



VERONA COMMUNITY DEVELOPMENT AUTHORITY

Proposal for rehabilitation and redevelopment of
Sugar Creek Elementary School at 401 W. Verona Ave. and
New Century Charter School at 420 Church Ave.

April 27, 2020

GORMAN
& COMPANY

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1. Executive Summary

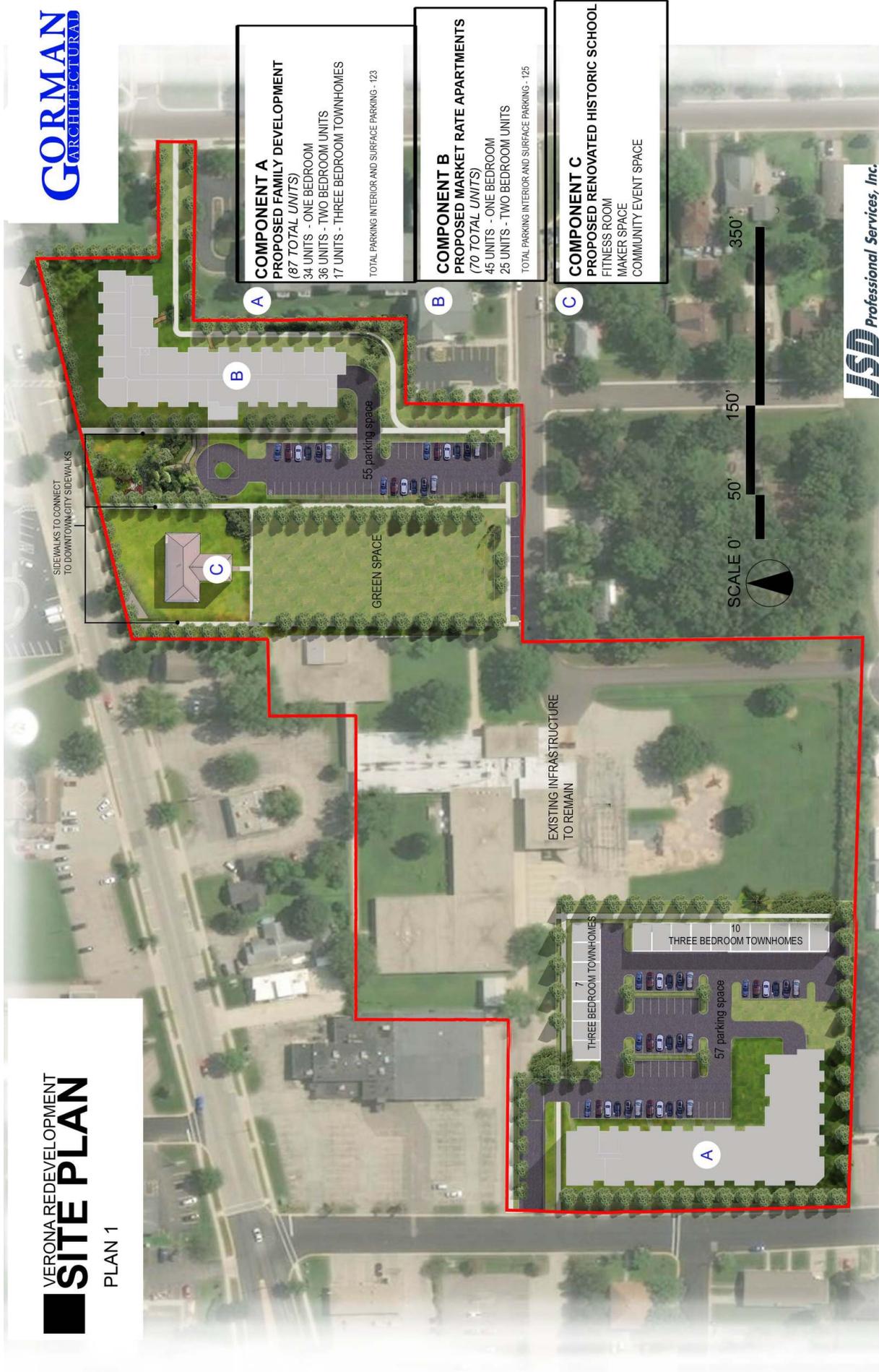
This proposal is submitted by Gorman & Company, LLC (“Gorman & Company”), a real estate development company headquartered in Oregon, Wisconsin. Gorman & Company has been partnering with municipalities for the past 36 years to produce high quality sustainable residential communities. We appreciate this opportunity to respond to the Verona Community Development Authority Request for Proposal for Rehabilitation and Redevelopment of the former Sugar Creek Elementary and New Century Charter School sites located at 420 Church Avenue and 401 West Verona Avenue, respectively. Gorman & Company submits within this proposal two site plans for consideration. Please note that Gorman & Company, LLC prefers **Site Plan No. 2** as described below; however, to achieve **Site Plan No. 2**, financial assistance from the City of Verona will be required in the form of TIF or otherwise. **Site Plan No.1** is a site plan that is presented as an option because it requires no City of Verona assistance other than the contribution of land and the historic school building. Please note that Gorman & Company, LLC would be willing to execute on either site plan, at the City’s discretion. Each site plan is summarized below:

Site Plan No. 1

- **Component A** would consist of a separate legal parcel that would be created and conveyed to Gorman & Company for nominal consideration. Component A would consist of 87 high-quality affordable apartments that would be financed in part by WHEDA tax credits and Dane County affordable housing funds and these units will primarily target individuals who make \$42,000 annually and a family four that makes \$60,000 annually.
- **Component B** would consist of a separate legal parcel that would be created and conveyed to Gorman & Company for nominal consideration. Component B would consist of 70 high-quality market rate apartments that would be targeted toward young professionals that work in and around the Verona/Madison area.
- **Component C** is the historic school building that would be able to be used by the residents of this new community and the public at large. The historic school building would hold rooms to be used by the new neighboring apartment community created by Gorman & Company, LLC and the public can also have rooms where local artists or craftsmen can reserve a room as a “maker space”. In addition, the public could reserve a room within this historic building for community events as well as reserve the green space in front of the building for public or private events and utilize the adjacent parking lot.
- You will notice in this site plan that the Sugar Creek Elementary Building remains and, as a result, there is not ideal connectivity between the above described components throughout the entire site. On the positive side, as is evident in our financial proforma, this site plan redevelopment plan results in substantial new tax increment produced by Components A and B and no monetary contribution by the City is needed except for contribution of the land and the historic school building. Implementing this site plan would have immediate positive tax increment affect to the City and school district and/or the City could put the Sugar Creek Elementary School building to another use if there is demand out there for an alternative use of the Sugar Creek Elementary building. In the event a new use for the elementary school building is not found, the school could be demolished at a later date and the connectivity and infrastructure as set forth in Site Plan No. 2 could be implemented at a later date.

VERONA REDEVELOPMENT
SITE PLAN

PLAN 1



COMPONENT A
 PROPOSED FAMILY DEVELOPMENT
 (87 TOTAL UNITS)
 34 UNITS - ONE BEDROOM
 36 UNITS - TWO BEDROOM UNITS
 17 UNITS - THREE BEDROOM TOWNHOMES
 TOTAL PARKING INTERIOR AND SURFACE PARKING - 123

COMPONENT B
 PROPOSED MARKET RATE APARTMENTS
 (70 TOTAL UNITS)
 45 UNITS - ONE BEDROOM
 25 UNITS - TWO BEDROOM UNITS
 TOTAL PARKING INTERIOR AND SURFACE PARKING - 125

COMPONENT C
 PROPOSED RENOVATED HISTORIC SCHOOL
 FITNESS ROOM
 MAKER SPACE
 COMMUNITY EVENT SPACE



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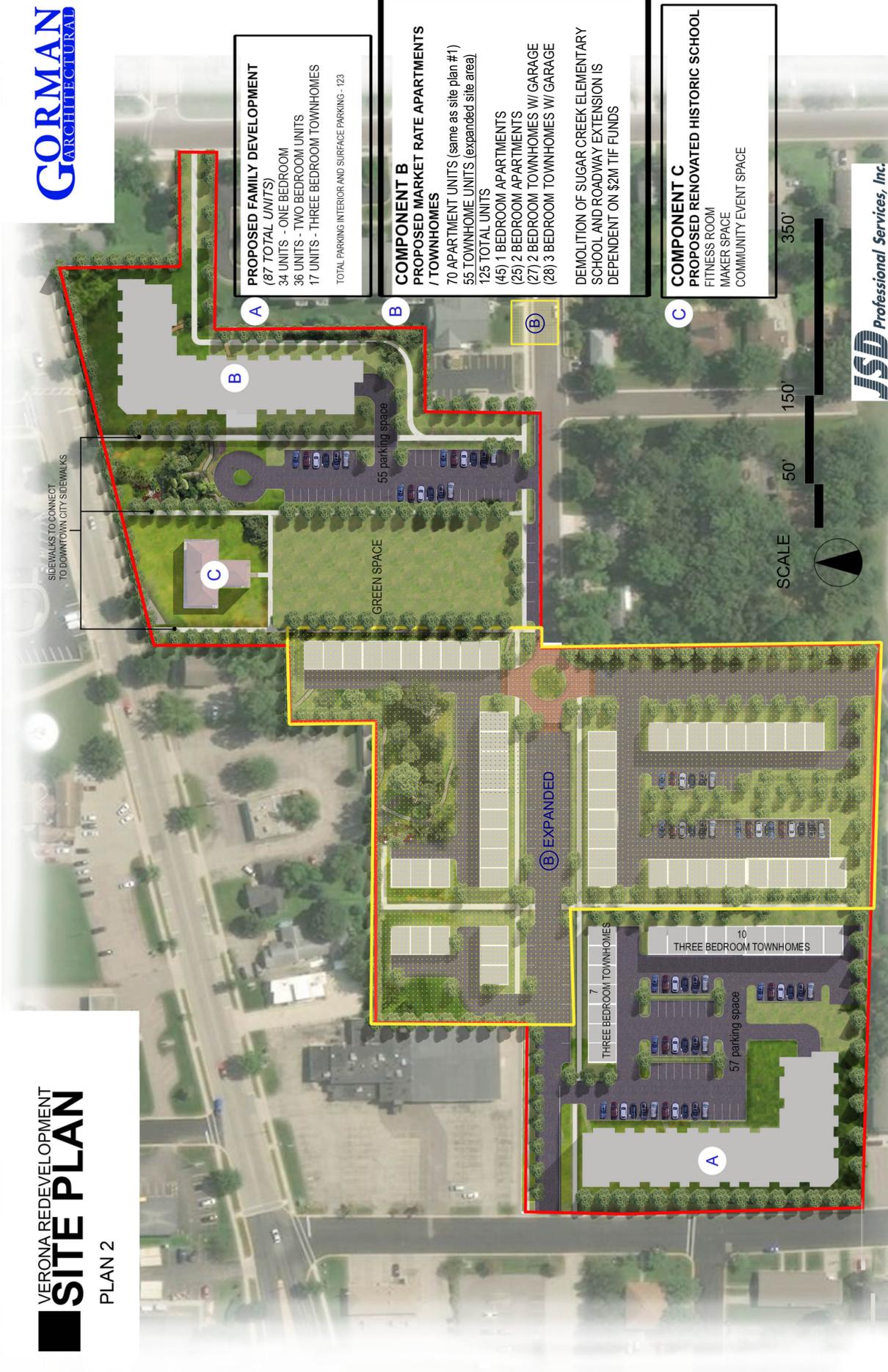
VERONA REDEVELOPMENT

