GORMAN & COMPANY, INC.

Questions:

1. **Please identify the site and when you had site control and answer the following questions specific to your site:**
   The site is located at 2507 Winnebago St, Madison – also known as Phase 5 of Union Corners, Parcel No. 071006134284. We have an Option with the City of Madison on the site effective 8/14/2015.
   a. **What is the Alderperson's reaction to the project?**
      Ald. Rummel is in support of the concept. We've provided Ald. Rummel a copy of the application materials we submitted for this RFP.
   b. **Are there any identified environmental issues?**
      We are not aware of any environmental issues on this site at this time. The site was once part of a larger facility that was historically a Rayovac Manufacturing Plant. Part of our due diligence process will be to obtain a Phase I environmental report.
   c. **What is your plan for neighborhood meetings and input?**
      The entire Union Corners site has been subject to multiple public meetings through the GDP process, as well as the SIP process for other parcels on the site. We will have additional meetings with the community, neighborhood association, and Ald. Rummel as we proceed with the design process. We believe our proposed site plan is consistent with the approved GDP.
   d. **What are the necessary land use approvals?**
      The Union Corners site is already an approved General Planned Development. This phase will be subject to an SIP; however, WHEDA does not require final plan approval prior to the application deadline.
   e. **What is the impact on the schools of the additional children added to the attendance area?**
      Although the project will have 80% of units set aside for individuals aged 55 and older, preference will be given to grandfamilies, and children will therefore reside in the development. These children would attend Lowell Elementary School, O'Keefe Middle School, and Madison East High School. According to MMSD's K-12 Enrollment History and Projections dated Fall 2015, all schools are currently enrolled below capacity.
2. **You state 80% of the 50 units will be age restricted to 55 and older. Are there any restrictions on the other 20% of the units?**
   No, there are not additional age restrictions on these units – income restrictions will still apply. It is our intent that these units will be occupied by younger grandparents raising grandchildren, where the grandparent is under age 55.

Please note that we are planning on adding 9 market-rate units in the development in an effort to maximize WHEDA scoring. In addition, we are finding through our research that market rate units will be an essential part of this mixed-income community. This enables grandfamilies who are slightly over income to have access to the community. Please note that these market rate rents are discounted from Carbon at Union Corners market rents to make these market rate units more affordable. We revised our budget/proforma to reflect the addition of these 9 market rate units. Please see Question 7 for additional information.

3. **How many units was your Milwaukee Grandfamily project?**
   Villard Square Grandfamily includes 47 low-income units.

4. **Is eligibility limited to only grandparents or would other relatives who met the age requirement and have custody of family children be eligible?**
   Eligibility is not limited to grandparents; we would welcome kinship families with other relatives serving as caregiver. These kinship families will be included in the primary waiting list for the development.

   Many grandparents and relatives lack legal custody due to cost or other factors. The Fair Housing Act covers families with children, regardless of whether the caregiver has legal custody. Therefore, we will not require kinship families at this development to have full custody.

5. **How does a development with preference for "grand families" maintain compliance with fair housing requirements?**
   We have reviewed this preference with our attorneys as well as other grandfamily housing providers. We are able to give preference to grandparents raising grandchildren as that preference does not result in discrimination against any protected class. Please see the attached email opinion from our attorney.

   During operation, we will keep separate waiting lists for each size unit—a primary list for grandparents and relatives raising children and a secondary waiting list for all other applicants. We will only pull from the second waiting list if we are unable to fill a vacant unit from the primary waiting list.

6. **How many hours per week or FTE would anticipate the on-site Supportive Services Coordinator would work?**
   We estimate the on-site Supportive Services Coordinator will work 10 hours per week. In addition to LSS, property management will facilitate activities and programming for residents throughout the week.

7. **Budget/Proforma questions:**
   a. **You identify $60,000 in Park Impact Fees. If the Council acts to exempt these fees from affordable housings will this reduce your requested amount?**
   This amount covers several permits and fees, including building permit fees and park impact fees. Now that we have identified the site we are able to reference Carbon at Union Corners to accurately project these costs. We have updated the run to reflect $175,000 for this line item (Carbon's total was approximately $260,000). In the event the City decides to waive these fees, we would add this amount to our contingency to help account for unforeseen expenses. Again, now that the site is identified, there are two main areas that we have yet to identify additional costs that might be incurred. This includes (1) site costs such as dewatering, outdoor activity areas, and neighborhood buffers required by the SIP process; and (2) noise attenuation based on proximity to the railroad which has yet to be analyzed.

   b. **You show a 5% vacancy allowance. Does WHEDA require a 7% allowance?**
   Correct, the WHEDA application does require 7% vacancy, but they have been flexible on past projects. However, for application underwriting purposes, we will assume 7%, please see revised proforma attached.

