PLANNING UNIT REPORT
DEPARTMENT OF PLANNING AND DEVELOPMENT
of September 12, 2006

RE: ID# 04003: Zoning Map Amendment I.Ds. 3200 & 3201, rezoning 9201 Midtown Road from R5 to PUD-GDP-SIP.

1. Requested Actions: Approval of a request to rezone 6.4 acres located at 9201 Midtown Road from R5 (General Residence District) to Planned Unit Development, General Development Plan/ Specific Implementation Plan (PUD-GDP-SIP) to allow construction of 156 apartment units and a clubhouse in four buildings and five four-unit townhouse buildings.

2. Applicable Regulations: Section 28.12 (9) provides the process for zoning map amendments; Section 28.07 (6) of the Zoning Ordinance provides the requirements and framework for Planned Unit Developments.

3. Report Drafted By: Timothy M. Parks, Planner

GENERAL INFORMATION

1. Applicant & Property owner: Tim McKenzie; 7704 Terrace Avenue; Middleton.

   Agent: J. Randy Bruce, Knothe & Bruce Architects, LLC; 7601 University Avenue, Suite 201; Middleton.

2. Development Schedule: The applicant wishes to be gin construction as soon as all regulatory approvals have been granted, with completion scheduled for 2009.

3. Parcel Location: Approximately 6.4 acres located on the south side of Midtown Road opposite Hawks Landing Circle, in Aldermanic District 1; Verona Area School District.

4. Existing Conditions: Undeveloped land, zoned R5 (General Residence District).

5. Proposed Land Use: 156 apartment units and a clubhouse in four buildings and five four-unit townhouse buildings, zoned PUD-GDP-SIP.

6. Surrounding Land Use and Zoning:

   North: Single-family residences and multi-unit condominiums in the Hawks Landing Golf Club subdivision, zoned R1 (Single-Family Residence District) and PUD-SIP;

   South: Single-family lots in the Hawks Ridge Estates subdivision, zoned R1; University Ridge Golf Course, zoned A (Agriculture);

   West: Single-family residence on large tract, zoned Temp. A; future Hawks Meadow single-family subdivision, zoned R1 and R2T (Single-Family Residence District);

East: Undeveloped agricultural lands, zoned Temp. A and University Ridge Golf Course.

7. Adopted Land Use Plan: The Midtown Neighborhood Development Plan recommends the site for "medium-density residential" uses.

8. Environmental Corridor Status: The subject site is not located in a mapped environmental corridor.

9. Public Utilities & Services: The property will be served by a full range of urban services.

STANDARDS FOR REVIEW

This application is subject to the standards for zoning map amendments, and the standards for planned unit development districts.

PREVIOUS APPROVALS

On October 18, 2005, the Common Council approved a request to rezone 24.5 acres generally located at 9201 Midtown Road from Temp. A to R1 and R5 with approval of a demolition permit to allow demolition of a farmhouse, and the preliminary plat of "Hawks Ridge Estates," creating 33 single-family lots, two lots for future multi-family development and one outlot for public stormwater detention. The Common Council approved the final plat of "Hawks Ridge Estates" on March 21, 2006.

ANALYSIS AND EVALUATION

The applicant is requesting approval of a zoning map amendment to rezone a 6.4-acre parcel from R5 (General Residence District) to PUD-GDP-SIP to allow development of 156 apartment units and a clubhouse with pool in four buildings to be located on the northern 4.74 acres of the site and five four-unit townhouse buildings to be located on the southern 1.66 acres. The property was zoned R5 and platted as Lot 2 of Hawks Ridge Estates subdivision at the time the subdivision was approved in 2005 and is currently undeveloped. The subject site is located on the south side of Midtown Road opposite Hawks Landing Circle. The Hawks Ridge Estates subdivision also includes 33 single-family lots as well as a second multi-family lot east across future Hawks Ridge Drive. Approval of development on the second multi-family lot will be subject to separate future review and approval by the Plan Commission.