Site Plan No. 2

- You will notice the main difference in **Site Plan No. 2** is that the Sugar Creek Elementary School Building has been demolished and Church Street is extended to traverse the entire site and to connect Legion Street and S. Marietta Street. We have roughly estimated the cost to demolish Sugar Creek Elementary School and the cost to extend Church Street with utilities as shown in **Site Plan No.2** at \$2.5 million.
- **Component A** would consist of a separate legal parcel that would be created and conveyed to Gorman & Company for nominal consideration. Component A would consist of 87 high-quality affordable apartments that would be financed in part by WHEDA tax credits and Dane County affordable housing funds and these units will primarily target individuals who make \$42,000 annually and a family four that makes \$60,000 annually.
- **Component B** would be expanded to include 55 more market rate townhomes and the effect on the tax increment is substantial as you can see in our proforma.
- **Component C** is the historic school building that would be able to be used by the neighboring residential community and also have rooms where local artists or craftsmen can reserve a room as a “maker space.” In addition, the public could reserve a room within this historic building for community events as well as reserve the green space in front of the building for public or private events and utilize the adjacent parking lot.
- **Site plan No. 2** can be accomplished if the City is willing to create a Tax Incremental Financing District for this entire Sugar Creek Elementary School Campus to cover the \$2.5 million cost to extend Church Street (including utilities) and demolish the elementary school. As you can see in our financial proforma for **Site Plan No. 2** the tax increment that is generated from **Component A** and **Component B** would pay back \$2.5 million of infrastructure costs spent to demolish the Sugar Creek Elementary School and to extend Church Street in approximately 10 years.

VERONA REDEVELOPMENT
SITE PLAN

PLAN 2



PROPOSED FAMILY DEVELOPMENT
 (87 TOTAL UNITS)
 34 UNITS - ONE BEDROOM
 36 UNITS - TWO BEDROOM UNITS
 17 UNITS - THREE BEDROOM TOWNHOMES
 TOTAL PARKING INTERIOR AND SURFACE PARKING - 123

COMPONENT B
PROPOSED MARKET RATE APARTMENTS
 / TOWNHOMES
 70 APARTMENT UNITS (same as site plan #1)
 55 TOWNHOME UNITS (expanded site area)
 125 TOTAL UNITS
 (45) 1 BEDROOM APARTMENTS
 (25) 2 BEDROOM APARTMENTS
 (27) 2 BEDROOM TOWNHOMES W/ GARAGE
 (28) 3 BEDROOM TOWNHOMES W/ GARAGE
 DEMOLITION OF SUGAR CREEK ELEMENTARY SCHOOL AND ROADWAY EXTENSION IS DEPENDENT ON \$2M TIF FUNDS

COMPONENT C
PROPOSED RENOVATED HISTORIC SCHOOL
 FITNESS ROOM
 MAKER SPACE
 COMMUNITY EVENT SPACE



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VERONA REDEVELOPMENT

VERONA REDEVELOPMENT
CONCEPT RENDERING

PLAN 2

GORMAN
& COMPANY

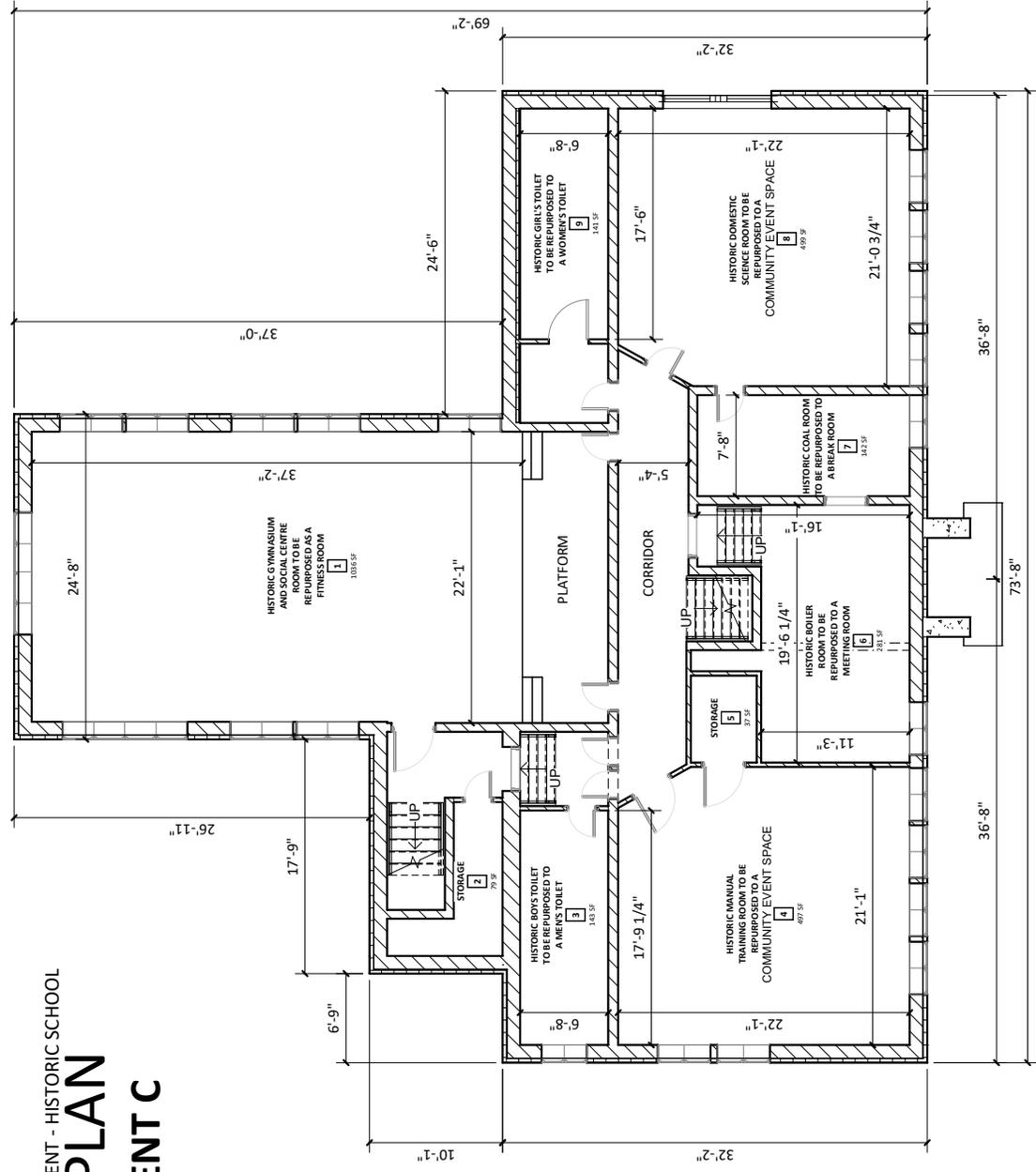


VERONA REDEVELOPMENT

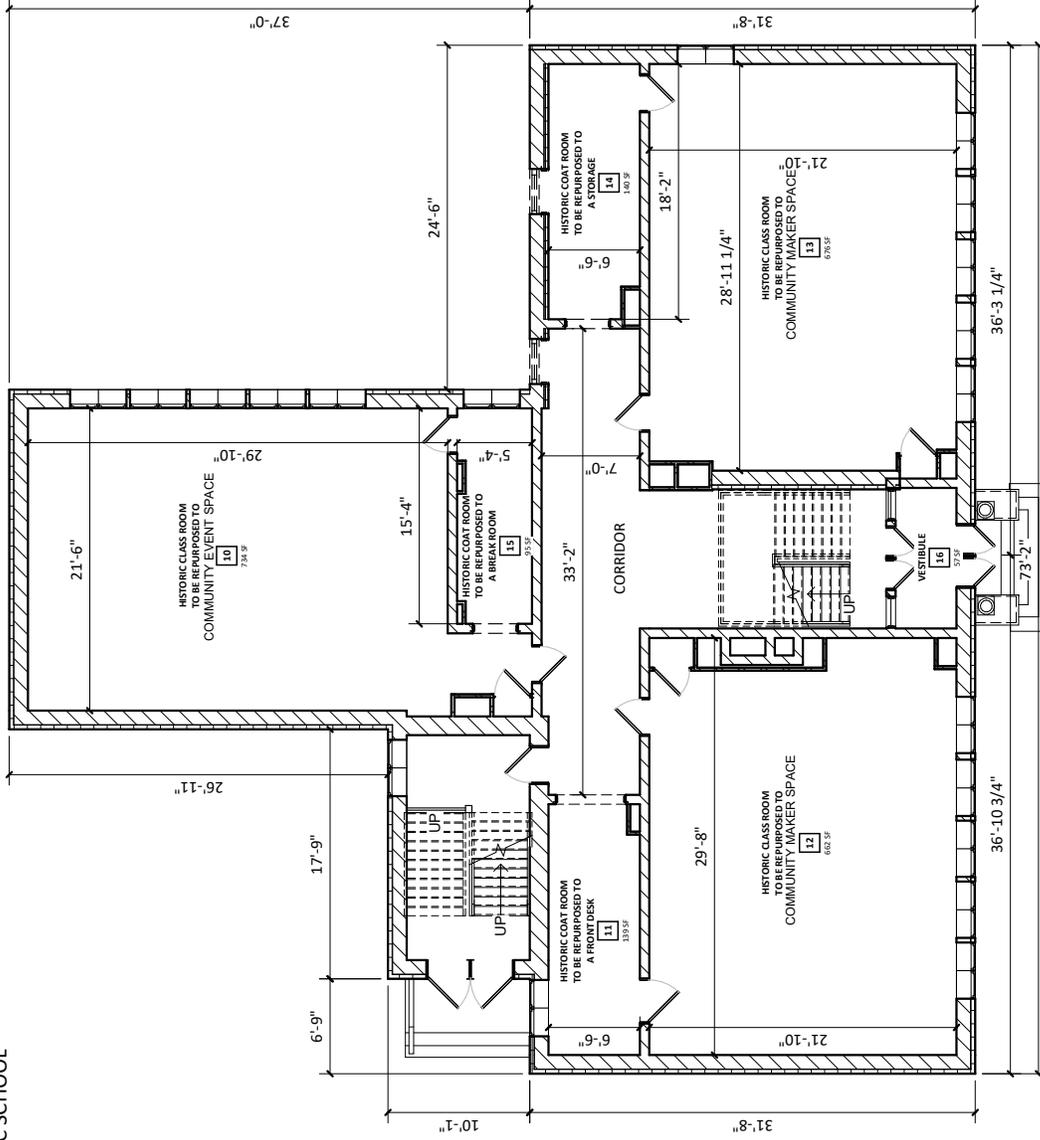
RENDERING IS FOR MASSING PURPOSES ONLY, ACTUAL BUILDING DESIGN WOULD RESULT FROM A PROCESS WITH COMMUNITY INPUT

APRIL 20TH, 2020

VERONA REDEVELOPMENT - HISTORIC SCHOOL
FLOOR PLAN
COMPONENT C



1 LOWER LEVEL
 1/8" = 1'-0"



1 MAIN LEVEL
1/8" = 1'-0"



2. Approach

Gorman & Company as Prime Developer

Gorman & Company would act as the prime developer to implement **Site Plan No. 1** or **Site Plan No. 2**. Gorman & Company is a fully integrated company. Thus, our prime developer role would include, in addition to all development and financing activities: all architectural services through Gorman Architectural, LLC; construction services through Gorman General Contractors, LLC; and property management services.

