



April 16, 2015

Julie Spears  
Grants Administrator  
City of Madison CDBG Office  
215 Martin Luther King, Jr. Boulevard  
Madison, Wisconsin 53703

Dear Julie:

Common Wealth Development is requesting a contract amendment to the CWD Balsam Road Rental Housing Acquisition & Rehab contract.

Common Wealth acquired 20 units of housing in Southwest Madison and plans to purchase an additional 12 units in the next two years. While our on-site presence and proactive management style has been effective at managing the housing we have acquired, we are limited in our ability to provide that type of management in the evenings and weekends. We feel an on-site Resident Manager could provide that stability and oversight both for our properties and the neighborhood as well.

We envision the Resident Manager being a low-income person from the neighborhood. This person would live on-site, build relationships with tenants and connect them to resources. This person would also take on a leadership role to enforce rules, deal with conflict and handle problem situations.

Given the current restrictions on HOME units, creating a Resident Manager unit is not feasible. We are seeking an amendment to the contract to change one HOME unit to an unrestricted unit. Doing this would not require additional funding; instead, it would require a reworking of the existing contract to provide the flexibility of establishing a Resident Manger unit.

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Originally we used \$439,029 in HOME funds for the development of 8 HOME units. We received \$54,000/unit, plus a one-time COLA increase of \$7029.

We are requesting an amendment to the contract to use \$439,029 in HOME funds for the development of 7 HOME units. This would result in \$61,714/unit, plus the one-time COLA increase of \$7029.

Original contract:

$$\$432,000 \text{ (8 units at } \$54,000) + \$7,029 \text{ (One time COLA)} = \$439,029$$

New request:

$$\$432,000 \text{ (7 units at } \$61,714) + \$7,029 \text{ (One time COLA)} = \$439,029$$

We understand this request is over the \$54,000/unit that was in our original application. We feel the project justifies \$61,714/unit.

The 2015-2016 Framework allows for up to \$60,000 per unit for projects that incorporate accessibility or energy efficiency improvements to the design, involve lead paint reduction or asbestos mitigation. We estimate spending \$74,252 in accessibility, lead paint reduction and energy improvements in the project. This will result in a \$9,281/unit cost for those improvements.

In terms of the additional \$1,714/unit above the \$60,000/unit limit, we feel it is an investment in the Southwest Madison neighborhood. Common Wealth has made a long-term commitment to Southwest Madison. By the end of 2016, we will own and manage 32 units. We feel the Resident Manager position will support our neighborhood revitalization work. With an on-site presence, this person will be available to deal with issues/concerns/problems that arise and be a stabilizing factor for the neighborhood. The requested amendment to the contract is key to creating this opportunity.

If you have any questions, please contact me at 256-3527 ext. 27. Thank you for considering our request.

Sincerely,

A handwritten signature in black ink that reads "Diane Eddings". The signature is written in a cursive style with a large, circular initial "D".