Background

The subject site was annexed as part of the annexation of 60.5 acres from the Town of Verona in 2004. At the time of the annexation, an amendment to the Midtown Neighborhood Development Plan was prepared to provide guidance for the development of all lands located south of Midtown Road and east of Woods Road that were not part of the nearby University Ridge Golf Course. The majority of the lands included in the plan amendment area were recommended for "low-density residential" land uses up to eight units per acre as reflected in the single-family lots platted south of the site in the Hawks Ridge Estates subdivision, as well as the 33 single-family lots platted further west adjacent to Woods Road in the Hawks Meadow subdivision. "Medium-density residential" land uses averaging 15 units per acre and above were recommended for 11 acres of land located on both sides of the southerly extension of Hawks Landing Circle across Midtown Road opposite similarly dense development in Hawks Landing, with most of this particular use located on this site. Stormwater detention areas to serve development of the annexed lands were proposed in the southeastern corner of the planning area adjacent to the golf course and in the northwestern corner of the planning area at the southeast corner of Midtown Road and Woods Road. Access to the new development areas would primarily be provided by two east-west streets extending east from Woods Road, with the southerly extension of Hawks Landing Circle the only access to Midtown Road envisioned. A landscaped buffer was recommended along the southern frontage of Midtown Road.

At the time the subject site was platted and zoned, the Planning Unit generally consented to R5 zoning for the two multi-family lots in order to provide the developer with greater development flexibility in the design and placement of buildings but requested that densities of the multi-family lots not exceed the midpoint of R4 zoning. However, the Plan Commission determined that it would appropriate for the two lots be developed up to the maximum densities in R4 and required that a note be placed on the final plat that restricted the total density of multi-family development on Lots 1 and 2 to the maximum density permitted in R4 zoning. The maximum density in R4 is 21.78 units per acre based on a flat 2,000 square feet of lot area per unit (densities in R4 decrease as the number of bedrooms in a unit increase). R5 zoning can be considerably denser than R4, permitting between 27 and 62 units per acre depending on the number of bedrooms per unit. Bulk requirements in R5 zoning are slightly less restrictive than those in R4, with an additional building story permitted (three) and front and rear yards (20 and 30 feet, respectively) both five feet less than in R4 (two stories and 25 and 35-foot yards).

Staff felt development of the two multi-family parcels in this subdivision should reflect the existing multi-family development pattern present in the Hawks Landing subdivision to the north, which contains two multi-family components with a density of less than nine units per acre. Staff also felt that the density restriction would result in an intensity of development consistent with the recommendations in the Midtown NDP while mirroring the intensity of the other multi-family developments nearby.

Plan Review

The multi-family proposal for Lot 2 calls for the construction of 156 rental apartment units and 20 owner-occupied townhouse units to the built on the 6.4-acre subject site. The site is bounded by Midtown Road on the north, Hawks Ridge Drive on the east, Dregers Way on the south and by an undeveloped parcel zoned Temp. A to the west.

The 156-unit apartment project includes four buildings to be located on the northerly 4.74-acres of the site. The largest of the four buildings will be a three-story, 74-unit L-shaped building that will partially abut Midtown Road. The 74-unit building will be comprised of two wings of 39 and 32 units, with an additional three units to be located in a four-story central clubhouse feature. The clubhouse will include exercise facilities, leasing office, communal space on the lower three floors and a fourth-floor outdoor pool and sundeck. The 74-unit building forms the eastern and northern limits of a central courtyard amenity that three of the four proposed buildings will overlook. A three-story, 28-unit building will be located at the center of the overall 6.4-acre site and will form the southern edge of the courtyard, while a second three-story, 28-unit building will be located across a parking aisle from the courtyard adjacent to a stormwater detention area on the western edge of the site. The remaining 26 apartment units will be located in a building facing Hawks Ridge Drive on the eastern edge of the site, which will be setback a minimum of 20 feet from the street line. A 30-foot setback from Midtown Road is proposed from the north wall of the 39-unit wing of the 74-unit/clubhouse building. The 20 two-story condominium units will be located on the southern 1.66 acres of the site fronting Dregers Way, with a minimum 20-foot setback proposed from adjacent streets.

Parking for the apartments will be provided in 249 stalls for a ration of approximately 1.6 stalls per unit, while individual rear-loaded two-car garages are proposed for each townhouse unit. Of the 249 apartment stalls, 150 will be located in basement parking levels located below all four of the apartment buildings. The remaining 99 spaces serving the overall development will be provided as surface stalls located across the project. Access to the project will be provided by two driveways from Hawks Ridge Drive and one driveway from Dregers Way.

The four apartment buildings will be constructed using a variety of CMU, brick and horizontal siding and will include hip roofs accentuated with smaller gable roofs located above balconies. In general, all units in the apartment project will be provided either a porch or balcony as detailed on the attached floorplans. A combination of brick veneer and horizontal siding will comprise the exterior of the townhouses, which will also primarily feature hip roofs.