The CDA will benefit from choosing to work with a company that serves as a “one-stop shop” and offers numerous disciplines under one umbrella company, including: (i) the City and neighborhood will have one point of contact (Ted Matkom, Wisconsin Market President) for all of these services and each discipline will be involved and participate in public engagement, when appropriate; (ii) we can be flexible to quickly and efficiently modify the site plan and programs we administer to fit the community desires and the market place as it evolves; (iii) all guarantees for construction completion and performance involve all of these disciplines which are all under the control of Gorman & Company.

Public Engagement Process

Gorman & Company will be flexible and follow the lead of staff and/or the common council as to the process for public involvement on this project. If selected to be the prime developer of this project, Gorman & Company would follow the macro high level steps described below:

- **Step One:** The first step would be to hold a “town hall” style meeting where we would present the site plan chosen and conduct a listening session where we would listen and take notes related to public comments, suggestions or criticisms of the subject site plan and any programming involved. We would document the comments within this meeting and these comments would set the stage for the second public meeting
- **Step Two:** The second step would be to incorporate the public comments from the first meeting into a revised site plan and then hold a follow up second “town hall” style meeting to discuss and take comments on the revised site plan. We would accommodate for a third meeting, if required. Or if two meetings would suffice for public input on the site plan we would then move on to the third step.
- **Step Three:** The third step would involve the zoning approval process as required by staff and the common council to approve the site plan after the first two steps. This would involve public hearings for zoning approvals and negotiation with Gorman & Company and the City of Verona regarding the terms of a development agreement to implement the agreed-upon site plan.

Gorman & Company Biographies

The experience of our integrated team is a critical component to our successful redevelopment of these parcels. Gorman & Company team biographies are listed on the following page.



BRIAN SWANTON | PRESIDENT & CEO

Brian Swanton transitioned into the role of President & Chief Executive Officer for Gorman & Company in 2018, after serving as the Arizona Market President since 2008. During his tenure as Arizona Market President, Mr. Swanton led a multi-disciplinary team that designed and constructed more than 1,000 units of new housing across the state with an emphasis on permanent supportive housing for families, seniors, veterans and chronically homeless populations in both urban and rural locations. Mr. Swanton also redeveloped some of the first public housing units in the country using HUD's Rental Assistance Demonstration (RAD) program. As President & CEO, Mr. Swanton oversees all of Gorman & Company's business units, including design, construction, development, property & asset management, and administration. Prior to joining Gorman & Company, Mr. Swanton held various leadership positions in the non-profit sector, where he directed the preservation and construction of more than 2,300 units of housing in 29 residential communities across Arizona and successfully refinanced and/or repositioned 1,702 units of existing affordable housing. Mr. Swanton also spent eight years of his career in the public sector, having served as the Housing Development Manager for the City of Scottsdale, as well as other positions in housing and community development with the City of Glendale, AZ, the Arizona Department of Housing, and the City of Quincy, MA.

Mr. Swanton holds a Master of Public Administration and a Bachelor of Science in Urban Planning, both from Arizona State University, where he has taught graduate and undergraduate courses in housing finance and neighborhood revitalization. Brian is also certified as a Housing Development Finance Professional by the National Development Council. Brian is the past Chairman of the Board of Directors for the Arizona Housing Alliance, Arizona's only statewide affordable housing advocacy organization, guiding that organization through a merger with the Arizona Coalition to End Homelessness in 2017. Brian continues to serve on the Board of the newly merged organization, the Arizona Housing Coalition. Brian is also an active member of Greater Phoenix Leadership, the Arizona Multihousing Association, the Housing Advisory Group (HAG), the Affordable Housing Developers Council (AHDC), and the Affordable Housing Tax Credit Coalition where he advocates on the federal, state and local levels to advance affordable housing resources across the U.S.



GARY J. GORMAN | CHAIRMAN OF THE BOARD

After completing his B.A. in Economics and Law Degrees from the University of Wisconsin-Madison, Mr. Gorman began his career as a practicing attorney focusing on representation of developers and real estate syndicators. In 1984, Mr. Gorman formed a firm for the purpose of developing and syndicating multifamily real estate projects. After the passage of the Tax Reform Act of 1986, Mr. Gorman specialized in the development of affordable multifamily rental communities utilizing the tax credit created by Section 42 of the 1986 Tax Reform Act.

Gorman & Company is now a major developer of affordable rental housing as well as historic renovations. The firm has offices in Wisconsin, Illinois, Arizona, Colorado, and Florida, as well as projects in six states. Gorman & Company has in-house design and construction divisions that have successfully completed over one billion dollars of new construction and major renovations. Its affiliated property management firm manages over six thousand units.

Mr. Gorman served as a board member for Catholic Charities and Northern Bankshares, Inc. Mr. Gorman also served as a member of the Steering Committee for the Housing Credit Group of National Association of Homebuilders (NAHB) and the Advisory Board for the Federal Home Loan Bank of Chicago.



TED MATKOM | WISCONSIN MARKET PRESIDENT

Ted Matkom has held the role of Wisconsin Market President over the past 10 years with Gorman & Company and has also served as General Counsel for the past 13 years. Mr. Matkom has a wealth of experience in developing both residential and commercial real estate. He served five years on the board of directors for Menomonee Valley Partners, the non-profit development entity designated to revitalize Milwaukee's Menomonee Valley industrial park. For the past eight years, Mr. Matkom has been President of The Corridor, Inc., a nonprofit organization that has been charged with helping to redevelop the "30th Street Corridor" in the heart of Milwaukee. He has also been appointed for the past six years to the Board of Directors for the Milwaukee Area Workforce Investment Board, Inc. Mr. Matkom has a Bachelor of Arts in International Relations and Political Science from the University of Wisconsin-Madison, and a Doctorate of Law from Marquette University.

ZACH JOHNSON | DIRECTOR OF HOUSING FINANCE

Zach Johnson provides oversight and support on financing structure and HUD processes, with a primary focus on Gorman and Company's Public Housing Authority relationships. Since joining the company in 2008, Mr. Johnson has led the company's deal structuring and financial underwriting efforts across all of our national markets. Mr. Johnson has extensive experience with the RAD Program and other HUD programs, concentrating on structuring projects with Low Income Housing Tax Credits (LIHTC) and other affordable housing resources. Mr. Johnson received his BA in Finance from the University of Wisconsin-Whitewater.

JIN PARK-HIGBEE | DEVELOPMENT COORDINATOR

Jin Park-Higbee serves as Development Coordinator for Gorman & Company for the Wisconsin and Illinois Markets. Previous to her employment with Gorman & Company, Ms. Park-Higbee worked for a regional economic development organization in Madison, Wisconsin. Ms. Park-Higbee has a BA in International Relations from Boston University, and a Master's Degree in Urban and Regional Planning from the University of Wisconsin-Madison.

DUANE BUSCHER | FINANCIAL ANALYST

Duane Buscher serves as Financial Analyst for Gorman & Company, focusing primarily on underwriting LIHTC projects. Mr. Buscher works closely with the Market Presidents and Construction Accounting team at all stages of the development process to evaluate project feasibility and conduct proforma analysis. Mr. Buscher joined the team at Gorman & Company in September 2014, having most recently worked in a similar role as an Underwriter for the Missouri Housing Development Commission. Mr. Buscher has a BA in Psychology and a Master's Degree in Urban Planning from the University of Kansas.



PATRICK PATRELLO | DIRECTOR OF ARCHITECTURE

Patrick has 20 years of experience in commercial and residential architectural design. He is a registered architect in Illinois, Wisconsin, Florida, Michigan, Colorado, Arizona, Arkansas, Indiana, Ohio, New Mexico, and is NCARB certified. His experience includes a wide range of construction types and occupancy classifications including adaptive reuse and new construction. While with Gorman & Company, Patrick has served as the Project Architect, Architect of Record, and Director of Architecture for more than 900 units of housing and/or hotel guest rooms spread over several developments in six states.

Prior to joining Gorman & Company, Patrick worked for the University of Wisconsin and the City of Detroit. Previously, he was with an award-winning Chicago architecture firm recognized as a leader in the design of mid- to high-rise residential and mixed-use developments. Patrick received his Bachelors and Masters of Architecture degrees from the University of Michigan. Patrick is a member of the AIA and the Congress of New Urbanism. He is passionate about urban redevelopment and the psychological effect of quality housing.



RON SWIGGUM | VICE PRESIDENT OF CONSTRUCTION

Ron has more than 25 years of experience in construction project management. As part of a vertically integrated development company, he has a breadth of skills beyond general contracting including coordination of design professionals, space planning, life cycle costing, development and training of personnel, strategic business planning, risk management, staff leadership, profit and loss oversight, and customer relations. Ron directed construction for one of the largest “Green Communities” Public Housing Authority developments east of the Mississippi River, and oversaw the construction for an innovative workforce housing development in Monroe County, Florida. He also served as Construction Project Manager for an award-winning Gorman & Company affordable housing development in Glendale, Arizona as well as a LEED Platinum project. Ron has most recently completed oversight for an \$80 million hotel and convention center in the City of Rockford, Illinois.



LAURA NARDUZZI | VICE PRESIDENT OF OPERATIONS

Laura received her degree in Hotel and Restaurant Management from the University of Wisconsin – Stout in 1989. She began her hotel career with The North Central Group, a hotel management and development company. She held various positions in her 20-year tenure with that company including the Vice President of Operations. In that role, she was responsible for a \$90-million highly reputable hotel portfolio of Hilton and Marriott brands, which received several brand awards. She joined Gorman & Company in 2009 and now is the Director of Property Management.

She directly oversees the operations of Gorman & Company’s management division as well as supervises several corporate functions including Human Resources, Facilities, Marketing, Training and Compliance. She works closely with the third party management companies insuring Gorman & Company’s standards are synonymous across all markets. Laura works closely with Development, Design and Construction in the development process to insure strong viability and long-term sustainability.



DAN CLARK | DIRECTOR OF PROPERTY MANAGEMENT

Dan Clark is responsible for Gorman & Company’s management division. His primary focuses is on meeting operational objectives to drive positive business results of multifamily and commercial real estate within the company’s portfolio. In his role, working with external and internal partners, his responsibilities include multi-state oversight of in-house and third party management companies, financial/ capital planning, and market strategies.