Diane Eddings  
Housing Manager  
Common Wealth

South West - Proforma Cash Flow		24 Units				
UNITS		2005 & 09	5726	5817	2015	Total
		Leland	Balsam	Balsam	Acquisition	Total(s)
		8	8	4	4	24
	1	650	850	745	750	
	2	650	850	850	750	
	3	650	960	900	750	
	4	650	760	745	750	
	5	650	695			
	6	650	700			
	7	650	700			
	8	650	705			
	9					
	10					
	11					
	12					
Monthly Rent	Residential	5,208	6,220	3,240	3,000	
Residential GPI		62,400	74,640	38,880	36,000	
+ Commercial GPI			-			
Gross Rental Income		62,400	74,640	38,880	36,000	211,920
+ Other Income						-
Current (GPI) Rents for 2015		62,400	74,640	38,880	36,000	211,920
+ Estimated Annual Increase						-
GPI		62,400	74,640	38,880	36,000	211,920
- Vacancy Loss		(3,120)	(3,732)	(1,944)	(1,800)	(10,596)
+ EGI		59,280	70,908	36,936	34,200	201,324
<b>Operating Expenses</b>						
Insurance		2,610	3,662	1,400	1,400	9,072
Utilities Gas		1,920	3,960			5,880
Utilities Electric		1,200	2,196	600	600	4,596
Water & Sewer		2,800	4,400	2,200	2,200	11,400
Maintenance		8,800	6,400	4,000	4,000	23,200
Pest Control (Bed Bugs)		3,000	3,200	1,200	1,200	8,600
Snow		2,000	1,000	1,500	1,500	6,000
Lawn care		1,800	800	1,800	1,800	6,000
Real Estate Taxes (PILOT)		0	0	0	0	0
Permits & Fees			0	0	0	0
Management		4,742	5,673	2,955	2,736	16,106
Resident Manager Credit		1,200	10,200	1,200	1,200	13,800
Janitorial						0
Site manager						0
Admin. Expenses						0
Operating Reserve						0
Fire Monitoring						0
WHEDA Compliance						0
Special Assessments						0
Legal		500	2,000	1,000	1,001	4,501
<b>Operating Expenses</b>		30,172	43,491	17,855	17,637	109,155
<b>Deposit to Replacement Reserves</b>		3,200	6,400	1,600	1,601	12,801
Total Operating Expenses		\$33,372	\$49,891	\$19,455	\$19,238	\$121,956
<b>NOI</b>		\$25,908	\$21,017	\$17,481	\$14,962	\$79,368
1st Mortgage Debt Service		18,681	23,191	11,621	11,622	65,115
<b>Cash Flow</b>		\$7,227	(\$2,174)	\$5,860	\$3,340	\$14,253
<b>DCR</b>		1.39	0.91	1.50	1.29	1.22
<b>Vacancy Loss</b>		5.0%	5.0%	5.0%	5.0%	
<b>Notes</b>						
<b>Resident Manager Credit per Month</b>		100	850	100	100	1,150
<b>Debt</b>		290,000	360,000	180,400	180,400	1,010,800
<b>Rate</b>		5%	5%	5%	5%	
<b>Amort</b>		30	30	30	30	
<b>Pmt</b>		18,681	23,191	11,621	11,621	65,114

