

AGENDA

SPECIAL MEETING OF THE MIDLAND CITY HOUSING COMMISSION

WEDNESDAY, MARCH 2, 2016

2:00 P.M.

CITY HALL - COUNCIL CHAMBERS

333 W. ELLSWORTH STREET

MIDLAND, MI 48640

1. Roll Call
2. Public Hearings
 - a. PILOT – Bracken Woods
 - b. Community Development Block Grant 2016-17 Budget
2. Public Comments
3. Reports
 - a. Senior Housing Updates – Lori Jung
4. Communications
5. Future Meeting Date
 - a. March 7, 2016 – Next regular meeting (Cancellation Recommended)
6. Adjournment

SUMMARY REPORT TO HOUSING COMMISSION
For Housing Commission Meeting of March 2, 2016

SUBJECT: Study and make recommendation to City Council regarding the PILOT request from Lockwood Development to request a PILOT to facilitate the purchase and rehabilitation of Bracken Woods Apartments

INITIATED BY: David A. Keenan, Assistant City Manager

ITEMS ATTACHED:

1. [Transmittal Letter for Housing Commission](#)
2. [January 25, 2016 City Council Agenda item](#): receive PILOT request and refer to Housing Commission for study and recommendation
 - a. [Summary report](#)
 - b. [Transmittal letter](#)
 - c. [Resolution](#)
 - d. [PILOT request letter](#)
 - e. [Requestor capital needs assessment](#)
 - f. [Lockwood Development information](#)
3. [February 15, 2016 City Council Agenda item](#): City Council questions for the Housing Commission to answer during their public hearing process on the PILOT request for Bracken Woods Apartments
4. [Staff report of responses to Council Questions](#)
5. [Recommendations to PILOT process \(November 22, 2010\)](#)
6. [Public comment letters in support and opposition, respectively.](#)

David A. Keenan,
Assistant City Manager



City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640 ♦ 989.837.3300 * 989.837.2717 Fax ♦ www.midland-mi.org

TO: Brad Kaye, Assistant City Manager for Development Services

FM: David A. Keenan, Assistant City Manager

DT: February 26, 2016

RE: Bracken Woods PILOT request

On August 6, 2015, the Housing Commission held a public hearing on a PILOT request for Bracken Woods Apartments by Lockwood Developers. It was supported with some reservations and returned to the City Council for the first reading to amend the City Code of Ordinances for PILOTs. City Council did not approve the first reading and the PILOT request process ceased.

Lockwood Developers has made some modifications to their prior request and has once again requested a PILOT for Bracken Woods Apartments. On January 25, 2016 City Council accepted the PILOT request and referred it to the Housing Commission for study and recommendation. In addition, City Council had several questions that they wanted answered through the public hearing process and approved the list by resolution on February 15, 2016.

The information attached includes all of the agenda item information from both the January 25 and February 15 meetings. In addition, staff has gathered answers to the questions posed by City Council and that information is also attached.

Understanding that the Housing Commission has gone through a public hearing process for a PILOT on this property as recent as August of 2015, and that most of the request is the same or very similar, the items below summarize the notable change between the August request and the most recent request.

	August request	Current request
PILOT %	6.5%	4%
PILOT fee	\$48,013	\$28,586
Net Taxable benefit	\$141,451	\$86,639
Added years requested	22	10
# units for 30% AMI	2	10

SUMMARY REPORT TO MANAGER
For City Council Meeting of January 25, 2016

SUBJECT: Receiving a Payment In Lieu of Taxes (PILOT) request from Lockwood Development and referring said request to the Housing Commission for study and recommendation.

INITIATED BY: David A. Keenan, Assistant City Manager

RESOLUTION SUMMARY:

This resolution would receive the PILOT request from Lockwood Development and refer said request to the Housing Commission for study and recommendation.

ITEMS ATTACHED:

1. Letter of Transmittal
2. Resolution
3. PILOT request letter
4. Requestor capital needs assessment
5. Lockwood Development information

CITY COUNCIL ACTION:

3/5 affirmative vote required for adoption

David A. Keenan, Assistant City Manager



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TO: Jon Lynch, City Manager
FM: David A. Keenan, Assistant City Manager
DT: January 20, 2016
RE: Bracken Woods PILOT request acceptance and referral

The City has received a request for a “payment in lieu of taxes” exemption, or PILOT, for the property known as Bracken Woods Apartments. The PILOT request is to facilitate the purchase and rehabilitate the property known as Bracken Woods Apartments.

WHAT IS A PILOT

The State of Michigan often provides tax incentives to motivate investors to invest in areas of need that are not being met by the open market. Examples that the City encounters include Industrial Facilities Tax Exemptions and Renaissance Zone Exemptions offered to stimulate investment in manufacturing and other related activities. Brownfields are offered to facilitate the cleanup of blight and contaminated areas. Payment In Lieu of Taxes, or PILOT provides tax incentives to developers to provide affordable housing to those who are elderly or of low or moderate income.

HOW A PILOT WORKS

Once approved by the Michigan State Housing Development Authority and City Council, the property associated with a PILOT is removed from the tax roll and becomes exempt from paying property taxes. Instead, it pays an annual fee that is based on this formula:

$$(Rent\ capacity + actual\ carport\ rental - actual\ vacancies - eligible\ utility\ costs) \times the\ PILOT\ rate$$

The PILOT rate is a fixed rate between 4% and 11% and generates a fee that is significantly lower than the normal tax burden of paying property taxes, thus reducing operating costs. This reduction in operating costs is one component that allows the housing project to pass savings on to the tenants in the form of reduced rent, thus servicing lower income folks.

