

**CITY OF MERRILL
Redevelopment Authority (RDA)**

**Tuesday, October 4th, 2016 at 8:00 a.m.
Location – City Hall Common Council Chambers
1004 East 1st Street**

AGENDA

Voting RDA Members: Bill Bialecki, Ryan Schwartzman, Amanda Kostman, Karen Karow, Jill Laufenberg, Tony Kusserow, and Tim Haight

1. Call to order
2. Consider approval of meeting minutes from September 19th, 2016
3. Consider not to exceed \$37,500 TID No. 9 environmental and demolition loan for 1003 and 1005 S. Center Ave. (former Club Modern) secured by mortgage from Stephen and Linda Blake
4. Review and discuss 2017 Tax Increment District (TID) budget requests
5. Update and discussion on follow-up information on proposed 1905 E. 14th St. (former Fox Point site) housing development proposals
6. Next RDA meeting – Tuesday, November 1st at 8:00 a.m.
7. Public Comment
8. The RDA may convene in closed session per Wis. Stats. Sec. 19.85(1)(e) – deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session to consider:

Housing development proposals for 1905 E. 14th St. (former Fox Point site); possible recommendation for developer; and potential TID No. 10 development incentives
9. The RDA may reconvene in open session to take action on the closed session matter.
10. Adjournment

Agenda prepared by RDA Secretary Kathy Unertl
Reviewed by RDA President Bill Bialecki

Note: A potential quorum of the Common Council could attend the meeting for information. There will be no Common Council action taken.

The Merrill City Hall is accessible to the physically disadvantaged. If special accommodations are needed, please contact the Merrill City Hall at 536-5594.

Date and time agenda was posted: _____

Posted by: _____

City of Merrill
Redevelopment Authority (RDA)

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Monday, September 19th, 2016 at 6:00 P.M.
City Hall Common Council Chambers

RDA Present: Bill Bialecki, Amanda Kostman, Tim Haight, Jill Laufenberg,
Karen Karow, Tony Kusserow, and Ryan Schwartzman

Others: Alderpersons John Burgener, Mary Ball, Rod Norton, and Tim Meehan, City Administrator Dave Johnson, Finance Director Kathy Unertl, City Attorney Tom Hayden, Public Works Director Rod Akey, Mary Rajek from Redevelopment Resources, Ken Maule from Lincoln County Economic Development Corp. (LCEDC), John Donovan from S.C. Swiderski, LLC, Scott Kwiecinski from Horizon and Paul Russel from Merrill Area Housing Authority (MAHA), Jeremy Ratliff from Merrill Courier, IT Manager Ron Turner livestreaming the meeting, a student from MAPS taping the meeting, and about fifteen interested individuals

Call to Order: Chair Bialecki called the meeting to order at 6:00 p.m.

Consider approval of meeting minutes:

Motion (Schwartzman/Karow) to approve the RDA meeting minutes from September 9th, 2016. Carried.

Presentations and Questions/Answers from housing developers for 1905 14th St. (former Fox Point site):

S. C. Swiderski, LLC: John Donovan highlighted the S.C. Swiderski, LLC experience in residential apartment development. In Merrill, the firm already has 160 rental units on Jackson Street and 12 larger rental units with attached garages on Semling Drive. In response to the fall-out of the 2008 economic collapse, S.C. Swiderski identified the gap for rental housing in the region. The firm has about 1,200 rental units with another 400 under construction, and another 600 – 800 in design.

The Swiderski housing proposal is for four buildings (i.e. two 12 units and two 16 units – for total of 56 apartments) with market rate rents ranging from \$720 for one bedroom to \$995 for three bedroom. Construction could begin in spring 2017 with occupancy potentially by the end of 2017. In response to questions, Donovan advised that firm is reviewing installation of air exchange units in planning new developments.

Unertl asked about the Semling Drive rental pace. Donovan responded that they were a bit surprised by the demand for the larger units with attached garages. Rents range from \$995 to \$1,100. All 12 units are rented.

Horizon/MAHA: Scott Kwiecinski from Horizon highlighted on the proposed residential development involving three buildings with twenty-units in each building. There would be 51 affordable units and 9 market-rate apartments. All units would have 1st floor private entries. Nine of the twenty units in each building would have attached garages. No other covered parking is proposed. Greenspace and stormwater drainage are included in their plan, as well as leasing office and small-scale social area.

Development timeframe is dependent upon WHEDA (Wisconsin Housing and Economic Development Authority) tax credit financing. Applications are due in January 2017 with tax credit awards announced in late April/early May. Construction could start in late 2017 with occupancy in summer of 2018.

MAHA would control and manage the housing development. Waiting lists were noted for all types of MAHA housing.

