOR CONTRACTOR CONTRACTOR CONTRACTOR CONTRACTOR C
continuence and commission of the substitute of	15% - 30% (assuming 80% leverage, 20% equity) depending upon	na	
	product type	na	28.6%
dool tale (otherstory (absorption)	product type	NATIONAL PROPERTY OF THE PROPE	
rio or anno toturicarous funda branco estados actuales as as as as as as as	Submit similar comps for similar projects		***************************************
oss prom assumption is a second to the second secon	Submit similar comps for similar projects	ence and provide a control of	1.0 Historian parameter (1.0
oze proministruopuon inches esta esta esta esta esta esta esta es		The state of the s	
	12.5 - 17.5 sales minus direct project costs (not costs of sale or transaction costs)	Falls outside adopted standards	3,3%
		SECOND SECOND CONTRACTOR OF SECOND SE	Control and the Control of the Contr
Sociation (see 4.55.4.55.4.55.55.55.55.55.55.55.55.55.5	The state of the s		THE AMERICAN PROPERTY OF THE PARTY AND ADDRESS
	Amount of fees		225 to 375/month

## ASSUMPTIONS:

Assumes density permitted under adopted Neighborhood Plan zoning.

This is less than the 42 to 43 Dwelling units proposed by the developer.

This is more than the density permitted by the current zoning.

This scenario assumes pro-rated costs per unit of 42-unit development submitted October 4,

but holds the costs of acquisition and demolition at the same level as the 42-unit proposal.

This scenario does not include the cost of street reconstruction, since these are extraordinary costs imposed by the City, and may not be needed in this smaller project.

#### CONCLUSION:

This project at market rates with density based on the Neighborhood Plan zoning does not meet the standard for for gross profit (postive 3.3% compared to adopted standard of 12.5 to 18.5%.)

According to the terms of the IZ ordinance, a project at market rate that falls outside these standards does not qualify for a waiver of IZ units.

# Krupp Development

# Kennedy Point Condos: Current zoning with 10 units, without street costs For Sale Parameters for Determining Financial Infeasibility of Inclusionary Zoning For the periods from January 01, 2006 through December 31, 2016

TO THE RESERVE OF THE SHEET WAS A SHEET OF THE SHEET OF T	and provide a Required range experiences.	AVanual Galemation	REPRESENTATION OF THE PARTY OF
onicing (P. D. Paris, P. P. Paris, P.			
Interest rate	Prime plus 0.5	Within standards	7.0%
ojech coste:		PROBLEM SERVICE	
Land/Building acquisition - per square foot raw land	\$5 per square foot - raw land		\$78.00
	\$50 - \$55 per square foot, downtown - vacant land		\$78.00
	\$90 - \$125 per square foot, downtown - improved with building	At high end of adopted standard	\$78.00
Hard cost contingency	5% new, 8% rehab of AIA contract	Within standards	4.7%
Soft cost contingency	5% new/rehab of soft costs	Within standards	2.6%
Contractor profit	6% of AIA contract (net of profit, overhead and general requirements)	Within standards	5.9%
Contractor overhead	2% of AIA contract (net of profit, overhead and general requirements)	Within standards	2.0%
Contractor general requirements	4% of AIA contract (net of profit, overhead and general requirements)	Within standards	3.9%
Parking	\$1,000 per stall - surface \$15,000 per stall - first level underground \$20,000 per stall for second level underground \$27,000 per stall for three levels or more of underground		\$20,714.30
Development fees	8% of total project costs, net of development fees and reserves	Within standards	5.9%
Square foot cost of construction, includes buildings including profit overhead and general requirements, site improvements and personal property	4 stories and under - \$62.50 per square foot, 5 to 8 stories - \$95, and 8 stories or higher \$110 - \$120	Falls outside adopted standards, but appears within acceptable practice in the industry	\$130.09
Soft cost	10% of cost of construction	Twice adopted standard	20.6%
Lanon nidex factor on sales and the sales		<b>的問題的問題的表現的問題</b>	
	5 year average economic change factor for DOR website or 5 year average HUD AMI increase for IZ units	na na	0.0%
lation index helonon casts			
	5 year average economic change factor for DOR website or 5 year average HUD AMI increase for IZ units	na na	0.0%
nge of market cate initial selling prices		100000000000000000000000000000000000000	
	MLS or assessors website comps for market rate IZ as indicated in the ordinance (City of Madison annual calculation based on AMI)	na	r
	,		See schedule
le/dransaction/costs   12   25   25   25   25   25   25   25			
	6.5% of selling price	Within standards	\$203,919.30
ernal rate of retain that the second of the second of	HOUSE PROPERTY OF THE PROPERTY	nala del primero de la compansión de la co	
	15% - 30% (assuming 80% leverage, 20% equity) depending upon product type	na	0.0%
hoʻof sales toʻinventory (absorption) = ==================================	Submit similar comps for similar projects	- Majagang Karbi pepilik (100 milik Samanyan (100 kina)	/1523/G-0131272372 1.0
ose profit assumption and the state of the s			
	12.5 - 17.5 sales minus direct project costs (not costs of sale or transaction costs)	Falls outside adopted standards	-2.3%
sociation legges and a contract of the contrac			
	Amount of fees		225 to 375/month

### ASSUMPTIONS:

Assumes density permitted under current R-3 zoning.

This is less than the 42 to 43 Dwelling units proposed by the developer.

This is less than the density permitted by the adopted neighborhood plan.

This scenario assumes pro-rated costs per unit of 42-unit development submitted October 4,

but holds the costs of acquisiton and demolition at the same level as the 42-unit proposal.

This scenario also deducts the extraordinary costs of the street reconstruction, it would probably not be needed for a smaller project.

#### CONCLUSION:

This project at market rates with density based on the current zoning does not meet the standard for for gross profit (negative 2.3.% compared to adopted standard of postive 12.5 to 18.5%.)

According to the terms of the IZ ordinance, a project at market rate that falls outside these standards does not qualify for a waiver of IZ units.

I am the fifth property northeast of the proposed project(15years), a past SASYNA board member, past member of the committee that gave input for the Schenk Atwood Neighborhood Business District Master Plan, and current member of the "Project Management Team" for the Schenk Atwood area. In general I am in favor of the project and do have some concerns about the size and IZ issues. I do not feel this project should be held hostage to those issues. Those are ongoing issues about all projects in Madison.

The height and mass is similar to:

Across Winnebago Street is Tininity Lutheran Church and classrooms, next to that is the partially constructed Nelson Bros. Project, on Atwood Ave is United Way, Kennedy Place, Schenks Point, St. Bernards Church. My house on Winnebago St. is 36 feet to the peak of the roof and it was built in 1900. These new buildings should serve us for the next 100 years and declaring 2-3 stories as maximum, next to the business district, seems a little short sighted. The higher density should help with money for the bus system, signals at train crossings, and many other things that are under the budget ax. The most vocal opponent of Schenks Point praised it's design after it was built. Criticism of Kennedy Place is more about materials and change in surfaces than about height and mass. I like Kennedy Place and would not want all buildings to be of a "classic brick architecture."

The IZ and TIF topics are related, evolving, and of a rather complex and elusive nature. Currently my biggest influence is the precedence the Monroe Commons (council vote 19-1) set. Krupp should be highly praised for his minimal demands on the city and taxpayers.

Please give the project a green lite so that you have more time to figure out IZ and TIF.

Fritz Hastreiter 1933 Winnebago St. #2 279-9549