



Movin' Out, Inc.
902 Royster Oaks Drive, Suite 105
Madison WI 53714-9109

(608) 251-4446
(877) 861-6746 TOLLFREE
(608) 819-0623 FAX
www.movin-out.org

Housing solutions for people with disabilities

November 1, 2018

Linette Rhodes
Interim Community Development Grants Supervisor
City of Madison
Department of Planning and Community & Economic Development - Community Development Division
30 West Mifflin Street, Suite 800
Madison, WI 53703

RE: RFP# 8743-2018 - Affordable Housing Funds (AHF)
The Ace Apartments - Corner of Cottage Grove Road and Acewood Blvd., Madison, WI

Dear Ms. Rhodes,

This letter serves as a follow-up to a call held with City staff on Thursday, November 1. We are excited that the City is interested in providing a mix of HOME and Affordable Housing Funds for the above referenced project. We have taken the time to look at the underwriting of The Ace based on an award of City funds lower than our requested amount. During that analysis we also took a look at what the financing would look like if we accepted a lower amount of HOME funds (\$990,000 total) so as to not trigger Davis-Bacon requirements. It would be our preference to use the non-Davis Bacon approach to help control total project costs and compliance. Attached you will find an updated workbook that reflects this approach. Below you will find an overview of the changes.

Unit Mix

Attached you will find an updated unit mix chart included with a comparison to the previously submitted unit mix charts. Over the last two months we have spent time in discussions with ACC Management and our market analyst to further refine our unit mix. The goal was to more evenly distribute CMI set-asides across unit type. This provides greater opportunity to a wider range of incomes. In addition, in looking to eliminate the Davis-Bacon labor requirements, we would also have to limit the number of Project-Based Section 8 voucher to 8 total. One other change that we feel is for the better is the addition of two 4-bedroom units. As we continued to work through the initial plans with the architect it was determined that two of the townhomes at the back of the site are large enough to accommodate an additional bedroom. We have targeted the 4 bedroom units at 50% of CMI however, we have kept the rent difference between and 3- and 4-bedroom minimal. After making these changes we also adjusted unit income targeting to maximize WHEDA scoring for the "Serves Lowest Income Residents" scoring category.

Updated Uses

We updated the hard costs to account for not including Davis-Bacon wages. The remaining changes in costs are simply due to formula driven costs that decreased as the construction costs decreased. Costs affected include: architect and engineering fees, developer fee, financing and tax credit fees, hard cost contingency, and operating reserve. It should be noted that this new approach earns less developer fee and maintains the amount deferred to right around 40%.

Updated Sources

Due to having fewer Project-Based Section 8 vouchers and maintaining 20% of the units for 30% CMI we are supporting a little lower mortgage. In addition, as requested by the City, we have included increased soft funding from Dane County and the City of Madison TIF funds. We met with the City TIF team on Monday, October 29 and were told to assume no more than \$277,000 in TIF funds. They agreed to work with us on adjusting the request based on the final project but estimated that there would be limited changes to this amount. We also increased the amount of County funding that assumes applying for additional funds in June of 2019. Our deferred developer fee percentage remains approximately the same and can be repaid as required by investors. We have also modeled the deal to ensure that we are still achieving 35 points in the WHEDA Leveraging category. This keeps the deal very competitive for the WHEDA funding round with a total score of 223.

We appreciate the opportunity to make a few tweaks to this development so that all parties are on the same page as we work toward the WHEDA tax credit application. Feel free to contact me with any additional questions or concerns.

Sincerely,

A handwritten signature in black ink that reads "Megan Schuetz". The signature is written in a cursive, flowing style.