The developer pays the PILOT fee once a year and it is distributed by the City to all taxing jurisdictions on a pro-rata basis, based on the combined millages at that time. This is illustrated later in this report.

HOW MANY PILOTS DOES THE CITY HAVE?

From 1979 through 2009 City Council has approved 19 PILOTs for a total of 521 units.

Year Adopted	Project	# of Units	Ordinance
1979	Charter Square Apartments	48	2-260.1
1979	Green Hill Apartments	174	2-260.2
1995	Bracken Woods Apartments	104	2-260.3
1998	Grove Street Commons I	6	2-260.4
1998	Grove Street Commons II	6	2-260.5
2001	Village at Joseph's Run	128	2-260.6
2001	Granite Club Acres #1	11	2-260.7
2002	Chippewassee Court Phase 1	11	2-260.8
2002	Adams Acres Phase 1	12	2-260.9
2003	Chippewassee Court Phase 2	11	2-260.10
2007	606/608 Hemlock Street	2	2-260.11
2007	5004 Tucker Street	1	2-260.12
2009	1111 Franklin Street	1	2-260.13
2009	4301 Hancock	1	2-260.14
2009	310 E. Pine Street	1	2-260.15
2009	1414 Lincoln Street	1	2-260.16
2009	1417 Mill Street	1	2-260.17
2009	2520 Charles Street	1	2-260.18
2009	528 Cottonwood Street	1	2-260.19

Bracken Woods

Bracken Woods is a 104 unit apartment complex currently receiving a property tax exemption under the PILOT program under Section 2-260.3 of the City of Midland Code of Ordinances. It was adopted in 1995 for a period not to exceed 35 years. There are 15 years remaining on this PILOT. The annual service fee is 4% of net eligible rents as defined by Section 2-264.1 of the Code of Ordinances. The PILOT request received would create a new exemption to span 25 years encompassing the remaining 15 years of the existing PILOT plus 10 additional years. The service fee would remain at 4%. MSHDA has already qualified this project as eligible, subject to City Council's approval of the PILOT request. As a practical matter, the existing PILOT would no longer be needed and would be repealed during this process.

From testimony of both City staff and MSHDA staff who have performed on-site visits of Bracken Woods, the physical condition of Bracken Woods is in much need of updating. The current owners are not actively managing or maintaining the facility. Staff has been advised that the current owners are looking to divest themselves of their Michigan holdings – including Bracken Woods. Lockwood Development is looking to purchase Bracken Woods for approximately \$3.8 million, and spend another \$3 million on rehabilitation. It would be owned and operated by Bracken Woods II, LDHA LP.

As a reminder, a similar PILOT request for Bracken Woods was previously made by the Requestor, Lockwood Companies. On July 27, 2015, City Council took action to refer that request to the Housing Commission, who held a public hearing on August 6, 2015 on the matter. The Housing Commission ultimately agreed that the proposal did meet the minimum requirements as set forth by the November 22, 2010 report, and the Commission supported the request. However, by separate motion they expressed their desire to provide more units for those at the 30% of median income level, even if it meant reducing the PILOT fee to keep the financial model in balance. On August 17, 2015, the PILOT request was then returned to City Council for the introduction and first reading to an ordinance to amend Chapter 2, Article XIII, of the City Code of Ordinances to provide a new PILOT on property known as Bracken Woods Apartments to be known as Bracken Woods II, LDHA, LP, and eliminate the existing PILOT on the same property by repealing Sections 2-260.3 and 2-264.1 in their entirety. Council's action was to vote the request down by a 3-2 vote. Since that time Lockwood Development has revisited their financial model, and with the cooperation of MSHDA has been able to make some revisions to the original proposal. Those changes are discussed later within this report.

THE AUTHORITY FOR PILOT

To help the City evaluate whether a PILOT exemption should be considered, it looks to various authoritative sources for guidance. Act 346 of the Michigan State Housing Development Authority (MSHDA) Act of 1966 and Article XIII, Section 2-260 of the City of Midland Code of Ordinances recognize the importance of PILOTs as a tool to facilitate affordable housing for persons of low and moderate income. In order to qualify for a PILOT the project must meet these MSHDA requirements:

1. The owner of the project is a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association.

The proposed owner of Bracken Woods II Apartments is a limited dividend housing corporation.

2. The project is financed with a federally-aided or authority-aided mortgage, or an advance or grant from the authority.

MSHDA has approved funding for this project, pending City Council approval of the PILOT.

3. The project must serve low income persons, as defined by MSHDA.

All 104 units of Bracken Woods II Apartments will serve those at 50% or below of the median income with 10 units exclusively for tenants at 30% or below the median income.

In addition, on April 14, 2003, City Council accepted a City Staff report concerning the relationship between PILOT and affordable housing, and supported by resolution that the following three determinations be made prior to entering into future agreements:

1. That the proposed development will meet a demand not adequately addressed in the existing inventory of community rental housing.

Despite the number of realtors and other existing facilities, including Bracken Woods, providing affordable housing opportunities, data would indicate that the demand is still greater than the supply. This is illustrated later in the report.

2. That the proposed development will not have a negative impact on the existing rental housing market for substantially similar units.

Referring to the above item, because the demand for affordable housing is greater than the supply, continuing and extending the PILOT from Bracken Woods to Bracken Woods II would not take away opportunities currently being met by existing rental housing market.

3. That a PILOT agreement is essential to the financing of the proposed development.

The current project financing model as approved by MSHDA provides funding to not only purchase Bracken Woods, but also to invest \$3 million for rehabilitating the 20-year-old facility. MSHDA has determined that by removing the PILOT fee and adding back a non-exempt tax burden, the project model would have inadequate cash flow to pay property taxes and the annual debt payments on the required amount of debt needed for both purchase and renovation. This would mean that the amount of debt would need to be reduced so that only the acquisition would be funded, or the Developer would need to come up with approximately \$3 million of alternative financing, both of which would stop the project from moving forward.