Mr. Clark joined Gorman & Company in 2017, previously serving as Senior Regional Portfolio Manager at The ConAm Group of Companies where he was responsible for Southern California’s regional operations and investment performance of affordable and market-rate housing developments. He brings more than 25 years of real estate asset management, property management and facilities management experience on high density, mixed use and urban infill projects. Mr. Clark earned his Bachelor of Science in Applied Management from Grand Canyon University’s Colangelo College of Business with an emphasis in servant leadership and management. He previously served as Education Chair with Arizona Apartment Association, Political Action Committee at California Apartment Association, member of Project Management Institute and currently maintains a real estate license in California.

3. Successful Urban Redevelopment Project Examples

Union Corners Master Development Plan

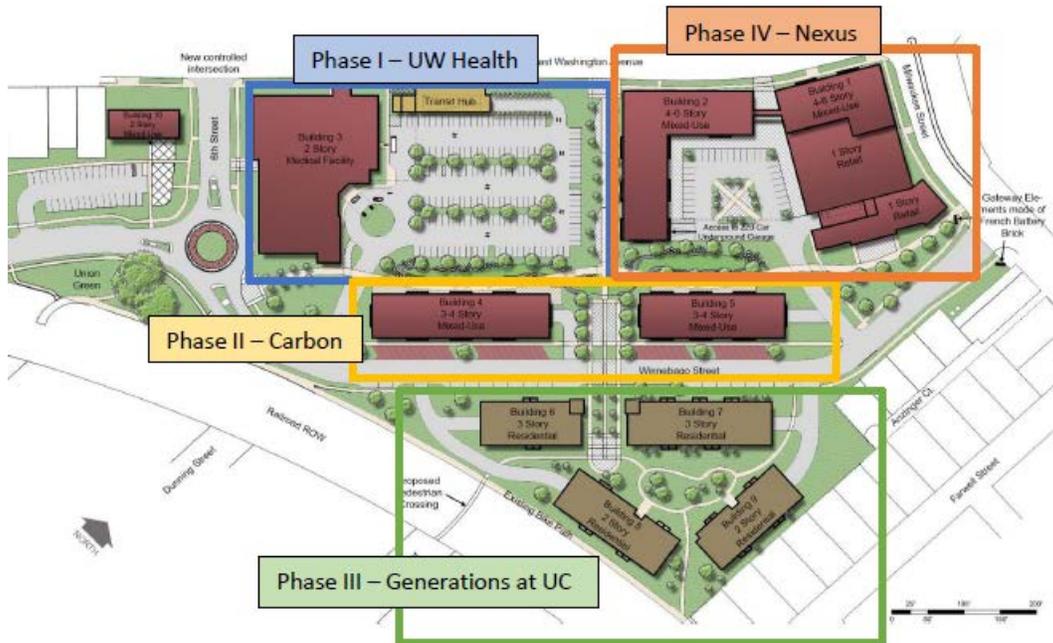
The cross streets of East Washington Avenue and Milwaukee Street were once home to union soldiers as well as the French Battery & Carbon Company (aka Rayovac Battery Corporation). In 2002, after decades of serving as a manufacturing center in Madison, Rayovac announced plans to close its Madison packaging facility at Union Corners.

The following year after closure of the Rayovac plant, the neighboring grocery store was also shut down, leaving a 13-acre parcel vacant on a prominent location along East Washington Avenue. The City of Madison acquired the entire city block and performed environmental remediation.

After completion, another developer purchased the entire site from the City of Madison, but soon thereafter faced the economic downturn in 2008 and was forced to deed the land back to the City.

In early 2012, UW Health approached Gorman & Company to find a potential new location for their dilapidated east side clinic. Gorman & Company approached the City of Madison about the Union Corners parcel and the City decided it would be best to put out an RFP to see what they could do with the entirety of the parcel instead of just one small piece.

Gorman & Company responded to the RFP and in October of 2012, Gorman & Company was awarded an RFP for a multi-phased project at Union Corners.



3. Successful Urban Redevelopment Project Examples

BACKGROUND

The original proposal consisted of a multi-phased building approach that included the new UW Health clinic, mixed use, market rate, and affordable residential buildings in addition to parking, a transit hub for Madison Metro Bus services, green space, etc.

The master development planning and design process has included significant input from the community, neighborhood associations, and stakeholders. A large pedestrian plaza extends through the entire site, designed for neighborhood gatherings, farmers markets, and pedestrian connectivity. Several bike paths weave through the site and connect to Madison's bicycle network.

PHASE I: UW Health Clinic

Completed in late 2016, the UW Health Clinic building is a brand new \$23-million, 60,000-square foot medical clinic occupied by the UW Health System, a premier health care provider in the region. The clinic serves approximately 92,000 patient visits per year with more than 100 employees.



PHASE II: Carbon

Carbon is the second overall phase and first residential phase of the Union Corners master development. Carbon was completed in 2017 and added new housing and retail to the Union Corners site. The two mixed-use buildings are connected by a pedestrian plaza and feature 90 apartment units (76 affordable and 14 market-rate), underground parking for residents, and 20,000 square feet of ground floor neighborhood retail space.



Amenities at Carbon include a community room, fitness room, on-site management, toddler play room, and a meeting room for neighborhood groups/meetings. This development also includes an integrated supportive housing component.

PHASE III: Generations at Union Corners

Generations at Union Corners is a new construction development consisting of a mix of affordable and market-rate units for families. Specifically, this development will target grandfamilies (grandparents raising grandchildren) and kinship families (family members raising other family members' children). The project will include 60 units total between two buildings, both three stories in height. The buildings will have access to underground parking with apartments above as well as a community room, supportive service office and programming space, and fitness center. Outdoor space will include a large pedestrian plaza, playground, open green space, and community gardens.



PHASE IV: Nexus at Union Corners

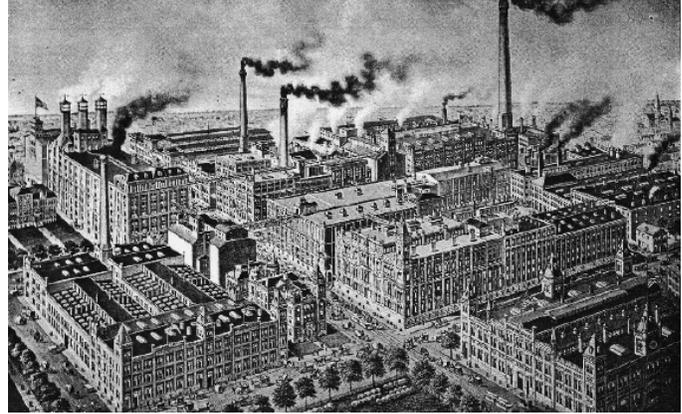
Nexus is the final phase of the Union Corners Master Plan. This \$24-million project includes 105 units of market rate housing and 16,000 square feet of retail space. Construction will commence in August 2020 and will complete in December 2021.



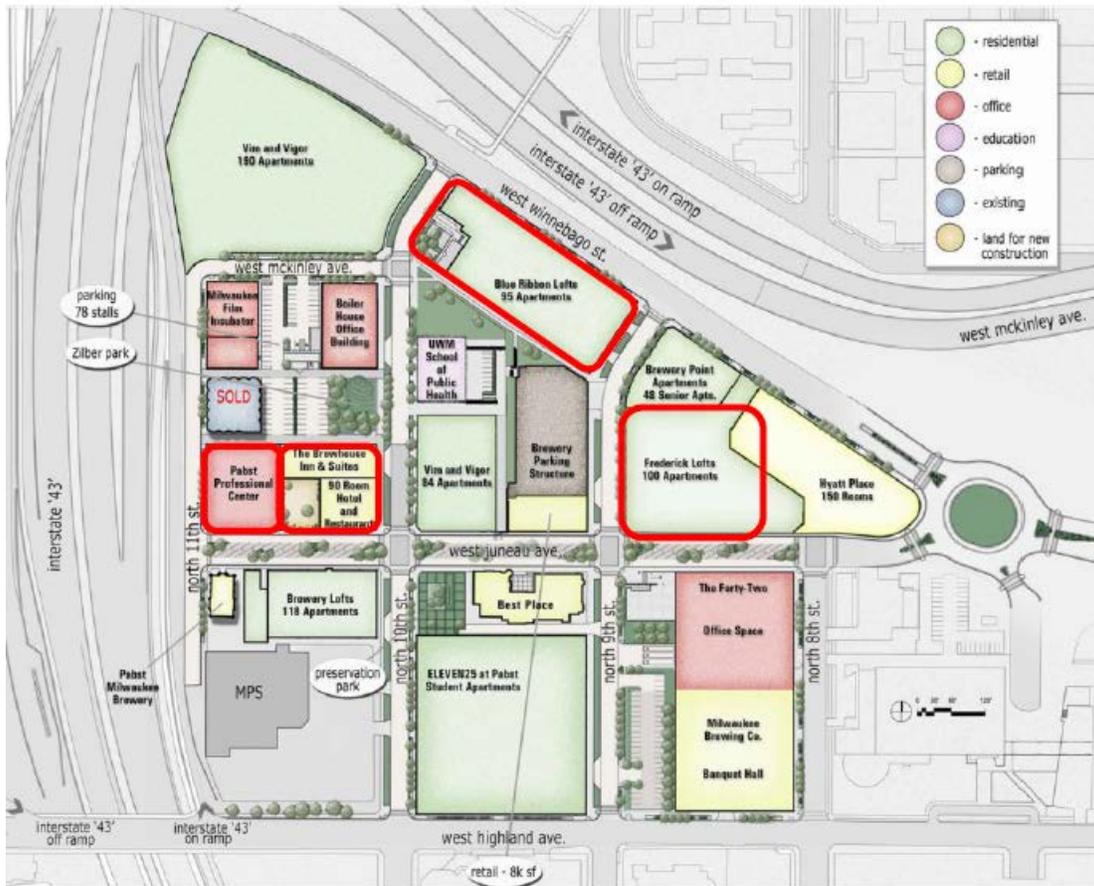
3. Successful Urban Redevelopment Project Examples

The Brewery Master Plan

Welcome to Milwaukee, Wisconsin, brewing and manufacturing powerhouse of the Midwest. Established in the early 1800s, Milwaukee's rich history lives on through its architecture. Home to several historic landmarks, the city has strived to improve its economy, neighborhoods, and image through revitalization. The Brewery Project does all of these things.



Founded in 1844, the famous Pabst Brewery was at one time the largest brewery in America. The Brewery bottled millions of barrels of Pabst Blue Ribbon and other brand beers. Closing its doors in 1996, the 26 buildings stood vacant awaiting their second chance at life. In 2006, Milwaukee real estate investor and developer, Joseph Zilber, purchased the entire Brewery site in hopes to revitalize downtown Milwaukee.



The Brewery underwent a major transition into a sustainable neighborhood, capturing an award for LEED Platinum Neighborhood Development (only the third in the country at the time). Anyone purchasing a building in the Brewery is required to follow a strict 170-page Sustainability Guideline book put together by Zilber.