Inclusionary Zoning

The applicant has submitted an Inclusionary Dwelling Unit Plan (IDUP) indicating his intent to comply with the inclusionary zoning provisions of the Zoning Ordinance for the 20 owner-occupied townhouses. The IDUP indicates that three of the 20 units or 15% will be constructed to meet the affordability criteria, with all of those units to be provided to families earning 80 percent of the area median income (AMI). All of the units in the townhouse component will contain two bedrooms and a minimum of 1,400 square feet of floor area. A dispersion plan submitted with the application shows that one unit in three of the five townhouse buildings will be designated as an affordable unit, including one of the end units. Staff believes the dispersion of these units to be adequate.

The applicant is requesting reductions in park dedication and development fees as incentives or revenue offsets for the townhouse component. A report from the Community Development Block Grant Office regarding this project's compliance with the affordable housing program is attached, as is a report from the Parks Division about this project's eligibility for the requested fee reduction. Because no qualifying public park spaces will be provided within the subdivision that can be improved to take advantage of the park development fee reduction, this incentive cannot be granted.

The applicant has requested a waiver from providing inclusionary dwelling units in the 156-unit apartment project. The Community Development Block Grant Office is considering this waiver request and will furnish the Plan Commission with its findings at the Commission meeting.

Conformance with Adopted City Plans

The planned unit development proposes an overall density of 27.5 units per acre for the 176-unit project. Independently, the apartment project represents a net density of 32.9 units per acre on the 4.74 acres the 156 apartment units will be developed on, while a density of 12.1 units per acre is proposed for the 20-unit townhouse component. As noted above, the site is recommended in the Midtown Neighborhood Development Plan for medium-density residential uses. The plan does not include a specific density range for medium-density residential uses but includes a reference to condominiums being developed at a range of 10-12 units per acre, though this reference appears more germane to the Hawks Landing development north of Midtown Road. A density range specific to this portion of the neighborhood plan was not included with the plan amendment that coincided with the annexation of the site in 2004. In other neighborhood development plans a density range of 16-25 unit per acres has been applied for medium-density residential designations. If that range were applied in the Midtown neighborhood, it would appear the net density of the overall project exceeds the maximum density. The Comprehensive Plan recommends this site for low-density residential uses up to 15 units per acre, though the area across Hawks Ridge Drive is recommended for medium-density residential uses, with a density range of 16-40 units per acre.

In addition, staff consented to the R5 zoning designation for the multi-family lots in Hawks Ridge Estates to provide greater design flexibility for the project while restricting the density of the project to maximum R4 densities of 21.78 units per acre. As noted above, the density of this project exceeds the density ceiling that was approved for this lot. However, the applicant has requested that the R4 density restrictions individually required for Lots 1 and 2 instead be applied to the combined area of the two multi-family lots, or 8.63 total multi-family acres. Such an approach would allow the applicant to transfer some of the density permitted on the smaller Lot 1 to the larger Lot 2, versus restricting the individual development of both lots to the 21.78 units per acre.

The maximum number of units that could be developed on the 6.4-acre site would be 139 using 21.78 units per acre, while approximately 48 units could be developed on the 2.23-acre Lot 1 across Hawks Ridge Drive. If some of the density available to Lot 1 is transferred to subject Lot 2 at the 21.78 units per acre as proposed by the applicant, only 11 units may be developed on Lot 1 in order for the overall multi-family parcels to comply with the restrictions placed on those lots at the time of subdivision (139 + 48 = 187 units allowed – 176 proposed = 11). The applicant has indicated verbally his willingness to accept this lesser density on Lot 1 and has suggested that a small number of two-family residences would be developed on that lot. Should the Commission recommend approval of this project, the Planning Unit requests that a deed restriction limiting Lot 1 to the remaining units be recorded and a note be placed on the as of yet unrecorded plat to ensure that the density limitations placed on Lots 1 and 2 at the time of rezoning be implemented.

CONCLUSION

The applicant is proposing 176 multi-family residential units to be developed on the 6.4-acre Lot 2 of the Hawks Ridge Estates subdivision, which was restricted to 21.78 units per acre at the time of approval of the subdivision. The density of the project exceeds the densities allowed by this restriction as well as the Midtown Neighborhood Development Plan. However, the applicant is requesting to transfer most of the available density from a second multi-family lot just east of the subject site to this lot to allow higher density on this lot while maintaining the overall density of 21.78 units per acre approved for both lots. Although this approach is somewhat unusual, the Planning Unit believes that it generally respects the medium-density residential recommendation of the neighborhood development plan. The ability to shift some of the density from the smaller multi-family lot to the larger subject lot could have the indirect benefit of providing a broader spectrum of housing options in the Hawks Ridge Estates subdivision and larger neighborhood, which would include a variety of single-family lot sizes, four-unit townhouses, rental apartments and potentially two-family homes pending approval of the development scheme for Lot 1 on a future application.

