

## Affordable Housing Trust Fund Application

Applications should be submitted electronically to the City of Madison Community Development Division by noon of the first Friday of any month.

### ORGANIZATION INFORMATION

|                      |   |                  |                               |
|----------------------|---|------------------|-------------------------------|
| Project Title        | Northridge Terrace  | Amount Requested | \$1,300,000                   |
| Name of Organization | Mirus Partners, Inc.  |                  |                               |
| Mailing Address      | 7447 University Ave., Suite 210, Middleton, WI 53562                            |                  |                               |
| Telephone            | 608-824-2294  |                  |                               |
| FAX                  | 608-824-2299  |                  |                               |
| Admin Contact        | Christopher Jaye  | email address    | <u>jaye@miruspartners.com</u> |
| Project Contact      | Christopher Jaye  | email address    | <u>jaye@miruspartners.com</u> |
| Financial Contact    | Christopher Jaye  | email address    | <u>jaye@miruspartners.com</u> |
| Website              | <u>www.miruspartners.com</u>  |                  |                               |
| Legal Status         | <input checked="" type="checkbox"/> Private <input type="checkbox"/> Non-Profit |                  |                               |
| Federal EIN          | 46-3369791  |                  |                               |
| DUNS #               | 079291957   |                  |                               |

Does your organization meet the definition of a Small Business Enterprise which includes small businesses, women owned business or minority owned business? ☐ Yes ☒ No

### AFFIRMATIVE ACTION

If funded, applicant hereby agrees to comply with the City of Madison Ordinance 39.02 and file either an exemption or an affirmative action plan with the Department of Civil Rights. A Model Affirmative Action Plan and instructions are available at <http://www.cityofmadison.com/dcr/aaplans.cfm>.

### LIVING WAGE ORDINANCE

If funded, applicant hereby agrees to comply with City of Madison Ordinance 4.20. The Madison Living Wage for 2013 will be \$12.19 hourly.

### LOBBYING REGULATED

Notice regarding lobbying ordinance: If you are seeking approval of a development that has over 40,000 gross square feet of non-residential space, or a residential development of over 10 dwelling units, or if you are seeking assistance from the City with a value of over \$10,000 (this includes grants, loans, TIF or similar assistance), then you likely are subject to Madison's lobbying ordinance, sec. 2.40, MGO. You are required to register and report your lobbying. Please consult the City Clerk for more information. Failure to comply with the lobbying ordinance may result in fines of \$1,000 to \$5,000.

### CITY OF MADISON CONTRACTS

If funded, applicant agrees to comply with all applicable local, State and Federal provisions. A sample contract that includes standard provisions may be obtained by contacting the Community Development Division at (608) 266-6520.

If funded, the City of Madison reserves the right to negotiate the final terms of a contract with the selected agency.

### SIGNATURE

Enter Name: Christopher Jaye

By entering your initials in the box cj you are electronically signing your name as the submitter of the application and agree to the terms listed above

Date: 7/2/14

**APPLICANT**

Please describe applicant's mission, program and years in existence. Including your organizations staffing and budget:

Mirus Partners, Inc. (MPI) is real estate development firm focused on development and preservation of affordable housing. MPI was founded in 2013 and is owned by Christopher Jaye and Kristi Morgan. The MPI principals have extensive experience in the affordable housing industry and have collectively developed over 2,700 units in five states. MPI currently has 7 employees.

**PROJECT DESCRIPTION**

Please provide an overview of the project, including whether project is acquisition, rehab and/or new construction, type, size of unit created and the impact of your project.

Northridge Terrace involves the acquisition and redevelopment of the existing Woodland Terrace Apartment community located at 523 Northport Drive in Madison, Wisconsin. Woodland Terrace has 128 units - 32 one-bedroom units (800 square feet), 64 two-bedroom units (900-920 square feet), and 32 three-bedroom units (1,188 square feet).

The proposed Northridge Terrace project will infuse significant capital for physical improvements to reposition a deteriorating and poorly managed property. The current budget for physical improvements is estimated to be \$6,899,200 (\$53,900/unit), with an overall acquisition and development budget of \$16,056,898. The renovation work will take place with tenants in place, and will involve extensive interior and exterior improvements. MPI and their contractor, North Central Construction, have performed a number of renovations with tenant in place with minimal interruption to tenants. Due to the deteriorating conditions presently found at the property, a number of units are uninhabitable which will allow greater flexibility during construction.