3. Successful Urban Redevelopment Project Examples

PHASE I: Blue Ribbon Lofts

In June 2008, Gorman & Company purchased building number nine of the Brewery site, known as the “Keg House.” This 140,000 square foot, three-story, cream city brick building was developed into a 95-unit apartment building. Harvesting both affordable and market rate units, the former “keg house” became known as Blue Ribbon Loft Apartments. Recapturing the essence of its history, and meeting the housing demands of a stagnant economy, Blue Ribbon Loft Apartments emerged a prominent marker of community revitalization.



Blue Ribbon Loft Apartments, the first redevelopment project in the Brewery campus, developed by Gorman & Company, is a mixed-income apartment building with 69 of the apartments available to income-qualified families and individuals making 50-60 percent of the area’s median income, and 26 market-rate apartments. The development is designed to serve local artists, entrepreneurs and other members of the “creative class.”

A tour of Blue Ribbon Loft Apartments shows 15-foot ceilings, the exposed brick and steel columns of the building’s industrial past, and floor-to-ceiling windows with views of downtown’s skylines. Building amenities include a music studio, artists’ workspaces and galleries, a business center, fitness facility, indoor parking, conference rooms and theater/presentation space. Accordingly, per the requirements of The Brewery Project, Blue Ribbon Loft Apartments embraces several sustainable concepts. From the preservation of the existing building, to the use of Energy Star appliances within the unit, Gorman & Company understood the positive influence of creating a sustainable neighborhood and strived to incorporate sustainable concepts into the project.

The \$16.2-million Blue Ribbon Loft Apartments project combines the use of federal LIHTCs, issued by WHEDA, federal and state Historic Credits and special interest rate financing from WHEDA. Equity financing was provided by Great Lakes Capital and City Real Estate Investors.

Gorman & Company began accepting renters for the Blue Ribbon Loft Apartments at the end of January of 2009, with half of the units filled within five months and full occupancy reached in October 2009. In addition, all of the affordable housing units were rented within seven months. As the building was designed specifically to serve the needs of artists and the creative entrepreneurs as well as providing affordable housing, this absorption period was better than budget estimations had predicted.

Blue Ribbon Loft Apartments is a significant development on a number of fronts, from supporting downtown housing for a range of incomes, to reviving a historical landmark and captivating an environmentally-friendly design. The project began a diamond in the rough, and now clearly stands as the cornerstone for The Brewery’s renewal efforts.

PHASE II: Brewhouse Inn & Suites Boutique Hotel

In June 2009, Gorman & Company purchased Buildings 20 (the Brewhouse) and 21 (the Engine, Mill, and Refrigeration Machine Building), built in 1882 and 1891, respectively. These four- and five-story cream brick buildings feature elements of the German Renaissance Revival style, including battlements crenellated towers. Buildings 20 and 21 were physically connected and served as the nucleus of the Brewery. They also supported the “PABST” sign which spans across the West Juneau Avenue at the buildings’ roof lines.



3. Successful Urban Redevelopment Project Examples

Within the interior, the property was left dilapidated and in need of major repairs. Windows were broken; water was dripping down from the leaking roof; the once copper brewing kettles were coated in dark colored rust; the tin ceilings were falling down; and the stained glass window was boarded up. The entire building was missing life and falling into despair. However, even in its neglected condition, Gorman & Company saw that these buildings would be ideal for a future 90-suite hotel and restaurant.

Gorman & Company began construction in 2011 with a multitude of renovations. The process started with repairing and washing the masonry on the outside of the building. Altered and in-filled window openings on the primary elevations were restored. Historic entrances on the east and south elevations were restored. Historic wood window sashes that survived the years of wear and tear were retained and restored with missing ones replaced with replicas.

On the interior, surviving historic spaces and architectural features were retained and incorporated into the building's new hospitality and commercial functions. Specifically, the former brewing floor was transformed into a multi-story space lit by a skylight and is dominated by six large copper brewing kettles and a large stained glass window featuring a stained glass window highlighting King Gambrinus—the patron saint of beer.



Now that the transformation is complete, Buildings 20 and 21 are known as The Brewhouse Inn & Suites and Jackson's Blue Ribbon Pub, a 90-suite boutique hotel and restaurant. From the five-story atrium featuring a stained glass window, shiny copper kettles, and the exposed brick, to the steel and wood from the original structure, you can see how Gorman & Company captured the imagination of the past through a modern lens.

The Brewhouse Inn & Suites has caught the attention of not only the Milwaukee community and its public officials as evidenced by their attached letters of support for this nomination, but also the attention of other nearby cities including Chicago, Illinois and Madison. Featured stories have been written on the project, telling tales of those who used to work at the Brewery to those that are new to the Pabst iconic building.

Staying at the Brewhouse Inn & Suites is not just another stay at a boutique hotel. It is a once in a lifetime chance to peek into an industry that founded the city of Milwaukee; capturing a glimpse of a brand and a building that changed so many lives over the course of its existence.

PHASE III: Frederick Lofts

This \$17-million, new construction project at the Brewery features 100 units of luxury market rate housing, a rooftop patio, and live-work units on the first floor for small business owners. Frederick Lofts is located in The Brewery District. Frederick Lofts, is a 100 luxury unit market rate development that would be located directly adjacent to the Blue Ribbon Lofts in Milwaukee, WI. The market rate units at Blue Ribbon Lofts are constantly occupied, so much so that there is an overflow of potential market rate renters that are turned away at Blue Ribbon Lofts.



The current layout of Frederick Lofts has a unit mix of three live/work efficiencies, 77 one bedrooms, and 20 two bedrooms. Frederick Lofts specifically features underground and surface parking, fitness center, clubhouse, and a rooftop deck overlooking downtown Milwaukee. A mixture of glass, metal and wood will be incorporated into the exterior shell of the building.

3. Successful Urban Redevelopment Project Examples

PHASE IV: Professional Center

The Professional Center is four stories of office space catering to young professionals, entrepreneurs and recent graduates. It offers the perfect work environment: Support staff will be on-hand to help them with administrative work. There is also be a large conference center, multi-media room with state-of-the-art equipment, covered parking, an onsite exercise facility, and possible print shop/shipping center—all the amenities needed to set-up shop—or to upgrade from their current office space. And it's located in the heart of the exciting Brewery complex, so social and residential opportunities are just steps away.



Professionals utilizing this space include graduating attorneys. Nearby Marquette University's recently-expanded Law School graduates more than 200 lawyers a year. Add another 250 annual graduates from UW-Madison's Law School, to the nearly 8,000 practicing lawyers in those two counties, and you start to get the picture. Those professionals will appreciate the convenience of a well-equipped and affordable office space—just off the freeway, and near courthouses, police, sheriff and medical examiner's offices, and several libraries, colleges and universities. And that's just lawyers. The 83,000 students currently attending just three of Wisconsin's Universities will graduate in all professions—and many of them will be looking for office space. The Professional Center provides them that—and so much more.

Valor on Washington

1322 E. Washington Ave, Madison, WI

Valor on Washington project is an \$18-million new construction development consisting of a mix of affordable and market-rate units for families. Specifically, this development will target veteran families and includes a partnership with Dryhootch to provide veteran services.



Dryhootch is a nonprofit organization, formed with the mission of creating safe, comfortable places where veterans can gather informally in a drug- and alcohol-free environment.

Dryhootch will provide a variety of veteran services and support on-site for both residents and non-residents at Valor on Washington. Space on the first floor has been designed to accommodate these services.

Valor on Washington features 59 total units total in one six-story building. The project includes (12) integrated supportive housing units at 30% AMI that are affordable to very low-income families. Supportive services for these units will be provided by Lutheran Social Services. Valor is located on an urban infill site in downtown Madison and is in close proximity to schools, parks, grocery store, and bus service. The development received a 2019 WHEDA 9% tax credit award and has secured gap financing from Dane County, City of Madison, FHLB AHP, and the Dane Co Housing Authority. The project will start construction in late 2019, with completion in spring 2021.

3. Successful Urban Redevelopment Project Examples

1141 Main Street Apartments

1141 Main Street, Sun Prairie, WI

1141 Main Street Apartments is a new construction development consisting of a market-rate and affordable apartments for families. The project will include 64 units total within a three- and four-story building. Amenities include underground parking, community room, and fitness center.

The development is located within the Main Street Corridor of Sun Prairie, a community that has historically been one of the fastest growing communities in Dane County and the state. Sun Prairie has a strong record of economic development and growth, leading to increased demand for quality workforce housing for employees. Main Street Apartments is a partnership with the City of Sun Prairie who created a TIF financing plan for this project.



The Alexander Lofts

906-910 W. Historic Mitchell, Milwaukee, WI

Gorman & Company is working in partnership with the City of Milwaukee to renovate the historic Hills Building into a new public library space on the first floor with market rate residential apartments above. The upper floors will be renovated to create 52 apartment units, and the separate back building is being renovated as well to create an additional eight townhouse units for a total of 60 units. The Hills Department Store building was originally a department store, later a hardware store, and most recently a commercial office building. The property is located within the Historic Mitchell Street district, a nine-block stretch of architecturally and historically significant commercial structures locally designated by the City of Milwaukee.



Park East Enterprise Lofts

1407 N. Martin Luther King, Milwaukee, WI

This mixed-use, mixed-income, 85-unit "live-work" development is designed to serve up-and-coming entrepreneurs and other members of a city's "creative class." It is part of a visionary redevelopment district that has been made possible by tearing down an expressway.

The development features live-work units that have commercial street entrances, activating the street and allowing small business owners to combine their office, studio, and residence in one place. Amenities include a fitness center, business center, community room, conference rooms, movie theatre and gallery space.





4. Development Organization’s Overview

Official Registered Name

Gorman & Company, LLC

Key Contact Information and Individuals Authorized to Bind Gorman & Company

Ted Matkom, Wisconsin Market President/General Counsel TMatkom@GormanUSA.com (414) 617-9997 200 N. Main Street, Oregon, WI 53575	Brian Swanton, President/CEO BSwanton@GormanUSA.com (602) 708-4889 200 N. Main Street, Oregon, WI 53575
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Brief History of the Organization

Gary J. Gorman started Gorman & Company in 1984 to develop, syndicate, and manage multifamily housing properties. Gorman & Company has become one of the largest and most respected multifamily development firms in the region. Currently, Gorman & Company employs over 400 individuals and has a portfolio in excess of 100 projects. In 2019, Brian Swanton succeeded Gary Gorman as President/CEO and Gary Gorman assumed the role of Chairman of the Board.

Gorman & Company has been ranked the 10th largest affordable housing developer nationally by Affordable Housing Finance. With over 100 community revitalization projects in the portfolio, Gorman & Company has experience developing some of the nation’s highest quality affordable housing and neighborhood revitalization projects.

Gorman & Company works closely with local governments and municipal groups to help cities meet their development, planning, economic and social goals. Gorman’s staff brings a broad range of development, design, construction, and real life experience to the development process and applies those skills to solve problems and help communities bring their plans to reality. Beyond Wisconsin, Gorman has established offices in Illinois, Florida, Colorado, and Arizona, and has performed/is performing additional work in Ohio, Arkansas, Mississippi, and New Mexico.