**South West - 15 Year Proforma Cash Flow - 24 Units**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
GPI	211,920	218,278	224,826	231,571	238,518	245,673	253,044	260,635	268,454	276,508	284,803	293,347	302,147	311,212	320,548
- Vacancy Loss	(10,566)	(10,914)	(11,241)	(11,579)	(11,926)	(12,284)	(12,652)	(13,032)	(13,423)	(13,825)	(14,240)	(14,667)	(15,107)	(15,561)	(16,027)
+ EGI	201,324	207,364	213,585	219,992	226,592	233,390	240,391	247,603	255,031	262,682	270,563	278,679	287,040	295,651	304,521
Operating Expenses															
Insurance	9,072	9,344	9,624	9,913	10,211	10,517	10,832	11,157	11,492	11,837	12,182	12,538	12,895	13,253	13,722
Utilities Gas	5,880	6,056	6,238	6,425	6,618	6,817	7,021	7,232	7,449	7,672	7,902	8,139	8,383	8,635	8,894
Utilities Electric	4,586	4,734	4,876	5,022	5,173	5,328	5,488	5,653	5,822	5,997	6,177	6,362	6,553	6,749	6,952
Water & Sewer	11,400	11,742	12,094	12,457	12,831	13,216	13,612	14,021	14,441	14,874	15,321	15,780	16,254	16,741	17,244
Maintenance	23,200	23,896	24,613	25,351	26,112	26,895	27,702	28,533	29,389	30,271	31,179	32,114	33,078	34,070	35,092
Pest Control (Bed Bugs)	8,600	8,858	9,124	9,397	9,679	9,970	10,269	10,577	10,894	11,221	11,558	11,904	12,262	12,629	13,008
Snow	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829	8,063	8,305	8,555	8,811	9,076
Lawn care	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829	8,063	8,305	8,555	8,811	9,076
Real Estate Taxes (PILOT)	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Permits & Fees	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management	16,106	16,589	17,087	17,599	18,127	18,671	19,231	19,808	20,402	21,015	21,645	22,294	22,963	23,652	24,362
Resident Manager Credit	13,800	14,214	14,640	15,080	15,532	15,998	16,478	16,972	17,481	18,006	18,546	19,102	19,676	20,266	20,874
Janitorial	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Site manager	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Admin. Expenses	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Reserve	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Monitoring	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WHEDA Compliance	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Assessments	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal	4,501	4,636	4,775	4,918	5,066	5,218	5,374	5,536	5,702	5,873	6,049	6,230	6,417	6,610	6,808
Operating Expenses	109,155	112,430	115,802	119,277	122,855	126,540	130,337	134,247	138,274	142,422	146,695	151,096	155,629	160,298	165,107
Deposit to Replacement Reserves	12,801	13,185	13,581	13,988	14,408	14,840	15,285	15,744	16,216	16,702	17,203	17,720	18,251	18,799	19,363
Total Operating Expenses	\$121,956	125,615	129,383	133,265	137,262	141,380	145,622	149,990	154,490	159,125	163,899	168,816	173,880	179,096	184,469
NOI	\$79,368	\$81,749	\$84,202	\$86,728	\$89,329	\$92,009	\$94,770	\$97,613	\$100,541	\$103,557	\$106,664	\$109,864	\$113,160	\$116,555	\$120,051
1st Mortgage Debt Service	65,115	65,115	65,115	65,115	65,115	71,946	71,946	71,946	71,946	75,844	75,844	75,844	75,844	75,844	75,844
Cash Flow	\$14,253	\$16,634	\$19,087	\$21,613	\$24,214	\$20,063	\$22,824	\$25,667	\$28,595	\$27,713	\$30,820	\$34,020	\$37,315	\$40,710	\$44,207
DCR	1.22	1.26	1.29	1.33	1.37	1.28	1.32	1.36	1.40	1.37	1.41	1.45	1.49	1.54	1.58

Annual Increase in Rents	3.0%
Vacancy Loss	5.0%
Annual Increase in Expenses	3.0%

NOI	YR 6 Refi
DCR	\$89,329
	1.24
Debt Rate	1,000,000
Amort	6.0%
	30
Pmt	71,946

NOI	YR 10 Refi
DCR	\$103,557
	1.37
Debt Rate	950,000
Amort	7.0%
	30
Pmt	75,844



April 16, 2015

Julie Spears  
Grants Administrator  
City of Madison CDBG Office  
215 Martin Luther King, Jr. Boulevard  
Madison, Wisconsin 53703

Dear Julie:

Our initial request to amend the contact at 5726 Balsam included reference to the 2015-2016 Framework allowing for up to \$60,000 per unit for projects that incorporate accessibility or energy efficiency improvements to the design, involve lead paint reduction or asbestos mitigation. We estimate spending \$74,252 in accessibility, lead paint reduction and energy improvements at 5726 Balsam. This will result in a \$9,281/unit cost for those improvements. Please see the chart below for a listing of costs.

	Amount	Description of Rehab
<b>Accessibility</b>	\$6,000	Make unit #1 and #2 visitable by back porch pad, two patio doors
<b>Lead paint reduction</b>	\$3,200	Soffit replacement
<b>Energy efficiency improvements</b>	\$65,052	Patio doors for #3 and #4, window replacement, dense pack walls and detailing, A/C sleeves and install, water heaters, two furnaces, boiler work and controls
<b>Total</b>	\$74,252	

If you have any questions or need more information, please contact me at 256-3527 ext. 11. Thank you for considering our request.

Sincerely,

Diane Eddings  
Housing Manager  
Common Wealth

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