

Attachment 19: Physical Development Resources

Milwaukee, WI

Milwaukee_WI_Attachment_19.pdf

Public Reporting Burden for this collection of information is estimated to average 12 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Response to this collection of information is mandatory to obtain a benefit. The information requested does not lend itself to confidentiality. HUD may not conduct or sponsor, and an applicant is not required to respond to a collection of information unless it displays a currently valid OMB control number.

Attachment 19: *Physical Development Resources*

List all funds that will be used for Physical Development only. For each resource you list, you must provide a commitment document behind this Attachment that meets the standards described in the match and leveraging section of the NOFA. The amounts listed on this form must be consistent with the amounts listed on Attachment 7 (Sources & Uses) and the amounts in each resource commitment document.

Source of Resource	Dollar Value of Resource	Page # of Commitment Document	HUD Use Only Amount Approved
<u>AnchorBank</u>	\$ <u>1,150,000.00</u>	<u>116</u>	\$ <u></u>
<u>City of Milw-Dept. of Public Works</u>	<u>36,000,000.00</u>	<u>117</u>	<u></u>
<u>Dominican Center for Women</u>	<u>60,000.00</u>	<u>118</u>	<u></u>
<u>Fannie Mae</u>	<u>5,400,000.00</u>	<u>119-120</u>	<u></u>
<u>G.J. Dreyer, Inc.</u>	<u>3,195.00</u>	<u>121</u>	<u></u>
<u>hbc services, inc.</u>	<u>260,000.00</u>	<u>122</u>	<u></u>
<u>Housing Authority-City of Milwaukee</u>	<u>50,000.00</u>	<u>123</u>	<u></u>
<u>Housing Authority-City of Milwaukee</u>	<u>250,000.00</u>	<u>124</u>	<u></u>
<u>Milw. Metro. Sewerage District</u>	<u>250,000.00</u>	<u>125</u>	<u></u>
<u>US Bank</u>	<u>1,100,000.00</u>	<u>126</u>	<u></u>
<u>WE Energies</u>	<u>24,284.00</u>	<u>127</u>	<u></u>
<u>WHEDA/Red Stone</u>	<u>4,000,000.00</u>	<u>128-137</u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>
Page Total	\$ <u>48,547,479.00</u>		\$ <u></u>



25 West Main Street | PO Box 7933 | Madison, WI 53707 | (608) 252-8700 | anchorbank.com

June 12, 2008

Mr. Antonio Pérez
Secretary – Executive Director
Housing Authority of the City of Milwaukee
809 North Broadway
Milwaukee, WI 53201

Dear Mr. Pérez:

AnchorBank, fsb is pleased to support the Housing Authority of the City of Milwaukee's proposal for a 2008 HOPE VI grant from the U.S. Department of Housing & Urban Development to revitalize scattered site housing.

Our bank has worked with HACM for more than seven years assisting residents by providing first mortgages, originating community second mortgage loans, and providing homebuyer education.

AnchorBank, fsb believes that the award of this grant will help to revitalize areas of Milwaukee that are strongly in need of such assistance. As part of this endeavor, we commit to assisting qualified residents with homebuyer education, mortgage loans funds and excellent customer service throughout the purchase process. We are firmly committing \$1,150,000.00 over the five year grant term.

Thank you for the opportunity to partner with HACM. We look forward to continuing our successful partnership.

Sincerely,

A handwritten signature in black ink that reads "Susan K. Day". The signature is written in a cursive, flowing style.

Susan K. Day
Affordable Housing Coordinator



Department of Public Works

Jeffrey J. Mantes
Commissioner of Public Works

James P. Purko
Director of Operations

June 3, 2008

Mr. Antonio Perez
Secretary-Executive Director
Housing Authority of the City of Milwaukee
809 North Broadway, 3rd Floor

Dear Mr. Perez:

I am supportive of your 2008 HOPE VI application to the U.S. Department of Housing and Urban Development for the continued revitalization of your Scattered Sites.

The Department of Public Works (DPW) will construct and maintain improvements as needed for the proposed Scattered Sites redevelopment project. DPW has developed a close working relationship with the Housing Authority of the City of Milwaukee on previous projects. We have firmly committed \$36 million during the next five years for infrastructure improvements to support the Housing Authority's revitalization of Scattered Sites. These infrastructure improvements include street improvements, combined sewers, and water mains.

Your project will no doubt complement other redevelopment activities that are underway or planned. I wish you good luck in securing the HOPE VI grant because of the tremendous potential your proposed project has for improving this community.

Very truly yours,

Jeffrey J. Mantes
Commissioner of Public Works

JJM:GK:mra
c: G. Korban
File

DOMINICAN CENTER FOR WOMEN, INC.



May 29, 2008

Mr. Antonio Pérez, Secretary – Executive Director

Housing Authority of the City of Milwaukee

809 North Broadway

Milwaukee, WI 53201

Dear Mr. Pérez:

The Dominican Center is pleased to support the Housing Authority of the City of Milwaukee's (HACM) proposal for a 2008 HOPE VI grant from the U.S. Department of Housing & Urban Development to revitalize scattered sites housing.

Our agency has worked with HACM for seven years by assisting residents with loans, counseling, etc. so that they would be eligible to purchase and rehabilitate HACM homes that were slated for demolition.

We understand that awarding of this grant will help to revitalize an area of Milwaukee that is strongly in need of such assistance. As part of this endeavor, we commit to assisting qualified residents in counseling, loans, funding and supervising the rehab process. We are firmly committing \$60,000.00 over the five years of the grant term.