Dean Hass: Asked about WHEDA tax credits. Swiecinski advised that investors provide financing for the development in return for Federal tax credits that support affordable housing options. Hass opposes tax credit use.

Warren Ament: Works for subcontractor building S.C. Swiderski developments. Both developers responded that there would be competitive bidding for construction work.

Paul Wagner: As employee of Church Mutual Insurance and member of MAHA, Wagner emphasized having quality housing product that was affordable.

Mary Rajek: Based upon her work with Redevelopment Resources, Rajek commented on the link between community development, business, and housing. There is need for affordable housing in communities. The low vacancy rate for rental housing in Merrill was also noted.

Karen Karow: She reported that someone contacted her concerned with Washington School enrollment and capacity.

MAHA Executive Director Paul Russell commented that not all potential tenants would have children. Russell noted about 40 to 50 families on MAHA housing waiting list.

Gene Bebel emphasized that having new kids could be positive development for Merrill Area Public Schools (MAPS). Although elementary school space is bit tighter, there is lots of vacant space at the middle school and the high school. Middle school has capacity for 1,000 students with enrollment trend heading toward 500 and high school has capacity for 1,100 with enrollment trend heading toward 800.

Bill Bialecki: Bialecki asked about long-term ownership of the proposed Horizon/MAHA development. There is 10-year tax credit period, followed by 5-year compliance period. Merrill Area Housing Authority (MAHA) could potentially purchase the housing development after Year 15 is complete.

In response to question about development of the Premier Apartments (by Merrill Area Recreational Complex), City Administrator Dave Johnson reported Phase 1 involves 36 units with potential for two additional phases based upon rental experience.

Public Comment: There was no additional public comment.

RDA meeting: Next RDA meeting is scheduled for Tuesday, October 4th at 8:00 a.m.

Bialecki read the following notice:

The RDA may convene in closed session per Wis. Stats. Sec. 19.85(1)(e) - deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session to consider:

Request for Proposal housing responses for 1905 E. 14th St. (former Fox Point site); possible recommendation for developer; and potential TID No. 10 development incentives.

Motion (Schwartzman/Kostman) to move to closed session. Motion carried 7-0 on roll call vote at 7:50 p.m.

There was discussion on above item.

Adjournment: Motion (Karow/Laufenberg) to adjourn at 8:17 p.m. Carried.

Minutes prepared by RDA Secretary Kathy Unertl

City of Merrill - TIF Commercial/Manufacturing Demo Loan Program

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Borrower:

Stephen Blake and Linda Blake
 N1579 Bluebird LN
 Merrill WI 54452

TID No. 9 Amount Requested: Not to exceed \$37,500
 City staff met with requester and reviewed environmental and demolition contractor quotes.

