



FOLEY & LARDNER LLP

ATTORNEYS AT LAW

VEREX PLAZA
150 EAST GILMAN STREET
MADISON, WI 53703-1481
POST OFFICE BOX 1497
MADISON, WI 53701-1497
608.257.5035 TEL
608.258.4258 FAX
foley.com

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WRITER'S DIRECT LINE
608.258.4219
tradelet@foley.com EMAIL

VIA E-MAIL (SWALLINGER@CI.MADISON.WI.US)

CLIENT/MATTER NUMBER
015018-0101

Sue A. Wallinger,
Grants Administrator
City of Madison
Department of Planning & Development
Community Development Block Grant
215 Martin Luther King, Jr. Blvd.
Room 280
P.O. Box 2985
Madison, WI 53701-2985

Re: Subordination of YWCA Mortgages

Dear Sue:

As we discussed on the telephone yesterday, our client, the YWCA, respectfully requests that the City subordinate its mortgages on the YWCA building at 101 East Mifflin Street to the lien of a \$300,000 mortgage to Forward Community Investments, Inc. ("FCI").

The YWCA is about to commence rehabilitation of its building. The construction contract is in excess of \$10,000,000. Work is expected to begin during the first week of January, 2010.

On or about January 4th, the YWCA intends to transfer its building to YWCA Madison Housing, LLC ("LLC"). The YWCA will be the managing member of the LLC.

The City currently has two mortgage liens on the YWCA building. One is securing a \$379,099.50 rental rehabilitation (Section 17) loan which the City made in September, 1989. The other secures a \$340,356.50 CDBG/HOME loan that was closed September 3, 2009. Both of these loans are due and payable upon transfer of the building without the consent of the City. The YWCA respectfully requests consent from the City for transfer of the building subject to these mortgages and to assumption of these loans by the LLC.

The YWCA borrowed \$300,000 from FCI last June. The proceeds of the loan were applied to various expenses incurred in connection with the development and rehabilitation of the building. When the building is transferred, the LLC is to assume this loan from the YWCA.

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The FCI loan is currently secured by a guaranty from YWCA of Madison Foundation, Inc. ("Foundation") and by a security interest in the Foundation's investment account. There are several hundred thousand dollars on deposit in the investment account. Most of these funds are to be donated to the YWCA and invested in the LLC to pay a portion of the rehabilitation expenses. In order to further collateralize the FCI loan, the LLC intends to grant FCI a mortgage lien on the building. The YWCA and the LLC respectfully requests that the City consent to the FCI mortgage and further consent to subordination of the two City mortgages to the lien of the FCI mortgage.

The second member in the LLC is expected to be a financial institution that will make a capital contribution to the LLC in excess of \$2,000,000 in January, 2011. Those funds will be applied to repayment of the FCI loan and to other expenses incurred in connection with rehabilitation of the building. At that point, the FCI mortgage will be released.

The investor member in the LLC will be able to claim historic rehabilitation tax credits in return for its investment. In accordance with applicable federal law, the investor is expected to remain a member of the LLC until 2016. At that point, the parties expect that the building will once again be transferred back to the YWCA.

Please let me know if you have any questions or would like any further information after you have had a chance to review this letter. If these requests are matters that need the approval of the CDBG Commission, please add them to the committee's agenda for the January meeting. Please let me hear your thoughts on all of these proposals. Thank you very much.

Very truly yours,



Timothy J. Radelet

cc: Eileen D. Mershart