

Rolfs, Daniel

From: Tom Landgraf [tom@dimdevllc.com]
Sent: Thursday, February 26, 2015 12:08 PM
To: Rolfs, Daniel
Cc: Scott Frank; Hayden Frank
Subject: follow up on loss of state historic tax credits
Attachments: Garver Version 9 percent 2-26-2015.pdf

Dan:

I wanted to follow up with you on my earlier email concerning additional ways we could consider offsetting total loss of the Wisconsin Historic Tax Credit. In addition to the scenario I laid out in my earlier email, we have two additional scenarios that have a good likelihood of offsetting the tax credit loss. In summary, those scenarios involve use, on a limited basis, of the New Markets Tax Credit Program, and replacement of a portion of the long term fixed rate financing with a "low floater" debt instrument.

To be conservative in my analysis, I combined portions of the two concepts into a revised sources schedule which is attached. This is in the same format as our original Sources of Funds statement, but now as you will see, it has a few more line items. I am comfortable that we can move this scenario into the first position. It consists of concepts that have been used in today's real estate market, and does not place total reliance on any one single concept as the tax credit offset. Thus, we can take the use of the property tax increment off the table, based on what we know and can reasonably assume today.

Per my earlier email, we wanted to find alternatives to use of a portion of the tax increment to offset the State historic Tax Credit. At the same time, we did not want to simply "push" rents to make up the difference, or modify the original redevelopment concept. Increasing rents does nothing for the affordability concept that we feel strongly about. We also did not downsize the community space allocations, nor did we want to proforma mandatory use fees for the space. We have also retained the day care concept in our revised funding sources.

Let me know if you have any questions, or need backup schedules for any of the assumptions.

Thanks

Tom

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**Alternative Continuum of Care, LLC
Garver Feed Mill Master Development
FORECASTED FINANCING ASSUMPTIONS
YEARS ENDED DECEMBER 31, 2017 THROUGH DECEMBER 31, 2046**

INVESTOR EQUITY

	HISTORIC CREDITS			ENERGY CREDITS	TOTAL EQUITY
	FEDERAL CREDITS	STATE CREDITS	LIHT CREDITS		
CREDIT AMOUNT	\$3,493,282	\$3,493,282	\$8,500,000	\$585,000	
OWNERSHIP PERCENTAGE	99.99%	99.99%	99.99%	99.99%	
PRICING	\$0.880	\$0.000	\$0.870	0.75	
EQUITY CONTRIBUTIONS	<u>\$3,073,781</u>	<u>\$0</u>	<u>\$7,394,261</u>	<u>\$438,706</u>	<u>\$10,906,748</u>

USE OF EQUITY FUNDS

	CNSTRCTN / DVLPMT	CNSTRCTN PAYABLES	RESERVES	DEVELOPER FEE	TOTAL
EQUITY PAY-IN ASSUMPTIONS:					
September 15, 2015					\$1,636,012
March 15, 2016	\$1,636,012				\$5,715,136
September 1, 2016		1,308,810			\$1,308,810
December 1, 2016		1,156,115			\$1,156,115
July 1, 2017			\$450,000	1,275,810	\$1,725,810
					<u>\$10,906,748</u>
					<u>\$11,541,883</u>

MANAGERS' EQUITY

MANAGING MEMBER CASH CONTRIBUTION	\$100
LAND CONTRIBUTOR	0
	<u>\$100</u>

PERMANENT DEBT FINANCING TERMS

	TOTAL TERM (IN MONTHS)	AMORT. PERIOD (IN MONTHS)	INTERST RATE	TOTAL DEBT	MONTHLY DEBT SERVICE	
FIRST MORTGAGE	480	480	4.200%	\$15,000,000	\$64,569	\$774,833
SECOND MORTGAGE	360	360	3.000%	\$2,350,000	\$9,908	\$118,892
THIRD MORTGAGE	0	0	0.000%	\$0	\$0	\$0
CASH FLOW NOTE	0	0	0.000%	\$0	\$0	\$0
BRIDGE LOAN	0	0	0.000%	\$0	\$0	\$0
				<u>\$17,350,000</u>		

TOTAL PERMANENT FINANCING

FEDERAL HISTORIC TAX CREDIT	\$3,073,781
WISCONSIN HISTORIC TAX CREDIT	\$0
CITY OF MADISON	\$1,825,000
ENERGY CREDITS	\$438,706
LIHTC CREDITS	\$7,394,261
WEDC Vacant Industrial Site Grant	\$500,000
FEDERAL HOME LOAN BANK OF CHICAGO	\$360,000
DEVELOPER EQUITY	\$5,000,000
BOND FINANCING	\$15,000,000
AFFORDABLE HOUSING LOAN AND GRANT FUNDS	\$350,000
CIP LOAN - FHLBC - Low Floaters	\$2,350,000
NEW MARKETS TAX CREDITS	\$2,150,000
DEFERRED DEVELOPMENT FEE - EQUITY	368,190
	<u>\$38,809,938</u>

TOTAL CONSTRUCTION PERIOD FINANCING:

INVESTOR EQUITY	\$7,351,148
MANAGER EQUITY	\$0
FIRST MORTGAGE	\$0
SECOND MORTGAGE	\$0
THIRD MORTGAGE	\$0
SELLER NOTE	\$0
BRIDGE LOAN	\$0
DEFERRED DEVELOPMENT FEE	0
	<u>\$7,351,148</u>

Construction Interest

Loan Payoff

NUMBER OF YEARS FORECASTED IN ORDER TO PAY OFF _____

Funds remain in the transaction for 15 years
A portion of the Actual Developer Fee
AHP Loan advance from the FHLBC
A portion of the Actual Developer Fee