Finally, in 2009, after approving seven PILOTs for single family homes, City Council requested that staff review the City's PILOT policy. As a result of that request, a ten-member work group comprised of staff and members of the community met several times to review the City's existing policy and provide recommendations to the process. On November 22, 2010, City Council received and filed the associated staff report. The recommendations provided criteria for applying for a PILOT exemption and the review process for City Council, which are provided below.

Required Application Materials

- Complete city application form.

No formal “application form” exists relating to PILOTs. We have received a written request for a PILOT, which has been the acceptable past practice. We recommend proceeding with the written request in lieu of a formal application form.

- Must meet MSHDA eligibility and be approved as a non-profit housing corporation.

MSHDA has approved this project subject to City Council’s approval of the PILOT exemption, and the structure is a “Limited Dividend Housing Association,” which qualifies under MSHDA rules.

- Must be financed with a MSHDA or other similar financing program.

MSHDA has approved the financing, subject to the City’s approval of the PILOT.

- Provide site/project specific third party market study (completed within the past 12 months). City Council would have discretion to waive this requirement.

This project is an existing PILOT. The requestor wishes to purchase and renovate the project using MSHDA funding, which requires local PILOT participation. Local market data is available through the United States Department of Housing and Urban Development Comprehensive Housing Affordable Strategy, the United States 2000 Census and the Housing Needs Assessment portion of the City of Midland’s Community Development Block Grant 5-Year Consolidated Plan and can be utilized in assessing this project. We therefore recommend that City Council waive this requirement.

- All units within a proposed project must serve those at 50% or below of median income (as defined by HUD or MSHDA) and include units to serve those at 30% or below of median income.

The PILOT request meets this threshold by providing 10 units for tenants at 30% or below of median income, with the balance of the units for tenants not exceeding the 50% limit. Exceptions would be any existing tenants who would exceed the 50% threshold, but would not be asked to move out.

- Specify targeted rental rates by unit and income eligibility guidelines.

These have been determined and will be incorporated into documentation filed with the Midland County Register of Deeds (#5 below), as well as MSHDA.

City Council Review Process

1. Application submitted directly to City Council for initial acceptance and referral.

Submitted to City Council for consideration at the January 25, 2016 City Council meeting.

2. City Council referral to the Housing Commission for study and recommendation.

Approval of the submitted resolution to City Council on January 25, 2016 would execute this action.

3. The % of PILOT fee is to be negotiated between the City and applicant based upon a recommendation by staff upon financial analysis of project (minimum 4% up to 11%).

The PILOT fee was investigated with both MSHDA and the Applicant. All of the City's existing PILOTs, including the existing PILOT for Bracken Woods are set at a 4% fee. During the previous PILOT request on this property the requestor agreed to a negotiated rate of 6.5%. However the term of the PILOT was 12 years longer, and the number of units at the 30% of median income level was only 2, compared to 10 as included in the new request. In order to keep the financial model in balance given the new parameters, the requested fee was reduced to 4%. Based upon inquiries made during the last request, and the favorable changes made to the model, 4% appears to be reasonable and realistic to make this model work.

4. PILOT status shall be eligible for an original mortgage term only expiring upon payoff (not to exceed 40 years). No assignment, refinancing or sale permitted without submission of a new application.

While the practical implications are that of extending the existing PILOT, it is being processed as new with a term of 25 years.

5. PILOT requirements between the Developer and the City, including all rules, regulations, policies, and obligations, shall be outlined in a document recorded with the Midland County Register of Deeds office.

This will be done pending approval of the PILOT request by City Council.

6. Housing Commission review of application and provide recommendation to City Council.

Should City Council approve tonight's resolution, the Housing Commission will schedule a public hearing on this matter. See the information earlier in this report as it relates to the Housing Commission's position on the previous PILOT request for Bracken Woods

7. City Council considers request as an ordinance amendment requiring two readings.

These public hearings will be scheduled pending successful completion of the preceding steps of the process.

STAFF ANALYSIS

Midland County income limits as provided by MSHDA were used to determine the amount of allowable rent by income category. The annualized income limits for select categories, by family size are shown below.

	Family Size					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
30% of area median	14,700	16,800	18,900	21,000	22,680	24,360
40% of area median	19,600	22,400	25,200	28,000	30,240	32,480
50% of area median	24,500	28,000	31,500	35,000	37,800	40,600
100% of area median	49,000	56,000	63,000	70,000	75,600	81,200

Effective 3/6/2015

The PILOT request provides a rental rate schedule which identifies the apartment size, tenant income level, and rental rate. This schedule was approved by MSHDA and complies with recommendations of the November 22, 2010 report. It also identifies the rent capacity for a year, assuming full occupancy, as being \$827,856, as shown below.

	Unit	Bedroom	Baths	# units	Rent/mo	Rent/yr
50% income level	B	2	2	5	667	40,020
50% income level	C	3	2	2	730	17,520
50% income level	A	1	1	6	583	41,976
50% income level	B	2	2	47	675	380,700
50% income level	C	3	2	34	735	299,880
30% income level	A	1	1	2	320	7,680
30% income level	B	2	2	4	395	18,960
30% income level	C	3	2	4	440	21,120
				104		827,856

PILOT CALCULATION ESTIMATE

This facility generates carports rental revenue, which would also be included in the calculation of the PILOT fee. In the illustration below, 8% is used to estimate vacancies because it is the MSHDA standard. Actual vacancies would be used once that total is known. The estimated PILOT fee for Bracken Woods II is \$28,586.