Brief Financial History of the Company

Over our 36-year history, Gorman has cultivated an industry leading reputation for following through on our commitments, standing behind our Guarantees, and acting in a fiscally prudent manner. One of our Core Values is “to create and protect the best reputation at all times.” This would not be possible if our related entities behaved irresponsibly or could not operate competitively in each market we serve.

Our fully integrated platform and adherence to internally developed best practices helps us streamline execution and maximize efficiency throughout the development and construction process.

Gorman values long-term, mutually beneficial relationships with our stakeholder partners (cities, housing authorities, lenders, syndicators, etc.). Ensuring we perform to the highest levels helps accomplish this. We believe our repeat business with various nationally known stakeholders is strong evidence of our commitment to doing things the right way and delivering the highest levels of service at costs equal to or below that which is available in the open market.

Gorman & Company takes pride in the fact that we have never had a foreclosure, we have never defaulted and we have never had an equity partner lose money on any project we have developed over the past 36 years. Financials for Gorman & Company, LLC are available upon request on the condition that they be delivered and received by the City of Verona under confidential cover and assuming it would not be not classified as a public document.



5. Level of Investment and Financial Viability

The financial proformas attached are related to the Components as identified in Site Plan No.1 and Site Plan No.2.

Site Plan No. 1:

Two of the attached proformas relate to this **Site Plan No.1**. The first proforma is for **Component A** and is titled “Verona Workforce Housing”. This project would primarily target incomes that range from \$40,000 to \$60,000. There would be a mix of one, two and three bedroom units and townhomes per this site plan. This **Component A** proforma would require three primary funding sources: WHEDA tax credits; Dane County Affordable Housing Funds; and, contribution of the land. The second proforma that relates to this **Site Plan No. 1** is titled “Verona Apartment Homes” which is for Component B in this site plan. **Component B** is a 70 unit market rate building located next to the historic school house. There will be a mix of one, two and three bedroom units. The final resident unit mix would be subject to a professional market study.

The total development cost for **Component A** and **Component B** within this **Site Plan No. 1** is \$38 million. These two components could happen simultaneously starting in spring of 2021. The costs of the proposed use of **Component C** would also be included in these total development costs. The annual tax increment for both of these components in the stabilized third year of the proforma equals \$224,000. Since no TIF district is requested for this **Site Pan No. 1**, the tax increment would be readily available for the City and school district.

Site Plan No. 2:

Two of the attached proformas relate to this **Site Plan No.2**. The first proforma is for **Component A** and is titled “Verona Workforce Housing.” This project would primarily target incomes that range from \$40,000 to \$60,000. There would be a mix of one, two and three bedroom units and townhomes per this site plan. This **Component A** proforma would require three primary funding sources: WHEDA tax credits; Dane County Affordable Housing Funds; and, contribution of the land. The second Proforma that relates to this **Site Plan No. 2** is titled “Verona Apartment Homes and Townhomes” which is for **Component B** expanded in this site plan. **Component B** has been expanded in this **Site Plan No.2** due to the demolition of the Sugar Creek Elementary School and extending Church Street across the site plan. As a result of this extra available space we have constructed a plan that included 55 two and three bedroom market-rate townhomes that would be in addition to the 70-unit market rate building located next to the historic school house. The final resident unit mix within this expanded **Component B** would be subject to a professional market study.

The total development cost for **Component A** and **Component B**, as expanded, within this **Site Plan No. 2** is \$49 million. These two components could happen simultaneously starting in spring of 2021. The costs of the proposed use of **Component C** would also be included in these total development costs. We have roughly estimated infrastructure costs (not included in our proformas of \$2.5 million to demolish the Sugar Creek Elementary School and extend Church Street (with necessary utilities) through the site. The annual tax increment for both of these components in the stabilized third year of the proforma equals \$306,000. This means that any TIF district created by the City of Verona to help for the estimated \$2.5 million of demolition and infrastructure costs would be paid off within 10 years.

Verona Workforce Housing

Verona, Wisconsin

9% Low Income Housing Tax Credit Project



Component A: Site Plan No. 1 and No. 2
87 apartment homes, 73 LIHTC and 14 market-rate units

Financial Feasibility Model

April 22, 2020

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Project & Feasibility Summary

Project Name: <u>Verona Workforce Housing</u>	Developer: <u>Gorman & Company</u>	Date: <u>4/22/2020</u>
Address: <u>400 Verona Ave.</u>	Development Stage: <u>Financial Feasibility Model</u>	
City: <u>Verona</u>	County: <u>Dane</u>	State: <u>Wisconsin</u>
Occupancy: <u>Family</u>	Development Type: <u>New Construction</u>	Building Type: <u>Walkup</u>
Project Type: <u>LIHTC only</u>	LIHTC Type: <u>9%</u>	Located in QCT or otherwise eligible for basis boost: <u>Yes</u>

Additional Project Information (assumption, description, notes, or version details)

Unit Mix, Rent, & Building Summary

Unit Mix Summary					Building Area Summary		Sq. Ft.
Residential	# Units	%	Sq. Ft.	%			
LIHTC/Affordable	73	83.9%	74,450	83.1%	Total Residential Living Area		89,550
Market Rate	14	16.1%	15,100	16.9%	Common Space (community room, offices, hallways)		40,450
Total Residential	<u>87</u>		<u>89,550</u>		Net Residential Area		130,000
LIHTC Applicable Fraction		<u>83.1%</u>			Underground Parking		11,250
					Gross Floor Area (SF):		<u>141,250</u>

Other Income

Type	Monthly	Annual
Laundry, Vending, Application Fees, Etc.	\$1,269	\$15,225
Parking	\$50 per space	\$3,300
		\$39,600

Summary by AMI

AMI	Units	%
30%	18	25%
40%		
50%	34	47%
60%	21	29%
	<u>73</u>	<u>100%</u>

LIHTC/Affordable Units

# Bed room(s)	Description (optional)	Set Aside	# Units	Area (Sq. Ft.)	Utility Allowance	Net Rent	Monthly Rent
1	Apartment	30%	13	675	\$83	\$475	\$6,175
1	Apartment	50%	12	675	\$83	\$810	\$9,720
1	Apartment	60%	5	675	\$83	\$910	\$4,550
2	Apartment	30%	5	1,000	\$99	\$570	\$2,850
2	Apartment	50%	10	1,000	\$99	\$975	\$9,750
2	Apartment	60%	14	1,000	\$99	\$1,085	\$15,190
3	Townhome	50%	12	1,800	\$115	\$1,125	\$13,500

Gross Rent	Sec 42 Limit	% of Limit
\$558	\$565	98.8%
\$893	\$941	94.9%
\$993	\$1,130	87.9%
\$669	\$678	98.7%
\$1,074	\$1,130	95.0%
\$1,184	\$1,356	87.3%
\$1,240	\$1,305	95.0%

Market Rate Units

# Bed room(s)	Description (optional)	# Units	Area (Sq. Ft.)	Net Rent	Monthly Rent
1	Apartment	4	675	\$1,185	\$4,740
2	Apartment	7	1,000	\$1,450	\$10,150
3	Townhome	3	1,800	\$1,695	\$5,085
		<u>14</u>			<u>\$19,975</u>

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Project & Feasibility Summary

Net Operating Income, DCR, Cash Flow, & Operating Expenses						
Net Operating Income, DCR, Cash Flow			Monthly	Annual		
Gross Rental Income		\$84,300		\$1,011,600		
Other Income		\$4,569		\$54,825		
Total Gross Income		\$88,869		\$1,066,425		
Less Residential Vacancy	7.0%			(\$70,812)		
Less Other Vacancy	7.0%			(\$3,838)		
Effective Gross Income				\$991,775		
Operating Expenses				\$513,300		
Net Operating Income				\$478,475		
Total Annual Hard Debt Service				\$407,188		
Debt Service Coverage (DCR) - Year 1				1.175		
Cash Flow				\$71,288		
Operating Expenses			Annual	Per Unit		
Advertising						
Insurance						
Legal / Accounting						
Repairs & Maintenance						
Administrative Costs						
Utilities						
Payroll						
Contracted Services						
Management Fees						
Tax Credit Fees						
Oper Costs/Turnover						
Real Estate Taxes				\$113,100		\$1,300
Subtotal				\$487,200		\$5,600
Replacement Reserves				\$26,100		\$300
Total				\$513,300		\$5,900
LIHTC & PERMANENT DEBT DETAIL						
Tax Credit Equity						
Credit Type	Annual Credit	Years	Pricing	Owner %	Total Equity	
LIHTC	\$1,377,063	X 10	X \$0.895	X 99.99%	= \$12,323,481	
Permanent Debt Information						
Source	Amount	Interest	Term	Amort	Annual Pmt	
First Mortgage	\$6,436,000	5.35%	35	35	\$407,188	
AHP	\$900,000	1.00%	15	35		
Dane County Funding	\$2,000,000		16	35		
Deferred Developer Fee	\$346,752					

Gorman & Company

Project & Feasibility Summary

SOURCES & USES SUMMARY

SOURCES	FINANCING	PER UNIT	%
First Mortgage	\$6,436,000	\$73,977	29.2%
AHP	\$900,000	\$10,345	4.1%
Dane County Funding	\$2,000,000	\$22,989	9.1%
Deferred Developer Fee	\$346,752	\$3,986	1.6%
LIHTC	\$12,323,481	\$141,649	56.0%
Total	\$22,006,233	\$252,945	100.0%

USES	COST	PER UNIT	%
Acquisition (land + building)	\$550,000	\$6,322	2.5%
Hard Construction Costs	\$16,530,051	\$190,001	75.1%
Soft Costs	\$4,415,938	\$50,758	20.1%
Reserves	\$510,244	\$5,865	2.3%
Total	\$22,006,233	\$252,945	100%

Gap Analysis	TOTAL
Total Sources of Funds	\$22,006,233
Total Development Costs	\$22,006,233
Oversourced / (Undersourced)	

Gorman & Company

Verona Workforce Housing Verona, Wisconsin

Sources of Funds

4/22/2020

Construction Sources									
Position	Source	Amount	Rate	Term	100% Outstanding	Average Outstanding	Estimated Const. Interest		
	Construction Loan	\$15,250,000	4.50%	24	\$1,372,500	65.0%	\$892,125		
	Tax Credit Equity	\$1,848,522							
	0	\$0			\$0		\$0		
	AHP	\$900,000			\$0		\$0		
	Dane County Funding	\$2,000,000			\$0		\$0		
	0	\$0			\$0		\$0		
Total		\$19,998,522					\$892,125		

Permanent Sources									
	Total Annual Eligible Credits	Years	Total Credits	Pricing	Investor %	Investor Credits	Total Equity		
Tax Credit Equity									
LIHTC	\$1,377,063	10	\$13,770,630	\$0.895	99.99%	\$13,769,253	\$12,323,481		
Federal Historic Tax Credits	\$0	1	\$0	\$0.00	99.99%	\$0	\$0		
State Historic Tax Credits	\$0	1	\$0	\$0.00	99.99%	\$0	\$0		
Additional LIHTC	\$0	10	\$0	\$0.895	99.99%	\$0	\$0		
Total Equity							\$12,323,481		

