2020 Governor’s Conference on Economic Development

February 6, 2020

Social Impact Investing: Affordable Housing

Helen Bradbury, President
Stone House Development, Inc.
• Formed in 1996

• Development, Property Management, Property Accounting, Section 42 Compliance

• Specializes in Mixed Use, Mixed Income and 100% Affordable Multifamily Rental

• Completed 23 Projects to Date, 4 Additional Under Development/Construction

• 9 Current Multifamily Projects in Madison
• Located on the 600 Block of East Johnson Street in Madison

• Infill Development

• 83 Units, 100% Affordable Tax Credit Property

• Opened in 2010

• Required the demolition of 11 dilapidated houses and numerous neighborhood meetings

• First WHEDA project closed in the State of Wisconsin in 2009 utilizing TCAP funds in the amount of $2,300,000

• Certified Green Built and is the first Energy Star Certified Multifamily High-Rise in Wisconsin and only the 17th in the Nation

• Property has solar electric panels that convert sun into electricity along with solar panels for a solar hot water system
• Located in Wausau

• Opened in 2005

• 55 Units, Mixed Income Tax Credit Property

• Adaptive Reuse of a Former School that was originally built in 1936

• Received Historic Preservation Tax Credits

• Property is listed in the National Register of Historic Places
• 12 Story High Rise Located in Downtown Madison in the First Settlement Neighborhood

• Opened in 2005 as the first significant affordable housing project in downtown Madison

• 112 Unit tax credit property with 12,000 square feet of commercial/retail space

• Mixed Income Property (52% Affordable, 48% Market Rate)

• Infill development requiring demolition of previous underutilized and outdated building

• The first three levels are more pronounced than the remaining tower floors as a design feature
• Opened in 2016 on Madison’s East Side

• Created as part of a major redevelopment plan to create housing, a library and retail space on 33 acres

• 70 Unit Tax Credit Property, 100% Affordable (ranging from 30% CMI to 80% CMI)

• Received additional funding from City of Madison Affordable Housing Fund (AHF) and FHL Banks' Affordable Housing Program (AHP)

• Co-Developed with a Non-Profit Partner, Movin’ Out who is also the supportive service provider

• Among the 70 units are 18 supportive housing units for those with disabilities and/or are military Veterans

• All supportive housing units have a Project Based Voucher or are 30% CMI to ensure affordability

• Certified Green Built
• Currently under construction on Madison’s west side

• 96 Unit Tax Credit Property, Mixed Income (85% Affordable, 15% Market Rate)

• Affordable units range from 30% CMI to 60% CMI

• Received additional funding from City of Madison Affordable Housing Fund (AHF)

• Among the 96 units are 20 supportive housing units for those homeless and/or military veterans in need of supportive services. All supportive housing units have a Project Based Voucher or are 30% CMI to ensure affordability.

• The Road Home will provide on-site supportive services to the homeless families in a provided office in the development for ease of access.

• Project will be Certified Green Built with solar technology

• A challenging neighborhood process
Case Study
• Located on the 1000 Block of East Washington Avenue (Former Madison Dairy Site)

• Completed in January 2018 as the second property Stone House developed on this site

• 65 Unit Tax Credit Property, Mixed Income (85% Affordable, 15% Market Rate)

• Affordable units range from 30% CMI to 60% CMI

• Received additional funding from City of Madison Affordable Housing Fund (AHF)

• Among the 65 units are 16 supportive housing units. 9 are three-bedroom townhomes for homeless families and 7 for military veterans in need of supportive services. All supportive housing units have a Project Based Voucher or are 30% CMI to ensure affordability.

• The Road Home provides on-site supportive services to the homeless families in a provided office along with a full-time social worker.

