

**SUPPLEMENTAL APPLICATION INFORMATION**

**&**

**UPDATED BUDGET**

**STONE HOUSE**

**MIFFLIN STREET APARTMENTS**

**September 18, 2015**

1. Page 1 of section 10 states the housing/daycare proposed project is a permitted use. Is there inclusion of space for a daycare center? If so, what is the status of these negotiations?

-At the time we were preparing our written response to the application, a day care was proposed for Phase I of this block. It was subsequently redesigned and we should have reworded our response. We are in the process of negotiating with a day care to purchase a lot on Phase II.

2. Who currently owns the property and is the plan to sell the property to the LLC in November 2015 or do you plan to close on the property ownership in November? In your Capital Budget you identify AHF funds to be used for the acquisition costs. Please be advised that any funding award will be contingent upon the receipt of tax-credits. Therefore no funds will be released until after the award of tax-credits (spring of 2016). Does this pose a problem?

- This funding timeline will not pose a problem. The property is currently owned by Land of Lakes Corp. An LLC controlled by Stone House will purchase the site in October. This LLC will sell the Phase 1 parcel to another LLC that is also controlled by Stone House. This LLC will begin construction of the parking ramp, office, retail, and market rate housing components in Spring of 2016. Prior to the tax credit application deadline, the tax credit LLC entity will enter into an offer to purchase the land for the tax credit project. The offer will be contingent on, among other things, the awarding of tax credits. Closing and acquisition for the tax credit project will occur in the Fall of 2016. Development, financing and construction of the tax credit project are completely independent of the other components.

3. The redevelopment of the site consists of four projects. It further states that the entire redevelopment will be built as one phase. The housing projects will share parking with the office components. What is the dependence of the affordable housing project on these other elements? How are shared costs allocated to the affordable housing project?

- See above. The affordable housing component will be separately developed and financed. Parking for the affordable housing project will be located in the central ramp, and therefore will be dependent on the construction of the larger development. However, we expect this to already be under construction by the time we will be able to close the affordable housing component. There are no shared construction costs, other than the purchase of an easement for parking rights. The affordable housing component will pay its proportionate share of expenses related to the parking ramp.

4. Your Capital Budget proposes a very small contingency fund, well below industry standards. Why did you project so low and how will you handle unexpected costs?

- The contingency is 5% of hard costs, which is industry standard. Part of the hard costs include the purchase of an easement for parking and is not part of the contingency calculation as there is no cost risk associated with this.

5. Have you applied for or had any discussions related to the availability of TIF funds for the project? If yes, please detail.

- We had an initial meeting with Joe Gromacki and Matt Mikolajewski regarding TIF. At their direction, we are in the process of finalizing and submitting our TIF application. Due to the inclusion of affordable housing and structured parking our project meets the qualifications for TIF assistance.

6. How much is your projected first mortgage?

- The first mortgage is anticipated to be \$3,400,000.

7. Your application projects a cash flow of \$40,000 - \$50,000/year for the first 3-4 years and greater after that. Could some of that cash flow be used to reduce the AHF request or to defer a portion of your development fee?

- Our experience with tax credit projects has been that, over time, revenue stays relatively flat while expenses continue to grow. We do not feel that it is prudent to underwrite this project with much less than an all-inclusive debt coverage ratio of 1.15 to 1. Regarding development fee, we are already projecting a large deferred fee. Tax credit investors do not like to see deferred fees of more than 30%.

8. What is the source and how stable is the funding for Road Home's case management services to be provided?

-The Road Home is a fifteen year old Madison based non-profit. Their revenue sources, per their 2014 published financial statement, were 52% contributions, 19% government grants, 19% United Way contributions, 9% non-government grants and 1% misc. revenue. Stone House intends to make an initial contribution from our development fee and to provide an on-site office at no charge. The Road Home executive director, Kristin Rucinski, believes that the organization can be the primary funder supporting the on- going case manager.

9. Please detail the level of services to be provided by the Road Home and detail how tenants will be selected for the supported units and connected to the Road Home for services.