The proposed apartment development appears to be well designed overall, with a central courtyard that provides significant greenspace for residents. The clubhouse amenity with rooftop pool (which causes the project to exceed the three-story height limitation in R5 zoning and causes the need for planned unit development zoning) also represents a significant amenity that should aid in the long-term viability of this project.

The Planning Unit generally feels that the design of the four-unit townhouses is also appropriate, though staff would recommend that the southern façades of the five buildings be varied slightly to provide a more varied street façade opposite the single-family homes to be built on the south side of Dregers Way. Staff believes this may be achieved using a variety of roof designs, building material colors and window and door locations.

Lastly, the Hawks Ridge Estates subdivision was approved with a requirement that a 30-foot wide landscaped buffer strip be provided along Midtown Road for both multi-family lots. The landscaping plan submitted with the specific implementation plan appears sufficient for the interior of the apartment development and for the perimeter of the townhouses. The plantings proposed along Midtown Road, however, should be significantly increased to provide a more substantial line screening. Staff recommends that the number of materials to be planted should be doubled, and that the line of materials be extended to more fully screen the surface parking lots closest to Midtown Road. Staff also recommends that the planting plan be enhanced to provide additional under-story canopy trees in the southern, front and street side yards of the townhouse project.

The Urban Design Commission reviewed this project on June 7, 2006 and recommended initial approval (see attached report).

RECOMMENDATIONS

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Should the Plan Commission find that the proposed transfer of density of Lot 1 to subject Lot 2, Hawks Ridge Estates be appropriate, the Planning Unit recommends that the Plan Commission forward Zoning Map Amendment I.D. 3200 and 3201, rezoning 9201 Midtown Road from R5 (General Residence District) to PUD-GDP-SIP to the Common Council with a recommendation of **approval**, subject to input at the public hearing and the following conditions:

1. Comments from reviewing agencies.

2. That the landscaping plan be revised per Planning Unit approval as follows:
   a.) the number of deciduous and coniferous trees to be planted in the 30-foot buffer strip along Midtown Road be approximately doubled, with the line of materials to extend to screen all surface parking areas adjacent to Midtown Road;
   b.) that additional under-story canopy trees be added to the townhouse component, including additional trees in the side yard adjacent to Hawks Ridge Drive and in the 20-foot front yard along Dregers Way.

3. That the site plans be revised per Planning Unit approval as follows:
   a.) that connection of sidewalks within the project be made to public sidewalks on adjoining streets;
   b.) that five additional bike parking stalls be added near the entrance of the clubhouse;
   c.) that the four parking spaces in the northwest corner of the project be removed.

4. That the front, southern facades of the five townhouse buildings be individually varied using any combination of varied roof designs, building material colors and window and door styles or locations per Planning Unit approval to provide a more diverse street wall along Dregers Way.

5. That the applicant execute a deed restriction and place a note on the final plat of Hawks Ridge Estates per Planning Unit approval prior to recording of the subject planned unit development that restricts the number of dwelling units to be developed on Lot 1 to the number of units remaining following the transfer of density to Lot 2.

AGENDA # 5

City of Madison, Wisconsin

REPORT OF: URBAN DESIGN COMMISSION	**PRESENTED:** August 23, 2006
TITLE: 9401 Mid-Town Road – PUD(GDP), Mixed-Use Condominium Development. 1st Ald. Dist. (03430)	**REFERRED:**
	REREFERRED:
	REPORTED BACK:
AUTHOR: William A. Fruhling, Acting Secretary	**ADOPTED:** **POF:**
DATED: August 23, 2006	**ID NUMBER:**

Members present were: Paul Wagner, Chair; Ald. Noel Radomski, Lou Host-Jablonski, Todd Barnett, Bruce Woods, Lisa Geer, Robert March and Michael Barrett.

SUMMARY:

At its meeting of August 23, 2006, the Urban Design Commission **GRANTED FINAL APPROVAL** of a PUD(GDP) for a mixed-use condominium development located at 9401 Mid-Town Road. Appearing on behalf of the project were Casey Louther and Willy Keuhler. Louther stated that they were able to rotate the southwest building at the corner, which reduced the amount of paving, created some usable open space, and addressed the concerns of the Fire Department and Traffic Engineering. They were also able to make some slight pavement reductions in other portions of the site. Louther distributed some revised building plans for the multi-family buildings to give a sense for the style and materials. He stated that he would like to have some general criteria for the single-family units and let staff determine if each project meets them. Wagner asked that close attention be paid to the horizontal banding as the design develops. It was clarified that there is on-street parking on both sides of the street.