Permanent Debt										
Position	Source	Principal Balance	Interest Rate	Term	Amortization Period	Soft/Hard	Monthly Debt Service	Annual Debt Service	% of Sources	Per Unit
	First Mortgage	\$6,436,000	5.35%	35	35	H	\$33,932	\$407,188	29.2%	\$73,977
	AHP	\$900,000	1.00%	15	35	S			4.1%	\$10,345
	Dane County Funding	\$2,000,000	0.00%	16	35	S			9.1%	\$22,989
	Deferred Developer Fee	\$346,752							1.6%	\$3,986
	LIHTC	\$12,323,481							56.0%	\$141,649
	Historic Equity	\$0								
	General Partner Equity	\$0								
	Other Tax Credit Equity									
	Remaining Gap	\$0					\$0	\$0		
Total Debt/DDF Sources		\$22,006,233						\$407,188		

Gorman & Company

Verona Workforce Housing

Verona, Wisconsin

4/22/2020

15 Year Cash Flow Pro Forma

Year	1 2022	2 2023	3 2024	4 2025	5 2026	6 2027	7 2028	8 2029	9 2030	10 2031	11 2032	12 2033	13 2034	14 2035	15 2036
Gross Rental Income	\$1,011,600	\$1,031,832	\$1,052,469	\$1,073,518	\$1,094,988	\$1,116,888	\$1,139,226	\$1,162,010	\$1,185,251	\$1,208,956	\$1,233,135	\$1,257,797	\$1,282,953	\$1,308,612	\$1,334,785
Other Income	\$54,825	\$55,922	\$57,040	\$58,181	\$59,344	\$60,531	\$61,742	\$62,977	\$64,236	\$65,521	\$66,831	\$68,168	\$69,531	\$70,922	\$72,340
Gross Income	\$1,066,425	\$1,087,754	\$1,109,509	\$1,131,699	\$1,154,333	\$1,177,419	\$1,200,968	\$1,224,987	\$1,249,487	\$1,274,477	\$1,299,966	\$1,325,965	\$1,352,485	\$1,379,534	\$1,407,125
Less Vacancies	(\$70,812)	(\$72,228)	(\$73,673)	(\$75,146)	(\$76,649)	(\$78,182)	(\$79,746)	(\$81,341)	(\$82,968)	(\$84,627)	(\$86,319)	(\$88,046)	(\$89,807)	(\$91,603)	(\$93,435)
Less Vacancies (Other)	(\$3,838)	(\$3,915)	(\$3,993)	(\$4,073)	(\$4,154)	(\$4,237)	(\$4,322)	(\$4,408)	(\$4,497)	(\$4,586)	(\$4,678)	(\$4,772)	(\$4,867)	(\$4,965)	(\$5,064)
Effective Gross Income	\$991,775	\$1,011,611	\$1,031,843	\$1,052,480	\$1,073,529	\$1,095,000	\$1,116,900	\$1,139,238	\$1,162,023	\$1,185,263	\$1,208,968	\$1,233,148	\$1,257,811	\$1,282,967	\$1,308,626
Operating Expenses	\$314,593	\$324,031	\$333,752	\$343,764	\$354,077	\$364,700	\$375,640	\$386,910	\$398,517	\$410,473	\$422,787	\$435,470	\$448,534	\$461,990	\$475,850
Management Fee	\$59,507	\$60,697	\$61,911	\$63,149	\$64,412	\$65,700	\$67,014	\$68,354	\$69,721	\$71,116	\$72,538	\$73,989	\$75,469	\$76,978	\$78,518
Real Estate Taxes	\$113,100	\$116,493	\$119,988	\$123,587	\$127,295	\$131,114	\$135,047	\$139,099	\$143,272	\$147,570	\$151,997	\$156,557	\$161,254	\$166,091	\$171,074
Replacement Reserves	\$26,100	\$26,883	\$27,689	\$28,520	\$29,376	\$30,257	\$31,165	\$32,100	\$33,063	\$34,055	\$35,076	\$36,129	\$37,212	\$38,329	\$39,479
Total Operating Expenses	\$513,300	\$528,104	\$543,340	\$559,021	\$575,160	\$591,770	\$608,867	\$626,462	\$644,572	\$663,213	\$682,398	\$702,145	\$722,469	\$743,388	\$764,921
Net Operating Income	\$478,475	\$483,507	\$488,503	\$493,459	\$498,369	\$503,230	\$508,033	\$512,776	\$517,450	\$522,050	\$526,571	\$531,003	\$535,342	\$539,579	\$543,706
First Mortgage DS	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188	\$407,188
Other Hard DS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL must-pay debt	\$407,188														
Debt Coverage Ratio - (DCR)	1.175	1.187	1.200	1.212	1.224	1.236	1.248	1.259	1.271	1.282	1.293	1.304	1.315	1.325	1.335
Predistribution Cash Flow	\$71,288	\$76,319	\$81,315	\$86,271	\$91,182	\$96,042	\$100,846	\$105,588	\$110,263	\$114,863	\$119,383	\$123,816	\$128,154	\$132,391	\$136,518

Verona Apartment Homes

Verona, Wisconsin

Developed and Owned by Gorman & Company



Component B: Site Plan No. 1 - 70 apartment homes

April 22, 2020

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Project & Feasibility Summary

Net Operating Income, DCR, Cash Flow, & Operating Expenses

Net Operating Income, DCR, Cash Flow	Monthly	Annual	Operating Expenses	Annual	Per Unit
Gross Rental Income	\$98,850	\$1,186,200	Advertising	_____	_____
Other Income	\$5,000	\$60,000	Insurance	_____	_____
Total Gross Income	\$103,850	\$1,246,200	Legal / Accounting	_____	_____
Less Residential Vacancy 5.0%		(\$59,310)	Repairs & Maintenance	_____	_____
Less Other Vacancy 5.0%		(\$3,000)	Administrative Costs	_____	_____
Effective Gross Income		\$1,183,890	Utilities	_____	_____
Operating Expenses		\$400,510	Payroll	_____	_____
Net Operating Income		\$783,380	Contracted Services	_____	_____
Total Annual Hard Debt Service		\$652,809	Management Fees	_____	_____
Debt Service Coverage (DCR) - Year 1		1.200	Tax Credit Fees	_____	_____
			Oper Costs/Turnover	_____	_____
			Real Estate Taxes	\$100,000	\$1,429
			Subtotal	\$379,510	\$5,422
			Replacement Reserves	\$21,000	\$300
			Total	\$400,510	\$5,722

SOURCES & USES SUMMARY

SOURCES	FINANCING	PER UNIT	%
First Mortgage - WHEDA 7/10 Flex	\$12,500,000	\$178,571	77.3%
Investor Equity	\$3,175,000	\$45,357	19.6%
Developer Contribution	\$500,000	\$7,143	3.1%
Total	\$16,175,000	\$231,071	100%

USES	COST	PER UNIT	%
Acquisition	\$1	\$0	0.0%
Hard Construction Costs	\$12,250,093	\$175,001	75.7%
Soft Costs	\$3,586,576	\$51,237	22.2%
Reserves	\$338,330	\$4,833	2.1%
Total	\$16,175,000	\$231,071	100%

Gap Analysis	TOTAL
Total Sources of Funds	\$16,175,000
Total Development Costs	\$16,175,000
Oversourced / (Undersourced)	

Gorman & Company

Verona Apartment Homes Verona, Wisconsin

Sources of Funds

4/22/2020

Construction Sources							
Position	Source	Amount	Rate	Term (months)	100% Outstanding	Average Outstanding	Estimated Const. Interest
	Construction Loan	\$12,500,000	4.00%	24	\$1,000,000	60.0%	\$600,000
	Equity	\$3,175,000					
	Owner Land Contribution	\$0			\$0		\$0
	Developer Contribution	\$500,000			\$0		\$0
					\$0		\$0
					\$0		\$0
Total		\$16,175,000					\$600,000

Permanent Debt										
Position	Source	Principal Balance	Interest Rate	Term	Amortization Period	Soft/Hard	Monthly Debt Service	Annual Debt Service	% of Sources	Per Unit
	First Mortgage - WHEDA 7/10 Flex	\$12,500,000	3.25%	10	30	H	\$54,401	\$652,809	77.3%	\$178,571
	Investor Equity	\$3,175,000							19.6%	\$45,357
	Mezz Debt		6.00%	10	10	H	\$0	\$0		
	Developer Contribution									
	LIHTC Equity	\$500,000							3.1%	\$7,143
	Historic Equity	\$0								
	GP Equity (included?)	\$0								
	Other Tax Credit Equity	\$0								
	Remaining Gap	\$0					\$0	\$0		
	Total Debt/DDF Sources	\$16,175,000						\$652,809		\$231,071

Gorman & Company

Verona Apartment Homes

Verona, Wisconsin

10 Year Cash Flow Pro Forma

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Inflation										
	2.5%	2.5%								
Gross Rental Income	\$1,186,200	\$1,215,855	\$1,246,251	\$1,277,408	\$1,309,343	\$1,342,076	\$1,375,628	\$1,410,019	\$1,445,270	\$1,481,401
Other Income	\$60,000	\$61,500	\$63,038	\$64,613	\$66,229	\$67,884	\$69,582	\$71,321	\$73,104	\$74,932
Gross Income	\$1,246,200	\$1,277,355	\$1,309,289	\$1,342,021	\$1,375,572	\$1,409,961	\$1,445,210	\$1,481,340	\$1,518,374	\$1,556,333
Less Vacancies	(\$59,310)	(\$60,793)	(\$62,313)	(\$63,870)	(\$65,467)	(\$67,104)	(\$68,781)	(\$70,501)	(\$72,263)	(\$74,070)
Less Vacancies (Other)	(\$3,000)	(\$3,075)	(\$3,152)	(\$3,231)	(\$3,311)	(\$3,394)	(\$3,479)	(\$3,566)	(\$3,655)	(\$3,747)
Effective Gross Income	\$1,183,890	\$1,213,487	\$1,243,824	\$1,274,920	\$1,306,793	\$1,339,463	\$1,372,949	\$1,407,273	\$1,442,455	\$1,478,516
Operating Expenses	\$279,510	\$286,498	\$293,660	\$301,002	\$308,527	\$316,240	\$324,146	\$332,250	\$340,556	\$349,070
Real Estate Taxes	\$100,000	\$102,500	\$105,063	\$107,689	\$110,381	\$113,141	\$115,969	\$118,869	\$121,840	\$124,886
Replacement Reserves	\$21,000	\$21,525	\$22,063	\$22,615	\$23,180	\$23,760	\$24,354	\$24,962	\$25,586	\$26,226
Total Operating Expenses	\$400,510	\$410,523	\$420,786	\$431,305	\$442,088	\$453,140	\$464,469	\$476,081	\$487,983	\$500,182
Net Operating Income	\$783,380	\$802,965	\$823,039	\$843,615	\$864,705	\$886,323	\$908,481	\$931,193	\$954,472	\$978,334
First Mortgage DS	\$652,809	\$652,809	\$652,809	\$652,809	\$652,809	\$652,809	\$652,809	\$652,809	\$652,809	\$652,809
TOTAL must-pay debt	\$652,809									
Debt Coverage Ratio (DCR) - First Mortgage	1.200	1.230	1.261	1.292	1.325	1.358	1.392	1.426	1.462	1.499
Predistribution Cash Flow	\$130,571	\$150,155	\$170,229	\$190,805	\$211,895	\$233,513	\$255,671	\$278,383	\$301,663	\$325,525
Return on Equity										
Split to Investor	\$3,675,000	\$3,175,000	\$117,513	\$135,140	\$153,206	\$171,725	\$190,706	\$210,162	\$230,104	\$250,545
Split to Developer	\$500,000	\$13,057	\$15,016	\$17,023	\$19,081	\$21,190	\$23,351	\$25,567	\$27,838	\$30,166
Return on Equity	3.70%	4.26%	4.83%	5.41%	6.01%	6.62%	7.25%	7.89%	8.55%	9.23%