Thank you for the opportunity to partner with HACM, and we look forward to continue successes.

Sincerely,

Ann Halloran, O.P., Executive Director



FannieMae

3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

June 16, 2008

Mr. Antonio Perez
Secretary and Executive Director
Housing Authority of the City of Milwaukee
809 N Broadway
Milwaukee, WI 53202

Re: \$5.4 M Revolving Loan Facility

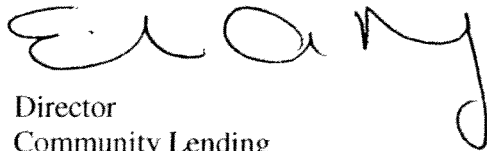
Dear Mr. Perez:

This letter is to confirm the Housing Authority of the City of Milwaukee (HACM) has an outstanding \$5.4 M Revolving Line of Credit from Fannie Mae through its Community Lending group. This revolving credit facility has been used for a variety of HACM's affordable housing development projects, including its previous HOPE VI funding award. We anticipate the current Scattered Site HOPE VI proposal being submitted for HUD consideration would be similar in scope and purpose to the other projects we have approved for use under this credit facility.

Attached is a product overview of Community Express to provide information about the product's terms and potential uses. The overview does not contain all of the terms and conditions that may be imposed on any project put forward for approval under the facility, but rather serves as a reference point for future discussions.

I wish you success with the Hope VI application and look forward to the opportunity to work with HACM on future Scattered Sites redevelopment in Milwaukee.

Sincerely,



Director
Community Lending

Attachment: Community Express

Cc: Bobbi Marsells
Lisa Tarter

COMMUNITY EXPRESS®

Fannie Mae's Community Lending Group offers Community Express® to support the residential development agenda of Public Entities including the development of single family housing, multifamily housing and mixed-use housing developments. Community Express® is a short-term direct loan product that allows Public Entities to address their housing and housing-related community development issues. Community Express® supports our goal of increasing the supply of affordable housing. **Since the launch of the product in 2000 we have closed over \$180 million in Community Express® loans.**

Community Express® Features

- Full recourse to the borrower
- Flexible loan to be used for housing and housing-related activities
- Available to public housing authorities, municipalities, counties, states, housing finance agencies and other Public Entities
- Short-term financing, up to 5 years
- Repayment source is flexible, but plan must be in place
- Structured as a line of credit or term loan
- Variable interest rate

Examples of Repayment Sources

- HOPE VI grant funds
- Low Income Housing Tax Credit equity pay-in
- CDBG, FEMA or other grant funds
- Bond proceeds
- Cash flows from loan portfolio
- Refinancing of properties through conventional sources
- Sales proceeds from sale of homes financed with loans

Sample Uses of Loan Funds

- Pre-development financing
- Construction financing for HOPE VI Redevelopment Project or other affordable homeownership units
- Preservation of affordable rental housing units
- Rehab loans to low- and moderate-income homeowners in targeted neighborhoods
- Re-lending to other housing partners

Benefits to Public Entities

- Flexible use—loan proceeds can be used for predevelopment, acquisition, development, construction or rehabilitation for housing and re-lending for housing purposes
- Competitive interest rates
- Streamlined and simplified process
- Low upfront fees
- Low collateral requirements
- Allows Public Entities to leverage other private/public sources of funds to develop housing projects

Public Entities across the country are using Community Express® loans to finance a variety of development items to improve and create housing stock and to foster homeownership. Our team is interested in helping your Public Entity with your housing and housing-related community development needs. For more information contact **Steven Brannum** at (202) 752-1091. PHAs can also ask about our **Modernization Express™** product to help them address their public housing modernization needs.



G. J. DREYER, INC.
REAL ESTATE APPRAISERS

May 28, 2008

Mr. Antonio Perez
Secretary - Executive Director
Housing Authority of the City of Milwaukee
809 North Broadway
Milwaukee, Wisconsin 53202

Dear Mr. Perez,

G.J. Dreyer, Inc is pleased to supported the Housing Authority of the City of Milwaukee's (HACM) proposal for a 2008 Hope VI grant from the U.S. Department of Housing and Urban Development (HUD), to revitalize scattered sites housing.

My company has worked with HACM for over 15 years by assisting HACM and residents with real estate appraisals.

I understand that awarding of this grant will help revitalize an area of the City of Milwaukee that is strongly in need of such assistance. As part of this endeavor, we commit to handling the real estate appraisal needs of HACM and residents.

My commitment to HACM for this grant is a 15% discount for all appraisals completed by my company. Assuming this grant is approved, I understanding it may total 71 properties. This would equate to a \$ 3,195 discount to HACM over the next five (5) years. The savings to HACM in 2007 for all work real estate appraisal work handled by my company was approximately a \$ 4,000 during 2007.

Thank you for the opportunity to partner with HACM, and we look forward to your continued success.

Please feel free to call me at (414) 543-2452, should you need more information.

Sincerely,

William C. Dreyer,
President

10533 W. National Avenue #200 • Milwaukee, WI 53227
414/543-2452 [phone] • 414/221-0240 [fax]



Mr. Antonio Pérez
Secretary – Executive Director
Housing Authority of the City of Milwaukee
809 North Broadway
Milwaukee, WI 53201

Dear Mr. Pérez:

HBC Services, a 501©(3)not-for-profit home buyer counseling organization is pleased to support the Housing Authority of the City of Milwaukee's (HACM) proposal for a 2008 HOPE VI grant from the U.S. Department of Housing & Urban Development to revitalize scattered sites housing.