Listed with: First Weber Real Estate

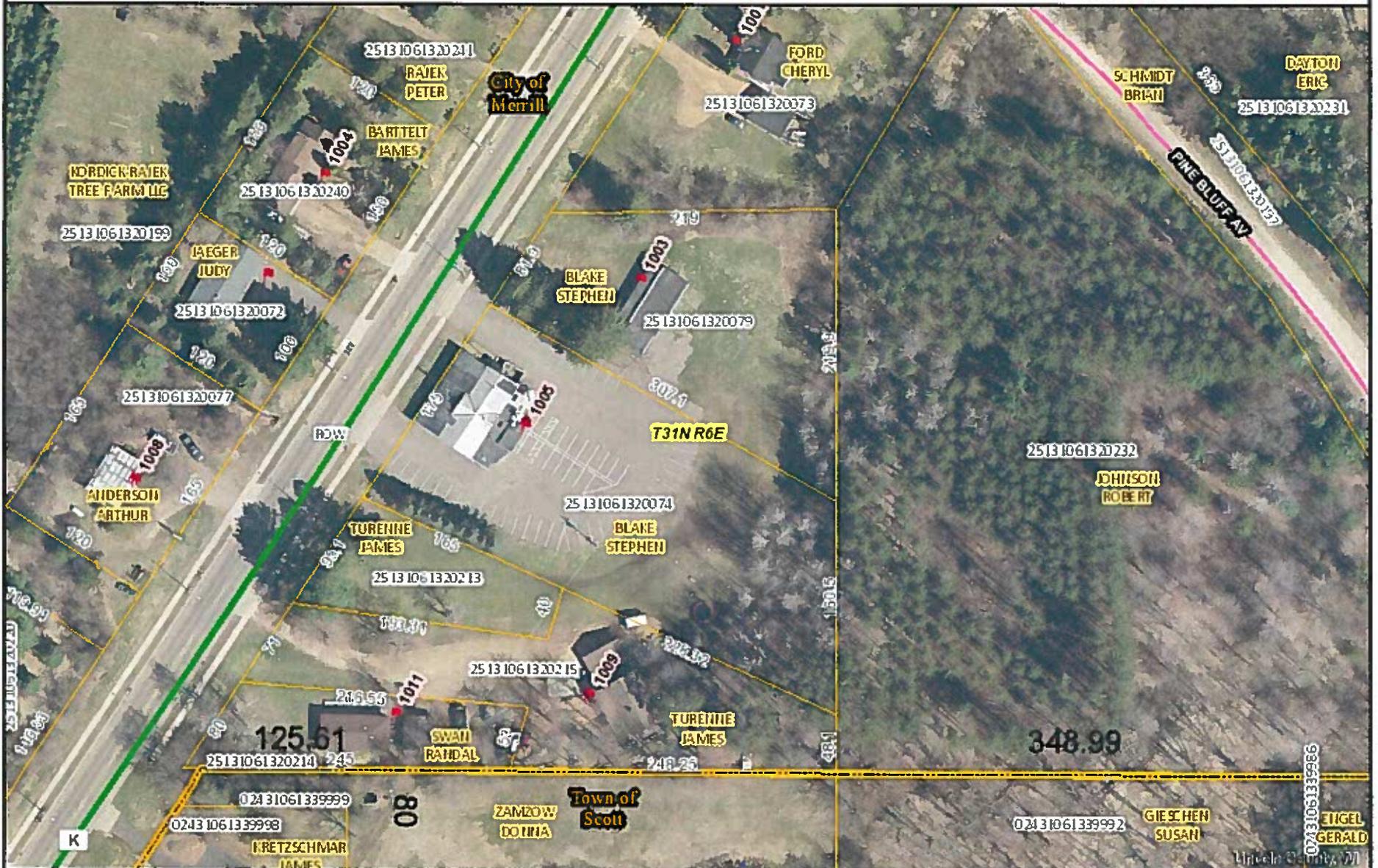
Property tax: Current

Mortgages: None TID loan will be secured by new mortgage with City of Merrill.
 Loan at 2% with payments deferred during first two years.

			Assessments - 1/1/2015			
<u>Tax Parcels:</u>			Acres	Land	Improved	Total
PIN	251-3106-132-0079	1003 S. Center Ave.	1.33	\$15,100	\$21,600	\$36,700
Parcel	34-0002-000-120-10-00					
PIN	251-3106-132-0074	1005 S. Center Ave.	1.35	\$52,500	\$69,400	\$121,900
Parcel	34-0002-000-120-05-00					
Totals			<u>2.68</u>	<u>\$67,600</u>	<u>\$91,000</u>	<u>\$158,600</u>

Finance Director Note: The 1/1/2016 valuations are pending 11/2016 Board of Review.

Lincoln County Public Access Land Records Viewer



Author: Public
Date Printed: 9/19/2016



The information depicted on this map is a compilation of public record information including aerial photography and other base maps. No warranty is made, express or implied, as to the accuracy of the information used. The data layers are a representation of current data to the best of our knowledge and may contain errors. It is not a legally recorded map and cannot be substituted for field-verified information. Map may be reproduced with permission of the Lincoln County Land Services Department. Errors should be reported to Land Services Department, 801 North Sales St, Merrill, WI, 54452. Copyright © 2015 Phone (715) 539-1049.

City of Merrill, Wisconsin

TIF Commercial/Manufacturing Demo Loan Program

Loan Program Objective: To promote redevelopment within the City of Merrill through demolition of blighted and environmentally contaminated commercial and industrial buildings.

Purpose: To establish a Tax Increment Financing (TIF) funded loan program to improve the marketability of properties with vacant buildings to facilitate redevelopment of sites served with existing public infrastructure.

Program: The TIF loan program is a low interest, short term loan to property owners who apply for funding for eligible TIF activities and purposes.

Eligible Properties: Eligible properties include vacant commercial and industrial properties that City staff would not recommend use of TIF development incentives to rehabilitate existing buildings. All property taxes must be current as to payment status. Property owners must also be actively marketing the property for sale.

Eligible Activities: Loan funds could be used for:

- 1) Assessment and remediation of environmentally contaminated sites, and
- 2) Demolition of buildings and property clean-up,

Loan Administration and Terms: Loans shall be approved by the Redevelopment Authority and Common Council. Program will be administered by the Finance Director/RDA Secretary (Kathy Unertl (715) 536-5594 or Kathy.Unertl@ci.merrill.wi.us).

Loans shall be offered at 2% interest*. Repayment would be deferred for two (2) years from date of first disbursement of loan funds with all remaining principal and interest due and payable at the end of year five (5).