   Note: Given that a site has now been identified, we also updated the proforma budget to align with development costs at Carbon, our project located across the street that is currently under construction. We have also updated costs to reflect the addition of 9 market rate units.

   c. **You do not show the debt service for the AHF loan. Please add and resubmit your proforma.**
   The RFP stated that interest only payments would be "contingent upon sufficient cash flow" and there is no available cash flow in the first 7 years after the payment of the investor's asset management fee and the deferred fee. Due to tax credit investor requirements, deferred fee must be repaid within the 15 year compliance period. In the application proforma, the deferred fee is projected to be repaid by year 7; as you can see, starting in year 8 there are payments on the AHF loan (noted as a soft loan in Line 34). If AHF debt service was paid before deferred fee, then there would be insufficient cash flow during the compliance period to repay the deferred fee.

Nicole Solheim

Subject: RE: Preferences for Grandfamilies

From: Robert S. Driscoll [mailto:rdriscol@reinhartlaw.com]
Sent: Monday, April 28, 2014 10:34 AM
To: Joyce Wuetrich
Cc: William R. Cummings
Subject: Preferences for Grandfamilies

Joyce,

You asked whether the Villard Square property could give preference to "grandfamilies" over parent-led families. Such a preference potentially implicates what is known as "familial status" discrimination under federal, state, and local fair housing laws. Under the federal Fair Housing Act, "familial status"

> means one or more individuals (who have not attained the age of 18 years) being domiciled with--
>
> (1) a parent or another person having legal custody of such individual or individuals; or
> (2) the designee of such parent or other person having such custody, with the written permission of such parent or other person.

The City of Milwaukee's fair-housing ordinance uses the same language. The State of Wisconsin's Open Housing Law is somewhat different, but the basic idea is the same. Housing providers may not refuse housing to someone based on the presence of children whether the person has legal custody or not.

The question, then, is whether a preference for grandfamilies would violate the prohibition on familial-status discrimination. HUD has not addressed this issue, nor have I been able to find any guidance from state or local sources. But what I have found suggests that such preferences would *not* run afoul of fair housing laws.

The Fair Housing Act prohibits housing providers from drawing a line based on whether children are present in the household. Families with children, in other words, are a protected group. But giving a preference to grandfamilies does not discriminate on the basis of children; rather, the distinction is based on who is heading the household that *has* children. And the group of "parent-led" families (who would be harmed by the preference) is not a protected group under the Fair Housing Act.

I spoke with Maurice McGoff, who is the head of HUD's Chicago office. Mr. McGoff acknowledged that HUD has not issued any guidance on this question. But his analysis was the same as mine. According to Mr. McGoff, discrimination only occurs if the preference would disadvantage a protected group. There is no special protection for people who do not have children, nor is there protection for parent-led families. Thus, he tended to agree that it would not be a violation of the Fair Housing Act to give a preference for grandfamilies. Note, however, that this is his opinion only; it is not binding.

There are housing projects that cater to grandfamilies. For example, the Roseland Village Grand-Family Apartments in Chicago is restricted tenants to grandparents or other relatives who are 62 years or older and are raising children. This suggests that preferences for grandfamilies would not violate the Fair Housing Act, as Mr. McGoff opined.

There is one caveat, however. Fair housing laws include in their definition of "familial status" individuals who have children living with them who are *not* in their legal custody if the children are there with the written permission of the parent or any other party having legal custody. Thus, Villard Square could not require that grandparents have legal custody of their grandchildren as a condition of tenancy.

Finally, I also looked at whether a preference for grandfamilies would violate 29 U.S.C. § 42's general public use requirement. Although there is no specific carve out for grandfamilies, there are good reasons to believe that such preferences would not violate that requirement. Treasury regulations state "A residential rental unit is for use by the general public if the unit is rented in a manner consistent with housing policy governing non-discrimination, . . ." As discussed above, preferences for grandfamilies would not violate the Fair Housing Act or applicable fair-housing laws.