- Per an email from Kristin Rucinski : "our case management services are very holistic with the main goal of helping families maintain housing." She explained to us that each family has a different level of need but case managers meet at least weekly, sometimes more often, with each family. All of the case managers are master's level social workers or other related fields such as counseling, psychology, etc.)

The Road Home will do the resident referrals from their pool of families in need coordinating with the City of Madison intake system. Stone House will do the resident screening. Please see above for type of services provided. We would be pleased to have the executive director come to our presentation for a more in-depth discussion of types of services.

10. Your application states there was a neighborhood wide presentation scheduled for September 3. What were the results of this meeting?

-Our first neighborhood meeting was held on September 3, 2015. Present were our alder, Leddell Zellers, and Heather Stouder from the City of Madison Planning staff. The neighbors were very supportive and expressed no real concerns with our proposal. We have scheduled a "steering committee" first meeting for October 1st to review the architectural details of the development with a group of neighborhood volunteers.

11. You scored item # 14 (Development Team) on the WHEDA self-score as only 30 out of 46 points. What can be done to increase this score to increase the competitiveness of your WHEDA application?

- I sent you an earlier email concerning this issue. Our copy of the self-scoring exhibit shows us with 46 points for item 14, which is what we scored on our last two tax credit aps and is about as high as a developer can hope to be. We also feel strongly that our overall score of 330 will allow the project to receive an allocation. It is our understanding that the 2015 cut off was 324 and no scoring changes have been made for 2016.

ORGANIZATION:

Stone House Development, Inc.

1. CAPITAL BUDGET

Enter the proposed project capital budget. Identify the fund source and terms and whether the funds have been already committed or are proposed. Place a C next to source if funds have already been committed and a P next to source if the fund source is proposed. Ex.: Acquisition: \$300,000 HOME (P), \$100,000 from CDBG (P), \$200,000 from Anchor Bank @5% interest/15 years (C).

	TOTAL	Amount	Source/Terms	Amount	Source/Terms	Amount	Source/Terms	Amount	Source/Terms	Amount	Source/Terms
<b>Acquisition Costs:</b>											
Acquisition	750,000	750,000	City of Madison AHI funds	0		0		0		0	
Title Insurance and Recording	15,000	15,000	Perm Loan, EQUITY	0		0		0		0	
Appraisal	5,000	5,000	Perm Loan, EQUITY	0		0		0		0	
Predvlpmt/feasibility/market study	7,000	7,000	Perm Loan, EQUITY	0		0		0		0	
Survey	10,000	10,000	Perm Loan, EQUITY	0		0		0		0	
Marketing	20,000	20,000	Perm Loan, EQUITY	0		0		0		0	
Relocation	0	0		0		0		0		0	
Other (List)											
R.E. Taxes and Const. Insurance	45,000	45,000	Perm Loan, TIF, CITY AHI, EQUITY	0		0		0		0	
<b>Construction:</b>											
Construction Costs	7,775,000	350,000	City of Madison AHI funds	750,000	City TIF	6,325,000	Perm Loan / Equity	350,000	AHP Funds	0	
Soils/Site Preparation	100,000	100,000	Perm Loan, EQUITY	0		0		0		0	
Construction Mgmt	0	0	Perm Loan, EQUITY	0		0		0		0	
Landscaping, Play Lots, Signage	0	0	Perm Loan, EQUITY	0		0		0		0	
Construction Interest	250,000	250,000	Perm Loan, EQUITY	0		0		0		0	
Permits; Print Plans/Specs	20,000	20,000	Perm Loan, EQUITY	0		0		0		0	
Other (List)											
Park Fees	150,000	150,000	Perm Loan, EQUITY	0		0		0		0	
<b>Fees:</b>											
Architect	200,000	200,000	Perm Loan, EQUITY	0		0		0		0	
Engineering	25,000	25,000	Perm Loan, EQUITY	0		0		0		0	
Accounting	13,000	13,000	Perm Loan, EQUITY	0		0		0		0	
Legal	70,000	70,000	Perm Loan, EQUITY	0		0		0		0	
Development Fee	1,130,000	880,000	Perm Loan, EQUITY	250,000	Deferred Development Fee	0		0		0	
Leasing Fee	0	0	Perm Loan, EQUITY	0		0		0		0	
Other (List)											
WHEDA Tax Credit Fees	65,000	65,000	Perm Loan, EQUITY	0		0		0		0	
<b>Project Contingency:</b>	350,000	350,000	Perm Loan, EQUITY	0		0		0		0	
<b>Furnishings:</b>	0	0	Perm Loan, EQUITY	0		0		0		0	
<b>Reserves Funded from Capital:</b>											
Operating Reserve	150,000	150,000	Perm Loan, EQUITY	0		0		0		0	
Replacement Reserve	0	0	Perm Loan, EQUITY	0		0		0		0	
Maintenance Reserve	0	0	Perm Loan, EQUITY	0		0		0		0	
Vacancy Reserve	0	0	Perm Loan, EQUITY	0		0		0		0	
Lease Up Reserve	50,000	50,000	Perm Loan, EQUITY	0		0		0		0	
<b>Other: (List)</b>											
Financing Fees	75,000	75,000	Perm Loan, EQUITY	0		0		0		0	
<b>TOTAL COSTS:</b>	<b>11,275,000</b>	<b>3,600,000</b>		<b>1,000,000</b>		<b>6,325,000</b>		<b>350,000</b>		<b>0</b>	