Rent Capacity		827,856
ADD: Carport rental		1,500
LESS: Vacancy estimate	8%	(66,228)
SUBTOTAL		763,128
Less eligible utilities		(48,466)
Net eligible rents		714,662
PILOT FEE	4%	28,586

It should be noted that the following circumstances are not allowed as a reduction in the PILOT calculation:

- Promotional rent given to recruit new tenants: this is considered a marketing decision and does not reduce the Net Adjusted Rents.
- Housing provided to on-site management in lieu of compensation: this is considered a management decision that does not reduce the Net Adjusted Rents.
- Bad debts /uncollectible rent: unsuccessful collections of debts is an operational issue and does not reduce the Net Adjusted Rents.

NET TAX BENEFIT ESTIMATE

If the proposed investment into Bracken Woods was made without it being granted a PILOT exemption it would pay the full tax millage of 56.6288 mills. To illustrate the developer’s tax benefit of the PILOT, assuming improved property and estimated property values as re-estimated by the City Assessor, the calculation follows:

Taxable Value		\$ 2,034,750
x current millage rate		56.6288
Property tax		115,225
LESS PILOT Fee		(28,586)
Net tax benefit / year		86,639
Remaining years existing		15
Add years for new PILOT		10
Total years of PILOT		25
Future tax benefit		\$ 2,165,975

The table below illustrates the distribution of the potential estimated property tax, PILOT fee, and tax benefit (to the Developer), by taxing entity.

ALLOCATION OF PILOT BENEFIT			
Taxing Unit	<u>Property Tax</u>	<u>PILOT</u>	<u>Developer Benefit</u>
City of Midland	30,521	7,572	22,949
Schools / SET	54,837	13,604	41,233
Delta College	4,156	1,031	3,125
Midland County ESA	5,444	1,351	4,093
Midland County	20,267	5,028	15,239
	115,225	28,586	86,639

It should be noted that in reality if the PILOT is not granted, this investment will not be made so the property will remain in its current status as a PILOT in unimproved condition. Similar calculations (as above) as it relates to the current Bracken Woods PILOT follow:

CALCULATIONS FOR CURRENT BRACKEN WOODS PILOT

Rent Capacity		779,157
ADD: Carport rental		2,145
LESS: Vacancy estimate		(109,727)
SUBTOTAL		671,575
Less eligible utilities		(39,949)
Net eligible rents		631,626
PILOT FEE	4%	25,265

<i>Tax benefit calculation based on updated Assessor Estimate</i>			
Taxable Value		\$1,648,250	
x current millage rate		56.6288	
Property tax		93,338	
LESS PILOT Fee		(25,265)	
Net tax benefit / year		68,073	
Remaining Yrs 21 - 35		15	
Future tax concession		1,021,095	

The following table compares the existing PILOT to the requested PILOT

	<u>Current</u>	<u>Proposed</u>	<u>Change</u>
Taxable Value	\$ 1,648,250	\$ 2,034,750	\$ 386,500
x current millage rate	56.6288	56.6288	-
Property tax	93,338	115,225	21,887
LESS PILOT Fee	(25,265)	(28,586)	(3,321)
Net tax benefit / year	68,073	86,639	18,566
Remaining years existing	15	15	-
Add years for new PILOT	-	10	10
Total years of PILOT	15	25	10
Future tax benefit	\$ 1,021,095	\$ 2,165,975	\$ 1,144,880
Years 1 - 15			\$ 278,490
Years 16 - 25			866,390
			\$ 1,144,880

In addition, the number of units dedicated to the exclusive occupancy of those at the 30% of median income or less is increased from 0 units to 10 units.

The following table summarizes the current PILOT status for Bracken Woods, the original PILOT request from July 27, 2015, and the revised and current PILOT request.

	Current	7/27/2015	Requested
Remaining years	15	37	25
30% income level committed	0	2	10
PILOT rate	4%	6.50%	4%
PILOT FEE	25,265	48,013	28,586
Property Value - <i>see note</i>	3,296,500	6,700,000	4,069,500
Taxable Value - <i>see note</i>	1,648,250	3,350,000	2,034,750
Tax Burden/yr	93,338	189,464	115,225
Tax Benefit to developer/yr	68,073	141,451	86,639
TOTAL PILOT ALL YEARS	378,975	1,776,481	714,650
PILOT remaining years of current	378,975	720,195	428,790
PILOT additional years	-	1,056,286	285,860
TOTAL TAX BENEFIT ALL YEARS	1,021,095	5,233,687	2,165,975
Tax benefit remaining years of current	1,021,095	2,121,765	1,299,585
Tax benefits additional years	-	3,111,922	866,390

Note: During the previous PILOT request process the valuations were provided by the City Assessor using a fairly simplified desktop calculation relying heavily upon the cost approach. The 7/27/2015 property value and taxable value reported above are representative of this. Since that time, he was involved in an appeal of an unrelated Midland apartment complex that caused him to create an appraisal for that complex, gathering more market data. Upon request, he revisited the estimated values for the current condition as well as the proposed improved condition of Bracken Woods and applied the information he learned during the appraisal process. The figures for Current and Requested in the above table reflect the updated information.

THE NEED FOR AFFORDABLE HOUSING

It can be concluded through review of Comprehensive Housing Affordability Strategy (CHAS) data, provided by the U.S. Department of Housing and Urban Development (HUD), that many renter households with less than 50% Area Median Income (AMI) are either "Overburdened" or "Severely Overburdened" by housing costs within the area. Overburdened is defined as a household spending between 30-49% of total income on housing expenses. Severely Overburdened is defined as a household spending 50% or more of total income on housing expenses. The data supporting this conclusion is illustrated in the tables below; the 2007-2011 dataset is the most recent data available. CHAS data is generated directly from statistics of the U.S. Census Bureau.

