Sunny Side Development, Ltd.

July 7, 2021

Stoughton Housing Authority
c/o Broihahn Management
6200 Gisholt Dr # 104
Monona, WI 53713

RE: Greenspire Rehabilitation – Memorandum of Understanding

Dear Stoughton Housing Authority Board of Directors:

Sunny Side Development is a 501(c)3 nonprofit charitable organization based in Madison, WI, whose mission is to provide affordable, sustainable housing in Wisconsin. We have been in communication with Sue Broihahn of Broihahn Management and Consulting (BMC) who requested a proposal from our organization to apply for affordable housing funding for the rehabilitation of the 92-unit Greenspire apartment complex in Stoughton, WI. The below clauses outline a Memorandum of Understanding discussing the preliminary scope of services, roles and responsibilities, expected costs and fees of an affordable housing rehabilitation of the Greenspire Properties.

- **Scope of services** - Sunny Side Development (SSD) intends to partner with affordable housing consultants Baker Tilly to determine the scope of services needed to rehabilitate the Premise to a level of safe, decent and affordable housing. This will primarily be assessed via a professional Capital Needs Assessment (CNA), conducted by a licensed architect. SSD will conduct resident interviews and do a personal site assessment to ensure the CNA fully describes both the mechanical and residents' needs for the rehabilitation.
- **New HAP Contract** – Sunny Side Development will work with the WHEDA Contract Administrator to increase Section 8 Project Based Vouchers to at least Fair Market Rent. Such an increase will provide needed revenue to ensure operating expenses including maintenance budget, capital reserves, and compliance expenses are sufficiently funded. The HAP rent increase will also support new WHEDA Preservation Plus debt service. This increase will have no impact on resident out-of-pocket expenses, which will remain at 30% of their income.
- **Funding sources** – SSD will apply for rehabilitation funding sources from mission-driven entities that seek to assist low-income households. Such sources may include: 4% or 9% Low Income Housing Tax Credits, Federal Home Loan Bank – Affordable Housing

Program grants, Dane County Affordable Housing Fund RFP, Stoughton TIF, and WHEDA Preservation Plus bank debt.

- **Pre-development costs** – Obtaining affordable housing funding requires certain studies to be conducted by outside professionals. Such studies may include, but are not limited to: Market Study, Capital Needs Assessment, Appraisal, Rent Comparability Study, Site Survey, Lead or Asbestos testing, and so forth. SSD will pay for all pre-development costs necessary to receive affordable housing funding and will be reimbursed for such expenses with award proceeds if/when the project is successful.
- **Ownership and Management** – As a LIHTC project, in order to monetize tax credits a limited partnership will need to be formed with a tax credit investor. Stoughton Housing Authority will be the general partner of this new entity, and therefore be a co-owner of all assets and retain control of over all operation and management decisions. The sale price to the new entity will be determined by an appraisal and all existing equity in the property will be retained by SHA via a seller-financed note. At the end of year 15, SHA will 'purchase' the property back for $1, but will also assume all existing debt on the property. Payments on this debt will continue uninterrupted as they had for the past 15 years, except SHA will now be the sole owner. This provision is specifically included in Section 42(i)(7) of the IRS tax code to protect non-profits, and is called the "Right of First Refusal". It is a model that has been used by Public Housing Authorities throughout the country hundreds of times to finance needed property improvements.
- **Compliance requirements** – Stoughton Housing Authority will be considered the project Sponsor and as such SHA and BMC will be responsible for maintaining compliance with funding source's low-income housing requirements, for at least the 30-year Land Use Restriction Agreement period. Failure to rent affordable units to qualified low-income tenants may result in recapture of affordable housing funds.
- **Timing** – Applications for affordable housing funding will occur in 2021 and if sufficient funds are awarded, construction will occur in 2022. Because affordable housing funds are competitive there is no guarantee of award(s). If sufficient funding is not awarded in 2021 the project may be delayed or cancelled.
- **Developer Fee** – Sunny Side Development and Stoughton Housing Authority intend for the Project Owner to pay a development fee in connection with the development of the Project. The development fee will be limited to the maximum allowed by WHEDA under its then-current limits. SSD will receive 85% of the development fee (net of any third party consultant fee) and SHA will receive 15% of the development fee (net of any third party consultant fee). SHA will receive its fee at the same time and in the same proportion that SSD receives its development fee from the Project Owner. SHA and SSD acknowledge that a portion of the development fee may be deferred and payable out of the Project Owner's cash flow.
- **Ancillary Services** – Project rehabilitation will require the employment of numerous ancillary services including a general contractor, architect, accountant, attorney and so

forth. SSD will coordinate with Broihahn Management and Consulting to contract with such service providers and ensure all fees can be covered by the project budget.

- Project Cooperation – Large redevelopment projects require the cooperation of numerous stakeholders and it is understood that SHA representatives and BMC will cooperate as needed to make this project a success. This may include regular meetings (in person or virtual), timely email/phone correspondence, site access, and delivery of documentations including rent rolls, HAP debt/subsidy agreements, compliance records and so forth in a timely manner.

This Memorandum of Understanding is not legally binding and while every effort will be made to execute the intentions laid-out in this MOU, it is understood that unforeseen issues may arise that affect the timing, cost, and final outcomes of this project. The undersigned parties agree to cooperate in good faith and in a commercially reasonable manner to facilitate the timely and cost-effective rehabilitation of the Greenspire Properties owned by the Stoughton Housing Authority.

Paul Schechter Executive Director Sunny Side Development	Don Bernards Senior Manager Baker Tilly	Sue Broihahn Founder and CEO Broihahn Management and Consulting	Cindy McGlynn Chair, Board of Directors Stoughton Housing Authority