Unless there is another redevelopment TIF development agreement, the City's TIF loan is to be paid at closing with proceeds from the land sale and any additional owner monies as necessary when the property is sold.

Collateral shall consist of a mortgage on subject property. These terms shall be set forth in a TIF development agreement which shall include a provision whereby the City may purchase the vacant property at the assessed fair market land value if not sold or redeveloped by the property owner within five (5) years.

*With fifteen (15) year amortization schedule. After five years, there would be balloon payment due.

Merrill Common Council adopted on July 12th, 2016



City of Merrill
Redevelopment Authority

Kathy Unertl, RDA Secretary
1004 East 1st Street • Merrill, Wisconsin • 54452
Phone: 715.536.5594 • Fax: 715.539.2668
e-mail: Kathy.Unertl@ci.merrill.wi.us

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Date: September 28th, 2016

To: RDA Commissioners

From: Kathy Unertl, Finance Director/RDA Secretary

RE: Item #4 – Review and discuss 2017 TID budget requests

The detail budgets will be distributed at the RDA meeting. Sorry for the delay; however, City and TID borrowing process has been my priority.

Key plans yet for 2016:

- Amendment of TID No. 3 Share Plan – to include potential transfers of tax increment to TIDs No. 9 and No. 10.
- Amendment of TID No. 9 and No. 10 Project Plans to reference potential TID No. 3 tax increment sharing.
- Amendment of TID No. 3 Project Plan – to reflect potential TID partial funding of the new Expo Center facility and related infrastructure (such as parking lot, exterior lighting, and retaining wall). TIF could not be used for any Enrichment Center or common restrooms/kitchen areas. Please see following facility site plan – about 2/3rds of building is Expo Center.

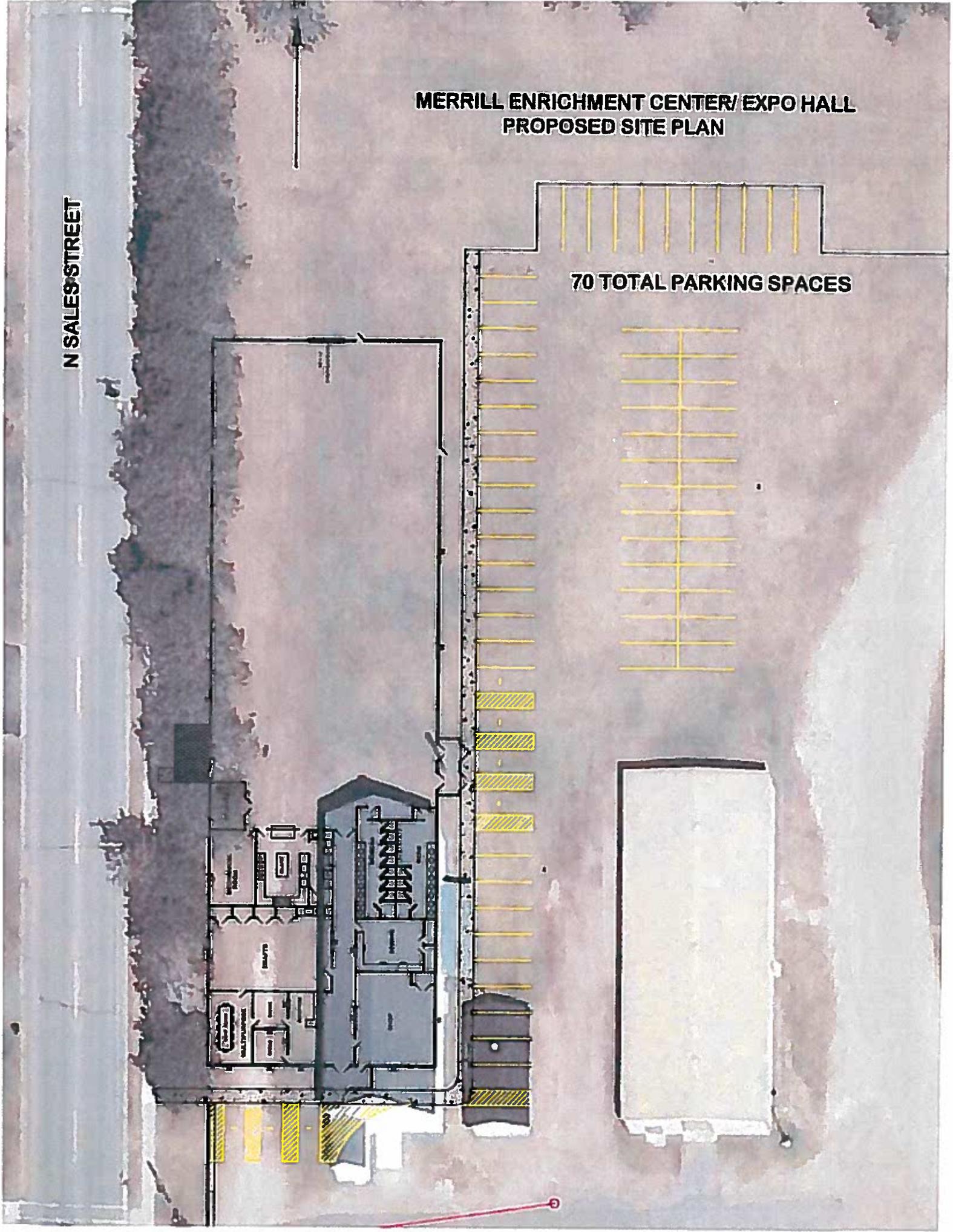
Potential future additional TIDs: For reference, existing TID area map is provided.

