CommonBond
COMMUNITIES

April 23, 2019

Ms. Andrea Schnick
City of La Crosse
400 La Crosse Street
La Crosse, WI 54601

RE: The Apartments at Red Cloud Park
        Project Update

Dear Ms. Schnick,

On April 4, 2019, CommonBond Communities received notification from the Wisconsin Housing and Economic Development Authority (WHEDA) that the Apartments at Red Cloud Park did not receive an allocation of 9% Low Income Housing Tax Credits (LIHTC). CommonBond, the Real Estate Team, and I are very disappointed to not receive funding during this round of financing from WHEDA as we know there is a strong need for new, quality workforce housing in the La Crosse community and we are excited about the collaboration with the broader redevelopment opportunities proposed at the former Trane Plant 6 site. I am writing to provide an update and next steps as it relates to the project and local project financing.

CommonBond submitted the WHEDA tax credit application for the Apartments at Red Cloud Park with the Non Profit Set-Aside. Each year two applications are funded within this set-aside, and CommonBond was optimistic the application would be competitive despite the round being the first within the new Qualified Allocation Plan (QAP) and we did not have the benefit of benchmark scoring from previous rounds. The application received a score of 192 and the lowest Non Profit Set-Aside application secured a score of 218.

Overall, the Apartments at Red Cloud Park scored competitively in all categories except the Financial Leverage category which had undergone significant changes from the previous QAP. Within this category, projects receive higher scores for less equity generated by LIHTC (the calculation is tax credit equity divided by total development cost (TDC)). In essence, WHEDA is encouraging developers to reduce tax credit equity as a percentage of TDC and increase other funding, including soft funding, as a percentage of TDC.

Based on the QAP, we knew the importance of soft funding, but we underestimated the level of resources necessary to create a competitive score. We're grateful to the City of La Crosse for its partnership and the significant financial contribution committed to the development, including CDBG and a TIF allocation totaling $800,000. Despite securing over $2.5 million in first mortgage, Federal Home Loan Bank of Chicago AHP, philanthropic resources, and a deferred developer fee, the project unfortunately required too much tax credit equity to create a financially feasible development. Upon

further assessment, the development will require an approximate additional $1.15 million of soft funding to secure a competitive score in the Financial Leverage category, which would in turn decrease the tax credit equity allocated to the development, and thus making the project more competitive.

At the time of tax credit application, we believed we had identified significant funding for the development, including rental subsidy through Project Based Vouchers from the La Crosse Housing Authority. CommonBond is grateful for the partnership of the City of La Crosse and the La Crosse Housing Authority, but based on WHEDA's current scoring requirements we need to reassess the next steps for this project. Because of the limited soft funding available, we are assessing alternative financing options for the development. We intend to provide feedback regarding this assessment within the next month, and would like to put the TIF application on hold until further notice.

It is CommonBond's mission to provide housing for those most in need, and our unique model pairs the affordable housing with the supportive services necessary to create housing stability and improved outcomes for individuals and families. I would like to reiterate my appreciation to the City of La Crosse. Please share this letter with any stakeholders interested in the project and feel free to contact me with any questions.

Sincerely,

Diana Dyste
Project Manager

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