The property has suffered for a number of years from a lack of professional management. At the time of property acquisition Oakbrook Corporation of Madison will take over property management. Oakbrook has extensive experience managing affordable housing communities in Madison and Wisconsin, and currently manages the majority of MPI's Wisconsin portfolio.

**AHTF PRIORITIES**

Please check which of the following objectives outlined in the Request for Proposals your proposal meets:

- ☐ Reduce the number of foreclosures or foreclosed properties
- ☒ Assist or create housing in areas with poor quality housing, high cost housing or negative neighborhood image
- ☒ Assist or create workforce housing
- ☒ Reduce the number of individuals who are homeless

**AFFORDABLE HOUSING NEEDS**

Please describe your knowledge of and experience in identifying the affordable housing needs of the City and the impact on the community.

As residents of the City of Madison, and professionals focused on the development and preservation of affordable housing, both MPI principals have a great appreciation for the challenges many face in Madison finding quality, safe and affordable housing options. The overall occupancy of rental units in Madison as demonstrated through the MG&E Vacancy Rate Survey and the developer-commissioned market study, as well as the significant development of higher-end market rate rental product over the past five years, has elevated Madison's need for affordable housing to new levels.

As part of MPI's analysis of this project, a third-party market study was commissioned to review market demand for the project post renovation. The report completed by Lexington Real Estate Advisors confirmed the significant need in the area, and is comfortable with the proposed rents from an affordability and achievability standpoint.

In addition to the affordable housing needs in the area, the renovation and repositioning of the property will address the significant health and safety issues currently in place at the property. These issues affect current residents, the immediate neighborhood, and are a significant drain on city resources. MPI believes the proposed renovation work, along with the introduction of professional third-party management will have an immediate and positive impact for residents, the neighborhood and the City of Madison.

## PROPOSED PROJECT GOALS

Please provide the total number of units in the project, the number of affordable units in the project and the number of units assisted with requested funds in the project.

MPI will finance the proposed renovation work in part with Low Income Housing Tax Credits ("LIHTC") allocated through WHEDA, with all of the units being income restricted to tenants earning less than 60% of area median income. In addition, MPI will utilize bond financing through WHEDA to finance the project. The project will be subject to a 15 year Land Use Restriction Agreement ("LURA") that ensures affordability as part of the LIHTC program. *In addition to the tax credit LURA, MPI will agree, as part of any City of Madison funding, to maintain the property as affordable housing under the proposed income restrictions for 30 years.*

The requested city funds will be utilized as a source for the physical improvements of all units.

## SERVICES INCLUDED IN PROPOSED PROJECT

Please describe any services (such as housing counseling or senior support) provided to the residents in this project.

There are no plans at this time to incorporate property-specific services. MPI has reached out to organizations in Madison regarding the seven units handicapped accessible units that will be in place post rehab. It is MPI's hope that a coordinated effort to refer residents in need of accessible units, as well as the required supportive services, will be in place with a qualified organization once rehab is complete.

## POPULATION SERVED

Please describe the population you intend to serve (e.g., families, seniors, individuals with a disability).

Northridge Terrace will serve individuals, families, and residents in need of accessible units.

## LOCATION

Please identify the specific site address or target neighborhood and indicate why this site was chosen. Describe the neighborhood and surrounding community. Attach location map indicating project location. Identify if a market study has been done and if so, summarize the findings.

The property is located at 523 Northport Drive, in the Vera Court neighborhood. The property is located on a main thoroughfare on the north side of Madison. The property enjoys significant visibility from Northport Drive. The site was selected due to this being the acquisition of an existing multifamily community in serious need of renovation and repositioning.

A third-party market study was completed by Lexington Realty Services on July 7, 2014 which found sufficient demand for the property at the proposed rents after renovation work is completed.

What was the response of the alderperson of the district to this project?

The initial conversation was positive. MPI principals are schedule to meet in person with Alderperson Weier on July 9<sup>th</sup>.

## MARKETING

Please describe your marketing and rent up or home purchase plan.