ORGANIZATION: Stone House Development, Inc.

2. TOTAL PROJECT PROFORMA

Enter total Revenue and Expense information for the proposed project for a 30 year period.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16
Gross Income	624,420	636,908	649,647	662,639	675,892	689,410	703,198	717,262	731,608	746,240	761,164	776,388	791,916	807,754	823,909	840,387
Less Vacancy/Bad Debt	31,221	31,845	32,482	33,132	33,795	34,471	35,160	35,863	36,580	37,312	38,058	38,819	39,596	40,388	41,195	42,019
<b>Income from Non-Residential Use*</b>	50,000	51,000	52,020	53,060	54,122	55,204	56,308	57,434	58,583	59,755	60,950	62,169	63,412	64,680	65,974	67,293
<b>Total Revenue</b>	643,199	656,063	669,184	682,568	696,219	710,144	724,347	738,833	753,610	768,682	784,056	799,737	815,732	832,046	848,687	865,661
<b>Expenses:</b>																
Office Expenses and Phone	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067	5,219	5,376	5,537	5,703	5,874	6,050	6,232
Real Estate Taxes	80,000	82,400	84,872	87,418	90,041	92,742	95,524	98,390	101,342	104,382	107,513	110,739	114,061	117,483	121,007	124,637
Advertising, Accounting, Legal Fees	12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657	16,127	16,611	17,109	17,622	18,151	18,696
Payroll, Payroll Taxes and Benefits	50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494	63,339	65,239	67,196	69,212	71,288	73,427	75,629	77,898
Property Insurance	22,000	22,660	23,340	24,040	24,761	25,504	26,269	27,057	27,869	28,705	29,566	30,453	31,367	32,308	33,277	34,275
Mtc, Repairs and Mtc Contracts	45,000	46,350	47,741	49,173	50,648	52,167	53,732	55,344	57,005	58,715	60,476	62,291	64,159	66,084	68,067	70,109
Utilities (gas/electric/fuel/water/sewer)	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286	80,635	83,054	85,546	88,112	90,755	93,478
Property Mgmt	31,000	31,930	32,888	33,875	34,891	35,937	37,016	38,126	39,270	40,448	41,661	42,911	44,199	45,525	46,890	48,297
Operating Reserve Pmt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve Pmt	19,500	20,085	20,688	21,308	21,947	22,606	23,284	23,983	24,702	25,443	26,206	26,993	27,802	28,636	29,495	30,380
Support Services	8,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438	10,751	11,074	11,406	11,748	12,101	12,464
Other (List)																
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Operating Expenses</b>	331,500	341,445	351,688	362,239	373,106	384,299	395,828	407,703	419,934	432,532	445,508	458,874	472,640	486,819	501,423	516,466
<b>Net Operating Income</b>	311,699	314,618	317,496	320,329	323,113	325,844	328,518	331,130	333,676	336,150	338,548	340,864	343,092	345,228	347,264	349,195
<b>Debt Service:</b>																
First Mortgage	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000
Second Mortgage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (List)																
City of Madison AHI	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Debt Service</b>	268,932	268,932	268,932	268,932	268,932	268,932	268,932	268,932	268,932	268,932	268,932	268,932	268,932	268,932	268,932	268,932
<b>Total Annual Cash Expenses</b>	600,432	610,377	620,620	631,171	642,038	653,231	664,760	676,635	688,866	701,464	714,440	727,805	741,572	755,751	770,355	785,398
<b>Total Net Operating Income</b>	42,767	45,686	48,564	51,397	54,181	56,912	59,586	62,198	64,744	67,218	69,616	71,932	74,160	76,296	78,332	80,263
<b>Debt Service Reserve</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Deferred Developer Fee</b>	42,767	45,686	48,564	51,397	54,181	56,912	59,586	62,198	64,744	67,218	69,616	71,932	74,160	76,296	78,332	80,263
<b>Cash Flow</b>	0	0	0	0	0	49,507	59,586	62,198	64,744	67,218	69,616	71,932	74,160	76,296	78,332	80,263