ACTION:

On a motion by March, seconded by Geer, the Urban Design Commission **GRANTED FINAL APPROVAL.** The motion was passed on a unanimous vote of (8-0).

After the Commission acts on an application, individual Commissioners rate the overall design on a scale of 1 to 10, including any changes required by the Commission. The ratings are for information only. They are not used to decide whether the project should be approved. The scale is 1 = complete failure; 2 = critically bad; 3 = very poor; 4 = poor; 5 = fair; 6 = good; 7 = very good; 8 = excellent; 9 = superior; and 10 = outstanding. The overall ratings for this project are 5.75, 6, 7, 7, 7, 7.5 and 8.

TO: Members of the Plan Commission
FROM: Hickory R. Hurie
SUBJECT: Analysis of IZ Waiver Request for Hawks Ridge Apartments
DATE: September 14, 2006

CDBG
Community Development Block Grant Program

SUMMARY:

T.M.MacKenzie Inc. proposes a 156-unit apartment development and a 20-unit condo development on lot 2 at 9201 Mid Town Road, and a 20-unit The rental portion is a 4.74-acre site that is currently vacant land. ~~The developer has not requested a waiver from the inclusionary dwelling unit ordinance for~~ the condo portion, and has agreed to offer 3 iz units within the condo portion according to the earlier ordinance.

T. M. MacKenzie seeks a full waiver of the inclusionary zoning requirements for the apartment portion of the project due to the tight site constraints, projected costs of the building, the current approved zoning, the lack of off-setting City incentives, and the lack of financial feasibility due to the limited density of the project..

Staff recommend Plan Commission consideration of a waiver of all 24 of the onsite inclusionary units, and no payment in lieu of onsite or off site units, based on the extraordinary costs and the current zoning limitations.

This analysis for an inclusionary zoning waiver is based upon data furnished by the developer and by the Planning Unit during April and July 2006.

METHOD OF ANALYSIS:

The Council adopted a waiver provision as part of the inclusionary dwelling unit ordinance that requires an analysis of project financial feasibility. The method consists of running three or more scenarios, using data provided by the developer. The first run is based upon a scenario whereby the project, using <u>current zoning</u> levels, is set at market rate rentals. If this version is financially feasible according to the standards adopted by the Common Council, the project is then run with the <u>full 15% inclusionary dwelling units</u> included in the project. If this full IZ scenario does not meet the Council standards for financial feasibility, staff are to recommend a <u>third 'waiver' scenario</u> with attributes (a combination of a partial percentage of IZ units, with units off-site, or payment in lieu of units on-site or reduction of expected number of units) that will provide a sufficient return for financial feasibility.

MARKET RATE SCENARIO:

The IZ ordinance suggests that the market rate scenario should be run within the density of the current zoning classification for the parcel. According to Planning Unit staff, the current zoning for this site permits up to 156 dwelling units on the site. Running the full-market rate scenario at the current zoning density yields a project with an internal rate of return of 8.1%. The City approved an initial zoning of R-5 but limited the zoning on the apartment parcels to R-4 density. The current request does not seek additional density.

This 'market' run yields an internal rate of return that permits the project to qualify for a waiver under the feasibility standards adopted by the Common Council.

IZ SCENARIO:

Using the above conclusions, we ran several scenarios with the same cost assumptions but with the density requested by the developer, <u>and</u> the inclusion of the affordable units.

This second scenario, with no additional market rate units and the 24 inclusionary units (15% of 156 units 'rounded up') yields an internal rate of return of <u>7.6%</u>. Hence it does not meet the feasibility standards adopted by the Council, nor does it meet 95% of the target internal rate of return margin suggested by the current zoning scenario.

MODIFIED IZ SCENARIOS WITH FEWER IZ UNITS OR PAYMENT IN LIEU:

Staff discussed other options of providing the inclusionary units with the developer and concluded that the provision of new off-site units was not likely, given ownership control in the area.

Using the above conclusions, we ran several additional scenarios with the same cost assumptions but different combinations of on-site inclusionary units and waiver payments. The waiver payments were calculated on a formula defined in the ordinance (10% of the average projected value of all units in the development). Each scenario with fewer than 15% iz units and a payment in lieu for the excluded iz units produced an internal rate of return less than the standard adopted by the Common Council for rental developments.