Immediately after closing of financing and property acquisition Oakbrook Corporation will begin income qualifying current tenants, as well as doing background and credit checks. MPI believes a majority of the existing tenants will income qualify to continue residency under the new low income housing tax credit guidelines. Any tenants that do not income qualify, or do not pass background searches, will be provided assistance from Oakbrook and MPI to locate and move to new housing.

New branding and signage will be in place shortly after closing. Initial construction/rehab efforts will focus on roofs and individual units that are inhabitable, then proceed to units currently occupied. Once those units are renovated a proactive outreach and advertising campaign will be initiated identifying the property improvements, new ownership and management, and the benefits of residing at the property.

## PROJECT ACTIVITIES

Please describe activities/benchmarks by timeline to illustrate how your project will be implemented (such as acquisition, finance closing, start of construction, end of construction, available for occupancy, rent-up; etc).

| Activity/Benchmark                                     | Estimated Month/Year of Completion |
|--|------------------------------------|
| Closing  | 10/14                              |
| Construction   | 9/15                               |
| Lease Up/Tenant Income Certification/Background Checks | 9/15                               |
|  |                                    |
|  |                                    |
|  |                                    |
|  |                                    |
|  |                                    |

## PUBLIC PURPOSE AND RISK

Please describe the public purpose of your project and the risks associated with the project.

Renovation and repositioning the property will provide immediate benefits to neighbors and the city as a whole. The health and safety issues will be eliminated with the renovations. Professional management and proper tenant screening will assist in minimizing resources directed at the property by the City of Madison's police department, building inspection staff, and the city attorney's office. MPI and Oakbrook Corporation believe site-specific safety issues will be corrected through the physical improvements, as appropriate tenant rules and regulations are put in place, and through proactive maintenance of the property.

## EXPERIENCE AND CAPACITY

Please describe your organizations affordable housing development experience, qualifications of proposed project staff, financial capacity of your organization to secure financing and to complete your proposed project and past performance that will contribute to the success of the proposed program. List how many affordable housing units your organization has created in the past five years. If you have provided property management in the past, please describe your experience including number of years experience, number of units managed and performance record.

The principals of MPI have over 38 years of experience in the development and financing of affordable housing, and have developed more than 2,700 units financed with Low Income Housing Tax Credits. In the past five years the principals of MPI have developed 1,317 units of affordable housing. MPI has experience working with many forms of financing including historic tax credits, new market tax credits, FHA debt, USDA debt, Section 8, bond financings, HOME, CDBG, and tax incremental financing. The MPI staff has additional experience with multiple types of construction, as well as development and financing of commercial and hotel properties.

In regards to the proposed project, MPI is working closely with HUD, Greystone (current lender), Midland (existing loan servicer), the current owner, and WHEDA to facilitate the purchase of the property and the existing debt. The proposed project is not only a redevelopment and financing of an existing rental community, but an acquisition and workout of an underperforming asset. All of the parties listed have expressed a willingness to work with MPI to facilitate the proposed transaction. This represents not only an opportunity, but also a very complicated transaction. MPI is confident based on work completed to date with the multiple parties involved, and those proposed to be involved, that this proposal can become a reality.

MPI relies on professional third-party management firms to handle all property management. Oakbrook Corporation will be responsible for the management of the property and will take over management immediately as part of our closing.

Please provide qualifications and relevant contact information for all members of your development team. Indicate, if any, qualify as a Small Business Enterprise.

| <b>Name</b>      | <b>Relationship</b>               | <b>Email Address</b>     | <b>Phone</b> |
|------------------|-----------------------------------|--------------------------|--------------|
| Christopher Jaye | President/Principal               | jaye@miruspartners.com   | 608-824-2294 |
| Kristi Morgan    | Chief Operating Officer/Principal | morgan@miruspartners.com | 608-824-2292 |
| Bob Stoehr       | Director of Development           | stoehr@miruspartners.com | 608-824-2293 |

### PERIOD OF AFFORDABILITY

Please describe the period of affordability (income and rent restricted) for your project.

MPI will utilize Low Income Housing Tax Credits as part of the financing for the proposed project. The credits are allocated by WHEDA and will require the property to be income and rent restricted for 15 years. As part of our funding request to the City of Madison MPI is open to an extended period of affordability for the property.