The Treasury regulation also references the HUD handbook that governs subsidized multifamily housing programs (4350.5) as an indicator that the general public use requirement is not violated. It is not clear to what extent compliance with the handbook is required; the handbook contains detailed regulations regarding tenant-selection plans and other tenant-eligibility issues that only apply to HUD-assisted housing. Nevertheless, I do not see any indication that a preference for grandfamilies runs afoul of HUD's additional requirements (though the tenant-selection plan requirements may obligate Villard Square to incorporate the grandfamilies preference into the plan, if it has one) even assuming they would apply to Villard Square.

Though this is anecdotal, there appears to be one other tax-credit project that has preferences for grandfamilies. "Generations United," which is an advocacy group concerned with intergenerational family issues, mentioned in one of its policy documents that a project in the Bronx, New York ran into similar issues with tax credits. According to the publication, the project is limited to grandparents who are 62 and older to satisfy HUD's definition of "elderly." Further, it implies that the tax-credit status of the project was not jeopardized by the targets based on an opinion letter by an "independent attorney" that concluded that targeting grandfamilies was permissible under the Fair Housing Act. (I searched for, but could not find, this opinion.) This seems consistent with Section 42's carve-out for groups with "special needs" or those who are part of a specific group targeted by a federal program for housing support. For example, the LEGACY Act of 2003 distributed grants for housing targeted to grandfamilies.

Though there has been no definitive determination by HUD or the IRS that I am aware of, it appears likely that preferences for grandfamilies would not violate the FHA or the general public use requirement under Section 42. Please let me know if you have any questions.

Best,

Rob

Robert S. Driscoll
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Reinhart
Attorneys at Law

APPLICANT: **Gorman & Company, Inc.**

1. CAPITAL BUDGET

Enter the proposed project funding sources.

FUNDING SOURCES

Source	Amount	Non-Amortizing (Y/N)	Rate (%)	Term (Years)	Amort. Period (Years)	Annual Debt Service
Permanent Loan-Lender Name:						
WHEDA	$ 3,265,000	N	6%	15	35	$ 220,775
Subordinate Loan-Lender Name:						
Madison CDD - AHF Loan #1	$ 500,000	N	3%	16	30	22262
Subordinate Loan-Lender Name:						
Tax Exempt Loan-Bond Issuer:						
AHP Loan	$ 750,000	Y	1%	15	35	0
City-LTD Loan						
City-Interest Loan						
City-TIF Loan						
Other-Specify Grantor:						
Madison CDD - AHF Loan #2	$ 500,000	N	0%	16	30	0
Other-Specify Grantor:						
Other-Specify Grantor:						
Tax Credit Equity	$ 7,190,968					
Historic Tax Credit Equity						
Deferred Developer Fees	$ 261,776					
Owner Investment						
Other-Specify:						
Total Sources	**$ 12,467,744**					

Construction Financing			
Source of Funds	Amount	Rate	Term (monthly)
Construction Loan-Lender Name:			
WHEDA or TBD	$ 7,900,000	4%	24
Bridge Loan-Lender Name:			
Madison CDD & AHP	$ 1,750,000		
Tax Credit Equity:			
TBD	$ 2,157,290		
Total	**$ 11,807,290**		

Estmated pricing on sale fo Federal Tax Credits: $ 1.08

Remarks Concerning Project Funding Sources:

APPLICANT: **Gorman & Company, Inc.**

2. PROJECT EXPENSES

Enter the proposed project expenses

Acquisition Costs	**Amount**
Acquisition	1
Title Insurance and Recording	30,000
Appraisal	7,500
Predvlpmnt/feasibility/market study	6,500
Survey	17,500
Marketing	25,000
Relocation	0
Other (List)	
	0
Construction:	
Construction Costs	7,151,000
Demolition	0
Soils/Site Preparation	400,000
Construction Mgmt	1,145,857
Construction Interest	350,000
Permits; Print Plans/Specs	22,500
Landscaping, Play Lots, Signage	200,000
Other (List)	
P & P Bond, Insurance, Taxes	178,464
Fees:	
Architect	177,000
Engineering	75,000
Accounting	28,500
Legal	115,000
Development Fee	1,300,000
Leasing Fee	0
Park Impact Fees	175,000
Other (List)	
Finance fees, Soft cost contingency, Environ	213,335
Project Contingency:	449,516
Furnishings:	75,000
Reserves Funded from Capital:	
Operating Reserve	275,071
Replacement Reserve	0
Maintenance Reserve	0
Vacancy Reserve	0
Lease Up Reserve	50,000
Other: (List)	
	0
TOTAL COSTS:	**12,467,744**