CONCLUSION:
According to the ordinance provisions, the project does meet the initial standards of financial feasibility for a market rate project at the density levels permitted under the current zoning. Since the project does not propose a density level higher than that suggested by the current zoning, and there are no offsetting incentives like park fee reduction, the project with a combination of iz units and a payment in lieu of, or only a 'payment in lieu of' still does not achieve the target IRR. Hence, staff recommend a full waiver of the onsite units for the rental portion and no payment in lieu.

Cc: Tim MacKenzie, Randy Bruce
Alder Brenda Konkel, Paul Skidmore, Jeanne Hoffman, Brad Murphy, Barb Constans, and Mark Olinger

Note: Part of the logic inherent in the discussions leading up to the adoption of the IZ ordinance suggested that the City should not be helping an infeasible project at market rate become feasible by waiving one of the primary City public goals (affordable units within larger projects leading to economically integrated neighborhoods).)

T.M. McKenzie

Hawks Ridge Apt Market at Current zoning

Rental Parameters for Determining Financial Infeasibility of Inclusionary Zoning

For the periods from August 01, 2009 through December 31, 2019

Issue	Required range	Manual Calculation	Actual
Financing			
Interest rate	Maximum prime plus 2.5	Actual current prime is 8.25%; The developer's proposal is under the Council-adopted standards	8.25%
Amortization period	Assume 30 years		30
Project costs			
Land/Building acquisition - per square foot raw land	$5 per square foot - raw land		$12.64
	$50 - $55 per square foot, downtown - vacant land		$12.64
	$90 - $125 per square foot, downtown - improved with building		$12.64
Hard cost contingency	5% new, 8% rehab of AIA contract		0.0%
Soft cost contingency	5% new/rehab of soft costs	Within Council standards	0.0%
Reserves	Working capital - $750 per unit		$0.00
	Replacement reserve - $0 per unit		$0.00
Contractor profit	6% of AIA contract (net of profit, overhead and general requirements)		7.0%
Contractor overhead	2% of AIA contract (net of profit, overhead and general requirements)		0.0%
Contractor general requirements	6% of AIA contract (net of profit, overhead and general requirements)		0.0%
Parking	$1,000 per stall - surface $15,000 per stall - first level underground $20,000 per stall for second level underground $27,000 per stall for three levels or more of underground		No Parking
Development fees	8% of total project costs, net of development fees and reserves		0.0%
Square foot cost of construction, includes buildings including profit overhead and general requirements, site improvements and personal property	4 stories and under - $62.50 per square foot and 5 to 8 stories - $110 to $120	Within Council standards	$23.64
Soft cost	10% of cost of construction	Within Council standards	4.5%
Vacancy rate			
	MG&E vacancy rate by zip code multiplied by 120% floor of 5%. If the property is not in the MG&E service area, use citywide average vacancy rate 6 months to lease up.		10.0%
Replacement reserves			
	Up to $250 per unit per year		$0.00
Inflation factors			
Rent	2%		2.5%
Operating costs	3%		3.0%
Real estate taxes	3%		4.0%
Sales price assumptions			
Capitalization rate	Prime plus 4.5%	Based on Assessor's data.	8.0%

Cost of sale	6%		6.0%
Debt coverage ratios			
	First mortgage only - maximum of 1.15 All mortgages - maximum of 1.15		1.13 1.13
Gross operating expenses, not including real estate taxes			
	$3,000 per unit or 25% of total operating income		$2,562.82 28.8%
Internal rate of return			
Below prime plus 10.5 financial infeasibility not allowed until affordable units are below 95% of stated market IRR. If market IRR below 8% or IX IRR above prime plus 10.5 - no waiver recommended	Market run at current zoning yields a 'target IRR'; if 'market run' is below 8% or greater than prime plus 10.5%, then no waiver is permitted; if affordable run with incentives is below 95% of target IRR, then waiver is permited	The market rate scenario IRR is NOT greater than the prime rate of 8.25% plus 10.5%; therefore this project may qualify for a waiver.	8.1%
Real estate taxes			
	Fair market value multiplied by City of Madison mill rate per thousand at time of application (NOI/capitalization rate = fair value)		$399,800.00
Market rate rent			
	Minimum HUD fair market rent based on bedroom size divided by 40%	NA	See input pages on computer run

ASSUMPTIONS:
This scenario assumes density of 156 rental units as requested by the Developer, with all market and no inclusionary dwelling units.
This is the density permitted by current zoning, which is 21.78 units/acre.
This scenario is based on the figures submitted by the developer during the period April 20, 2006
Prime rate on June 29, 2006, is 8.25%, and this figure is used in this scenario instead of the developer's 6.5%.