Highlighted within the tables are the 0-30% AMI and >30-50% AMI income brackets. These two levels of income are defined as Extremely Low Income (0-30% AMI) and Very Low Income (>30-50% AMI). The conclusion that can be drawn from this data is that there

is still an unmet need for affordable housing in Midland County in the 0-30% AMI and the >30%-50% AMI income brackets. All 104 units of Bracken Woods II will be dedicated to meeting the housing needs of households within these two income brackets with the vast majority serving Very Low Income households.

Cost Burden > 30% - "Overburdened"

	Renter				Owner			
	0-30% AMI	>30-50% AMI	>50-80% AMI	Total	0-30% AMI	>30-50% AMI	>50-80% AMI	Total
NUMBER OF HOUSEHOLDS								
Small Related	410	435	75	920	45	135	200	380
Large Related	20	0	0	20	60	35	70	165
Elderly	219	350	164	733	200	380	134	714
Other	485	420	135	1,040	125	95	90	310
Total need by income	1,134	1,205	374	2,713	430	645	494	1,569

Source: 2007-2011 HUD's Comprehensive Housing Affordable Strategy (CHAS)

Cost Burden > 50% - "Severely Overburdened"

	Renter				Owner			
	0-30% AMI	>30-50% AMI	>50-80% AMI	Total	0-30% AMI	>30-50% AMI	>50-80% AMI	Total
NUMBER OF HOUSEHOLDS								
Small Related	265	20	15	300	35	75	35	145
Large Related	20	0	0	20	15	0	0	15
Elderly	120	185	30	335	165	145	34	344
Other	370	100	25	495	110	45	20	175
Total need by income	775	305	70	1,150	325	265	89	679

Source: 2007-2011 CHAS

The attached resolution for City Council's consideration will accept the PILOT request from Lockwood Development and refer it to the Housing Commission for study and recommendation.

Representatives of Lockwood Development will be present Monday evening to make a presentation. A representative of MSHDA may be present as well.



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BY COUNCILMAN

WHEREAS, the City has received a request for a Payment In Lieu of Taxes (PILOT) from Mark Lockwood of Lockwood Development to facilitate the purchase and rehabilitation of the existing PILOT project know as Bracken Woods Apartments; and

WHEREAS, Act 3436 of the Michigan State Housing Development Authority (MSHDA) Act of 1966 and Article XIII, Section 2-260 of the City of Midland Code of Ordinances recognize the importance of PILOTs as a toll to facilitate affordable housing for persons of low and moderate income; and

WHEREAS, City Council has previously granted PILOT exemptions to projects that meet MSHDA requirements, and additional criteria as adopted by City Council on April 14, 2003; and

WHEREAS, on November 22, 2010, City Council received and filed a report from Staff that recommends that no assignment, refinancing, or sale would be permitted without submission of a new PILOT application, and said application should be submitted directly to City Council for initial acceptance and referral to the Housing Commission for study and recommendation; now therefore

RESOLVED, that the PILOT request from Lockwood Development to facilitate the purchase and rehabilitation of the property known as Bracken Woods Apartments is hereby accepted and referred to the Housing Commission for study and recommendation.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeas vote of all of the Councilmen present at a regular meeting of the City Council held Monday, January 25, 2016.

Selina Tisdale, City Clerk



January 4, 2016

David Keenan
City of Midland
333 W. Ellsworth Street
Midland, MI 48640

RE: **REQUEST FOR PILOT ORDINANCE
BRACKEN WOODS APARTMENTS
5301 DUBLIN AVENUE
MIDLAND, MICHIGAN 48640**

David,

I respectfully request the City of Midland's favorable consideration for granting a proposed PILOT Ordinance to the above referenced multi-family development. Bracken Woods Apartments offer 104 units which include 10 two-story buildings and 2 community buildings featuring 8 one bedroom (1 bath) apartments, 56 two bedroom (2 bath) apartments and 40 three bedroom (2 bath) apartments. Other amenities include private entrances, central air, window treatments, fully equipped kitchens, cable and tot lot.

In order to successfully compete for allocation of Low Income Housing Tax Credits, we are submitting this request for a PILOT Ordinance. The inclusion of a PILOT Ordinance in conjunction with the other components in our application for the Low Income Housing Tax Credits will assure our success in obtaining an allocation and thus provide a critical piece of financing necessary to rehabilitate the community.

With respect to the previously submitted request the following changes to the proposal are as follows:

- Reduced PILOT percentage to 4% of Net Shelter Rents
- Increased number of 30% AMI units to 10
- Reduced initially committed term of PILOT to 25 years from 37 years

I am requesting that our proposed PILOT Ordinance be placed on the City Council's agenda for hearing and adjudication.

Please contact me should you have any questions or need any additional information.

Regards,

A handwritten signature in blue ink, appearing to read 'Mark Lockwood', is written over a light blue horizontal line.

Mark Lockwood
Vice President - Development

Capital Needs Assessment and Replacement Reserve Analysis *Preservation*

Prepared for:

Michigan State Housing Development Authority

735 East Michigan Avenue

P.O. Box 30044

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Bracken Woods

MSHDA #926

Midland, MI

February 13, 2015

Final Report

Capital Needs Assessment

Bracken Woods

Midland, MI

Bracken Woods is a residential development for families that is located within a short drive of various retail and commercial establishments. The development is comprised of ten residential buildings and two, freestanding, office/laundry/maintenance buildings. The residential buildings contain a total of 104 units – 8 one-bedroom (garden-style), 56 two-bedroom (garden-style), and 40 three-bedroom (townhouse-style). Original construction of the development dates to 1995, and it was financed by the Michigan State Housing Development Authority (MSHDA).