APPLICANT: **Gorman & Company, Inc.**

3. PROJECT PROFORMA

Enter total Revenue and Expense information for the proposed project for a 30 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	Year 16
Gross Income	627,480	640,030	652,830	665,887	679,205	692,789	706,644	720,777	735,193	749,897	764,895	780,193	795,796	811,712	827,947	844,505
Less Vacancy/Bad Debt	43,924	44,802	45,698	46,612	47,544	48,495	49,465	50,454	51,463	52,493	53,543	54,613	55,706	56,820	57,956	59,115
Income from Non-Residential Use*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue	583,556	595,228	607,132	619,275	631,660	644,293	657,179	670,323	683,729	697,404	711,352	725,579	740,091	754,892	769,990	785,390
Expenses:																
Office Expenses and Phone	15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572	20,159	20,764	21,386	22,028	22,689	23,370
Real Estate Taxes	85,000	87,550	90,177	92,882	95,668	98,538	101,494	104,539	107,675	110,906	114,233	117,660	121,190	124,825	128,570	132,427
Advertising, Accounting, Legal Fees	11,655	12,005	12,365	12,736	13,118	13,511	13,917	14,334	14,764	15,207	15,663	16,133	16,617	17,116	17,629	18,158
Payroll, Payroll Taxes and Benefits	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286	80,635	83,054	85,546	88,112	90,755	93,478
Property Insurance	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095	26,878	27,685	28,515	29,371	30,252	31,159
Mtc, Repairs and Mtc Contracts	15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572	20,159	20,764	21,386	22,028	22,689	23,370
Utilities (gas/electric/fuel/water/sewer)	35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667	47,037	48,448	49,902	51,399	52,941	54,529
Property Mgmt	35,013	36,063	37,145	38,260	39,407	40,590	41,807	43,062	44,353	45,684	47,055	48,466	49,920	51,418	52,960	54,549
Operating Reserve Pmt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve Pmt	17,700	18,231	18,778	19,341	19,922	20,519	21,135	21,769	22,422	23,094	23,787	24,501	25,236	25,993	26,773	27,576
Support Services	35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667	47,037	48,448	49,902	51,399	52,941	54,529
Other (List)																
WHEDA Compliance Fee (moved to Adv		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	329,368	339,249	349,427	359,909	370,707	381,828	393,283	405,081	417,234	429,751	442,643	455,922	469,600	483,688	498,199	513,145
Net Operating Income	254,188	255,978	257,706	259,365	260,954	262,466	263,897	265,242	266,496	267,653	268,709	269,657	270,491	271,204	271,792	272,245
Debt Service:																
First Mortgage	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775
Second Mortgage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AHF City Interest Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (List)																
AHF City Interest Loan	0	0	0	0	0	0	0	16,251	22,262	22,262	22,262	22,262	22,262	22,262	22,262	22,262
Asset Management Fee	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067	5,219	5,376	5,537	5,703	5,874	6,050	
Total Debt Service	224,775	224,895	225,019	225,146	225,277	225,412	225,551	241,945	248,104	248,256	248,413	248,574	248,740	248,911	249,087	243,037
Total Annual Cash Expenses	554,143	564,144	574,446	585,055	595,984	607,240	618,834	647,026	665,338	678,007	691,056	704,496	718,340	732,599	747,286	756,182
Total Net Operating Income	29,413	31,083	32,687	34,219	35,677	37,054	38,346	23,297	18,392	19,397	20,296	21,083	21,751	22,293	22,705	29,208
Debt Service Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Developer Fee	29,413	31,083	32,687	34,219	35,677	37,054	38,346	23,297	0		0	0	0	0	0	0
Cash Flow	0	0	0	0	0	0	0	0	18,392	19,397	20,296	21,083	21,751	22,293	22,705	29,208

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

	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	Year 16
DCR Hard Debt	1.15	1.16	1.17	1.17	1.18	1.19	1.20	1.20	1.21	1.21	1.22	1.22	1.23	1.23	1.23	1.23
DCR Total Debt	1.13	1.14	1.15	1.15	1.16	1.16	1.17	1.10	1.07	1.08	1.08	1.08	1.09	1.09	1.09	1.12

Assumptions

Vacancy Rate	7.0%
Annual Increase Income	2.0%
Annual Increase Exspenses	3.0%
Other	

APPLICANT: **Gorman & Company, Inc.**

3. PROJECT PROFORMA (cont.)

Enter total Revenue and Expense information for the proposed project for a 30 year period.

