



Community
Development
Advocates, LLC

MEMORANDUM

TO: Jean Wolfgang, Milwaukee County, Housing Division

FROM: Teig Whaley-Smith, Esq.

DATE: November 8, 2012

RE: 11th & Madison Analysis

The Housing Division of Milwaukee County ("Housing Division") has received an application ("Application") from Movin' Out, Inc. ("Developer") for the 11th & Madison ("Project"). The Housing Division has asked for a review of the Project to determine whether (a) the Project's Construction Budget is Feasible, (b) the Project's Operating Budget is Feasible, (c) whether there is a financial gap on the project, (d) whether the Project meets the Fair Share Test, and (e) whether the Project meets the Subsidy Limit Test.

This memo addresses each of these issues. In preparing this memo, the most recent guidance to participating jurisdictions of the HOME Program was used, *Building HOME: A HOME Program Primer* ("HUD Guidance").¹ The most recent Qualified Allocation Plan ("QAP") for Low Income Housing Tax Credits ("LIHTC") produced by the Wisconsin Housing and Economic Development Authority (WHEDA), was also used.²

Based on the analysis listed below, the Developer's request for \$801,000 of HOME funds is reasonable and the Housing Division must require a minimum of at least 11 HOME Units. The current proposal is for 11 HOME units, which meets the minimum requirement. This analysis is based on reasonable assumptions provided in the attached Application and the attached 11th and Madison Financial Analysis ("Financial Analysis"). All financial assumptions are within a reasonable range and any remaining issues are minor in scope. As required by WHEDA, Developer will make minor adjustments to resolve these

¹ U.S. Department of Housing and Urban Development, *Building HOME: A HOME Program Primer* (2010), available at <http://www.hud.gov/offices/cpd/affordablehousing/training/materials/building/index.cfm> (last visited September 10, 2012). Hereinafter referred to as "HUD Guidance."

² Wisconsin Housing and Economic Development Authority, Qualified Allocation Plan 2013-2014 Final Draft, available at http://www.wheda.com/root/uploadedFiles/Website/LIHTC/Allocating/Draft%20QAP%202013_7%2024%2012.pdf (last visited September 10, 2012).

issues to be consistent with WHEDA's LIHTC application.³ These issues do not significantly or materially impact the feasibility, subsidy limit test, fair share test or other topics covered by this overview. All of these issues would be difficult, if not impossible, to resolve at this stage in project planning and are easily addressed prior to closing.

I. Construction Feasibility

Based on the attached Financial Analysis, the Project's construction budget is feasible and based on reasonable assumptions. Particularly the cost per square foot of \$93.33 is within the acceptable range of \$110 per square foot or less. The overall cost is less than the costs imposed by HUD Section 221(d)(4) which is a WHEDA LIHTC requirement.⁴ The Operating Reserves, Rent Up Reserves, Developer's Fee are all within acceptable ranges.

II. Operating Feasibility (years 1-20)

Based on the attached Financial Analysis, the Project's operating budget is feasible and based on reasonable assumptions. Particularly the operating cost per unit per month of \$432.80 is within the acceptable range of \$400 - \$450 per unit per month. The replacement reserves of \$12,000 per year are also consistent with WHEDA LIHTC requirements. The DCR is within the acceptable range of 1.15 to 1.6 for the entire affordability period of 20 years. Rents are below what is required by WHEDA's LIHTC Program,⁵ and the Wisconsin Section 8 requirements.⁶ Please note that the rents charged to tenants are substantial, but within LIHTC and Section 8 Limits. A market study, as part of the LIHTC process, will need to be provided to substantiate that tenants can afford the rent.

III. Gap Necessity

The minimum HOME investment is \$1,000 times the number of HOME-assisted units in the Project.⁷ The maximum HOME investment is determined by the 221(d)(3) Test (see section V below).⁸ Based on the Financial Analysis, there is a gap of \$801,163.94 of which the developer is applying for \$801,000 as a HOME grant. This request, based on the Construction and Operating Feasibility analysis above appears

³ Issues that should be addressed with Developer prior to closing are (a) minor adjustments to General Contractor's General Conditions, Overhead and Profit to be consistent with WHEDA's LIHTC program; (b) if additional equity or funding is received, Operating Reserve should be increased from 8 months to 12 months or more, (c) detail of which utilities are paid by project; reasonable assumptions were used to complete, and (d) detail of Marketing/Management Costs and Other Administration & Management Operating Costs should be provided by Developer.