Megan Schuetz
Real Estate Developer
(608) 229-6910
ms@movin-out.org

The Ace Apartments – Timeline
Updated 11/1/18

Activity/Benchmark	Estimated Month/Year of Completion
Submission of Application for Zoning Change and/or Conditional Use Permit	August 2018
UDC Initial/Final Approval	December 2018
Plan Commission Approval for Rezoning and/or Conditional Use Permit	January 2019
Submission of Application for Urban Design Commission Approval (Initial)	August 2018
Urban Design Commission Approval	December 2018
Application to WHEDA	December 2018
Complete Equity & Debt Financing	December 2019
Acquisition/Real Estate Closing	December 2019
Rehab or New Construction Bid Publishing	October 2019
New Construction/Rehab Start	January 2020
Begin Lease-Up	October 2020
New Construction/Rehab Completion	December 2020
Certificate of Occupancy Obtained	December 2020
Complete Lease Up	March 2021

The Ace Apartments
Overview of Unit Mix Changes from original application to current proposed

	<i>Original – June 2018</i>	<i>Davis Bacon – September 2018</i>	<i>Current Proposed – November 2018</i>
1 BR 30%	11	9	9
1 BR 50%		2	6
1 BR 60%	1	1	3
1 BR Market	10	10	4
2 BR 30%	5	5	5
2 BR 50%	21	21	14
2 BR 60%	7	7	8
2 BR Market	1	1	7
3 BR 50%	12	12	10
3 BR 60%	2	2	2
4 BR 50%			2

	<i>Original – June 2018</i>	<i>Davis Bacon – September 2018</i>	<i>Current Proposed – November 2018</i>
Total 30%	16	14	14
Total 50%	33	35	32
Total 60%	10	10	13
Total Market	11	11	11

Original:

ADDRESS #1:		The Ace Apartments – Corner of Cottage Grove Rd. & Acewood									
		# of Bedrooms					Projected Monthly Unit Rents, Including Utilities				
% of County Median Income (CMI)	Total # of units	# of Studios	# of 1 BRs	# of 2 BRs	# of 3 BRs	# of 4+ BRs	\$ Rent for Studios	\$ Rent for 1 BRs	\$ Rent for 2 BRs	\$ Rent for 3 BRs	\$ Rent for 4+ BRs
≤30%	16	0	11 (3*)	5*	0	0		410/773*	923*		
40%	0	0	0	0	0	0					
50%	33	0	0	21	12	0			861	995	
60%	10	0	1	7	2	0		864	1018	1227	
Sub-total	59	0	12	33	14	0					
Market*	11	0	10	1	0	0		985	1240		
Total Units	70	0	22	34	14	0					

Submitted 9-26-18 to adjust to HOME funding request. * are for Section 8

ADDRESS #1:		The Ace Apartments – Corner of Cottage Grove Rd. & Acewood									
		# of Bedrooms					Projected Monthly Unit Rents, Including Utilities				
% of County Median Income (CMI)	Total # of units	# of Studios	# of 1 BRs	# of 2 BRs	# of 3 BRs	# of 4+ BRs	\$ Rent for Studios	\$ Rent for 1 BRs	\$ Rent for 2 BRs	\$ Rent for 3 BRs	\$ Rent for 4+ BRs
≤30%	14	0	9*	5*	0	0		773*	923*		
40%	0	0	0	0	0	0					
50%	35	0	2*	21 (1*)	12	0		773*	861 (923*)	995	
60%	10	0	1	7	2	0		864	1018	1227	
Sub-total	59	0	12	33	14	0					
Market*	11	0	10	1	0	0		985	1240		
Total Units	70	0	22	34	14	0	Notes: All 30% units are assumed as having a Project-Based Section 8 voucher. There are two 50% 1BR units that will be covered with a voucher and one 50% 2BR unit with a voucher.				

Submitted 10-31-18 for lower awarded City funds and removal of Davis Bacon. * are for Section 8

ADDRESS #1:		The Ace Apartments – Corner of Cottage Grove Rd. & Acewood									
		# of Bedrooms					Projected Monthly Unit Rents, Including Utilities				
% of County Median Income (CMI)	Total # of units	# of Studios	# of 1 BRs	# of 2 BRs	# of 3 BRs	# of 4+ BRs	\$ Rent for Studios	\$ Rent for 1 BRs	\$ Rent for 2 BRs	\$ Rent for 3 BRs	\$ Rent for 4+ BRs
≤30%	14	0	9 (6*)	5 (2*)	0	0		425/833*	512/983*		
40%	0	0	0	0	0	0					
50%	32	0	6	14	10	2		730	861	995	1050
60%	13	0	3	8	2	0		864	1018	1227	
Sub-total	59	0	18	27	12	2					
Market*	11	0	4	7	0	0		985	1240		
Total Units	70	0	22	34	12	2					