\*Including commercial tenants, laundry facilities, vending machines, parking spaces, storage spaces or application fees.

<b>DCR Hard Debt</b>	1.29	1.30	1.31	1.32	1.34	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.42	1.43	1.43	1.44
<b>DCR Total Debt</b>	1.16	1.17	1.18	1.19	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.28	1.28	1.29	1.30

**Assumptions**

Vacancy Rate	5.0%
Annual Increase Income	2.0%
Annual Increase Expenses	3.0%
Other	

ORGANIZATION:

Stone House Development, Inc.

2. TOTAL PROJECT PROFORMA (cont.)

Enter total Revenue and Expense information for the proposed project for a 30 year period.

	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Gross Income	857,195	874,339	891,826	909,662	927,855	946,412	965,341	984,647	1,004,340	1,024,427	1,044,916	1,065,814	1,087,130	1,108,873
Less Vacancy/Bad Debt	42,860	43,717	44,591	45,483	46,393	47,321	48,267	49,232	50,217	51,221	52,246	53,291	54,357	55,444
<b>Income from Non-Residential Use*</b>	<b>68,639</b>	<b>70,012</b>	<b>71,412</b>	<b>72,841</b>	<b>74,297</b>	<b>75,783</b>	<b>77,299</b>	<b>78,845</b>	<b>80,422</b>	<b>82,030</b>	<b>83,671</b>	<b>85,344</b>	<b>87,051</b>	<b>88,792</b>
<b>Total Revenue</b>	<b>882,974</b>	<b>900,634</b>	<b>918,647</b>	<b>937,019</b>	<b>955,760</b>	<b>974,875</b>	<b>994,373</b>	<b>1,014,260</b>	<b>1,034,545</b>	<b>1,055,236</b>	<b>1,076,341</b>	<b>1,097,868</b>	<b>1,119,825</b>	<b>1,142,222</b>
<b>Expenses:</b>														
Office Expenses and Phone	6,419	6,611	6,810	7,014	7,224	7,441	7,664	7,894	8,131	8,375	8,626	8,885	9,152	9,426
Real Estate Taxes	128,377	132,228	136,195	140,280	144,489	148,824	153,288	157,887	162,624	167,502	172,527	177,703	183,034	188,525
Advertising, Accounting, Legal Fees	19,256	19,834	20,429	21,042	21,673	22,324	22,993	23,683	24,394	25,125	25,879	26,655	27,455	28,279
Payroll, Payroll Taxes and Benefits	80,235	82,642	85,122	87,675	90,306	93,015	95,805	98,679	101,640	104,689	107,830	111,064	114,396	117,828
Property Insurance	35,304	36,363	37,454	38,577	39,734	40,926	42,154	43,419	44,721	46,063	47,445	48,868	50,334	51,844
Mtc, Repairs and Mtc Contracts	72,212	74,378	76,609	78,908	81,275	83,713	86,225	88,811	91,476	94,220	97,047	99,958	102,957	106,045
Utilities (gas/electric/fuel/water/sewer)	96,282	99,171	102,146	105,210	108,367	111,618	114,966	118,415	121,968	125,627	129,395	133,277	137,276	141,394
Property Mgmt	49,746	51,238	52,775	54,359	55,989	57,669	59,399	61,181	63,017	64,907	66,854	68,860	70,926	73,054