⁴ Wisconsin Housing & Economic Development Authority, Appendix G (2012) available at <http://www.wheda.com/root/LIHTC/Dynamic.aspx?id=3001&terms=221> (last visited September 10, 2012).

⁵ Wisconsin Housing & Economic Development Authority, Wisconsin Standard Multifamily Tax Subsidy Project Estimated Maximum Income and Rent Limits (Dec. 1 2011), available at http://www.wheda.com/root/uploadedFiles/Website/Business_Partners/Property_Managers/Other_Reports/2012_Standard.pdf (last visited September 10, 2012).

⁶ Milwaukee County Section 8 limits were used as provided by Housing Division Staff, dated 10/12.

⁷ HUD Guidance at 2-4.

⁸ HUD Guidance at 2-5.

to be reasonable and is within the minimum and maximum HOME investment requirements. If the County has additional resources it should consider contributing more to help fill the gap.

IV. Fair Share Test

In determining the minimum number of HOME units that the Housing Division must require of the Project, the Housing Division must implement a Fair Share Test.⁹ The Fair Share Test equals the Planned Home Investment divided by the Total Eligible Project Costs. This amount should then be multiplied by the Project's total number of units. For this Project the Planned Home Investment is \$801,000 the Total Eligible Project Costs are \$6,101,234,¹⁰ and the Total Number of Project Units is 40. Consequently, the Fair Share Test requires a minimum of 6 Home Units.

V. Subsidy Limit Test / 221(d)(3) Test

In determining the minimum number of HOME units that the Housing Division must require of the Project, the Housing Division must implement a Subsidy Limit Test.¹¹ The Subsidy Limit Test equals the Planned Home Investment divided by the 221(d)(3) Subsidy Limit for each HOME Unit. As of the date of this memo, the 221(d)(3) Subsidy Limits are as follows:

NON ELEVATOR TYPE	All Wisconsin Participating Jurisdictions	Basic Limits per No. of Bedrooms				
		0	1	2	3	4+
		\$50,956	\$58,752	\$70,857	\$90,699	\$101,042
	HCP = 240%	\$122,294	\$141,005	\$170,057	\$217,678	\$242,501

ELEVATOR TYPE	All Wisconsin Participating Jurisdictions	Basic Limits per No. of Bedrooms				
		0	1	2	3	4+
		\$53,624	\$61,471	\$74,749	\$96,700	\$106,147
	HCP = 240%	\$128,698	\$147,530	\$179,398	\$232,080	\$254,753

For this Project the Planned Home Investment is \$801,000 and the 221(d)(3) limit for all 11 HOME Units is \$834,980. Consequently, the Subsidy Limit Test yields a percentage of 96%, meaning the Planned

⁹ Although there is reference to the Fair Share Test concept in the HUD Guidance, the clearest definition is included in Montana Department of Commerce, Memo regarding Home Investment Partnerships Program Plan Year 2011 Proposed Changes (October 15, 2010) available at <http://housing.mt.gov/content/HM/docs/HMHOMEHappenings/HMNLtrVol10Issue08.pdf> (last visited September 10, 2012).

¹⁰ Marketing/Management and Other Project Administration & Management Costs were excluded until further detail is provided.

¹¹ *Supra* note 9.

Home Investment is 96% of the maximum allowable. The Housing Division could contribute up to \$834,980 and not be in violation of the Subsidy Limit Test.

HUD requires that the greater of the Fair Share Test or the Subsidy Limit Test be used. In this case, a minimum of 11 HOME Units must be required. This is a minimum and the Housing Division can require more. The current proposal of 11 HOME units meets the required minimum.

VI. Subsidy Layering Analysis

HUD requires a Subsidy Layering Analysis that is based on guidelines produced by the participating jurisdiction, which in this case is the Housing Division.¹² As of the date of this memo, these guidelines have not been produced but the Housing Division staff has engaged a consultant to complete. Although the Subsidy Layering Test can be met if such an analysis has been completed by another funding source,¹³ as of the date of this memo, such analysis has not been completed. Consequently, this memo uses the minimum requirements set by HUD Notice CPD-98-01. These minimum requirements include a review of the following, all of which were provided in the Application: (a) proposed sources and uses, (b) certification from the applicant whether additional governmental assistance will be provided,¹⁴ (c) a development budget that includes reasonable costs, and (d) an operating proforma that includes reasonable costs.