General comments on changes:

- The original had more 30% units than required to maximize scoring for WHEDA. We limited to 20% versus 25%.
- The first two mixes had inaccurate PBV rents. There was likely a transcribing error as we were carrying the Studio & 1 BR rents instead of the 1 BR and 2 BR rents.
- We recently added 2 4BR 50% based on the most recent design

APPLICANT & PROJECT NAME:

1. AGENCY OVERVIEW

This chart describes your agency's total budget for 3 separate years. Where possible, use audited figures for 2017 Actual.

Account Description	2017 Actual	2018 Budget	2019 Proposed
A. PERSONNEL			
Salary (including benefits)			
Taxes			
Subtotal A	-	-	-
B. OPERATING			
All "Operating" Costs			
Subtotal B	-	-	-
C. SPACE			
Rent/Utilities/Maintenance			
Mortgage/Depreciation/Taxes			
Subtotal C	-	-	-
D. SPECIAL COSTS			
Subcontracts			
Deposits to Reserves			
Debt Service (Excl Mortgage)			
Other: (Specify)			
Subtotal D	-	-	-
Total Operating Expenses:	-	-	-
REVENUE			
Direct Public Grants			
Direct Public Support			
Indirect Public Support			
Miscellaneous Revenue			
Restricted Funds Released			
Program Income			
Total Income	-	-	-
Net Income	-	-	-

APPLICANT & PROJECT NAME:

Movin'Out/Mirus Partners - The Ace Apartments

2. CAPITAL BUDGET

Enter ALL 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/IFF	\$ 5,260,730	N	6%	35	15	368472
Subordinate Loan-Lender Name:						
Subordinate Loan-Lender Name:						
Tax Exempt Loan-Bond Issuer:						
AHP Loan	\$ 750,000	Y	0%			0
City-AHF Deferred Loan	\$ 110,000	Y	0%	30	30	0
City-AHF Interest/Cash Flow Loan						
City-TIF Loan						
Other-Specify Grantor:						
City HOME Funds	\$ 990,000	Y	0%	30	30	0
Other-Specify Grantor:						
Dane County AHF	\$ 300,000	Y	0%			0
Other-Specify Grantor:						
City TIF	\$ 277,000	N	3%	16	30	0
Tax Credit Equity	\$ 9,377,800					
Historic Tax Credit Equity						
Deferred Developer Fees	\$ 627,102					
Owner Investment						
Other-Specify:						
Total Sources	\$ 17,692,632					

Construction Financing			
Source of Funds	Amount	Rate	Term (monthly)
Construction Loan-Lender Name:			
WHEDA/IFF	\$ 9,700,000	6%	24
Bridge Loan-Lender Name:			
Tax Credit Equity:			
WNC & Associates	\$ 6,245,800		
Total	\$ 15,945,800		

Estimated pricing on sale fo Federal Tax Credits: **\$ 0.90**

Remarks Concerning Project Funding Sources:

APPLICANT:

Movin' Out/Mirus Partners - Ace Apartments

3. PROJECT EXPENSES

Enter the proposed project expenses

Acquisition Costs	Amount
Acquisition	1,600,000
Title Insurance and Recording	30,000
Appraisal	5,000
Predevlpmnt/feasibility/market study	6,500
Survey	10,000
Marketing	30,000
Relocation	0
Other (List)	
	0
Construction:	
Construction Costs	11,605,000
Demolition	300,000
Soils/Site Preparation	20,000
Construction Mgmt	0
Construction Interest	375,000
Permits; Print Plans/Specs	0
Landscaping, Play Lots, Signage	145,000
Other (List)	
Insurance, Other	60,000
Fees:	
Architect	199,750
Engineering	50,000
Accounting	20,000
Legal	90,000
Development Fee	1,604,760
Leasing Fee	0
Park Impact Fees	100,000
Other (List)	
Financing & Tax Credit Fees	231,208
Project Contingency:	587,500
Furnishings:	50,000
Reserves Funded from Capital:	
Operating Reserve	357,914
Replacement Reserve	0
Maintenance Reserve	0
Vacancy Reserve	0
Lease Up Reserve	100,000
Other: (List)	
Loan Fees, Taxes, Neighborhood, Soft Cost	115,000
TOTAL COSTS:	17,692,632