• Certified Green Built

• Amenities include a fitness center, business center, children's playroom, rooftop gardens, grilling stations and community room
Entitlement Process: Site Zoning
The Breese: Construction Challenges

- No set back – ownership structure is condo
- Back portion of the building is built on the parking ramp
- 11 Story High Rise Located on the 1000 Block of East Washington Avenue as part of the former Madison Dairy site

- Opened in 2017

- 138 Units with 70,000 square feet of commercial/retail space

- Mixed Income Property (80% Market Rate, 20% Affordable) with the affordable rents being at 80% CMI

- Infill development requiring demolition of a blighted butter factory, Madison Dairy

- Project features 375 stall parking ramp, rooftop terrace with grilling stations, community lounge, business conference room, dog wash station, fitness center and recently added solar technology

- The 80% units are provided as part of WHEDA’s 7/10 Flex Financing Program
• 11 Story High Rise Located next to Lyric on the 1000 Block of East Washington Avenue (part of the former Madison Dairy site)

• Currently under construction, opening November 2020

• 126 apartments with 50,000 square feet of commercial/retail space

• 100% Market Rate

• Infill development on vacant lot

• Project features 300 stall parking ramp, rooftop terrace with grilling stations, community lounge, dog wash station, fitness center and solar technology
The remaining parcel on the block was sold to MYAC to build the Madison Youth Arts Center.

Current under construction, Opening in 2021

CTM and Madison Youth Choirs, both nonprofits with a longtime presence on the local youth arts scene, will anchor the center, designed as a place where school aged youth can engage in the performing arts.

15 rehearsal studios and classrooms from 600 square feet to 2,000 square feet, designed for music, theater, and dance, including a sensory-friendly studio.

A 300-seat theater and a flexible performance studio seating up to 125.

Community space on each floor with visual art gallery space, costume and production shops and shared office space for anchor and community partners.

Two large outdoor patios providing gathering, program, and event spaces.
The Breese: Project Financing

- Owner Equity - $6,185,051
  - Raymond James at $0.94/dollar
- WHEDA First Mortgage - $3,850,000
  - Permanent Financing
  - 35 Year Term, 15 Year Fixed, 35 Year Amortization
- City of Madison AHF- $1,000,000
- TIF- $565,000
- Deferred Developer Fee- $525,000
- WHEDA Multi Family Loan - $350,000
- Total Sources- $12,475,051
The Breese: Project Costs

- Total Project Cost - $12,475,051
- Construction Cost - $8,000,000
- Total Building Size - 68,103 GSF
  - Cost/SF - $117.47
- Total Unit Count - 65
  - Cost/Unit - $123,077
Neighborhoods influence future outcomes.

“Neighborhoods shape children during their critical development years and thus affect children’s long-term outcomes. Research shows that the neighborhoods where children grow up influence long-term outcomes such as their health and life expectancy and their income as adults.”

-The Heller School for Social Policy and Management, Brandeis University, January 2020
<table>
<thead>
<tr>
<th>Category</th>
<th>Max Points</th>
<th>Points Received</th>
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<tbody>
<tr>
<td>Lower Income Area</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td><strong>Energy Efficiency</strong></td>
<td>43</td>
<td>41</td>
</tr>
<tr>
<td>Community Notification &amp; Support</td>
<td>8</td>
<td>8</td>
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<tr>
<td>Mixed Income</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Serves Large Families</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td><strong>Serves Lowest Income</strong></td>
<td>80</td>
<td>80</td>
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<tr>
<td>Supportive Housing</td>
<td>20</td>
<td>20</td>
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<tr>
<td>Elderly Assisted Living</td>
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<td>0</td>
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<tr>
<td>Rehab / Neighborhood Stabilization</td>
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<td>0</td>
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<tr>
<td>Universal Design</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Financial Participation</td>
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<td>Ownership Characteristics</td>
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<td>Eventual Tenant Ownership</td>
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<tr>
<td>Project Team</td>
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<td>50</td>
</tr>
<tr>
<td>Readiness to Proceed</td>
<td>15</td>
<td>15</td>
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<tr>
<td>Credit Usage</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td><strong>Employment Centers &amp; High Needs Area</strong></td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>409</td>
<td>334</td>
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Project Design and Scoring:

