



October 12, 2018

Ms. Julie Spears  
Department of Planning and Community & Economic Development  
City of Madison  
215 Martin Luther King, Jr. Boulevard, Suite 300  
Madison, Wisconsin 53703-2579

RE: Bayview Townhomes  
601 Bay View, Madison, WI 53715

Dear Julie,

Horizon and Bayview have carefully considered options for both a 9% and 4% tax credit application. As discussed recently we have elected to pursue a 4% application. While the programs are similar and do not vary greatly in financial modeling, there are some distinguishing factors we can share that made 4% a better choice for the Bayview project.

**Scoring competitiveness:** Individual scoring categories were analyzed for both 4% and 9% programs and, although likely competitive in both, our experience, intuition, and analysis of various factors helped us conclude that a 4% application would put the Bayview project in the best position to receive tax credits. Scoring cutoffs from the first round of 2018 4% credits have not yet been released but are expected to be announced this fall. This information, along with other guidance that may be released by WHEDA in the interim, will serve as a validation point as we approach the January 18, 2019 application deadline.

**Placed-in-service requirement:** One challenge that we see with a 9% application is the requirement of placing all new construction buildings in service no later than 2 years following the year of tax credit allocation. More specifically, if a 9% application was made for the 2019 round, occupancy must be achieved no later than December 31, 2021. From a timing standpoint on the Bayview project, we estimate the earliest construction start would be April 2020. Assuming other funding commitments are awarded by next spring, the project would apply for Federal Home Loan Bank of Chicago funding in June 2019. With AHP awards announced by December 2019, and lender/investor underwriting to follow, we anticipate closing the following spring (April 2020). From a construction standpoint, Bayview's goal is to not displace residents during the rebuild process. Therefore, the project will be completed in phases with the first phase being the 3-story building near the corner of West Washington and Regent. This phase alone will take 11-12 months, leaving an estimated 8-9 months prior to the placed-in-service deadline. With likely two additional phases of construction work necessary in this 8-9-month time frame, we found this schedule to be very challenging. While the timing requirement is enforced with the 9% program, the same is not true with 4% credits, making it a more viable option to pursue.

Bayview and Horizon submitted a response to the Dane County Housing Authority RFP for Project Based Vouchers (PBVs) on October 11, 2018. The RFP response requests a total of eight (8) PBVs. As the City is aware, 99 of the 130 total units are already subsidized with Project-Based Section 8 rental assistance (HAP contact). The requested DCHA PBVs were allocated to 8 of the “new” units (2 one-bedroom, 2 two-bedroom, and 4 three-bedroom units) in the financial projections. If the application is successful, minor modifications to the projections would be needed. Dane County Housing Authority indicated in its RFP that award recommendations would be voted on during its November 6, 2018 Board Meeting.

One of the unknown items at this time is the project cost that may be attributed to land acquisition. We included \$20,000 per unit for land at the time of application, offset by a seller note from Bayview. Our goal is to maximize financial leverage, so fluctuations to this number may occur leading up to the application deadline.

Other aspects of the project remain unchanged, including the original unit mix submitted to the City of Madison. Additionally, as you are aware, a proposed site concept has been reviewed with various City departments and will continue to be modified to best align with City, CDA, and Bayview interests. We anticipate iterative work will continue on this and be finalized prior to the tax credit application in January.

Please feel free to contact Scott Kwiecinski at [s.kwiecinski@horizondbm.com](mailto:s.kwiecinski@horizondbm.com) / 608-354-0820 or Alexis London at [alexislondon@bayviewfoundation.org](mailto:alexislondon@bayviewfoundation.org) / 608-256-7808 with any questions. We look forward to continued collaboration on this project.

Sincerely,

Horizon Development Group, Inc.



Scott J. Kwiecinski  
Development Manager

Bayview Foundation, Inc.



Alexis London  
Executive Director