This assessment (CNA) is being conducted on behalf of the Michigan State Housing Development Authority (MSHDA). The report is aimed at determining the development's current and prospective capital needs as part of a possible refinancing of the property under the Authority's "Preservation" program. The property has substantive capital needs anticipated in the coming years; a number of systems and components are at, or approaching, the end of their useful lives. The Rehab Scope of Work (SOW) covers most near-term needs for the development. Capital work to be completed under the Scope of Work (SOW) are shown with an age of zero (0). A copy of the Scope of Work is attached as an addendum to the report. Additional needs not identified in the SOW include retaining wall

repairs, additional footing repairs at carports, selective pruning/removal of trees and limbs, maintenance shed repairs, office/laundry/maintenance building furnace replacement, and replacement of additional in-unit appliances based on current ages.

For planning purposes, Year 1 of the report is shown as 2015. No budget estimate for The Rehab Scope of Work (SOW) was provided as part of the preparation of this assessment. Year 1 costs above the Rehab SOW are projected at \$1,337 or \$13 per unit. Twenty-year capital needs are projected at \$22,041 per unit in inflated dollars.

Under the parameters of MSHDA's 'Preservation' financing, annual reserve deposits are set at \$300/unit with a Reserve Balance of \$0/unit in Year 1 adjusted to a minimum of \$1,000/unit as a Reserve Balance at the beginning of Year 2. If necessary, an infusion of additional capital, beyond the costs of the work (SOW) anticipated in Year 1, may be in order to maintain positive replacement reserve balances throughout the plan's timeline. The Preservation Plan calls for additional capital of \$800,000 in Year 1 to maintain positive reserve balances throughout the next twenty years.

Site

Site Surface

Bracken Woods is situated on a moderate sized parcel with generally level topography. Site landscaping includes a mix of grass areas, trees, shrubs, and other plantings. As-needed re-grading of the soil around the buildings to help ensure positive drainage away from the foundations is included as part of the SOW. The SOW also includes selective pruning and/or removal of various plantings. An allowance to complete similar pruning/landscape-related is included in Year 11.

An asphalt-paved roadway provides access to the site, and parking areas of similar construction, serve the various clusters of buildings. The asphalt surfaces are original and exhibit varying levels of age-related wear and deterioration including alligating and potholes. The SOW includes milling of the existing asphalt paving as needed and resurfacing of all surfaces. Future allowances for routine cycles of asphalt surface maintenance (crackfilling, sealcoating, and striping) are shown in Years 6, 11, and 16.

Steel-framed carports provided sheltered parking at various locations throughout the site. The carport structures vary in condition with significant movement of the footings that is resulting in the carports leaning and being out of plumb noted at multiple locations. The SOW includes resetting of the footings and repair of the carports. A subsequent allowance for potential future carport repair needs is shown in Year 11.

Concrete walkways provide pedestrian access throughout the site. The walkways are in fair to good condition at the present time; several areas of minor spalling were noted during the assessment. An initial cycle of as-needed sectional repair and/or replacement is included in the SOW. Subsequent allowances for potential future needs are shown every three years, starting in Year 4.

Pole-mounted light fixtures that vary in style and age provide illumination for the development's access drive, parking areas, and pedestrian walkways. No problems related to the poles or fixtures were noted. Future allowances for fixture replacement needs are shown over eight-year periods starting in Years 3 and 13.

Leased dumpsters for solid waste disposal are present at two site locations. The dumpsters are screened from view by board-type pressure treated wood fencing. Overall, the fencing is in generally good condition. The SOW includes as needed repair and painting of these enclosures. An allowance for future replacement is shown in Year 8.

Low, wood timber, retaining walls are located near some of the carports. Additionally, there are wood flower boxes/planters at some site locations. The retaining walls are in fair condition with limited deterioration and loose/displaced timbers noted during the assessment. Periodic allowances for as needed repair and/or replacement of the timbers are shown every five years, starting in Year 1. As-needed repair/replacement of the retaining wall timbers and repair and painting of the flower boxes/planters is included in the SOW. Modest periodic allowances for future needs related to the retaining walls are shown in Years 6, 11, and 16. No subsequent costs are shown; the flower boxes/planters should be monitored and maintained going forward.

Play areas with original metal equipment are present at three site locations. The equipment is in fair but dated condition. The SOW includes replacement/upgrading of the existing equipment; no subsequent capital costs are anticipated during the plan's timeframe. Pedestal mounted cluster mailboxes are located at various locations throughout the development. Surface rust is typical on the pedestals, and replacement of all is included in the SOW. A double-sided wood monument sign that is in fair condition is located at the entrance to the development. Replacement of the sign is included in the SOW, and no subsequent costs are shown. The wood-framed storage shed, located adjacent to the dumpster enclosure near the front of the site, exhibits age-related wear and deterioration, most notably along the bottom of the doors. An initial allowance for as needed repair of this structure is included in the SOW. Future allowances for as needed repairs are shown in Years 6, 11, and 16.

Site Distribution Systems

The development is served by a full complement of municipal and utility company provided services including water, sewer, natural gas, and electricity. There were no observed or reported problems with any of the site distribution systems, and no capital expenditures are anticipated with regard to them. They should be monitored and maintained going forward.

The developed landscaping at the site is served by an underground irrigation system. Initial replacement of the irrigation system's controllers is included in the SOW. Future controller replacement allowances are shown in Years 11-13.