Our agency has worked with HACM for the past 3 years by assisting residents with home buyer one-on-one counseling. The areas that are covered are establishing credit, re-establishing credit, budgeting, home buyer education, and preparing the residents to be mortgage ready.

HBC Services understands that awarding of this grant will help to revitalize an area of Milwaukee that is strongly in need of such assistance. As part of this endeavor, we commit to assisting qualified residents in through credit & budget counseling, loans, downpayment assistance funding, preparing and advocating the resident through the mortgage process, etc.) We are firmly committing \$260,000 over the five years of the grant term.

Thank you for the opportunity to partner with HACM, and we look forward to continue successes.

Sincerely,

Rose Sura
Executive Director

Waukesha

217 Wisconsin Ave., Suite 207
Waukesha, WI 53186
Tele: 262.522.1230
Fax: 262.522.1233

Milwaukee

7635 W. Oklahoma Ave., Suite 105
Milwaukee, WI 53219
Tele: 414.727.5700
Fax: 414.727.5701

Jefferson

118 S. Main St., Suite 102
Jefferson, WI 53549
Tele: 920.674.5611
Fax: 920.674.5631



HOUSING AUTHORITY OF THE
CITY OF MILWAUKEE

Tom Barrett
Mayor

Antonio M. Perez
Secretary-Executive Director

Alderman Willie L. Hines, Jr.
Chair, Board of Commissioners

June 16, 2008

Secretary Steve Preston
U.S. Department of Housing and Urban Development
451 Seventh Street, NW
Washington, DC 20410

Dear Secretary Preston:

I hereby certify that the Housing Authority of the City of Milwaukee firmly and irrevocably commits up to \$50,000 for accessibility modifications necessary to allow any current Scattered Sites resident to utilize Section 8 Housing Choice Vouchers as a relocation resources.

Sincerely,

Tony Pérez
Secretary-Executive Director
Housing Authority of the
City of Milwaukee

Housing Management
809 N. Broadway, 3rd Floor
Milwaukee, WI 53202
(414) 286-5824 Voice
(414) 286-0833 Fax

Community Services
650 W. Reservoir Ave.
Milwaukee, WI 53212
(414) 286-5100 Voice
(414) 286-3169 Fax
(414) 286-3504 TDD

Housing Operations
5125 W. Lisbon Ave.
Milwaukee, WI 53210
(414) 286-2192 Voice
(414) 286-8742 Fax

Maintenance Operations
2411 N. 51st St.
Milwaukee, WI 53210
(414) 286-2931 Voice
(414) 286-0208 Fax

Modernization & Development
5125 W. Lisbon Ave.
Milwaukee, WI 53210
(414) 286-2951 Voice
(414) 286-8742 Fax

Rent Assistance
5011 W. Lisbon Ave.
Milwaukee, WI 53210
(414) 286-5650 Voice
(414) 286-5094 Fax
(414) 286-5645 TDD



809 N. Broadway, 3rd Floor, Milwaukee, WI 53202
Mailing Address: P.O. Box 324, Milwaukee, WI 53201-0324





HOUSING AUTHORITY OF THE
CITY OF MILWAUKEE

Tom Barrett
Mayor

Antonio M. Perez
Secretary-Executive Director

Alderman Willie L. Hines, Jr.
Chair, Board of Commissioners

June 16, 2008

Secretary Steve Preston
U.S. Department of Housing and Urban Development
451 Seventh Street, NW
Washington, DC 20410

Dear Secretary Preston:

I hereby certify that the Housing Authority of the City of Milwaukee has firmly committed \$250,000 from our general fund (non-federal funds) to build a sales office that will be used to presell the 62 market-rate condominiums. No federal funds will be used to build these market-rate condominiums.

Sincerely,

Tony Pérez
Secretary-Executive Director
Housing Authority of the
City of Milwaukee

Housing Management
809 N. Broadway, 3rd Floor
Milwaukee, WI 53202
(414) 286-5824 Voice
(414) 286-0833 Fax

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650 W. Reservoir Ave.
Milwaukee, WI 53212
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(414) 286-8742 Fax

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Milwaukee, WI 53210
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(414) 286-5094 Fax
(414) 286-5645 TDD



809 N. Broadway, 3rd Floor, Milwaukee, WI 53202
Mailing Address: P.O. Box 324, Milwaukee, WI 53201-0324





Preserving The Environment •
Improving Water Quality

Kevin L. Shafer, P.E.
Executive Director

May 28, 2008

Mr. Antonio Pérez
Secretary-Executive Director
Housing Authority of the City of Milwaukee
809 N. Broadway
Milwaukee, WI 53202

Dear Mr. Pérez:

I am writing to support your 2008 HOPE VI application to the U.S. Department of Housing and Urban Development for the continued revitalization of your Scattered Sites.


The Milwaukee Metropolitan Sewerage District (MMSD) has worked with the Housing Authority on storm water management initiatives for many years. I look to continuing our partnership in the form of a staff recommendation to the MMSD Commission for a total commitment of \$250,000 during the next 5 years for storm water management activities that are in direct relation to your HOPE VI revitalization plan.

The activities that would be eligible for this funding would include the construction of green infrastructure and storm water best management practices, such as green roofs, porous pavement parking lots, bioswales, and rain gardens. The Housing Authority has a great deal of experience in implementing innovative storm water management practices that help to protect our rivers and Lake Michigan. We are eager to work with you and your capable staff on this project.

