



Redevelopment Q3-2019 Financial Report and 2020 Budget Notes

Burr Oaks

- Third Quarter revenues are trending higher in 2019 versus 2018. The property has been nearly 100% occupied throughout 2019. Expenses are all projected to be at or near budget at year end.
- The 3rd quarter expense per unit is \$4,846.
- The tax credit investor for this property, Wells Fargo, conducted an onsite inspection and file review in August and there were no findings.
- The 2020 Budget reflects a slight increase to operating income and maintenance and administrative expense. Water and Sewer utility expense is expected to increase as well. Planned capital improvements include flooring replacement in the community room and common area carpet replacement. The 2020 Budget has been submitted to the Tax Credit investor, Wells Fargo, per the operating agreement.

Monona Shores

- A new property management company was contracted and started at the beginning of the 3rd quarter. To date, CDA asset managers have primarily been hearing positive feedback about the new company.
- Occupancy has increased in the 3rd quarter. Revenues are projected to be higher than budget at year end and increased occupancy means the CDA is furthering its mission to provide affordable housing to as many people as possible.
- Expenses have fluctuated due to a change in management companies, however, the property is projected to be more profitable than budgeted in 2019. NOI is currently projected at \$656,648.
- The 3rd quarter expense per unit is \$5,190.
- The 2020 Budget reflects an increase in rental income based on increased occupancy efforts in 2019. Property management is forecasting slightly higher expenses for maintenance, with administrative expenses projected to be lower (compared to the 2019 budget.) The 2020 Net Operating Income is projected at \$703,869. HVAC, water heater, and water softener replacements are anticipated, as this equipment is mature.

Reservoir (CDA 95-1)

- A new property management company was contracted and started at the beginning of the 3rd quarter.
- Revenues and expenses for this property are trending at budget, and the property is projected to meet budget by year-end.
- The 3rd quarter expense per unit is \$4,512.
- The 2020 Budget reflects a slight increase in rental income and maintenance expense. Administrative expense is expected to be lower, in comparison to the 2019 budget. Capital improvements include the replacement of two furnaces and one water heater, and repairs to building siding and brick.

Revival Ridge

- Several repairs were completed in the 3rd quarter including roof repairs on building B and bush and shrub trimming. A new refrigerator was purchased for the community room.
- Revenues and expenses are trending only slightly higher than budget. In particular, maintenance expenses are projected to be higher than budget in the following line items: trash removal, security, repairs, snow removal, and turnover/tenant damages. The year to date variance on maintenance expenses is \$16,864. These increased expenses are due to a higher number of apartment turns in the 3rd quarter summer months.
- The 3rd quarter expense per unit is \$7,539.

- The 2020 Budget reflects a slight increase in rental income and maintenance expense. There are no significant increases in administrative expense. The 2020 Budget has been submitted to the Tax Credit Investor, National Equity Fund (NEF), per the operating agreement.

Village on Park

- Some of the categories in the 2020 Village on Park budget shows unusually large changes from the 2019 budget. This is the result of shifting all financial activity to the property management budget from the City financial system. The objective of the change is to create more transparent operations and to capture financial activity in one financial system.
- The Village on Park has several 2019 capital projects that were delayed until 2020. This resulted in significantly higher cash flow than budgeted.
- At the beginning of November, property cash was approximately \$585,000. Significant expenses remain in 2019, notable the property taxes (\$70,000), reallocation to the CDA General Fund (\$10,000), and roofing project (\$5,375). The property is estimating a year-end cash balance of \$587,000.
- Based on the 2020 budget, expenses are anticipated to exceed revenues by \$417,657. This is primarily the result of large capital projects. The expenses will be paid using property cash balances.

Allied Fund

- Mosaic Ridge currently has two model homes under construction. There are no buyers who anticipate beginning construction.
- As of November 26, the Allied Fund has \$754,832 in cash. To fund a debt payment structural imbalance beginning in 2031, \$192,000 is reserved. The Board has also approved a \$176,000 transfer to the CDA General Fund.
- For the Lot 17 model home, \$105,291 remains encumbered to complete construction.

General Fund

- As of November 26, the General Fund had a cash balance of \$750,340. The largest remaining operating expenses in 2019 are salaries and audit costs. Additionally, there is a pass-through payment from Truax to the Affordable Housing Trust Fund that must be completed (approximately \$70,000).
- Significant new expenses in 2020 include the anticipated hire of a redevelopment specialist, reimbursement of time spent by City and Housing Authority employees on CDA redevelopment, retirement of lease revenue bonds, retirement of a legacy CDA 95-1 loan, and redevelopment of the Triangle.
- The Board has authorized transfers from the Allied Drive Fund (\$176,000), Monona Shores (\$150,000), and the Village on Park (\$10,000) to supplement the General Fund in 2020. The Board has also authorized the sale of 601 S. Baldwin to pay a debt associated with the property. A balanced budget in 2021 depends on revenue generated from successful redevelopment projects.

CDA Program Descriptions

Burr Oaks Senior Housing, LLC

Burr Oaks is a three-story building with 50 units completed in 2011. Of the units, 30 are Section 8 project-based vouchers and 11 are HOME assisted units and have income restrictions. Burr Oaks is operated under a limited liability corporation with an operating agreement between the CDA and Wells Fargo Affordable Housing Community Development Corporation. The property is managed by Horizon Management Services. The fifteen-year tax credit compliance period ends in 2027. The extended-use period ends in 2042.

Monona Shores Apartments

Monona Shores Apartments include 104 units in eight buildings completed in 1999. Of the units, 71 are tax credit units. The property is owned by the CDA and managed by Founders 3. The fifteen-year tax credit compliance period ended in 2014. The extended-use period ends in 2029.

Allied Fund and Revival Ridge Apartments

The Allied Fund contains the combined activity of both Revival Ridge Apartments and Mosaic Ridge. Revival Ridge is a 49-unit apartment complex completed in 2009. There are 36 project-based vouchers assigned to the property. The property operates under a limited liability corporation with an operating agreement between the CDA and NEF Assignment Corporation. The fifteen-year tax credit compliance period ends in 2024. The extended use period ends in 2039.

Mosaic Ridge is an entrepreneurial endeavor to construct single family homes in the Allied Drive neighborhood. Homes are sold with down payment assistance packages that vary based on income. Homes are constructed by Bluestone Custom Housing.

Reservoir Apartments (CDA 95-1)

CDA 95-1 includes six buildings with 28 units and one historic commercial space for non-profit use. The property also includes a two-flat building that is intended to be sold or redeveloped. CDA 95-1 is owned by the CDA and managed by Founders 3. Historically, CDA 95-1 was owned by the Madison Mutual Housing Association and Cooperative. The CDA assumed ownership in 1995 when the previous owner dissolved.

Village on Park

The Village on Park is a 125,000 square foot retail and commercial center on South Park Street. It was purchased by the CDA in 2004 for \$9 million and has been substantially rehabilitated using general obligation borrowing from the City. The north building on the property is past its useful life. The property is managed by Founders 3.

General Fund

The CDA General Fund supports six purposes: 1) general administrative activity, 2) retention of property funds, 3) revenue bond repayments, 4) maintenance of undeveloped real estate, 5) limited-duration redevelopment activities, and 6) limited liability corporation managing partner activities. In short, it is the general purpose financial structure for CDA redevelopment activities.