Asset Management Report

Revival Ridge Apartments

June 2019

Owner Goals: To make a positive contribution to the community in which the Development is located, promote goodwill in the community, and help fulfill the need for affordable housing in the community for its lower-income residents.

Project Summary: In 2006, the City of Madison purchased 9 acres of land on Allied Drive for the purpose of improving affordable housing opportunities in the neighborhood. This purchase largely came as a result of the work and input of the Allied Area Task Force, which was established by the Common Council in March 2005. Allied Drive Redevelopment consists of 1 vacant lot (2359 Allied Drive) and 2 housing projects: Revival Ridge Apartments and Mosaic Ridge. Mosaic Ridge is a single-family home development which is managed by the City of Madison Office of Real Estate.

Revival Ridge Apartments, which is owned by Allied Drive Redevelopment LLC, consists of 3 land parcels located on Allied Drive and across the street from Belmar Hills Park. The project investor is National Equity Fund (NEF). The property is comprised of 5 buildings with 49 units, which include 4 studios, 9 - 1 bed/1 bath, 11 – 2 bed/1 bath, and 25 – 3 bedroom units. The building was constructed in a townhome style with separate ground floor entries, underground parking and garages, and washers and dryers in every unit. 49 units are tax credit units (24 at 50% and 24 at 60% AMI) and 36 units have a Section 8 Project Based Voucher (PBV) attached. McGann Construction built the project and Stonehouse Development has managed the project since the initial lease up in 2009. There is an on-site property management office, neighborhood officer office, and community space which hosts neighborhood events such as Dance Group, Brotherhood Group, Allied Neighborhood Association meetings, and Allied Stakeholders meetings.

Financing Summary: There are 3 notes at this property.

1. The CDA assigned the mortgage at Revival Ridge to Johnson Bank and Allied Redevelopment LLC makes monthly payments to the CDA for this note. The current balance is $737,404 at 4.50% interest and matures on 01/01/2042. (Fannie Mae was the original lender. The CDA acts as the pass through entity for this payment.)

2. Collateralized by a subordinated mortgage on Revival Ridge, this note has a current balance of $392,000. The interest rate is 3.00% with a balloon payment due 30 years after the date of stabilized occupancy (09/2039). The LLC currently only pays interest on this note to the CDA to the extent that cash flow is available.

3. The City of Madison made the original payments for infrastructure at the property. The third note is a note payable from the LLC to the CDA to the City of Madison. The current balance is $1,332,864 with monthly interest payments at 4.50% to the extent there is excess cash flow available.

Key Indicators:

Indicator	April 2019 Rate	Benchmark
Occupancy Rate	**100%**	95%
2018 Turnover Rate	**1%**	< 20%
Net Operating Income (MTD)	**$17,038**	
Total Expense Per Unit (Annualized)	**$9,208**	$5,542
Debt Service Coverage Ratio	**1.96**	1.15
Police Calls for Service Per Month	**12**	

Risk Assessment: The property is assessed at a score of 2 of 6, with 6 being the lowest score. A score of 2 shows the property has minimal current problems or indications of deteriorating operations or financial conditions and is performing as expected. There is a good possibility of realizing all projected tax and ownership benefits. The property has achieved over 80% of the set benchmarks. Occupancy has been maintained at or near 100% for at least the past 2 years. The property management company has maintained the property in good physical condition. The property has maintenance expenses that are higher than the benchmark due to higher cost family unit turns, increased costs to maintain property grounds, and higher security expenses compared to other properties. Police calls for service are not serious crimes. Replacement reserves are adequately funded and used at the property. Monthly reports are consistently on time and thorough.

2019 Asset Goals: After the initial assessment was completed, asset managers have established a 2019 work plan for the property. There are no planned capital projects for 2019, however, the capital projects at the property primarily include expenses associated with unit turns. 2018 capital projects included smoke alarm and fire alarm panel replacements, concrete work, 4 new water heater installations, and flooring and appliance replacements ($50,550 total). Asset managers will continue to strategize with the property management team on ways to manage and assess maintenance expenses.