Your project will certainly complement other redevelopment activities that are underway or being planned. I support your application for the HOPE VI grant because of the tremendous potential your proposed project has for improving the quality of life for this community.

Sincerely,

Kevin L. Shafer, P.E.
Executive Director

milwaukee metropolitan sewerage district
260 W. Seeboth Street, Milwaukee, WI 53204-1446
414-225-2088 • email: KShafer@mmsd.com • www.mmsd.com 



U.S. Bank Home Mortgage

June 13, 2008

Mr. Antonio Perez
Secretary – Executive Director
Housing Authority of the City of Milwaukee
809 North Broadway
Milwaukee, WI 53201

Dear Mr. Perez,

U.S. Bank Home Mortgage is please to support the Housing Authority of the City of Milwaukee's (HACM) proposal for a HOPE VI grant from the U.S. Department of Housing & Urban Development. This HOPE VI grant will help revitalize scattered sites housing in a needed area of Milwaukee.

Our mortgage company has worked with HACM for over 10 years by assisting residents with low cost affordable fixed rate mortgages. In addition we have provided a closing cost assistance program with no interest or monthly payment required.

U.S. Bank Home Mortgage understands that awarding this grant will help revitalize an area of Milwaukee that is strongly in need of such assistance. As part of this endeavor, we commit to providing ten (10) mortgages averaging \$80,000 per mortgage and ten (10) closing cost assistance loans up to \$30,000 to assist low to moderate income buyers over the next five years.

Thank you for the opportunity to partner with HACM in this important endeavor. We look forward to continued successes.

Yours truly,

Barbara Szymanski
CRA Mortgage Sales Manager
3720 West Villard Avenue
Milwaukee, WI 53209

weenergies



231 W. Michigan St.
Milwaukee, WI 53203
www.we-energies.com
tel 414.221.3651
thelma.sias@we-energies.com

Thelma A. Sias
Vice President - Local Affairs

May 27, 2008

Mr. Antonio M. Perez
Secretary – Executive Director
Housing Authority of the City of Milwaukee
809 N. Broadway
Milwaukee, WI 53202

Dear Mr. Perez:

We Energies is again pleased to provide its strong endorsement for the Housing Authority of the City of Milwaukee's application to the U.S. Department of Housing and Urban Development. In addition to our endorsement, We Energies is firmly committing \$24,284 to provide utility services for the units that will be developed as part of your 2008 Scattered Sites Hope VI revitalization application. It is our hope that this endorsement will assist to leverage a Hope VI Urban Revitalization Demonstration grant for the Scattered Site Phase II Development. This firm commitment is an example of the public-private partnership which exists between the Housing Authority of the City of Milwaukee and We Energies.

Our \$24,284 commitment will include installation of new electrical and gas service. We Energies will also provide training to the families to help them understand the importance of energy conservation and safety as it pertains to electricity and gas.

We Energies is proud to support the Housing Authority of the City of Milwaukee's goal of improving the physical environment at Scattered Sites Development while at the same time creating an atmosphere of self-sufficiency. It is our hope that your proposal will be given every consideration to funding.

Sincerely,



we do so you can. May 14, 2008

Jim Doyle-Governor

Perry Armstrong-Chairman

Antonio R. Riley-Executive Director

WISCONSIN HOUSING AND ECONOMIC
DEVELOPMENT AUTHORITY

201 West Washington Avenue

Suite 700

P.O. Box 1728

Madison, WI 53701-1728

Ph: 608 266-7884 ■ 800 334-6873

Fx: 608-267-1099

140 South 1st Street

Suite 200

Milwaukee, WI 53204

Ph: 414-227-6079 ■ 800 678-4833

Fx: 414 217-4706

Mr. Tony Perez,
Secretary-Executive Director
Housing Authority of the City of Milwaukee
809 N. Broadway
Milwaukee, WI 53202

Dear Mr. Perez:

The Wisconsin Housing and Economic Development Authority (WHEDA) is supportive of your HOPE VI revitalization grant application for Scattered Sites.

WHEDA is the Low Income Housing Tax Credit allocating agency for the State of Wisconsin.

WHEDA has approved your 2008 Scattered Sites LIHTC application. We have reserved \$482,059 of 9% tax credits for your Housing Authority. According to your projected pricing, these credits will generate roughly \$4,450,000 in total tax credit equity for Scattered Sites. This reservation is not contingent on receipt of a HOPE VI grant.

We hope that we have provided you with all the information necessary to demonstrate WHEDA's commitment to your Scattered Sites revitalization and your application for a 2008 HOPE VI Revitalization grant. Please do not hesitate to contact me at 608 267 1450 if you have any questions.