INTERPRETATIONS:
This scenario produces an internal rate of return of 8.1% , which is less than the Council adopted standard of prime plus 10.5%. (18.75%).

CONCLUSION AND RECOMMENDATION:
This IRR figure of 8.1% becomes the 'target IRR' for examination of alternative IZ scenarios.

Based upon this projection, the project may qualify for a waiver.

T.M. McKenzie

Hawks Ridge Apt Full 15% IZ at Requested zoning

Rental Parameters for Determining Financial Infeasibility of Inclusionary Zoning

For the periods from August 01, 2009 through December 31, 2019

Issue	Required range	Manual Calculation	Actual
Financing			
Interest rate	Maximum prime plus 2.5	Actual current prime is 8.25%; The developer's proposal is wunder the Council-adopted standards	8.25%
Amortization period	Assume 30 years	Five years longer due to institutional investor	30
Project costs			
Land/Building acquisition - per square foot raw land	$5 per square foot - raw land $50 - $55 per square foot, downtown - vacant land $90 - $125 per square foot, downtown - improved with building		$12.64 $12.64 $12.64
Hard cost contingency	5% new, 8% rehab of AIA contract		0.0%
Soft cost contingency	5% new/rehab of soft costs	Within Council standards	0.0%
Reserves	Working capital - $750 per unit Replacement reserve - $0 per unit		$0.00 $0.00
Contractor profit	6% of AIA contract (net of profit, overhead and general requirements)		7.0%
Contractor overhead	2% of AIA contract (net of profit, overhead and general requirements)		0.0%
Contractor general requirements	6% of AIA contract (net of profit, overhead and general requirements)		0.0%
Parking	$1,000 per stall - surface $15,000 per stall - first level underground $20,000 per stall for second level underground $27,000 per stall for three levels or more of underground		No Parking
Development fees	8% of total project costs, net of development fees and reserves		0.0%
Square foot cost of construction, includes buildings including profit overhead and general requirements, site improvements and personal property	4 stories and under - $62.50 per square foot and 5 to 8 stories - $110 to $120	Within Council standards	$23.64
Soft cost	10% of cost of construction	Within Council standards	4.5%
Vacancy rate			
	MG&E vacancy rate by zip code multiplied by 120% floor of 5%. If the property is not in the MG&E service area, use citywide average vacancy rate 6 months to lease up.		10.0%
Replacement reserves			
	Up to $250 per unit per year		$0.00
Inflation factors			
Rent	2%		2.5%
Operating costs	3%		3.0%
Real estate taxes	3%		4.0%
Sales price assumptions			

Capitalization rate	Prime plus 4.5%	Based on Assessor's data.	8.0%
Cost of sale	6%		6.0%
Debt coverage ratios			
	First mortgage only - maximum of 1.15 All mortgages - maximum of 1.15		1.12 1.12
Gross operating expenses, not including real estate taxes			
	$3,000 per unit or 25% of total operating income		$2,523.08 28.7%
Internal rate of return			
Below prime plus 10.5 financial infeasibility not allowed until affordable units are below 95% of stated market IRR. If market IRR below 8% or IX IRR above prime plus 10.5 - no waiver recommended	Market run at current zoning yields a 'target IRR'; if 'market run' is below 8% or greater than prime plus 10.5%, then no waiver is permitted; if affordable run with incentives is below 95% of target IRR, then waiver is permited	The market rate scenario IRR is NOT greater than the prime rate of 8.25% plus 10.5%; therefore this project qualifies for a waiver.	7.6%
Real estate taxes			
	Fair market value multiplied by City of Madison mill rate per thousand at time of application (NOI/capitalization rate = fair value)		$393,600.00
Market rate rent			
	Minimum HUD fair market rent based on bedroom size divided by 40%	NA	See input pages on computer run

ASSUMPTIONS:
This scenario assumes density of 156 rental units as requested by the Developer, with 26 inclusionary dwelling units.
This is the density permitted by current zoning, which is 21.78 units/acre.
This scenario is based on the figures submitted by the developer during the period April 20, 2006
Prime rate on June 29, 2006, is 8.25%, and this figure is used in this scenario instead of the developer's 6.5%.

INTERPRETATIONS:
This scenario produces an internal rate of return of 7.6% , which is less than the Council adopted standard of prime plus 10.5%. (18.5%).