- As previously planned, looking at primarily residential area from State Highway 64 extending north to W. 10th St. on west side. Major Grand Ave. improvement project planned for 2018.
- City-owned Weinbrenner factory area. Would likely remove 201 S. Prospect St. (former Hurd property) from TID No. 8 and include in this new TID.
- Potential east side manufacturing TID – property annexation into the City of Merrill would be the first step if this development proceeds.

**MERRILL ENRICHMENT CENTER/ EXPO HALL
PROPOSED SITE PLAN**

N SALES STREET

70 TOTAL PARKING SPACES





City of Merrill
Redevelopment Authority

Kathy Unertl, RDA Secretary
1004 East 1st Street • Merrill, Wisconsin • 54452
Phone: 715.536.5594 • Fax: 715.539.2668
e-mail: Kathy.Unertl@ci.merrill.wi.us

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Date: September 28th, 2016

To: RDA Commissioners

From: Kathy Unertl, Finance Director/RDA Secretary *Kathy Unertl*

RE: Updated information – 1905 E. 14th St. (former Fox Point site) housing proposals

Based upon the September 19th presentations and follow-up research/analysis, attached is updated comparison between the two proposals. In addition, there is modification to Horizon/MAHA proposal.

Comparison revisions:

- Corrected hot water boiler heat for S.C. Swiderski proposal.
- Clarification on number of garages for both proposals. See also Horizon modification.
- Separate chart showing WHEDA Tax Credit maximum income and maximum rent by household income % (30%, 50%, and 60% levels).
- Horizon/MAHA is requesting lot only – no additional TIF development incentive.

Tax increment fiscal projection revisions:

- Horizon tax increment projections now note that PILOT (Payment in lieu of property taxes) beginning in Year 16 (i.e. after ownership sale to Merrill Area Housing Authority – MAHA which is tax exempt entity). This analysis assumes comparable rental income as basis for PILOT.
- Construction costs are now used for the S.C. Swiderski proposal after discussion with City Assessor Kit Koski from Bowmar Appraisal.

Although 1/1/2016 revaluation information is still unavailable, it appears that the existing 2301 W. Jackson St. and 2401 W. Jackson St. apartment complexes are significantly under-assessed for improvements.

- There is \$1,117,220 difference in projected tax increment between the two housing proposals over the lifespan of TID No. 10.

Two RFP responses were received. This summarizes the development proposals, including modifications. There is also revised tax increment projections for each of the proposals.

S.C. Swiderski, LLC
56 units - Market rate rentals

Horizon/Merrill Area Housing Authority (MAHA)
Total of 60 units 51 - Affordable - Section 42
9 - Market rate rentals

Estimated construction cost of about \$4.0 million

Estimated construction cost of about \$9.8 million

Four Buildings	Apartments
12-Unit Two Buildings	
16-Unit Two Buildings	
Bedrooms	# Units
1	16
2	32
3	8
Total	<u>56</u>

Three Buildings	Townhomes		
20-Units			
Potential for future additional 20-unit building	Market Rate -		
	# Units		
Bedrooms	# Units	Sq. Ft.	
1	21	850	5
2	30	1,150	4
3	9	1,375	0
Total	<u>60</u>		<u>9</u>

	Preliminary
Bedrooms	Market Rents
1	\$720 - \$770
2	\$950 - \$990
3	\$975 - \$995

	Preliminary
Bedrooms	Market Rents
1	\$700
2	\$830

See separate page for maximum income and rents for affordable - Section 42 units (30%, 50%, and 60%)

Garages Detached - 4 buildings
Total of 72 garages

Garages Attached to 27 of the townhomes
Proposed consideration of detached garage building (s)