Sincerely,



Bill Boerigter
Manager, MF Housing
WHEDA



2008 Low Income Housing Tax Credit Applications

Sorted by Credit Set-Aside and Project Name

Appl # Name and Location
5346 Foxtree Hillcrest Combined Application
City: Burlington
Total Units: 36 Low Income Units: 36
Household Type: Family
Set-Aside: Preservation Set-aside
Credit Amount: \$93,469

Developer
Robert Campbell, Jr.
Campbell Corporation of Wisconsin
PO Box 43
Greendale, WI 53129
(414)421-7601

Appl # Name and Location
5303 Heritage Apartments Redevelopment
City: Brillion
Total Units: 23 Low Income Units: 23
Household Type: Elderly
Set-Aside: Preservation Set-aside
Credit Amount: \$212,811

Developer
Jessica Miller
Housing Authority of the City of Brillion
210 S. Parkway Drive
Brillion, WI 54110
(920)756-3041

Appl # Name and Location
5305 LINCOLN VILLAS
City: MOUNT PLEASANT
Total Units: 99 Low Income Units: 97
Household Type: Elderly
Set-Aside: Preservation Set-aside
Credit Amount: \$283,996

Developer
DANIEL RISCH
LINCOLN LUTHERAN OF RACINE, WISCONS
2000 DOMANIK DRIVE
RACINE, WI 53404
(262)633-0500

Appl # Name and Location
5317 McGovern Commons
City: Milwaukee
Total Units: 56 Low Income Units: 56
Household Type: Elderly
Set-Aside: Preservation Set-aside
Credit Amount: \$413,757

Developer
Richard Sciortino
Brinshore Development L.L.C.
666 Dundee Road, Suite 1102
Northbrook, IL 60062
(224)927-5053

Appl # Name and Location
5347 Millpond Apartments
City: Hartford
Total Units: 32 Low Income Units: 32
Household Type: Elderly
Set-Aside: Preservation Set-aside
Credit Amount: \$73,404

Developer
Robert Campbell, Jr.
Campbell Corporation of Wisconsin
PO Box 43
Greendale, WI 53129
(414)421-7601

Appl # Name and Location
5337 MONROE PLAZA
City: GREEN BAY
Total Units: 197 Low Income Units: 196
Household Type: Elderly
Set-Aside: Preservation Set-aside
Credit Amount: \$750,000

Developer
BARRY ZUCKERMAN
THE MILLENNIUM HOUSING FOUNDATION, INC.
8651 N. PORT WASHINGTON ROAD
FOX POINT, WI 53217
(414)247-8666

Appl # Name and Location
5344 Scattered Sites II
City: Milwaukee
Total Units: 24 Low Income Units: 24
Household Type: Majority Family
Set-Aside: Preservation Set-aside
Credit Amount: \$482,059

Developer
Bobbi Marsells
Housing Authority of the City of Milwaukee
809 N. Broadway
Milwaukee, WI 53202
(414)286-2920

**RED STONE
EQUITY PARTNERS, LLC**

5005 Rockside Road, Suite 600
Cleveland, OH 44131

June 9, 2008

BID DESK
Housing Authority of the City of Milwaukee
650 West Reservoir Avenue
Milwaukee, WI 53212
Attention Antonio M. Perez
Secretary-Executive Director

**Re: *Scattered Sites Revitalization II Project
 Milwaukee, Wisconsin***

Dear Mr. Perez:

Red Stone Equity Partners, LLC ("Red Stone"), capitalized by Prudential Real Estate Investors, is pleased to be given an opportunity to submit a proposal on the Scattered Sites Revitalization II Project ("Project") located in Milwaukee, Wisconsin. This letter serves as an outline of the business terms regarding the acquisition of investor membership interests in Scattered Sites II LLC, a Wisconsin limited liability company (the "Company") that will own the Project. Red Stone Equity Partners, L.L.C., or an assignee (the "Investor Member") will acquire a 99.99% investor member interest (the "Investor Membership Interest") in the Company. Final Company closing will be subject to the ratification by the Red Stone Board of Directors.

1. **Project Information.** The "Project," known as the Scattered Sites Revitalization II Project, will consist of the new construction of 24 units for rent to low-income families. The Project will consist of 24 scattered-site, single-family homes located in the City of Milwaukee, Milwaukee County, within the State of Wisconsin. Within the Project all 24 units will be LIHTC compliant.
2. **Project Ownership.** The Manager will be Scattered Sites II Development LLC, which is an affiliate that is owned and managed by the Housing Authority of the City of Milwaukee ("HACM"). Any change in the Manager shall be subject to Red Stone's approval. The Developer is HACM. The Guarantors are the Developer and Manager, on a joint and several basis.
3. **Purchase Price.** Red Stone will acquire its Investor Membership Interest in the Company for a total capital contribution of \$4,000,000. This capital contribution amounts to a price of \$0.83 for every \$1.00 of federal low income housing tax credit. This pricing comprehends 100% of residential depreciation being taken over 27.5 years; 100% of depreciation on site improvements being taken over 15 years; and 100% of depreciation on personal property being taken over 5 years.

4. **Capital Contributions.** (a) Red Stone will fund its capital contribution of \$4,000,000 pursuant to the following schedule:

- A. 40% (\$1,600,000) shall be paid upon the later of (a) the execution of the Operating Agreement, (b) receipt and approval of all due diligence items on Red Stone's due diligence checklist, (c) receipt by the Company of a commitment for a non-recourse permanent loan acceptable to Red Stone (if applicable), (d) receipt of commitments of the additional loan/financing sources described below in Paragraph 12, (e) closing and initial funding of the construction loan (if applicable), and (f) April 1, 2009.
- B. 40% (\$1,600,000) upon the later of (a) satisfaction of the funding conditions described in (A) above, and (b) pursuant to monthly draws after the financing source described below in Subparagraph 12A has been expended. The proceeds for Red Stone's Second Capital Contribution shall be disbursed pursuant to monthly draw requests as provided by the Manager and approved by Red Stone.
- C. 10% (\$400,000) upon the later of (a) satisfaction of the funding conditions described in (B) above, (b) receipt of final certificates of occupancy, (c) receipt of an architect's certificate of substantial completion, (d) achievement of 95% physical occupancy and 95% qualified occupancy, (e) repayment of the construction loan and funding of the permanent mortgage (if applicable), (f) receipt of the final cost certification from an independent certified public accountant, and (g) completion of radon testing (as may be required by Red Stone).
- D. 10% (\$400,000) upon the later of (a) satisfaction of the funding conditions described in (C) above, (b) achievement of breakeven operations for three consecutive months, and (c) receipt of IRS Form 8609.