CDA has reviewed the documents listed in (a) through (d) above and compared them to WHEDA's LIHTC requirements and other industry standards. Based on this review, the Project includes reasonable costs and other assumptions as indicated in Sections I and II above. Consequently, the Project meets the Subsidy Layering Analysis requirement.

Because the project also includes Market Rate Units, a separate per Unit Subsidy Layering test was applied to confirm that the HOME Units were not over subsidized. This analysis can be found in the "Per Unit Cost Allocation/Subsidy Layering Test" Table included as part of the Financial Analysis.

VII. Other issues

Although not in our scope of review, we have identified the following issues we wanted to make you aware of.

- A. **LIHTC Structuring.** Because the Project is seeking LIHTC, the HOME investment should be structured as a grant to a non-profit partner in the Project. This non-profit partner can then loan the funds to the Project consistent with the requirements of the equity investor and the Project's tax credit attorney. The HOME investment should not be structured as a grant to the Project directly because it will cause problems with the LIHTC investment. The HOME investment should not be structured as a loan because the project has illustrated a sufficient

¹² HUD Guidance at 6-25.

¹³ Id.

¹⁴ The HUD Guidance at 6-26 indicates there should be a formal certification. When Housing Division is drafting its guidelines it should require such a certification.

gap. Even if the loan is repaid from the Project to the non-profit partner, the County should not require repayment because the Project is unlikely to be able to support such a repayment and such a requirement will cause major issues for the non-profit partner and any refinancing of the project.

- B. **Match and Other Compliance Issues.** This memo only addresses the issues related to the initial award of the HOME funds to this Project, and does not address other issues related to the Housing Division's HOME program, including the requirements of the Housing Division's match towards HOME activities,¹⁵ monitoring and inspections,¹⁶ and other compliance issues.
- C. **Davis Bacon.** HUD requires that Davis-Bacon requirements, including prevailing wage, be included for any projects with 12 or more HOME Units.¹⁷
- D. **Ineligible Costs.** HOME Funds may not be used to provide project reserve accounts, except for initial operating deficit reserves.¹⁸ Consequently, the Operating Reserve listed in the Project's Application and any Rent-Up Reserve are eligible. The Housing Division's agreement with the Developer, however, should specify that Operating Reserves may be held by the project after the 18-month period allowed by HUD. Furthermore, it is unlikely that fees paid related to the use of LIHTC are eligible, thus LIHTC fees have been removed from the above calculations.
- E. **Affordability Period.** Because the HOME investment is for new construction of rental housing, the required affordability period is 20 years, regardless of the amount of the HOME investment.¹⁹
- F. **Enforcement.** The Housing Division must enforce the rent limits and other occupancy requirements through a document recorded with the Register of Deeds, or other mechanism approved by HUD.²⁰
- G. **Contingent on receiving LIHTC.** Because this Project is so dependent on receiving LIHTC, if the Project does not currently have an allocation, a stipulation on the HOME fund award should be included that allows the Housing Division to rescind the commitment and reallocate the funds if the Project does not receive a LIHTC allocation by June 30, 2013 and does not close with an equity investor by June 30, 2014.

Attachments

- A. Application
- B. Financial Analysis

¹⁵ HUD Guidance at 8-1 et al.

¹⁶ HUD Guidance at 6-19.

¹⁷ HUD Guidance at 10-6.

¹⁸ HUD Guidance at 2-8.

¹⁹ HUD Guidance at 2-16.

²⁰ HUD Guidance 6-8.