HVAC Wall air conditioner units
Hot water boiler

HVAC Forced air for heating/cooling

Tenant pays for electric, cable/internet service

Tenant has "utility allowance" as part of maximum rent amount

City of Merrill - Tax Increment District No. 10

1905 E. 14th St. Site

S.C. Swiderski, LLC

Developer Experience/History

Started in real estate investment - 1992
Construction LLC - 2009
Restructured LLCs - 2015

Portfolio 2,425 rental units

Timeframes/Issues

by 10/2016
4-6 months for zoning, design, engineering,
& marketing

Construction starting in 2017
with occupancy potentially December 2017

Questions about potential rocks and
capabilities of City water/sanitary sewer

Note: Please see Utility Manager Kim Kriewald's 8/22/2016 e-mail information

Note: Prior to construction - City Street Department will remove asphalt to recycle in future street work

TIF Development Incentive

Request for \$250,000 (plus lot)

Preliminary Projected Tax Increment

\$2,232,418 Revised 9/26/2016

Horizon/Merrill Area Housing Authority (MAHA)

Developer Experience/History

Horizon started in 1984
and has previous 82 projects
MAHA established in 1965

Portfolio
Horizon 4,400 rental units
MAHA 245 rental units

Timeframes/Issues

by 10/2016
TIF agreement - 12/2016
WHEDA tax credits - 4/2017 awards

Construction starting in later 2017
with occupancy potentially summer 2018

TIF Development Incentive

Request for lot at no cost

Preliminary Projected Tax Increment

\$1,115,198 Revised 9/27/2016 - PILOT from MAHA
Additional if future 4th building before 2040

**Wisconsin Housing and Economic Development Authority (WHEDA)
Standard Multi-Family - Maximum Income and Rent Limits - 2016**

Lincoln County Information

Estimated Maximum Household Income Limits:

Household Size	One	Two	Three	Four	Five
60%	\$26,460	\$30,240	\$34,020	\$37,800	\$40,860
50%	\$22,050	\$25,200	\$28,350	\$31,500	\$34,050
30%	\$13,230	\$15,120	\$17,010	\$18,900	\$20,430

Estimated Maximum Rent Limits:

Bedrooms	One	Two	Three
60%	\$708	\$850	\$983
50%	\$590	\$708	\$819
30%	\$354	\$425	\$491

Unertl, Kathy

From: Kriewald, Kim
Sent: Monday, August 22, 2016 3:35 PM
To: Unertl, Kathy; Akey, Rod
Cc: Johnson, David
Subject: RE: Review Needed/Background Info. (for 9/6th RDA meeting)

I looked at the as-built from 1996 to check for note's on soil conditions. The report was sandy clay to gravely clay and in some spots wet. There is a 12" water line along Cnty Rd G or E. 14th Street, an 18" storm sewer and No sanitary sewer until you are east more towards the church. On Sales Street there is an 8" water line , 10" sanitary sewer line , No storm sewer. There is an existing 8" line running into the old building along with existing 6" sanitary line. Capacity is available for the apartments/townhomes mentioned. This is all the info I could find. Kim

From: Unertl, Kathy
Sent: Monday, August 22, 2016 10:39 AM
To: Akey, Rod; Kriewald, Kim
Cc: Johnson, David
Subject: Review Needed/Background Info. (for 9/6th RDA meeting)
Importance: High

Rod and Kim – Could you please review attached comments/issues (i.e. project difficulties)?

- Know anything about rock formations?

Parks & Rec Director Dan Wendorf reports that no rock encountered during construction of Prairie River observation tower which is across the street from the development site.

- Also, could you please verify water, sanitary sewer, and stormwater capacity and locations? Could existing City water/sanitary/storm sewer serve 55 to 80 apartments/townhomes?

Timeframe – The Swiderski proposal will be discussed in closed session at the Tuesday, September 6th Redevelopment Authority meeting.

Thanks!

Kathy Unertl, Finance Director/RDA Secretary

City of Merrill - Tax Increment District No. 10

S.C. Swiderski, LLC Development

1905 E. 14th St. Site

Projected Tax Increment for proposed apartments

**Total of 56 units: Two buildings - 12 Units
Two buildings - 16 Units**

**If Improved Valuation @ about
80% of construction costs
\$3,200,000 range**

Estimated construction cost of about \$4 million

Per City Assessor Kit Koski, estimated \$42.00 to \$45.00 per sq. ft.