5. **Tax Credits.** The Project received an allocation of federal low-income tax credits from the Wisconsin Housing and Economic Development Authority (the "Agency") in the amount of \$482,059 annually. The total Federal LIHTC anticipated to be delivered to the Company is \$4,820,590 (the "Projected Federal LIHTC"). The Projected Federal LIHTC will be available to the Company beginning in 2009, and it is expected that the Company will be allocated Federal LIHTC in the amounts of \$75,322 in 2009, \$316,351 in 2010, \$482,059 annually in each of the years 2011 through 2018, \$406,737 in 2019, and \$165,708 in 2020. Any decision to delay the commencement date of the Federal LIHTC period beyond 2009 is subject to Red Stone's consent.

6. **Adjusters.**

- A. **Increase or Decrease in Credit.** In the event that Actual Federal LIHTC exceeds Projected Federal LIHTC as determined following receipt of the cost certification from the accountant and/or Form 8609, Red Stone will pay an additional Capital Contribution equal to the product of (i) \$0.83 for the Federal LIHTC multiplied by (ii) the difference between Actual LIHTC and Projected LIHTC. In the event that Actual Federal LIHTC are less than Projected Federal LIHTC, Red Stone's capital contributions will be reduced by an amount equal to the product of (i) \$0.83 multiplied by (ii) the difference between Projected Federal LIHTC and Actual Federal LIHTC. In the event that Red Stone's capital contributions are not sufficient to cover this downward Adjustment Amount, Red Stone shall receive a priority distribution from net cash flow as described below in Paragraph 10B until such Adjustment Amount is paid in full.
- B. **Timing of Credit Delivery.** In addition to the Adjustment Amount, Red Stone's capital contribution will be similarly reduced in the event that the actual amount of Federal LIHTC for calendar years 2009 and 2010 are less than the amounts shown in Paragraph 5. The amount (the "Late Delivery Adjustment") of this reduction will equal \$0.65 multiplied by the difference in the projected Federal LIHTC and actual Federal LIHTC for such years are less than the amounts shown in Paragraph 5.

In no event will the additional capital contribution to be paid by Red Stone in Paragraphs 6A and 6B exceed 5% of the total original capital contribution amount, and Red Stone will pay such additional capital contribution at the funding of the Fourth and last capital contribution.

7. **Reserves.**

- A. **Affordability Reserve.** An Affordability Reserve in the minimum amount of \$75,000 shall be established for the benefit of the Company in a segregated account no later than the making of the Fourth Capital Contribution. Any release of funds from the Affordability Reserve will be subject to Red Stone's consent. Upon the expiration of the tax credit compliance period, any amounts remaining in the Affordability Reserve account may be released to the Manager, subject to any Project lender approval.
- B. **Replacement Reserves.** The Project operating expenses will include the annual funding of a Replacement Reserve in the amount of \$300 per unit, or such lower amount as may be required by the Project lender(s). Any release of funds from the Replacement Reserve will be subject to Red Stone's consent.

8. **Guarantees.** The Manager and the Guarantors will be responsible for the following items.
- A. **Construction Completion Guarantee.** The Manager and the Guarantors shall guarantee lien-free completion of the Project in accordance with the plans and specifications approved by Red Stone for the amount set forth in the approved project development budget. The Completion Guarantee will provide that the Manager and the Guarantors shall pay any amount in excess of the approved project development budget as well as any Project deficiency arising prior to stabilized occupancy. Any payments made hereunder by the Manager shall be funded with nonpublic housing funds and increase the principal balance of the HACM Loan #2 outlined below in Subparagraph 12B.
 - B. **Operating Deficits.** The Manager will advance all amounts necessary to operate and maintain the Project until the Project achieves "Break-Even". Break-Even is defined as rental income (including any ACC rental subsidies and other subsidies the Company receives on an accrual basis) generated from the Project is sufficient to pay all operating expenses of the Project, including, without limitation, all actual or anticipated mandatory debt service; real estate taxes; insurance premiums; management fees; and replacement and operating reserve deposits. The Manager and the Guarantors shall be obligated to loan the Project all funds needed to cover operating deficits for a period of 36 months after the achievement of Break-Even up to a maximum amount of \$100,000, repayment of which will be evidenced by an unsecured loan to the Company with interest at the rate of 8.0% per annum, to be repaid out of cash flow, refinancing, sale and liquidation proceeds as provided below in Paragraphs 10B and 10C.
 - C. **LIHTC Recapture Event.** In addition to the Tax Credit and Timing Adjusters, if the actual amount of LIHTC for any year is less than Projected LIHTC as a result of a tax credit recapture event, the Manager will guarantee payment to the Investor Member of an amount equal to the recapture amount, plus all applicable fees, penalties or other costs incurred by the Company and/or Red Stone as a result of such recapture, up to a maximum amount of \$500,000. Such payment made by the Manager may be treated as a Capital Contribution at the time if, in the reasonable discretion of the Investor Member, such capital contribution treatment will not result in the allocations of income, gain, loss, deduction, or credit arising in any year differently than otherwise provided for in the projections attached to the Company Agreement. If the determination is made by the Investor Member that there shall be no Capital Contribution recognition, based on the criteria of the foregoing sentence, then the payment required of the Manager shall be considered an unsecured loan that will bear no interest, and be repaid from cash flow, sale and liquidation proceeds as provided below in Paragraphs 10B and 10C.
 - D. **Repurchase.** The Manager will repurchase Red Stone's interest upon the occurrence of certain events described in the Company Agreement.
 - E. **Guarantors.** The Guarantors will guarantee all of the Manager's obligations. The Guarantors will provide Red Stone with annual financial statements. Notwithstanding anything contained herein to the contrary, any guaranty from HACM shall be limited nonpublic housing funds held by HACM.