CONCLUSION AND RECOMMENDATION:
Based upon this projection, the project qualifies for a waiver, and either a reduction in units, units off-site or a payment in lieu of the onsite units.

T.M. McKenzie

Hawks Ridge Apt Full 0% IZ at Requested zoning

Rental Parameters for Determining Financial Infeasibility of Inclusionary Zoning

For the periods from August 01, 2009 through December 31, 2019

Issue	Required range	Manual Calculation	Actual
Financing			
Interest rate	Maximum prime plus 2.5	Actual current prime is 8.25%; The developer's proposal is wunder the Council-adopted standards	8.25%
Amortization period	Assume 30 years	Five years longer due to institutional investor	30
Project costs			
Land/Building acquisition - per square foot raw land	$5 per square foot - raw land $50 - $55 per square foot, downtown - vacant land $90 - $125 per square foot, downtown - improved with building		$12.64 $12.64 $12.64
Hard cost contingency	5% new, 8% rehab of AIA contract		0.0%
Soft cost contingency	5% new/rehab of soft costs	Within Council standards	0.0%
Reserves	Working capital - $750 per unit Replacement reserve - $0 per unit		$0.00 $0.00
Contractor profit	6% of AIA contract (net of profit, overhead and general requirements)		7.0%
Contractor overhead	2% of AIA contract (net of profit, overhead and general requirements)		0.0%
Contractor general requirements	6% of AIA contract (net of profit, overhead and general requirements)		0.0%
Parking	$1,000 per stall - surface $15,000 per stall - first level underground $20,000 per stall for second level underground $27,000 per stall for three levels or more of underground		No Parking
Development fees	8% of total project costs, net of development fees and reserves		0.0%
Square foot cost of construction, includes buildings including profit overhead and general requirements, site improvements and personal property	4 stories and under - $62.50 per square foot and 5 to 8 stories - $110 to $120	Within Council standards	$23.64
Soft cost	10% of cost of construction	Within Council standards	4.5%
Vacancy rate			
	MG&E vacancy rate by zip code multiplied by 120% floor of 5%. If the property is not in the MG&E service area, use citywide average vacancy rate 6 months to lease up.		10.0%
Replacement reserves			
	Up to $250 per unit per year		$0.00
Inflation factors			
Rent	2%		2.5%
Operating costs	3%		3.0%
Real estate taxes	3%		4.0%
Sales price assumptions			

Capitalization rate	Prime plus 4.5%	Based on Assessor's data.	8.0%
Cost of sale	6%	.	6.0%
Debt coverage ratios			
	First mortgage only - maximum of 1.15 All mortgages - maximum of 1.15		1.13 1.13
Gross operating expenses, not including real estate taxes			
	$3,000 per unit or 25% of total operating income		$2,562.82 28.8%
Internal rate of return			
Below prime plus 10.5 financial infeasibility not allowed until affordable units are below 95% of stated market IRR. If market IRR below 8% or IX IRR above prime plus 10.5 - no waiver recommended	Market run at current zoning yields a 'target IRR'; if 'market run' is below 8% or greater than prime plus 10.5%, then no waiver is permitted; if affordable run with incentives is below 95% of target IRR, then waiver is permited	The market rate scenario IRR is NOT greater than the prime rate of 8.25% plus 10.5%; therefore this project qualifies for a waiver.	8.1%
Real estate taxes			
	Fair market value multiplied by City of Madison mill rate per thousand at time of application (NOI/capitalization rate = fair value)		$399,800.00
Market rate rent			
	Minimum HUD fair market rent based on bedroom size divided by 40%	NA	See input pages on computer run

ASSUMPTIONS:

This scenario assumes density of 156 rental units as requested by the Developer, with no inclusionary dwelling units.

This is the density permitted by current zoning, which is 21.78 units/acre.

This scenario is based on the figures submitted by the developer during the period April 20, 2006

Prime rate on June 29, 2006, is 8.25%, and this figure is used in this scenario instead of the developer's 6.5%.

INTERPRETATIONS:

This scenario produces an internal rate of return of 8.1% , which is less than the Council adopted standard of prime plus 10.5%. (18.5%), and less than 95% of the target IRR.

CONCLUSION AND RECOMMENDATION:

Based upon this projection, the project qualifies for a waiver, and a full reduction in the number of iz units.

Further, due to close financial feasibility, the project does not appear to support a payment in lieu of the onsite units, and hence would qualify for a full waiver of onsite, offsite, or payment in lieu.