- Funding sources such as AHF and WHEDA are competitive
- Review municipality RFP’s and WHEDA’s QAP for project requirements and scoring criteria
- Two common point categories are the level of affordability and location of the project (QCT & Walk Score)
- WHEDA requires a third-party market study
- Self-Scoring Exhibits assist the developer and WHEDA to determine how competitive the project is
- Developer can add features that increase project scoring
- The final project must include all items promised during the application process
- Can your project afford the design requirements
## Schroeder Road Self Scoring Exhibit - 2019

### Scoring Categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Max Points</th>
<th>Points Received</th>
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</thead>
<tbody>
<tr>
<td>Lower Income Area</td>
<td>5</td>
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<tr>
<td><strong>Energy Efficiency</strong></td>
<td>32</td>
<td>30</td>
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<tr>
<td>Mixed Income</td>
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<td>12</td>
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<td>Serves Large Families</td>
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<td><strong>Serves Lowest Income</strong></td>
<td>60</td>
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<tr>
<td>Supportive Housing</td>
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<td>Rehab / Neighborhood Stabilization</td>
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<td>Universal Design</td>
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<td>Financial Leverage (Credit Usage)</td>
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<tr>
<td>Eventual Tenant Ownership</td>
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<td>0</td>
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<tr>
<td>Project Team</td>
<td>12</td>
<td>10</td>
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<tr>
<td>Readiness to Proceed</td>
<td>12</td>
<td>12</td>
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<tr>
<td><strong>Areas of Economic Opportunity</strong></td>
<td>28</td>
<td>25</td>
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<tr>
<td>Rural Areas w/out HTC Awards</td>
<td>5</td>
<td>0</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>277</strong></td>
<td><strong>227</strong></td>
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Scoring Categories Reduced from 17 to 14

Max Points Reduced from 409 to 277
• Energy Efficiency now includes 4 points towards smoke free properties

• The 10 bonus points for 10% or more 30% units in the “Serves Lowest Income” category was eliminated

• Employment Centers / High Needs Area was replaced by Areas of Economic Opportunity.

  ➢ 2016: Focused on proximity to employment centers and locations where a housing/employment imbalance exists

  ➢ 2019: Changed the focus to census tract locations for median income, unemployment rate, school district accountability score, rent burden locations and those identified by WHEDA as a “High Needs Area”.

  ➢ Points earned based on service locations and project amenities
Who lives there?

To best describe the demographics, the following is a sampling of our Breese residents.

<table>
<thead>
<tr>
<th>Occupation/Income Source</th>
<th>Annual Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teacher</td>
<td>$42,000</td>
</tr>
<tr>
<td>Medical Assistant</td>
<td>$35,000</td>
</tr>
<tr>
<td>Cook</td>
<td>$31,000</td>
</tr>
<tr>
<td>Hair Stylist</td>
<td>$34,000</td>
</tr>
<tr>
<td>Child Support &amp; Office Admin</td>
<td>$39,000</td>
</tr>
<tr>
<td>Car Salesperson</td>
<td>$33,000</td>
</tr>
<tr>
<td>Social Security</td>
<td>$17,000</td>
</tr>
<tr>
<td>Office Manager</td>
<td>$38,000</td>
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</tbody>
</table>
Supportive Housing

• The nine 3-bedroom apartment homes are set aside for homeless families in need of supportive services

• The Breese contracts with a non-profit service provider, The Road Home

• Residents meet with an on-site social worker on a regular or as needed basis

• Seven 1-bedroom apartment homes are set aside for military veterans. Supportive services are provided through Dane County Veterans Service Office.
Development Summary

- Portion of an infill city block requiring expensive demolition
- Overall parcel has two height restrictions
- Site has environmental issues
- Site has high water table making underground parking expensive
- Construction costs are high
- Urban Design District constraints
- Project requires scarce low-income housing tax credits
- Located in an established neighborhood with involved neighbors
- Access to site complicated by “bike boulevard”