Verona Apartment Homes & Townhomes

Verona, Wisconsin

Developed and Owned by Gorman & Company



Component B: Expanded for Site Plan No. 2
70 apartment homes + 55 townhomes

April 22, 2020

GORMAN
& COMPANY

Gorman & Company

Project & Feasibility Summary

Project Name Verona Apartment Homes & Townhomes Developer: Gorman & Company Date: 4/22/2020
 Address 400 Verona Ave. Development Stage: Financial Feasibility Model
 City Verona County Dane State Wisconsin
 Occupancy: Family Development Type New Construction Building Type: Walkup
 Project Type Market Rate LIHTC Type N/A Located in QCT or otherwise eligible for basis boost: No

Additional Project Information (assumption, description, notes, or version details)

Unit Mix, Rent, & Building Summary

Other Income

Type	Monthly	Annual
Pets, Vending, Application Fees, Etc.	\$2,083	\$25,000
Garage	\$3,500	\$42,000
Commercial - White Box		
Commercial - Grocery		

Market Rate Units

# Bed room(s)	Description (optional)	Set Aside	# Units	Area (Sq. Ft.)	Utility Allowance	Net Rent
1	Apartment		45	685	\$82	\$1,195
2	Apartment		25	940	\$95	\$1,535
2	Townhome		27	940	\$95	\$1,595
3	Townhome		28	1,200		\$1,795
			125			

Gorman & Company

Project & Feasibility Summary

Net Operating Income, DCR, Cash Flow, & Operating Expenses

Net Operating Income, DCR, Cash Flow			Monthly	Annual	Operating Expenses			Annual	Per Unit
Gross Rental Income			\$185,475	\$2,225,700	Advertising				
Other Income			\$5,583	\$67,000	Insurance				
Total Gross Income			<u>\$191,058</u>	<u>\$2,292,700</u>	Legal / Accounting				
Less Residential Vacancy	5.0%			(\$111,285)	Repairs & Maintenance				
Less Other Vacancy	5.0%			(\$3,350)	Administrative Costs				
Effective Gross Income				<u>\$2,178,065</u>	Utilities				
Operating Expenses				<u>\$750,000</u>	Payroll				
Net Operating Income				<u>\$1,428,065</u>	Contracted Services				
Total Annual Hard Debt Service				<u>\$1,190,202</u>	Management Fees				
Debt Service Coverage (DCR) - Year 1				<u><u>1.200</u></u>	Tax Credit Fees				
					Oper Costs/Turnover				
					Real Estate Taxes		\$178,625	\$1,429	
					Subtotal		<u>\$712,500</u>	<u>\$5,700</u>	
					Replacement Reserves		\$37,500	\$300	
					Total		<u>\$750,000</u>	<u>\$6,000</u>	

SOURCES & USES SUMMARY

SOURCES	FINANCING	PER UNIT	%
First Mortgage - WHEDA 7/10 Flex	\$22,790,000	\$182,320	83.1%
Investor Equity	\$4,150,000	\$33,200	15.1%
Developer Contribution	\$500,000	\$4,000	1.8%
Total	<u>\$27,440,000</u>	<u>\$219,520</u>	<u>100%</u>
USES	COST	PER UNIT	%
Acquisition	\$1	\$0	0.0%
Hard Construction Costs	\$22,500,041	\$180,000	82.0%
Soft Costs	\$4,354,907	\$34,839	15.9%
Reserves	\$585,051	\$4,680	2.1%
Total	<u>\$27,440,000</u>	<u>\$219,520</u>	<u>100%</u>
Gap Analysis	TOTAL		
Total Sources of Funds	<u>\$27,440,000</u>		
Total Development Costs	<u>\$27,440,000</u>		
Oversourced / (Undersourced)			

Gorman & Company

Verona Apartment Homes & Townhomes

Verona, Wisconsin

Sources of Funds

4/22/2020

Construction Sources

Position	Source	Amount	Rate	Term (months)	100% Outstanding	Average Outstanding	Estimated Const. Interest
	Construction Loan	\$22,790,000	4.00%	24	\$1,823,200	60.0%	\$1,093,920
	Equity	\$4,150,000					
	Owner Land Contribution	\$0			\$0		\$0
	Developer Contribution	\$500,000			\$0		\$0
					\$0		\$0
					\$0		\$0
Total		\$27,440,000					\$1,093,920

Permanent Debt

Position	Source	Principal Balance	Interest Rate	Term	Amortization Period	Soft/Hard	Monthly Debt Service	Annual Debt Service	% of Sources	Per Unit
	First Mortgage - WHEDA 7/10 Flex	\$22,790,000	3.25%	10	30	H	\$99,184	\$1,190,202	83.1%	\$182,320
	Investor Equity	\$4,150,000							15.1%	\$33,200
	Mezz Debt		6.00%	10	10	H	\$0	\$0		
	Developer Contribution									
	LIHTC Equity	\$500,000							1.8%	\$4,000
	Historic Equity	\$0								
	GP Equity (included?)	\$0								
	Other Tax Credit Equity	\$0								
	Remaining Gap	\$0					\$0	\$0		
	Total Debt/DDF Sources	\$27,440,000						\$1,190,202		\$219,520

Gorman & Company

Verona Apartment Homes & Townhomes
Verona, Wisconsin

10 Year Cash Flow Pro Forma

	Year	1	2	3	4	5	6	7	8	9	10
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Inflation										
	2.5%										
	2.5%										
Gross Rental Income		\$2,225,700	\$2,281,343	\$2,338,376	\$2,396,835	\$2,456,756	\$2,518,175	\$2,581,130	\$2,645,658	\$2,711,799	\$2,779,594
Other Income		\$67,000	\$68,675	\$70,392	\$72,152	\$73,955	\$75,804	\$77,699	\$79,642	\$81,633	\$83,674
Gross Income		\$2,292,700	\$2,350,018	\$2,408,768	\$2,468,987	\$2,530,712	\$2,593,980	\$2,658,829	\$2,725,300	\$2,793,432	\$2,863,268
Less Vacancies	5%	(\$111,285)	(\$114,067)	(\$116,919)	(\$119,842)	(\$122,838)	(\$125,909)	(\$129,056)	(\$132,283)	(\$135,590)	(\$138,980)
Less Vacancies (Other)	5%	(\$3,350)	(\$3,434)	(\$3,520)	(\$3,608)	(\$3,698)	(\$3,790)	(\$3,885)	(\$3,982)	(\$4,082)	(\$4,184)
Effective Gross Income		\$2,178,065	\$2,232,517	\$2,288,330	\$2,345,538	\$2,404,176	\$2,464,281	\$2,525,888	\$2,589,035	\$2,653,761	\$2,720,105
Operating Expenses	2.5%	\$533,875	\$547,222	\$560,902	\$574,925	\$589,298	\$604,031	\$619,131	\$634,610	\$650,475	\$666,737
Real Estate Taxes	2.5%	\$178,625	\$183,091	\$187,668	\$192,360	\$197,169	\$202,098	\$207,150	\$212,329	\$217,637	\$223,078
Replacement Reserves	2.5%	\$37,500	\$38,438	\$39,398	\$40,383	\$41,393	\$42,428	\$43,489	\$44,576	\$45,690	\$46,832
Total Operating Expenses		\$750,000	\$768,750	\$787,969	\$807,668	\$827,860	\$848,556	\$869,770	\$891,514	\$913,802	\$936,647
Net Operating Income		\$1,428,065	\$1,463,767	\$1,500,361	\$1,537,870	\$1,576,317	\$1,615,724	\$1,656,118	\$1,697,521	\$1,739,959	\$1,783,457
First Mortgage DS		\$1,190,202	\$1,190,202	\$1,190,202	\$1,190,202	\$1,190,202	\$1,190,202	\$1,190,202	\$1,190,202	\$1,190,202	\$1,190,202
TOTAL must-pay debt		\$1,190,202									
Debt Coverage Ratio (DCR) - First Mortgage		1.200	1.230	1.261	1.292	1.324	1.358	1.391	1.426	1.462	1.498
Predistribution Cash Flow		\$237,863	\$273,564	\$310,159	\$347,668	\$386,114	\$425,522	\$465,915	\$507,318	\$549,756	\$593,255
Return on Equity		\$4,650,000									
Split to Investor	90.0%	\$214,076	\$246,208	\$279,143	\$312,901	\$347,503	\$382,970	\$419,324	\$456,586	\$494,781	\$533,930
Split to Developer	10.0%	\$23,786	\$27,356	\$31,016	\$34,767	\$38,611	\$42,552	\$46,592	\$50,732	\$54,976	\$59,326
Return on Equity		5.16%	5.93%	6.73%	7.54%	8.37%	9.23%	10.10%	11.00%	11.92%	12.87%



6. Scope of Work

Project Implementation Timeline

JUNE 2020	City Council action to approve which team has been awarded redevelopment of Sugar Creek Elementary School Site. Although the RFP response has been delayed a month due to the COVID global pandemic, this deadline is still relevant if the proposed Gorman Site Plan No.1 or Site Plan No.2 is chosen so that we can apply for Dane County Affordable Housing Funds as a source to finance Component A entitled “Verona Workforce Housing.”
JULY 2020	Apply for Dane County Affordable Housing Funds for Component A.
NOVEMBER 2020	Proceed through zoning approvals and finalize Developer Agreement between Gorman & Company, LLC and the City of Verona. Site acquisition does not need to occur at this time, however, the terms of site control by Gorman & Company need to be outlined clearly within the Development Agreement.
DECEMBER 2020	File application for WHEDA tax credits to finance Component A.
JANUARY 2021	Commence design work on entire site.
APRIL 2021	WHEDA tax credit awards announced.
NOVEMBER 2021	Provided WHEDA tax credits were awarded to Component A in April 2021, closing on construction financing on all Components within the site plan chosen by the City of Verona. Commence construction activities.
APRIL 2022	Finalize construction and begin moving in residents.