APPLICANT: **Movin' Out/Mirus Partners - Ace Apartments**

4. 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	774,756	790,251	806,056	822,177	838,621	855,393	872,501	889,951	907,750	925,905	944,423	963,312	982,578	1,002,229	1,022,274	1,042,720
Less Vacancy/Bad Debt	54,233	55,318	56,424	57,552	58,703	59,878	61,075	62,297	63,543	64,813	66,110	67,432	68,780	70,156	71,559	72,990
Income from Non-Residential Use*	100,000	102,000	104,040	106,121	108,243	110,408	112,616	114,869	117,166	119,509	121,899	124,337	126,824	129,361	131,948	134,587
Total Revenue	820,523	836,934	853,672	870,746	888,161	905,924	924,042	942,523	961,374	980,601	1,000,213	1,020,217	1,040,622	1,061,434	1,082,663	1,104,316
Expenses:																
Office Expenses and Phone	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786	10,079	10,382	10,693	11,014	11,344	11,685
Real Estate Taxes	75,000	77,250	79,568	81,955	84,413	86,946	89,554	92,241	95,008	97,858	100,794	103,818	106,932	110,140	113,444	116,848
Advertising, Accounting, Legal Fees	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	15,126	15,580
Payroll, Payroll Taxes and Benefits	42,483	43,757	45,070	46,422	47,815	49,249	50,727	52,249	53,816	55,431	57,094	58,806	60,571	62,388	64,259	66,187
Property Insurance	28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	43,623
Mtc, Repairs and Mtc Contracts	68,542	70,598	72,716	74,898	77,145	79,459	81,843	84,298	86,827	89,432	92,115	94,878	97,725	100,656	103,676	106,786
Utilities (gas/electric/fuel/water/sewer)	67,500	69,525	71,611	73,759	75,972	78,251	80,599	83,016	85,507	88,072	90,714	93,436	96,239	99,126	102,100	105,163
Property Mgmt	48,331	49,781	51,274	52,813	54,397	56,029	57,710	59,441	61,224	63,061	64,953	66,901	68,908	70,976	73,105	75,298
Operating Reserve Pmt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve Pmt	21,000	21,630	22,279	22,947	23,636	24,345	25,075	25,827	26,602	27,400	28,222	29,069	29,941	30,839	31,764	32,717
Support Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (List)																
Initial Commercial Vacancy	10,000	10,300	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	378,356	389,707	390,789	402,513	414,588	427,026	439,836	453,031	466,622	480,621	495,040	509,891	525,188	540,943	557,172	573,887
Net Operating Income	442,167	447,227	462,883	468,233	473,573	478,898	484,206	489,492	494,751	499,980	505,173	510,326	515,434	520,491	525,491	530,429
Debt Service:																
First Mortgage	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472
Second Mortgage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (List)																
Supportive Services	12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657	16,127	16,611	17,109	17,622	18,151	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Debt Service	380,472	380,832	381,203	381,585	381,978	382,383	382,801	383,230	383,673	384,129	384,599	385,083	385,581	386,094	386,623	368,472
Total Annual Cash Expenses	758,828	770,539	771,992	784,097	796,566	809,409	822,637	836,262	850,296	864,750	879,639	894,974	910,769	927,038	943,795	942,359
Total Net Operating Income	61,695	66,395	81,681	86,648	91,595	96,515	101,405	106,261	111,078	115,851	120,574	125,244	129,853	134,396	138,868	161,957
Debt Service Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Developer Fee	46,260	50,804	65,930	70,735	75,516	80,267	84,985	89,665	62,940	0	0	0	0	0	0	0
Cash Flow	15,435	15,591	15,751	15,913	16,079	16,248	16,420	16,596	48,138	115,851	120,574	125,244	129,853	134,396	138,868	161,957
AHF City Interest Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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