9. **Fees.** The following fees will be paid by the Company for services rendered in organizing, developing and managing the Company and the Project.

- A. **Developer Fee.** The Developer will earn a developer fee of \$750,000, or such greater amount as allowed pursuant to WHEDA guidelines. Any portion of the developer fee that will not be paid out of Project financing sources will be carried by the Company in the form of a note (the "Developer Note") payable to the development entity. The Developer Note will compound annually at a rate equal to 8.0%, or such other interest amount determined by and acceptable to tax counsel, in effect as of the placed-in-service date of the project. The Developer Note will be payable out of available cash flow and will mature no later than the 13th anniversary of the placed-in-service date ("Maturity Date"). If the Developer Note has not been repaid upon the Maturity Date, the Manager and/or Guarantors will be required to advance the Company the amount equal to the unpaid balance of the Developer Note. Payments toward the Developer Note will be subordinate to all other Company debt as well as operating expense and reserve requirements.
- B. **Property Management Fee.** The property management fee will not exceed a total of 9.0% of total collected rents. The property management fee shall be \$47.50 per unit per month initially, which will be adjusted annually pursuant to the applicable formula utilized by the U.S. Department of Housing & Urban Development ("HUD"). The property management fee shall be based upon receipt of total revenue (including any ACC rental subsidies and/or other subsidies received by the Company). The Friends of Housing Corporation ("FOHC") has been approved as the initial property manager for the Project. The terms of the property management agreement are subject to the prior approval of Red Stone.
- C. **Asset Management Fee.** The Company will pay the Investor Member an annual asset management fee in an amount equal to \$3,500. The asset management fee, which shall be cumulative, will be paid annually commencing upon the first calendar quarter during the year in which the Project is placed in service.

10. **Distribution of Tax and Cash Benefits.**

- A. **Tax Benefits.** Tax profits, tax losses, and tax credits arising prior to the sale or other disposition of the Project will be allocated 99.99% to the Investor Member and .01% to the Manager.
- B. **Net Cash Flow Distributions.** Distributions of net cash flow, as defined in the Company Agreement, but generally all cash receipts less cash expenditures (e.g., payment of debt service and property management fee), will be made as follows: (i) to the Investor Member for any so called "phantom income" tax liability incurred by the Investor Member; (ii) to the Investor Member, to make any payment of any unpaid tax credit adjuster; (iii) to the Investor Member as payment of the Asset Management Fee, including without limitation any accrued and unpaid Asset Management Fee(s); (iv) to the payment of any unpaid developer fee, until such fee has been paid in full; (v) to the payment of any debts owed to the Partners; (vi) 90% toward payment on the HACM loan; and (vii) the balance, 0.01% to the Manager and 99.99% to the Investor Member, or such other amount determined by and acceptable to tax counsel.
- C. **Distributions upon Sale or Refinance.** Net proceeds resulting from any sale or refinance will be distributed as follows: (i) to payment in full of any Company debts; (ii) to the establishment of any required reserves for contingent liabilities or obligations of the Company; (iii) to the Investor Member to make any payment of any Adjuster Amount not previously paid; (iv) to the payment of any debts owed to the Manager or its affiliates including any unpaid developer fee; (v) to the Investor Member for any excess or additional Capital Contributions made by it; (vi) to the Investor Member in an amount equal to any projected federal income tax incurred as a result of the transaction giving rise to such proceeds; and (vii) the balance, .01% to the Manager and 99.99% to the Investor Member, or such other amount as determined by and acceptable to tax counsel.

11. **Construction.** The Manager will arrange for fixed or guaranteed maximum price construction contracts which in the aggregate are anticipated to total \$4,834,010, and the Manager shall provide lien free completion. Red Stone, may, in its sole discretion and expense, engage a construction consultant to review plans and specifications and evaluate the construction progress by providing monthly reports to the Company. The Manager shall have the ability to approve any change orders not exceeding 10% of the construction contract amount without Red Stone's consent.

12. **Debt Financing.** As a condition to Red Stone funding its capital contribution, the Manager will deliver the loan commitment described in subparagraph A, and the additional financing source described in subparagraph B. The terms of this loan and/or financing source are subject to Red Stone's consent and all loans will be made directly from the lenders to the Company.

A. **Capital Funds Loan.** Capital Fund loan proceeds structured through HACM in the anticipated amount of \$2,014,234. This loan shall be recourse with interest at 3.0%, have a 40-year term, and provide for residual receipt payments in the amount of 90% of available cash flow after payment of any asset management fees and deferred developer fees.