11th & Madison Apartments

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Assumptions

Investor Related Assumptions

Price Per Credit	0.8500
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Lender Related

Permanent Loan Interest Rate - First Mortgage	7.00%
Permanent Loan Amount - First Mortgage	\$ 920,000.00
Permanent Loan Amount - Soft Second	\$ -
Permanent Loan Amortization	30
Construction Loan Origination Fee	1%
Vacancy Rate	7.00%

Project Related

Total Number of Units	40.00
Percent of Units Market Rate	15%
Total Square Footage	42,968.00
Annual Rental Increase	2.0%
Annual Operating Expense Increase	3.0%

Credit Calculation

	Application
Eligible Basis	\$ 5,502,234.00
Eligible Basis of Applicable Percentage	\$ 4,676,898.90
Adjustment for QCT	\$ 1,403,069.67
Subtotal	\$ 6,079,968.57
Assumed Tax Credit Rate	7.30%
Total Credits	\$ 443,837.71

Sources

Equity	\$ 3,772,620.50
Permanent Financing	\$ 920,000.00
HOME Grant (Sponsor Loan)	\$ 801,000.00
Other Gap Funds Committed (Donated Land, City Funds)	\$ 629,099.00
Remaining Gap	\$ 18,514.50
Total	\$ 6,141,234.00

11th & Madison Apartments

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Analysis

<u>Calculations</u>	<i>Project</i>	<i>Expected</i>	
General Conditions	6.23%	6.00%	or less
Overhead	1.95%	2.00%	or less
Profit	6.19%	6.00%	or less
Construction Cost Per Square Foot	\$ 93.33	\$ 110	or less
Developers Fee	11.98%	12.00%	or less
Rent-Up Reserve	5.43	3 - 12 months	or less
Operating Reserve	\$ 7.62	12 - 24 months	or less
Cost per unit - 221(d)(4)	\$ 153,530.85	\$ -	
Operating Cost Per Unit Per Month	\$ 432.80	\$400 - \$450	
Replacement Reserve per unit per year	\$ 300.00	\$ 300	or more
DCR Year 1	1.37	1.15 to 1.5	
DCR Year 20	1.15	1.15 to 1.5	

Notes

Need explanation of Marketing/Management

Need explanation of Administration & Management Costs

Need Actual Square Footage Assumed \$ 42,968

Need Permanent Loan Amortization Assumed 30

Need % of Market Rate Units Assumed 15%

Need Tax Credit Price Assumed 0.85

Need owner paid utilities Assumed None

DCR Year 1 above 1.5. Ok because of Supportive housing units and large number of 1 bedrooms.

HOME Calculations

Fair Share Test	5.25
Subsidy Limit Test	96%
Total Home Unit Subsidy limit	834,980.00
Total HOME Eligible Costs	6,101,234.00
Total Gap	\$ 819,514.50

Disclaimers

This is not a market study. A separate market study would be needed to determine if rents are reasonable

This is not an appraisal. A separate appraisal would be needed to determine projects value.

It is too early in the process for County to require a market study, but County should receive a copy prior to closing

11th & Madison Apartments

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Project Costs

<i>Account Code</i>		<i>Totals</i>	<i>Eligible Basis</i>
<u>Acquisition Costs</u>		\$ 300,000	\$ -
Land	\$ 300,000.00		
Existing Structures	\$ -		
Other Acquisition Costs	\$ -		
<u>Site Work Costs (not included in construction contract)</u>		\$ 190,000	\$ 190,000
Demolition/Clearance	\$ -		
Site Remediation	\$ -		
Improvements	\$ 190,000.00		
Other Site Work Costs	\$ -		
<u>Construction / Rehabilitation Costs (construction contract costs)</u>		\$ 4,010,000.00	\$ 4,010,000.00
Other Site Work	\$ -		
New Construction	\$ 3,367,925.00		
Rehabilitation	\$ -		
General Requirements	\$ 213,475.00		
Builder's Overhead	\$ 71,158.00		
Builder Profit	\$ 226,284.00		
Performance Bond Premium	\$ -		
Construction Contingency	\$ 71,158.00		
Other Construction / Rehabilitation Costs	\$ 60,000.00		
<u>Architectural and Engineering Fees</u>			
Architect Fee -- Design	\$ 80,000.00	\$ 120,000.00	\$ 120,000.00
Architect Fee -- Construction Supervision	\$ 20,000.00		
Engineering Fees	\$ 20,000.00		
Other Architectural and Engineering Fees	\$ -		
<u>Other Owner Costs</u>		\$ 371,717.00	\$ 371,717.00
Project Consultant Fees	\$ 9,000.00		
Legal and Organizational Expenses	\$ 15,000.00		
Syndication Fees	\$ 12,000.00		
Market Study	\$ 6,500.00		
Survey	\$ 7,500.00		
Appraisal Fees	\$ 6,000.00		
Soil Boring/Environmental Survey/Lead-Based Paint Evaluation	\$ 4,000.00		
Tap Fees and Impact Fees	\$ -		
Permitting Fees	\$ -		
Real Estate Attorney Fees	\$ 20,000.00		
Construction Loan Legal Fees	\$ -		
Other Owner Costs	\$ 133,200.00		
<u>Interim Financing Costs</u>		\$ 158,517.00	\$ 158,517.00
Construction Insurance	\$ 14,490.00		
Construction Interest	\$ 60,767.00		
Construction Loan Origination Fee	\$ 36,460.00		
Title and Recording Costs (for the construction loan)	\$ -		
Other Interim Financing Costs	\$ 46,800.00		
<u>Permanent Financing Fees and Expenses</u>		\$ 678,000.00	\$ 642,000.00
Credit Report	\$ -		
Permanent Loan Origination Fees (Points)	\$ -		
Mortgage Broker Fees	\$ -		
Title and Recording Costs (for permanent financing)	\$ 9,500.00		
Counsel's Fee	\$ 1,500.00		
Lender's Counsel Fee	\$ 12,000.00		
Other Permanent Financing Fees and Expenses	\$ 13,000.00		
Developer's Fee	\$ 642,000.00		
<u>Initial Project Reserves</u>		\$ 226,000	\$ -