Operating Reserve Pmt	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve Pmt	31,292	32,231	33,197	34,193	35,219	36,276	37,364	38,485	39,639	40,829	42,054	43,315	44,615	45,953
Support Services	12,838	13,223	13,619	14,028	14,449	14,882	15,329	15,789	16,262	16,750	17,253	17,770	18,303	18,853
Other (List)														
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>531,960</b>	<b>547,919</b>	<b>564,357</b>	<b>581,287</b>	<b>598,726</b>	<b>616,688</b>	<b>635,188</b>	<b>654,244</b>	<b>673,871</b>	<b>694,087</b>	<b>714,910</b>	<b>736,357</b>	<b>758,448</b>	<b>781,201</b>
<b>Net Operating Income</b>	<b>351,014</b>	<b>352,715</b>	<b>354,290</b>	<b>355,732</b>	<b>357,034</b>	<b>358,187</b>	<b>359,184</b>	<b>360,016</b>	<b>360,674</b>	<b>361,149</b>	<b>361,431</b>	<b>361,510</b>	<b>361,377</b>	<b>361,020</b>
<b>Debt Service:</b>														
First Mortgage	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000	242,000
Second Mortgage	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (List)														
City of Madison AHI	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932	26,932
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Debt Service</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>	<b>268,932</b>
<b>Total Annual Cash Expenses</b>	<b>800,892</b>	<b>816,851</b>	<b>833,289</b>	<b>850,219</b>	<b>867,658</b>	<b>885,620</b>	<b>904,120</b>	<b>923,176</b>	<b>942,803</b>	<b>963,019</b>	<b>983,842</b>	<b>1,005,289</b>	<b>1,027,380</b>	<b>1,050,133</b>
<b>Total Net Operating Income</b>	<b>82,082</b>	<b>83,783</b>	<b>85,358</b>	<b>86,800</b>	<b>88,102</b>	<b>89,255</b>	<b>90,252</b>	<b>91,084</b>	<b>91,742</b>	<b>92,217</b>	<b>92,499</b>	<b>92,578</b>	<b>92,445</b>	<b>92,088</b>
<b>Debt Service Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Deferred Developer Fee</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash Flow</b>	<b>82,082</b>	<b>83,783</b>	<b>85,358</b>	<b>86,800</b>	<b>88,102</b>	<b>89,255</b>	<b>90,252</b>	<b>91,084</b>	<b>91,742</b>	<b>92,217</b>	<b>92,499</b>	<b>92,578</b>	<b>92,445</b>	<b>92,088</b>

\*Including laundry facilities, vending machines, parking spaces, storage spaces or application fees.

<b>DCR Hard Debt</b>	1.45	1.46	1.46	1.47	1.48	1.48	1.48	1.49	1.49	1.49	1.49	1.49	1.49	1.49
<b>DCR Total Debt</b>	1.31	1.31	1.32	1.32	1.33	1.33	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34

**Assumptions**

Vacancy Rate	5.0%
Annual Increase Income	2.0%
Annual Increase Expenses	3.0%
Other	