

March 8, 2010

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

Notes:

Project Type: Income-restricted senior housing

Unit Mix:

Affordable Units	55	
Market	7	
Total Units	62	

Parking Stalls:

Underground 50 stalls

Estimated Value:

	\$4,129,000	
LESS: Base Value	(\$950,000)	
Incremental Value	\$3,179,000	

Meets min. value for TID creation

TIF Available @ 50% \$300,000

Cost:

Land	(\$950,000)	\$28/SF, \$15,000 per unit
Hard Cost	(\$5,673,000)	\$92/SF
Soft Cost	(\$2,296,000)	40% of hard cost typical of Sec. 42
Total Cost	(\$8,919,000)	
Less: Adjustment for Ineligible TIF Costs	337,889	Operating costs, fees, ineligible
Adjusted Cost	(\$8,581,111)	

Sources of Capital:

Equity – Sec. 42 Tax Credits	\$5,346,208	Reflects est. \$.68 per \$1.00 of credit
Construction Loan	\$2,877,175	Based on debt coverage ratio of 1.2
Total Loan Sources	\$8,223,383	
Less: Cost (Uses)	(8,581,111)	
Gap	(\$357,728)	60% of TIF

Analysis:

Property re-zoned from C-2 to PUD/GDP/SIP. Current land cost (\$950,000 or \$28/SF) reflects the new allowable density (62 units) at the approved PUD zoning, confirmed by City appraisal. In 2008, Seller purchased site as vacant commercial site for approximately \$8/SF—reflecting lower land prices (\$12-18/SF) for leased, commercial-zoned property in the area. Developer re-zoned to PUD in 2010. 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 costs and fees of approximately \$338,000 are not TIF eligible and must be omitted from consideration for TIF assistance.

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 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 \$2.9 million of an \$8.9 million project. TIF assistance to this project is contingent upon the award of Sec. 42 tax credits in late March.

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 \$300,000 of TIF according to TIF Policy's 50% Rule. Developer must reduce project costs in other areas to address ineligible costs noted above.

TIF Recommendation: **\$300,000 50% of TIF**