Bedrooms	# Units	Sq. Ft.	Used Est. Sq. Ft.	Total Est. Sq. Ft.	
1	16	958 - 1,027	1,005	16,080	
2	32	1,250 - 1,320	1,290	41,280	
3	8	1,328 - 1,350	1,350	10,800	
Total	56			68,160	
				x \$43.50	For two buildings
				\$2,964,960	\$1,482,480
					For two garages
					\$150,000
					\$1,632,480

Projected Assessment:

	Land Valuation	Improved Valuation	Total RE Valuation	
01/01/15	\$43,400	\$289,800	\$333,200	
01/01/18	\$150,000	\$1,632,480	\$1,782,480	Assumes two buildings
01/01/19	\$175,000	\$3,264,960	\$3,439,960	All four buildings
New Tax Increment	\$131,600	\$2,975,160	\$3,106,760	Projected Tax Increment \$3,098,970

(\$7,790) 2015 Taxes - Former Fox Point building resulting in adjusted TID No. 10

Projected Tax Increment:

Const. Year	Value Year	Revenue Year	TID Value Increment	Tax Rate	Projected Tax Increment	Adjusted TID No. 10
2017	2018	2019	\$1,782,480	31.91	\$56,879	\$49,089
2018	2019	2020	\$3,098,970	31.91	\$98,888	\$91,098
2019	2020	2021	\$3,098,970	31.91	\$98,888	\$91,098
2020	2021	2022	\$3,098,970	31.91	\$98,888	\$91,098
2021	2022	2023	\$3,098,970	31.91	\$98,888	\$91,098
2022	2023	2024	\$3,098,970	31.91	\$98,888	\$91,098
2023	2024	2025	\$3,098,970	31.91	\$98,888	\$91,098
2024	2025	2026	\$3,098,970	31.91	\$98,888	\$91,098
2025	2026	2027	\$3,098,970	31.91	\$98,888	\$91,098
2026	2027	2028	\$3,098,970	31.91	\$98,888	\$91,098
2027	2028	2029	\$3,098,970	31.91	\$98,888	\$91,098
2028	2029	2030	\$3,098,970	31.91	\$98,888	\$91,098
2029	2030	2031	\$3,098,970	31.91	\$98,888	\$91,098
2030	2031	2032	\$3,098,970	31.91	\$98,888	\$91,098
2031	2032	2033	\$3,098,970	31.91	\$98,888	\$91,098
2032	2033	2034	\$3,098,970	31.91	\$98,888	\$91,098
2033	2034	2035	\$3,098,970	31.91	\$98,888	\$91,098
2034	2035	2036	\$3,098,970	31.91	\$98,888	\$91,098
2035	2036	2037	\$3,098,970	31.91	\$98,888	\$91,098
2036	2037	2038	\$3,098,970	31.91	\$98,888	\$91,098
2037	2038	2039	\$3,098,970	31.91	\$98,888	\$91,098
2038	2039	2040	\$3,098,970	31.91	\$98,888	\$91,098
2039	2040	2041	\$3,098,970	31.91	\$98,888	\$91,098
					\$2,232,418	\$2,053,248

City of Merrill - Tax Increment District No. 10

Horizon Development/Merrill Area Housing Authority (MAHA)

1905 E. 14th St. Site

Projected Tax Increment for proposed apartments

Total of 60 units: Three buildings - 20 Units
 With potential future additional 20-Unit building

Estimated construction cost of about \$9.8+ million

Projected Assessment:

**First 15 Years -
Income Based
Assessment**

	Land Valuation	Improved Valuation	Total RE Valuation
01/01/15	\$43,400	\$289,800	\$333,200
01/01/19	\$175,000	\$1,750,000	\$1,925,000
New Tax Increment	\$131,600	\$1,460,200	\$1,591,800

**Then, PILOT - (MAHA)
Payment in lieu of property taxes
since would be Tax Exempt**

**Projected
Tax Increment
\$1,584,010**

(\$7,790) 2015 Taxes - Former Building resulting in
adjusted TID No. 10

Projected Tax Increment:

Const. Year	Value Year	Revenue Year	TID Value Increment	Tax Rate	Projected Tax Increment	Adjusted TID No. 10
2017	2018	2019	\$100,000	31.91	\$3,191	
2018	2019	2020	\$1,584,010	31.91	\$50,546	\$42,756
2019	2020	2021	\$1,584,010	31.91	\$50,546	\$42,756
2020	2021	2022	\$1,584,010	31.91	\$50,546	\$42,756
2021	2022	2023	\$1,584,010	31.91	\$50,546	\$42,756
2022	2023	2024	\$1,584,010	31.91	\$50,546	\$42,756
2023	2024	2025	\$1,584,010	31.91	\$50,546	\$42,756
2024	2025	2026	\$1,584,010	31.91	\$50,546	\$42,756
2025	2026	2027	\$1,584,010	31.91	\$50,546	\$42,756
2026	2027	2028	\$1,584,010	31.91	\$50,546	\$42,756
2027	2028	2029	\$1,584,010	31.91	\$50,546	\$42,756
2028	2029	2030	\$1,584,010	31.91	\$50,546	\$42,756
2029	2030	2031	\$1,584,010	31.91	\$50,546	\$42,756
2030	2031	2032	\$1,584,010	31.91	\$50,546	\$42,756
2031	2032	2033	\$1,584,010	31.91	\$50,546	\$42,756
2032	2033	2034	\$1,584,010	31.91	\$50,546	\$42,756
2033	2034	2035	\$1,584,010	31.91	\$50,546	\$42,756
2034	2035	2036	\$1,584,010	31.91	\$50,546	\$42,756
2035	2036	2037	\$1,584,010	31.91	\$50,546	\$42,756
2036	2037	2038	\$1,584,010	31.91	\$50,546	\$42,756
2037	2038	2039	\$1,584,010	31.91	\$50,546	\$42,756
2038	2039	2040	\$1,584,010	31.91	\$50,546	\$42,756
2039	2040	2041	\$1,584,010	31.91	\$50,546	\$42,756
					\$1,115,198	\$940,627