Initial Rent-Up Reserve	\$	94,000.00			
Initial Operating Reserve	\$	132,000.00			
Initial Replacement Reserve	\$	-			
Other Initial Project Reserves Costs	\$	-			
Tenant Relocation Costs	\$	-			
<u>Project Administration and Management Costs (during construction only)</u>			\$	87,000	
Marketing/Management	\$	40,000.00		\$	10,000
Operating Expenses	\$	37,000.00			
Taxes	\$	10,000.00			
Insurance	\$	-			
Other Project Administration & Management Costs	\$	-			

11th & Madison Apartments

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Operating Proforma

	Year 1,000	Year 2	Year 3	Year 4	Year 5
Rental Unit Income	\$ 331,203.30	\$ 337,827.37	\$ 344,583.91	\$ 351,475.59	\$ 358,505.10
Vacancy Loss	(\$23,184.23)	(\$23,647.92)	(\$24,120.87)	(\$24,603.29)	(\$25,095.36)
Net Income	\$ 308,020.07	\$ 314,181.45	\$ 320,466.04	\$ 326,876.30	\$ 333,414.75
Operating Expenses	(\$207,744.00)	(\$213,976.32)	(\$220,395.61)	(\$227,007.48)	(\$233,817.70)
Net Operating Income	\$ 100,276.07	\$ 100,205.13	\$ 100,070.43	\$ 99,868.82	\$ 99,597.04
Debt Service	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)
Net Cash Flow	\$ 26,826.67	\$ 26,755.73	\$ 26,621.03	\$ 26,419.43	\$ 26,147.65
Debt Coverage Ratio	1.365	1.36	1.36	1.36	1.36

	Year 6	Year 7	Year 8	Year 9	Year 10
Rental Unit Income	\$365,675.21	\$372,988.71	\$380,448.48	\$388,057.45	\$395,818.60
Vacancy Loss	(\$25,597.26)	(\$26,109.21)	(\$26,631.39)	(\$27,164.02)	(\$27,707.30)
Net Income	\$340,083.94	\$346,886.50	\$353,825.09	\$360,902.43	\$368,121.30
Operating Expenses	(\$240,832.23)	(\$248,057.20)	(\$255,498.92)	(\$263,163.88)	(\$271,058.80)
Net Operating Income	\$99,251.71	\$98,829.30	\$98,326.17	\$97,738.55	\$97,062.50
Debt Service	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)
Net Cash Flow	\$25,802.31	\$25,379.90	\$24,876.78	\$24,289.15	\$23,613.10
Debt Coverage Ratio	1.35	1.35	1.34	1.33	1.32