### REFERENCES

Please list at least three references whom are familiar with your affordable housing work.

| <b>Name</b>     | <b>Relationship</b> | <b>Email Address</b>  | <b>Phone</b> |
|-----------------|---------------------|-----------------------|--------------|
| Wayman Lawrence | Attorney            | wlawrence@foley.com   | 608-258-4236 |
| Mike Kendhammer | Accountant          | kendhammerm@sva.com   | 608-826-2404 |
| Sean O'Brien    | WHEDA               | sean.obrien@wheda.com | 608-267-1453 |

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**PLEASE COMPLETE THIS SECTION IF PROPOSING A RENTAL HOUSING PROJECT (Skip to Page 11 if proposing a ownership project)**

1. Provide the following information for rental housing projects (list each address with unit number separately).

| Address/Unit Number          | # Bedrooms             | Req. Amount of AHTF \$ | Projected Income Category* To be Served        | Projected Monthly Unit Rent | Includes Utilities? |
|------------------------------|------------------------|------------------------|--|-----------------------------|---------------------|
| 523 Northport Drive, Madison | 32 – one Bedroom       | \$325,000              | 60% AMI  | \$625                       | Yes                 |
| 523 Northport Drive, Madison | 32 – two bedroom       | \$325,000              | 60% AMI  | \$730                       | Yes                 |
| 523 Northport Drive, Madison | 32 – two bedroom/split | \$325,000              | 60% AMI  | \$780                       | Yes                 |
| 523 Northport Drive, Madison | 24 – three bedroom     | \$243,750              | 60% AMI  | \$930                       | Yes                 |
| 523 Northport Drive, Madison | 8 – three bedroom      | \$81,250               | 60% AMI<br>(Requested Project-based Section 8) | \$1,164                     | Yes                 |
|                              |                        |                        |  |                             |                     |

\*Less than or equal to 30% CMI, 31-50% CMI, 51-60% CMI, 61-80% CMI, >80% CMI.

2. Identify if your project includes any of the following features (Check all that apply):

Incorporates accessibility features  
 Incorporates energy efficiency features  
 Involves lead paint removal  
 Involves asbestos removal

☒  
☒  
☐  
☐

Please describe the level of accessibility that you plan to provide.

The proposed scope of work includes converting 7 existing one-bedroom units into fully accessible units.

3. Please describe the energy efficient features you plan to provide and indicate the resulting monthly utility saving to the renter or owner.

Energy improvements at the project will include high-efficiency boilers, Energy Star appliances and air conditioners, new windows and exterior doors, insulation, roofing materials, water-saving plumbing fixtures, and energy-efficient lighting fixtures. MPI has also scheduled an energy audit to be completed by Focus on Energy to help identify other improvements, as well as perform a pre and post energy analysis. Focus on Energy will also complete a custom assessment of possible incentives available in conjunction with the proposed improvements. MPI will not have that estimate in hand until later this month, but any funds available will be utilized as a source for the rehab.

Residents are currently responsible for their electricity usage. Installation of the Energy Star products and energy-efficient light fixtures will reduce resident's monthly utility costs.

The owner provides heat and hot water. Installation of high-efficiency boilers, along with new windows, doors and insulation, will dramatically improve resident comfort levels. Overall savings to the property will be significant with these improvements.

The energy efficient improvements are estimated to cost \$1,577,000.

4. For projects that include rehabilitation, have you completed a capital needs plan for this property? Describe.

Yes. Excel Engineering completed a Capital Needs Assessment on May 19, 2014. The report identified many of the obvious needs, but also identified other improvements that will need to be included in the scope of work. The proposed construction/renovation costs are based on the report, as well as the architect's initial drawings. In addition City of Madison staff has weighed in on additional items that staff feels should be included in the scope of work (removal of some exterior stone, patio replacement, etc.). All of these items are included in the attached development budget.

5. Please describe the proposed terms of the AHTF loan you are requesting.

For Affordable Housing Trust Funds we request a 16 year term, 30 year amortization, 2.75% interest rate, payable through available cash flow or at maturity. For any federal funds (HOME, CDBG, Energy) we request that these funds have an interest rate of 0% with repayment deferred until the end of the extended 30-year compliance period.

