



Common Wealth
DEVELOPMENT

1501 WILLIAMSON STREET | MADISON WI 53703
608.256.3527 | WWW.CWD.ORG

June 12, 2013

Julie Spears
Grants Administrator
City of Madison CDBG Office
215 Martin Luther King, Jr. Boulevard
Madison, Wisconsin 5370

Dear Julie:

Common Wealth Development has an accepted offer to purchase for two, four-unit buildings in Balsam/Russett neighborhood in Southwest Madison: 2005 and 2009 Leland. Closing is set for August 15th. These properties have numerous building code violations and are the source of concern for the Balsam/Russett Landlord Association and community leaders. This is a key purchase that will help stabilize the neighborhood.

For this purchase, Common Wealth Development plans to use \$167,493 in HOME funds carried over from 2012 and \$183,600 in HOME funds from our 2013 allocation to help fund 2 affordable units at 50% CMI and 6 units at 80% CMI. CWD will secure \$290,000 in first mortgage financing; use \$50,000 in Common Wealth Development's Neighborhood Equity Funds and raise \$14,282 in private donations/grants.

The post-rehab appraised value is \$265,000/building. The second mortgage loan to value ratio (LTV) for this project is 130%. Common Wealth Development is requesting a waiver to the 115% Loan to Value Ratio required in the 2013-14 Program Goals and Objectives.

The risk is greatly minimized by the following factors:

- For over 24 years, Common Wealth Development has a solid track record of purchasing older properties, conducting substantial rehab, marketing apartments to low and moderate income individuals and families and providing responsive and effective management. All of Common Wealth Development's housing developments have been self-sufficient after initial rent-up, with rental income funding all operating expenses, debt service, and replacement reserve.
- Common Wealth Development has made a commitment to expand our Affordable Housing Program to Madison's Southwest side. Based on conversation with key neighborhood leaders, we believe this purchase is an important step in creating a positive change in this area.

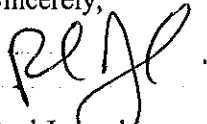
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- The 2nd mortgage loan amount includes funds for substantial rehab which increases the loan to value ratio. Commonwealth Development's goal is to own the property long-term, so the initial investment in rehab will create long-term benefits for the residents and the community. Given the housing market and the number of distressed sales in this challenged area, the post-rehab appraisals are low, resulting in a higher loan to value ratio. The difference between 115% LTV & 130% LTV is \$35,475 per building.

If you have any questions, please contact me at 256-3527 ext. 14. Thank you for considering our request.

Sincerely,



Paul Jasenski,
Housing Developer

Encl:

Financial Proforma
After Rehab Appraisals