September 28, 2016

David Johnson
City of Merrill – City Administrator
1004 East First Street
Merrill, Wisconsin 54452

RE: 1905 East 14th Street
Modification to RFP Response

Dear Mr. Johnson:

We understand there is an opportunity for our team to submit a modification to the RFP response we submitted to the City on August 16, 2016. Our team would like to issue a few project clarifications and one significant revision to our funding assumptions.

One of the questions raised following our presentation on Monday September 19 was the number of covered parking stalls we are contemplating for the project. Currently our plan includes a total of 27 attached garage spaces (9 garages per building) with remaining parking provided as surface parking stalls. Although our project design will remain on hold until an award of tax credit is received, our team is willing to consider detached garage stalls as additional covered parking for the project. This would be accomplished by constructing one or more free-standing buildings on the site in lieu of existing surface stalls. This decision would be made by the development team as there is a cost involved (\$10,000-\$15,000 per garage stall) which will impact financial feasibility. Any additional covered parking we decide to provide is not likely to impact property value, and therefore taxes, in a significant way. Therefore it is a marketing and cost impact decision that will be made when project design commences.

Another question asked is whether our proposed project would include apartments at levels other than 60% of county median income. Yes, the development would include units at 30%, 50% and 60% levels. There is a point scoring category in the WHEDA program that incentivizes projects to include a range of affordability and, to maximize competitiveness, these units need to be included. We often find that a range of affordability also helps with leasing units as a wider range of household incomes is included. This provides a larger portion of the Merrill area population with the opportunity for affordable housing.

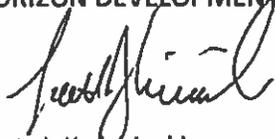
A clarifying question was asked regarding maximum rents and whether utility allowances are included. Yes, all utility allowances must fit within the WHEDA stated maximum rents allowed. Our financial model starts with the maximum rent (from the WHEDA published guideline), then subtracts the appropriate utility allowance and we are left with the maximum rent that may be charged to a given unit.

Lastly we wish to modify the sources of funding to completely remove the \$350,000 City of Merrill TIF request for the project. This cost will instead be funded by the development team. Please note that property acquisition is still shown at no cost to the project, which we understand is being offered as a financial incentive to the selected development team. A revised sources and uses of funds summary is attached to illustrate these changes.

We look forward to moving ahead on this project. With a very significant financial investment and financing applications already in process, we feel that we have demonstrated considerable vested interest in this development. We are confident that our proposal meets the needs of the City and will provide a valuable housing asset for years to come. Thank you for your consideration.

Sincerely,

HORIZON DEVELOPMENT GROUP, INC.



Scott J. Kwecinski
Development Manager



**Updated Sources and Uses of Funds
September 28, 2016**

Sources of Funds

	<u>Amount</u>	<u>% Total</u>	<u>Commitment Date</u>
Permanent Mortgage	\$989,000	10.0%	Jul 2017
State of Wisconsin HOME Loan	\$258,560	2.6%	Jan 2017
Federal Home Loan Bank AHP Grant	\$850,000	8.6%	Dec 2016
Development Team Equity	\$1,325,000	13.5%	Committed
Deferred Developer Fees	\$50,000	0.5%	Committed
Tax Credit Equity	<u>\$6,381,507</u>	<u>64.8%</u>	Apr 2017
	\$9,854,067	100.0%	

Uses of Funds

	<u>Amount</u>	<u>% Total</u>
Land Acquisition	\$0	0.0%
Hard Costs	\$7,592,000	77.1%
Soft Costs	\$1,846,432	18.7%
Financing and Reserves	<u>\$415,635</u>	<u>4.2%</u>
	\$9,854,067	100.0%