B. **Annual Contributions Contract ("ACC") Rental Subsidy.** The Company shall enter into an ACC for a minimum of 24 residential units, which shall generate additional annual rental subsidies for the benefit of the Company in an amount equal to the difference between the rental payments made by the residents and the Allowable Expense Level ("AEL"). Manager shall use its reasonable efforts to maintain and preserve such ACC rental subsidies throughout the compliance period in addition to seeking out any additional rental subsidies that may be available.

13. **Non- Profit Right of First Refusal and Purchase Option.** Upon the expiration of the tax credit compliance period for the Project, for a period of twenty-four (24) months, the Company, pursuant to 42 (i) (7) (A), shall grant the Manager a right of first refusal to purchase the Project for an amount sufficient to (i) pay all debts and liabilities of the Company, and (ii) pay the Exit Taxes (if any) imposed on the Investor Member as a result of the sale. Beginning in the year following the last year in which tax credits are delivered to the Investor Member (anticipated to be year 2021) and extending for a period of twenty-four (24) months upon the expiration of the tax credit compliance period, the Company shall grant the Manager an option to purchase the Project for the greater of an amount sufficient to (i) pay all debts and liabilities of the Company, and pay the Exit Taxes imposed on the Partners as a result of the sale or (ii) fair market value as reduced by customary costs of sale, including customary sales commissions. The Manager shall be solely responsible for such costs associated with the purchase of any required tax credit recapture bond(s).

A removal of the Manager shall not terminate the Manager's right of first refusal or option to purchase the Project as described above.

14. **Due Diligence, Opinions and Financial Projections.** The Manager will satisfy all of Red Stone's due diligence requirements, including an acceptable local law opinion. The Investor Member's tax counsel will provide the tax opinion. The Company will reimburse the Investor Member an amount equal to \$0 toward the costs incurred by the Investor Member in conducting its due diligence review and for the costs and expenses of Red Stone's counsel in connection with the preparation of the tax opinion, with the exception of any third-party costs associated with completing environmental assessments and/or conducting radon testing. The financial projections to be attached to the Company Agreement and that support the Tax Opinion will be prepared by Red Stone based on financial projections provided by the Manager. The Manager's financial projections will include eligible basis calculations, sources and uses, and cash flow statements.

15. **Miscellaneous Items:**

- **Project Accountant:** The Manager shall be responsible for selecting the Project accountant. It is anticipated that the Manager will select Suby von Haden & Associates to serve as the Project Accountant.
- **Title Company:** The Manager shall be responsible for selecting the title insurance company for this transaction without the consent of Red Stone.
- **Removal Provisions:** Red Stone is cognizant and appreciates HACM's position on having high thresholds in regards to standards for removal of the Manager. To that end, Red Stone agrees to work in conjunction with HACM to ensure that the conditions for removal as outlined in the Operating Agreement are based primarily on actions related to "fraud" and "willful misconduct."
- **Receipt of Deferred Capital Installments:** Red Stone agrees that an escrow and arbitration process will be utilized to remedy a contested failure of the investor member to pay a deferred capital contribution.
- **Reporting/Oversight/Compliance:** Red Stone agrees that all Reporting, Oversight, and Compliance requirements outlined in Attachment A within the Request For Proposal solicitation (official notice number 57055) are acceptable.

16. **Company Closing.** Final Company closing will be contingent upon Red Stone's receipt, review and approval of all due diligence including the items set forth on its due diligence checklist delivered to the Manager. Red Stone's agreement to acquire the Investor Membership Interest on the pricing, terms and conditions contained in this letter are further based on the assumption that the Company closing will occur on or before April 1, 2009. Red Stone shall use its best efforts to keep the tax credit pricing and terms outlined in this letter constant through April 1, 2009, but Red Stone reserves the right in its sole discretion to modify the tax credit pricing or other terms set forth herein to be consistent with the prevailing market conditions.

17. **Deficit Restoration Obligation Election.** Unless necessary to avoid a reallocation or loss of tax credits to the Investor Member, neither Red Stone nor the Investor Member shall make a deficit restoration obligation election or similar election which would either (i) allow such member to claim losses or deductions from the Company in excess of such member's capital contributions or (ii) cause such member's capital account in the Company to have a negative balance.

18. **Exclusivity.** Upon the execution of this Letter of Intent, this letter shall be a binding agreement and will remain in effect for a period of 45 days (the "Exclusive Arrangement Date"). Prior to the Exclusive Arrangement Date, the Manager agrees not to solicit or obtain proposals relating to the acquisition of interest in the Company or the tax credit equity syndication of the Company or the Project without the prior written approval of the Investor Member. The Exclusive Arrangement Date shall terminate at any time should Red Stone notify the Manager in writing that based on its due diligence, there has been a material change in facts from those relied upon in preparing this Letter of Intent.. At the end of the Exclusive Arrangement Date, Red Stone and the

Manager will be mutually released from the terms and conditions contained in this letter and thereafter will have no continuing obligation to each other.

19. **Other Matters.** The Investor Member has predicated this proposal on the financial projections it has prepared which are based upon the financial and other information furnished by the Manager or its agents, as well as certain assumptions of the federal income tax consequences of this transaction. Changes in tax regulations or other assumptions could affect the financial projections and thus, the amount and terms of the Capital Contribution.

Please confirm your acceptance of the terms described in this Letter by signing the enclosed counterpart and returning to us at the address set forth on the first page of this Letter.

Sincerely,

RED STONE EQUITY PARTNERS, LLC

By: Bryan Kilbane
Name: Bryan Kilbane
Title: Vice President