DCR Hard Debt	1.20	1.21	1.26	1.27	1.29	1.30	1.31	1.33	1.34	1.36	1.37	1.38	1.40	1.41	1.43	1.44
DCR Total Debt	1.16	1.17	1.21	1.23	1.24	1.25	1.26	1.28	1.29	1.30	1.31	1.33	1.34	1.35	1.36	1.44

Assumptions

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

APPLICANT:

Movin' Out/Mirus Partners - Ace Apartments

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	1,063,574	1,084,845	1,106,542	1,128,673	1,151,247	1,174,272	1,197,757	1,221,712	1,246,146	1,271,069	1,296,491	1,322,421	1,348,869	1,375,846
Less Vacancy/Bad Debt	74,450	75,939	77,458	79,007	80,587	82,199	83,843	85,520	87,230	88,975	90,754	92,569	94,421	96,309
Income from Non-Residential Use*	137,279	140,024	142,825	145,681	148,595	151,567	154,598	157,690	160,844	164,061	167,342	170,689	174,102	177,584
Total Revenue	1,126,402	1,148,930	1,171,909	1,195,347	1,219,254	1,243,639	1,268,512	1,293,882	1,319,760	1,346,155	1,373,078	1,400,540	1,428,551	1,457,122
Expenses:														
Office Expenses and Phone	12,035	12,396	12,768	13,151	13,546	13,952	14,371	14,802	15,246	15,703	16,174	16,660	17,159	17,674
Real Estate Taxes	120,353	123,964	127,682	131,513	135,458	139,522	143,708	148,019	152,460	157,033	161,744	166,597	171,595	176,742
Advertising, Accounting, Legal Fees	16,047	16,528	17,024	17,535	18,061	18,603	19,161	19,736	20,328	20,938	21,566	22,213	22,879	23,566
Payroll, Payroll Taxes and Benefits	68,173	70,218	72,324	74,494	76,729	79,031	81,402	83,844	86,359	88,950	91,618	94,367	97,198	100,114
Property Insurance	44,932	46,280	47,668	49,098	50,571	52,088	53,651	55,260	56,918	58,626	60,385	62,196	64,062	65,984
Mtc, Repairs and Mtc Contracts	109,990	113,289	116,688	120,189	123,794	127,508	131,334	135,274	139,332	143,512	147,817	152,252	156,819	161,524
Utilities (gas/electric/fuel/water/sewer)	108,318	111,567	114,914	118,362	121,913	125,570	129,337	133,217	137,214	141,330	145,570	149,937	154,435	159,068
Property Mgmt	77,557	79,884	82,280	84,749	87,291	89,910	92,607	95,385	98,247	101,194	104,230	107,357	110,578	113,895
Operating Reserve Pmt	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve Pmt	33,699	34,710	35,751	36,824	37,928	39,066	40,238	41,445	42,689	43,969	45,288	46,647	48,046	49,488
Support Services	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 Expenses	591,103	608,836	627,101	645,914	665,292	685,251	705,808	726,982	748,792	771,256	794,393	818,225	842,772	868,055
Net Operating Income	535,299	540,094	544,808	549,433	553,962	558,389	562,704	566,900	570,968	574,899	578,685	582,315	585,779	589,067
Debt Service:														
First Mortgage	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472
Second Mortgage	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	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472	368,472
Total Annual Cash Expenses	959,575	977,308	995,573	1,014,386	1,033,764	1,053,723	1,074,280	1,095,454	1,117,264	1,139,728	1,162,865	1,186,697	1,211,244	1,236,527
Total Net Operating Income	166,827	171,622	176,336	180,961	185,490	189,917	194,232	198,428	202,496	206,427	210,213	213,843	217,307	220,595
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	166,827	171,622	176,336	180,961	185,490	189,917	194,232	198,428	202,496	206,427	210,213	213,843	217,307	220,595
AHF City Interest Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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

DCR Hard Debt	1.45	1.47	1.48	1.49	1.50	1.52	1.53	1.54	1.55	1.56	1.57	1.58	1.59	1.60
DCR Total Debt	1.45	1.47	1.48	1.49	1.50	1.52	1.53	1.54	1.55	1.56	1.57	1.58	1.59	1.60

Assumptions

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