	Year 11	Year 12	Year 13	Year 14	Year 15
Rental Unit Income	\$403,734.97	\$411,809.67	\$420,045.87	\$428,446.78	\$437,015.72
Vacancy Loss	(\$28,261.45)	(\$28,826.68)	(\$29,403.21)	(\$29,991.27)	(\$30,591.10)
Net Income	\$375,484.53	\$382,995.00	\$390,655.66	\$398,469.51	\$406,439.62
Operating Expenses	(\$279,190.56)	(\$287,566.28)	(\$296,193.27)	(\$305,079.07)	(\$314,231.44)
Net Operating Income	\$96,293.96	\$95,428.72	\$94,462.39	\$93,390.44	\$92,208.18
Debt Service	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)
Net Cash Flow	\$22,844.57	\$21,979.32	\$21,012.99	\$19,941.05	\$18,758.78
Debt Coverage Ratio	1.31	1.30	1.29	1.27	1.255

	Year 16	Year 17	Year 18	Year 19	Year 20
Rental Unit Income	\$445,756.04	\$454,671.16	\$463,764.58	\$473,039.87	\$482,500.67
Vacancy Loss	(\$31,202.92)	(\$31,826.98)	(\$32,463.52)	(\$33,112.79)	(\$33,775.05)
Net Income	\$414,569.11	\$422,861.17	\$431,319.06	\$439,946.08	\$448,745.62
Operating Expenses	(\$323,658.38)	(\$333,368.13)	(\$343,369.18)	(\$353,670.25)	(\$364,280.36)
Net Operating Income	\$90,910.73	\$89,493.04	\$87,949.88	\$86,275.83	\$84,465.26
Debt Service	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)
Net Cash Flow	\$17,461.33	\$16,043.64	\$14,500.48	\$12,826.43	\$11,015.86
Debt Coverage Ratio	1.24	1.22	1.20	1.17	1.150

	Year 21	Year 22	Year 23	Year 24	Year 25
Rental Unit Income	\$492,150.68	\$501,993.69	\$512,033.57	\$522,274.24	\$532,719.72
Vacancy Loss	(\$34,450.55)	(\$35,139.56)	(\$35,842.35)	(\$36,559.20)	(\$37,290.38)
Net Income	\$457,721.13	\$466,876.14	\$476,214.22	\$485,739.04	\$495,454.34
Operating Expenses	(\$375,208.77)	(\$386,465.04)	(\$398,058.99)	(\$410,000.76)	(\$422,300.78)
Net Operating Income	\$82,512.36	\$80,411.10	\$78,155.23	\$75,738.29	\$73,153.57
Debt Service	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)	(\$73,449.40)
Net Cash Flow	\$9,062.97	\$6,961.71	\$4,705.84	\$2,288.89	(\$295.83)
Debt Coverage Ratio	1.12	1.09	1.06	1.03	1.00

11th & Madison Apartments

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Operating Budget

	Detail Amount	Total Amount
<u>Management Expenses</u>		
Management Fee	\$ 16,934.00	\$ 36,134
Management Administrative Payroll Costs	\$ -	
Legal Fees	\$ -	
Accounting / Audit Fees	\$ 6,500.00	
Advertising / Marketing	\$ 4,000.00	
Telephone	\$ -	
Office Supplies	\$ 3,500.00	
Other Administrative Expenses	\$ 3,600.00	
Other Management Expenses	\$ 1,600.00	
<u>Operations and Maintenance Expenses</u>		\$ 66,904
Security	\$ -	
Operations and Maintenance Administrative Payro	\$ 21,624.00	
Elevator (if any)	\$ 3,000.00	
Other Mechanical Equipment	\$ -	
Interior Painting	\$ 4,400.00	
Routine Repairs and Supplies	\$ 25,000.00	
Exterminating	\$ 480.00	
Lawn and Landscaping	\$ 4,000.00	
Garbage Removal	\$ 3,400.00	
Snow Removal	\$ 5,000.00	
Resident Service Cost	\$ -	
Other Maintenance Costs	\$ -	
Operations and Maintenance Expenses	\$ -	
<u>Utilities Paid by the Property</u>		\$ 51,000
Electricity	\$ 15,000.00	
Natural Gas, Oil, Other Fuel	\$ 14,000.00	
Sewer and Water	\$ 12,000.00	
Other Utilities Paid by the Property	\$ 10,000.00	
<u>Taxes / Insurance / Reserves / Other Expenses</u>		\$ 53,706.00
Real Estate Taxes	\$ 32,106.00	
Other Taxes and Licenses	\$ -	
Property Insurance	\$ 9,600.00	
Reserve for Replacement	\$ 12,000.00	
Total		\$ 207,744