Building Mechanical and Electrical Systems

Mechanical Systems

Central mechanical systems at the development are limited to those at each of the two office/laundry/maintenance buildings. Each building is equipped with an original York, natural gas-fired, warm air furnace for space heating. No operational problems related to either furnace were noted during the assessment; however, based on their current age, they have reached the end of their expected useful service lives; replacement is included in the SOW. An original, exterior-mounted, condenser unit provides cooling capacity the interior spaces at the front office/laundry/maintenance building. Initial replacement of the condenser is included in the SOW. Future replacement of the new condenser is shown in Year 16. Domestic hot water needs at the front office/laundry/maintenance building are met via a 100-gallon, Lochinvar, natural gas-fired tank that dates to 2010. An original 84-gallon A.O. Smith natural gas-fired tank serves the rear office/laundry/maintenance building. Future replacement of the Lochinvar tank is shown in Years 6 and 16. Initial replacement of the A.O. Smith tank is included in the SOW, and a subsequent replacement cycle is shown in Year 11.

Electrical Systems

All units at the development are individually metered for consumption of electricity. No problems related to any of the electrical meters or switchgear equipment were noted, and no capital costs are shown. These components should be monitored going forward. Each office/laundry/maintenance building has wall-mounted battery pack fixtures for emergency illumination and hardwired, local ring, smoke/fire detection end devices. No problems related to these systems were observed or reported, and no capital costs are shown. They should be monitored and maintained going forward.

Building Architectural Systems

Building Exterior

Each of the residential buildings is a two-story, wood-framed, structure on a masonry block foundation. The office/laundry/maintenance buildings are one-story structures of similar design and construction type. No problems related to the foundations or framing were noted during the assessment, and no capital costs are shown.

Exterior wall surfaces on all buildings are clad with clapboard-profile vinyl siding that dates to the time of original construction. Overall, the siding is in fair to good condition. Isolated loose seams and areas of past repair were noted at various locations throughout the development. Dirt and organic growth on the vinyl surfaces was noted to be typical at most buildings. Pressure washing of all vinyl siding, trim, and soffits is included in the SOW. Subsequent allowances for similar work are shown in Years 6 and 11. Future replacement of the siding, after thirty years of service, is shown in Year 16.

The common entry doors at the office/laundry/maintenance buildings are single leaf insulated steel doors with steel frames. Replacement of both doors is in the SOW, and no subsequent replacement needs are anticipated during the plan's timeframe.

Exterior unit entry doors are similar to the common entry doors. Rust and deterioration, some of which is significant, was noted at several locations. Loose and or damaged thresholds were also noted at several of the exterior unit entry doors. The SOW specifies as needed repair/replacement and painting of all exterior unit doors. Future replacement of the remaining doors, estimated at approximately one-third of the total, is shown over a fifteen-year period starting in Year 6. Vinyl-framed sliding glass doors provide access to either a private patio or balcony area at each unit. The doors are original and in fair to good overall condition. As-needed repair and/or replacement of one-half of the doors is included in the SOW. Based on observed conditions, replacement of the remaining half is shown in Year 16, concurrent with the replacement of the exterior siding. A mix of single and double leaf steel doors provide access to unit mechanical closets and other service/storage areas. The doors are largely sheltered from the elements and in generally good condition at the present time. Future allowances for gradual replacement are shown annually, starting in Year 6.

Original, vinyl-framed slider-style windows with double-glazing and integral screens are typical throughout the development. During the course of the assessment, no operational problems related to the windows were observed or reported; however, fogged glazing panels were noted at some locations. An allowance for as needed replacement of glazing panels is included in the SOW. Subsequent allowances for glazing panels and screens are shown in Years 6-15. Future, full replacement, of the window assemblies is shown in Year 16.

The concrete patios at the rear of each first-floor level garden-style unit and all townhouse units are in generally good condition. Isolated cracks, but no displacement or trip hazards, were noted. Periodic future allowances for as needed patio replacements are shown in Years 3, 8, 13, and 18. Garden-style units at the second floor level have pressure-treated wood balconies with painted wood railing assemblies. The SOW includes replacement of the existing balconies and as needed repair/replacement of the railing assemblies. Future replacement of the new balconies is not anticipated during the plan's timeframe, and no capital costs are shown.

Roof

The roof of each building at the development is comprised of pitched wood trusses and wood sheathing that is covered with original three-tab asphalt shingles. The shingles are in fair condition at the present time. Replacement of all existing shingles, including ripping of the original shingles, is included in the SOW. No subsequent replacement needs are anticipated during the plan's timeframe.

Aluminum gutters and downspouts provide drainage for the roof surfaces. These elements are in fair condition and shown for replacement as part of the SOW. The new gutters and downspouts should be monitored and maintained going forward.

Interior Common Areas

All of the development's interior common areas are contained within the two, freestanding, community/laundry/maintenance buildings. The building located nearest to the front of the site houses the management offices, a laundry room, and a maintenance shop. The building nearest to the rear of the site houses a laundry room and maintenance/storage space. Interior common area wall and

ceiling surfaces are painted drywall. Floor surfaces in the office are primarily carpet with a small area of vinyl composition tile (VCT) present near the entry door. Laundry room floors at both buildings are covered with vinyl composition tile (VCT). An initial painting cycle for all interior common areas is included in the SOW. Allowances for future painting are shown in Year 11. Replacement of the office floor coverings is also included in the SOW. Future replacement of the carpet is shown in Year 11, and replacement of the VCT is shown in Year 16. The laundry room and restroom VCT flooring dates to 2006 and it is in generally good condition; future replacement is shown in Year 7.

Dwelling Units

During the course of the assessment OSI accessed the interior of sixteen units accounting for 15% of the total. These were distributed throughout the development and among all unit types. A sample of this size is felt to be sufficient given the age, tenancy, design, and location of the development. Additional information about units and capital replacements was obtained from discussions with residents and staff during the course of the unit review.