	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Gross Income	861,396	878,623	896,196	914,120	932,402	951,050	970,071	989,473	1,009,262	1,029,447	1,050,036	1,071,037	1,092,458	1,114,307
Less Vacancy/Bad Debt	60,298	61,504	62,734	63,988	65,268	66,574	67,905	69,263	70,648	72,061	73,503	74,973	76,472	78,001
Income from Non-Residential Use*	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue	801,098	817,120	833,462	850,131	867,134	884,477	902,166	920,210	938,614	957,386	976,534	996,065	1,015,986	1,036,306
Expenses:														
Office Expenses and Phone	24,071	24,793	25,536	26,303	27,092	27,904	28,742	29,604	30,492	31,407	32,349	33,319	34,319	35,348
Real Estate Taxes	136,400	140,492	144,707	149,048	153,519	158,125	162,869	167,755	172,787	177,971	183,310	188,810	194,474	200,308
Advertising, Accounting, Legal Fees	18,703	19,264	19,842	20,437	21,050	21,682	22,332	23,002	23,692	24,403	25,135	25,889	26,666	27,466
Payroll, Payroll Taxes and Benefits	96,282	99,171	102,146	105,210	108,367	111,618	114,966	118,415	121,968	125,627	129,395	133,277	137,276	141,394
Property Insurance	32,094	33,057	34,049	35,070	36,122	37,206	38,322	39,472	40,656	41,876	43,132	44,426	45,759	47,131
Mtc, Repairs and Mtc Contracts	24,071	24,793	25,536	26,303	27,092	27,904	28,742	29,604	30,492	31,407	32,349	33,319	34,319	35,348
Utilities (gas/electric/fuel/water/sewer)	56,165	57,850	59,585	61,373	63,214	65,110	67,064	69,076	71,148	73,282	75,481	77,745	80,077	82,480
Property Mgmt	56,186	57,871	59,607	61,396	63,237	65,134	67,089	69,101	71,174	73,309	75,509	77,774	80,107	82,510
Operating Reserve Pmt	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve Pmt	28,403	29,255	30,133	31,037	31,968	32,927	33,915	34,932	35,980	37,060	38,172	39,317	40,496	41,711
Support Services	56,165	57,850	59,585	61,373	63,214	65,110	67,064	69,076	71,148	73,282	75,481	77,745	80,077	82,480
Other (List)														
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses	528,539	544,395	560,727	577,549	594,875	612,722	631,103	650,036	669,537	689,623	710,312	731,622	753,570	776,177
Net Operating Income	272,559	272,725	272,735	272,583	272,259	271,755	271,063	270,173	269,077	267,763	266,222	264,443	262,416	260,128
Debt Service:														
First Mortgage	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775
Second Mortgage	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AHF City Interest Loan	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	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Debt Service	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775	220,775
Total Annual Cash Expenses	749,314	765,170	781,502	798,324	815,650	833,497	851,878	870,811	890,312	910,398	931,087	952,397	974,345	996,952
Total Net Operating Income	51,784	51,950	51,960	51,808	51,484	50,980	50,288	49,398	48,302	46,988	45,447	43,668	41,641	39,353
Debt Service Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow	51,784	51,950	51,960	51,808	51,484	50,980	50,288	49,398	48,302	46,988	45,447	43,668	41,641	39,353

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

DCR Hard Debt	1.23	1.24	1.24	1.23	1.23	1.23	1.23	1.22	1.22	1.21	1.21	1.20	1.19	1.18
DCR Total Debt	1.23	1.24	1.24	1.23	1.23	1.23	1.23	1.22	1.22	1.21	1.21	1.20	1.19	1.18

Assumptions

Vacancy Rate	7.0%
Annual Increase Income	2.0%
Annual Increase Exspenses	3.0%
Other	