6. If your proposal includes new construction, please check one of the following: Housing is located in an area that does not have a high concentration of low-income housing. ☐  
 Housing is part of a larger neighborhood revitalization effort. ☐

7. Real Estate Project Data Summary

Enter the site address (or addresses) for the proposed project and answer the identified questions by column for each address site.

|          | # of Units<br>Prior to<br>Purchase | # of Units<br>Post-Project | # Units<br>Occupied at<br>Time of<br>Purchase | # Tenants to<br>be<br>Displaced | Appraised<br>Value<br>Current | Appraised<br>Value After<br>Project<br>Completion | Purchase<br>Price or<br>Construction<br>Cost | Accessible<br>Current? | Post-Project<br>Accessible? |
|----------|------------------------------------|----------------------------|---|---------------------------------|-------------------------------|---|--|------------------------|-----------------------------|
| Address: | 523 Northport                      |                            |   |                                 |                               |   |  |                        |                             |
|          | 128                                | 128                        | 106   | TBD                             | TBD                           | TBD   | 5,650,000                                    | No                     | Yes – 7<br>units            |
| Address: |                                    |                            |   |                                 |                               |   |  |                        |                             |
| Address: |                                    |                            |   |                                 |                               |   |  |                        |                             |
| Address: |                                    |                            |   |                                 |                               |   |  |                        |                             |
| Address: |                                    |                            |   |                                 |                               |   |  |                        |                             |
| Address: |                                    |                            |   |                                 |                               |   |  |                        |                             |



ORGANIZATION:

ORGANIZATION Mirus Partners

## 1. CAPITAL BUDGET

Enter the proposed project capital budget. Identify the fund source and terms and whether the funds have been already committed or are proposed. **Place a C next to source if funds have already been committed and a P next to source if the fund source is proposed.** Ex.: Acquisition: \$300,000 HOME (P), \$100,000 from CDBG (P), \$200,000 from Anchor Bank @5% interest/15 years (C).

**Acquisition Costs:**

|                                       | TOTAL     | Amount    | Source/Terms**     | Amount  | Source/Terms**  | Amount | Source/Terms**      |
|---------------------------------------|-----------|-----------|--------------------|---------|-----------------|--------|---------------------|
| Acquisition                           | 5,650,000 | 5,150,000 | Bond Financing (P) | 431,406 |                 | 68,594 | City of Madison (p) |
| Title Insurance and Recording         | 15,000    |           |                    | 15,000  | UHTC Equity (P) |        |                     |
| Appraisal                             |           | 0         |                    | 10,000  | UHTC Equity (P) |        |                     |
| Preliminary/feasibility/market study* | 6,500     |           |                    | 6,500   | UHTC Equity (P) |        |                     |
| Survey                                | 12,000    |           |                    | 12,000  | UHTC Equity (P) |        |                     |
| Marketing*                            | 20,000    |           |                    |         |                 | 20,000 | City of Madison (P) |
| Relocation                            | 64,000    |           |                    | 64,000  | UHTC Equity (P) |        |                     |
| Lead BP Assessment                    | 0         |           |                    |         |                 |        |                     |
| Other (List)                          |           |           |                    |         |                 |        |                     |

**Construction:**

|                                 |           |           |                    |           |                 |         |                     |
|---------------------------------|-----------|-----------|--------------------|-----------|-----------------|---------|---------------------|
| Phase 1, Taxes, Furniture       | 112,500   |           |                    | 87,500    | UHTC Equity (P) | 25,000  | City of Madison (p) |
| Construction Costs              | 6,899,200 | 3,524,847 | Bond Financing (P) | 2,979,353 | UHTC Equity (P) | 195,000 | City of Madison (p) |
| Soils/Site Preparation          |           | 0         |                    |           |                 |         |                     |
| Construction Mgmt               |           | 0         |                    |           |                 |         |                     |
| Landscaping, Play Lots, Signage |           | 0         |                    |           |                 |         |                     |
| Construction Interest           | 153,375   |           |                    | 135,469   | UHTC Equity (P) | 23,906  | City of Madison (p) |
| Permits, Print Plans/Specs      |           | 0         |                    |           |                 |         |                     |
| Other (List)                    |           |           |                    |           |                 |         |                     |
| Insurance                       | 20,000    |           |                    |           |                 | 20,000  | City of Madison (p) |