11th & Madison Apartments

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Unit Mix

Unit Type	# BRs	Total # Units	LIHTC CMI	Monthly Rent	Total Rent	Utility Allowance	Gross Rent	LIHTC Limit	Section 8 Limit
1 - Bedroom - HOME	1	1	30%	\$ 315	\$ 3,780	\$ 81	\$ 396	\$ 412	\$ 724
1 - Bedroom - 30%	1	5	30%	\$ 315	\$ 18,900	\$ 81	\$ 396	\$ 412	\$ 724
1 - Bedroom - 50%	1	6	50%	\$ 545	\$ 39,240	\$ 81	\$ 626	\$ 686	\$ 724
1 - Bedroom - 60%	1	3	60%	\$ 630	\$ 22,680	\$ 81	\$ 711	\$ 824	\$ 724
1 - Bedroom - Mkt - HOME	1	3	-	\$ 644	\$ 23,184	\$ 81	\$ 725	-	\$ 724
2 - Bedroom - HOME	2	4	50%	\$ 635	\$ 30,480	\$ 110	\$ 745	\$ 812	\$ 910
2 - Bedroom - 50%	2	6	50%	\$ 635	\$ 45,720	\$ 110	\$ 745	\$ 812	\$ 910
2 - Bedroom - 60%	2	5	60%	\$ 785	\$ 47,100	\$ 110	\$ 895	\$ 988	\$ 910
2 - Bedroom - Market	2	3	-	\$ 900	\$ 32,400	\$ 110	\$ 1,010	-	\$ 910
3 - Bedroom - HOME	3	3	50%	\$ 735	\$ 26,460	\$ 127	\$ 862	\$ 951	\$ 1,161
3 - Bedroom - 50%	3	1	50%	\$ 735	\$ 8,820	\$ 127	\$ 862	\$ 951	\$ 1,161
Total		40			\$ 331,203				

11th & Madison Apartments

2011 LIHTC Appendix G

221 (d) 4 Cost Limits

WHEDA limits total development cost for any one development according to the maximum limit under HUD's 221(d) 4 Mortgage Insurance program, plus an automatic 15% allowance for "Cost Not Attributable to a Dwelling Unit" such as parking areas and community spaces. Public housing authorities are exempt from this if they are the primary applicant and HOPE VI or similar federal funding is a source of funds. This is a threshold item and applications exceeding this standard will be rejected.

Instructions

Complete cells enclosed in a box:

WHEDA will use the cost guidelines published on www.wheda.com at the time of its review of Application #1 and Application #2 for this determination. This calculation will not be done for Application #3 (8609).

Applications received with a development cost exceeding the maximum calculated in cell G36 will be rejected.

<input type="text"/>	<input checked="" type="checkbox"/> Elevatored Building
Project Name:	<input type="text"/>
Project #:	<input type="text"/>
County	

Number of Bedrooms	0 BR	1 BR	2 BR	3 BR	4+ BR
Number of Units	0	18	18	4	0

Total projected development cost:	\$ 6,109,888
Total development maximum, excluding costs not attributable to dwelling units:	\$ 7,275,276
15% allowance for costs not attributable to dwelling units:	\$ 1,091,291
Total maximum development cost:	\$ 8,366,567

Result: OK - Development Cost Below Current Limit

11th & Madison Apartments

11/8/2012

Per Unit Cost Allocation
Subsidy Layering Test

	Number of Units	Cost	LIHTC	Home	Sources Debt	Other	Gap
Home Units - LIHTC	8	\$ 1,228,246.80	887675.4112	\$340,571.39	0	0	
Non- Home LIHTC Units	26	\$ 3,991,802.10	\$ 2,884,945.09		\$690,000.00	\$398,506.45	\$ 18,514.50
Market Rate Units	3	\$ 460,592.55			\$230,000.00	\$230,592.55	
Home Units - Non-LIHTC	3	\$ 460,592.55		\$460,592.55			
Total		\$ 6,141,234.00	\$ 3,772,620.50	\$801,163.94	\$920,000.00	\$629,099.00	\$ 18,514.50

See Notice CPD 98-2 regarding Allocation of Cost
See Notice CPD 98-1 regarding Subsidy Layering