**Fees:**

|                  |           |   |  |         |                 |         |                        |
|------------------|-----------|---|--|---------|-----------------|---------|------------------------|
| Architect        | 150,000   |   |  | 127,500 | UHTC Equity (P) | 22,500  | City of Madison (p)    |
| Engineering      | 30,000    |   |  |         |                 | 30,000  | City of Madison (p)    |
| Accounting*      |           | 0 |  |         |                 | 15,000  | City of Madison (p)    |
| Legal*           | 100,000   |   |  |         |                 | 100,000 | City of Madison (p)    |
| Development Fee* | 1,700,000 |   |  | 836,120 | UHTC Equity (P) | 195,000 | City of Madison (p)    |
| Leasing Fee*     |           | 0 |  |         |                 |         | Deferred Developer Fee |
| Other (List)     |           |   |  |         |                 |         |                        |

**Loan, Tax Credit, Syndication**

|                      |         |   |  |         |                 |         |                     |
|----------------------|---------|---|--|---------|-----------------|---------|---------------------|
|                      | 343,497 |   |  | 148,497 | UHTC Equity (P) | 195,000 | City of Madison (p) |
| Project Contingency: |         | 0 |  |         |                 |         |                     |
|                      |         | 0 |  |         |                 |         |                     |
| Furnishings:         |         | 0 |  |         |                 |         |                     |

**Reserves Funded from Capital:**

|                     |         |   |  |         |                 |         |  |
|---------------------|---------|---|--|---------|-----------------|---------|--|
| Operating Reserve   | 473,826 |   |  | 278,826 | UHTC Equity (P) | 195,000 |  |
| Replacement Reserve |         | 0 |  |         |                 |         |  |
| Maintenance Reserve |         | 0 |  |         |                 |         |  |
| Vacancy Reserve     |         | 0 |  |         |                 |         |  |
| Lease Up Reserve    | 200,000 |   |  |         |                 | 195,000 |  |
| Other: (List)       |         |   |  |         |                 |         |  |

**Soft Cost Contingency**

|                     |                   |                  |  |                  |                 |                  |                |
|---------------------|-------------------|------------------|--|------------------|-----------------|------------------|----------------|
|                     | 76,000            |                  |  | 76,000           | UHTC Equity (P) |                  |                |
| <b>TOTAL COSTS:</b> | <b>16,056,898</b> | <b>8,674,847</b> |  | <b>5,213,171</b> |                 | <b>1,300,000</b> | <b>868,880</b> |

\*If CDD funds are used for items with an asterisk (\*), the total cost of these items may not exceed 15% of the CDD amount.

\*\*Note: Each amount for each source must be listed separately, i.e., Acquisition: \$30,000 HOME, \$125,000 Capital Revolving Fund. Identify if grant or loan and terms.

ORGANIZATION:

ORGANIZATION Mirus Partners

## 2. TOTAL PROJECT PROFORMA

Enter total Revenue and Expense information for the proposed project for a 15 year period.

|   | Year 1    | Year 2    | Year 3    | Year 4    | Year 5    | Year 6    | Year 7    | Year 8    | Year 9    | Year 10   | Year 11   | Year 12   | Year 13   | Year 14   | Year 15   |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Revenue:</b>                           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |
| Gross Income                              | 1,221,108 | 1,245,530 | 1,270,441 | 1,295,850 | 1,321,767 | 1,348,202 | 1,375,166 | 1,402,669 | 1,430,723 | 1,459,337 | 1,488,524 | 1,518,294 | 1,548,660 | 1,579,633 | 1,611,226 |
| Less Vacancy/Bad Debt                     | 85,478    | 87,187    | 88,931    | 90,709    | 92,524    | 94,374    | 96,262    | 98,187    | 100,151   | 102,154   | 104,197   | 106,281   | 108,406   | 110,574   | 112,786   |
| <b>Income from Non-Residential Use*</b>   | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| <b>Total Revenue</b>                      | 1,135,630 | 1,158,343 | 1,181,510 | 1,205,140 | 1,229,243 | 1,253,828 | 1,278,904 | 1,304,482 | 1,330,572 | 1,357,183 | 1,384,327 | 1,412,014 | 1,440,254 | 1,469,059 | 1,498,440 |
| <b>Expenses:</b>                          |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |
| Office Expenses and Phone                 | 10,000    | 10,300    | 10,609    | 10,927    | 11,255    | 11,593    | 11,941    | 12,299    | 12,668    | 13,048    | 13,439    | 13,842    | 14,258    | 14,685    | 15,128    |
| Real Estate Taxes                         | 119,500   | 123,085   | 126,778   | 130,581   | 134,498   | 138,533   | 142,689   | 146,970   | 151,379   | 155,920   | 160,598   | 165,416   | 170,378   | 175,490   | 180,754   |
| Advertising, Accounting, Legal Fees       | 3,000     | 3,090     | 3,183     | 3,278     | 3,377     | 3,478     | 3,582     | 3,690     | 3,800     | 3,914     | 4,032     | 4,153     | 4,277     | 4,406     | 4,538     |
| Payroll, Payroll Taxes and Benefits       | 96,000    | 98,880    | 101,846   | 104,902   | 108,049   | 111,290   | 114,629   | 118,068   | 121,610   | 125,258   | 129,016   | 132,886   | 136,873   | 140,979   | 145,209   |
| Property Insurance                        | 30,000    | 30,900    | 31,827    | 32,782    | 33,765    | 34,778    | 35,822    | 36,896    | 38,003    | 39,143    | 40,317    | 41,527    | 42,773    | 44,056    | 45,378    |
| Mtc, Repairs and Mtc Contracts            | 73,000    | 75,190    | 77,446    | 79,769    | 82,162    | 84,627    | 87,166    | 89,781    | 92,474    | 95,248    | 98,106    | 101,049   | 104,081   | 107,203   | 110,419   |
| Utilities (gas/electric/fuel/water/sewer) | 100,000   | 103,000   | 106,090   | 109,273   | 112,551   | 115,927   | 119,405   | 122,987   | 126,677   | 130,477   | 134,392   | 138,423   | 142,576   | 146,853   | 151,259   |
| Property Mgmt                             | 61,373    | 63,214    | 65,111    | 67,064    | 69,076    | 71,148    | 73,283    | 75,481    | 77,745    | 80,078    | 82,480    | 84,955    | 87,503    | 90,128    | 92,832    |
| Operating Reserve Pmt                     | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| Replacement Reserve Pmt                   | 44,800    | 46,144    | 47,528    | 48,954    | 50,423    | 51,935    | 53,494    | 55,098    | 56,751    | 58,454    | 60,207    | 62,014    | 63,874    | 65,790    | 67,764    |
| Support Services                          | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| Other (List)                              | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| <b>Total Expenses</b>                     | 537,673   | 553,803   | 570,417   | 587,530   | 605,156   | 623,310   | 642,010   | 661,270   | 681,108   | 701,541   | 722,588   | 744,265   | 766,593   | 789,591   | 813,279   |
| <b>Net Operating Income</b>               | 597,957   | 604,540   | 611,093   | 617,610   | 624,087   | 630,517   | 636,895   | 643,212   | 649,464   | 655,642   | 661,740   | 667,749   | 673,661   | 679,468   | 685,162   |
| <b>Debt Service:</b>                      |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |
| First Mortgage                            | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   |
| Second Mortgage                           | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| Other (List)                              | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| <b>Total Debt Service</b>                 | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   | 498,298   |
| <b>Total Annual Cash Expenses</b>         | 1,035,971 | 1,052,101 | 1,068,715 | 1,085,828 | 1,103,454 | 1,121,608 | 1,140,308 | 1,159,588 | 1,179,406 | 1,199,839 | 1,220,886 | 1,242,563 | 1,264,891 | 1,287,889 | 1,311,577 |
| <b>Total Net Operating Income</b>         | 99,659    | 106,242   | 112,795   | 119,312   | 125,789   | 132,219   | 138,597   | 144,914   | 151,166   | 157,344   | 163,442   | 169,451   | 175,363   | 181,170   | 186,864   |
| <b>Debt Service Reserve</b>               | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| <b>Cash Flow</b>                          | 99,659    | 106,242   | 112,795   | 119,312   | 125,789   | 132,219   | 138,597   | 144,914   | 151,166   | 157,344   | 163,442   | 169,451   | 175,363   | 181,170   | 186,864   |

\*Including laundry facilities, vending machines, parking spaces, storage spaces or application fees.

## Assumptions

Vacancy Rate

7.0%

Annual Increase

2.0%

Other