Finishes

Wall and ceiling surfaces throughout the units are finished with texture painted drywall. The drywall surfaces are in generally good condition at the present time. Periodic painting is seen as a maintenance concern, and no capital costs are shown. Floor surfaces in unit living areas are carpeted. The carpeting varies in age and condition, and the SOW includes as-needed replacement. Future replacement cycles for all carpeting are shown over seven-year periods starting in Years 4, 11, and 18.

Unit interior passage doors are hollow core wood. Bi-fold doors of similar construction are used on the unit closets. The doors are in fair to good condition with isolated surface wear/damage and hardware issues noted during the assessment. As-needed replacement of both door types is included in the SOW. No subsequent capital costs are shown. Any future needs are seen as being addressed as maintenance concerns.

Kitchens

Floor surfaces in unit kitchens are covered with vinyl composition tile (VCT). The VCT varies in age and condition; surface wear and seam separation was noted in several units. As needed replacement of the existing VCT is included in the SOW. Future replacement cycles for all VCT are shown over ten-year periods starting in Years 5 and 15.

All unit kitchens have original laminated particleboard cabinets and varying age countertops that are of similar construction. The cabinetry is in fair to good condition for its age. New cabinets and countertops in 50% of the units is included as part of the SOW. No subsequent capital needs for the new cabinets are anticipated during the plan's timeframe. Future replacement of the cabinets and countertops not replaced as part of the SOW is shown over a five-year period starting in Year 6. Modest future allowances for the as needed replacement of countertops only are shown from Year 11 forward.

Typical appliances in each kitchen include a thirty-inch wide electric range, recirculating rangehood, frost-free refrigerator, full-size built-in dishwasher, and fractional horsepower garbage disposal. The appliances are largely original to the development, and

replacement of a portion of ranges, rangehoods, and refrigerators is included in the SOW. Replacement of the remaining appliances, not included in the SOW, and future full replacement cycles are shown based on observed conditions, current ages, and expected useful service lives.

Bathrooms

With the exception of the one-bedrooms, all units at the development have two full bathrooms. Floor surfaces in the unit bathrooms are similar to those in the kitchens; replacement of all bathroom vinyl floor coverings are included in the SOW. Future replacement cycles are shown starting in Years 8 and 18. Typical fixtures in each bathroom include a vitreous china toilet, fiberglass bathtub with ceramic tile surround and anti-scald mixing valve, laminated particleboard vanity, and inset enameled sinks. Additionally, each bathroom has a recessed plastic medicine cabinet with mirrored door, typical rails and holders for various toiletries, and ceiling-mounted exhaust fan. Replacement of all existing toilets with low-flow models is included in the SOW. No subsequent capital needs are anticipated, and no costs are shown. No problems related to the bathtubs, ceramic tile surrounds or anti-scald valve assemblies were noted during the assessment. Modest annual allowances for potential future needs are shown from Year 6 forward. The vanities are similar in style and condition to the kitchen cabinetry. Replacement of all vanities and sinks is included in the SOW; and no subsequent capital costs are anticipated. The medicine cabinets and accessories were observed to be in good overall condition. Allowances for gradual future replacement are shown in Years 6-10. The SOW includes replacement of twenty-five exhaust fans. Future replacement allowances for all exhaust fans are shown annually, starting in Year 6.

Unit Mechanical and Electrical

Interior space heating needs are met via Aqua-Therm systems which utilize an air handler that is equipped with a wet loop coil fed from the unit's existing natural gas-fired domestic hot water tank to produce warm air for distribution throughout the unit. A thru-wall condenser unit, also working in concert with the air handler, provides cooling capacity for the units. The SOW includes replacement of all existing air handlers, domestic hot water tanks, air conditioning condensers, and wall-mounted thermostats that help to regulate system performance. No subsequent capital needs for the air handler units are anticipated, and no capital costs are shown. Future replacement cycles for the domestic hot water tanks are shown over eight-year period starting in Years 6 and 14. Allowances for future replacement of the condensers and thermostats are shown from Year 16 forward.

Each unit has an electric service panel equipped with circuit breakers. No problems related to the circuit breaker panels were noted, and no capital costs are shown. Hardwired smoke detectors are typical in the units. Initial replacement of all of these devices is included in the SOW. Future replacement allowances are shown from Year 11 forward.

Capital Needs Summary, Replacement Reserve Analysis

Future capital actions are based on useful life expectations and assume continued effective maintenance and physical management.

The timing of actions by system (including quantities and costs) is also presented in the Capital Needs Worksheet. Costs for the twenty-year plan total \$2,292,255 or \$22,041 per unit in inflated dollars (\$15,296 per unit in 2015 dollars).

The Preservation Plan is aimed at fully meeting projected needs through Year 20 under the Preservation guidelines. Annual contributions are set at \$31,200 per year, or \$300 per unit. For planning purposes here, these contributions are shown being indexed at 3% for inflation going forward. The plan shows an infusion of \$800,000 in Year 1 to cover near term capital costs and provided a reserve balance to maintain positive balances throughout the report's time horizon.

Additional Notes:

1. The Physical Assessment of the property was conducted on December 9th, 2014. Additional information was provided to ON-SITE INSIGHT by site staff and others. Bruce Hutchinson represented OSI on this assignment. We would like to thank the Bracken Woods site staff for their assistance.
2. Regular updates of this plan are recommended to ensure careful monitoring of major building systems and to adjust the program to accommodate unanticipated circumstances surrounding the buildings, operations, and/or occupants.
3. Information reviewed in preparation of this report included historic data on capital activities and costs, original plans, and current prices for capital actions.
4. No formal evaluation of environmental concerns, including but not limited to asbestos containing materials (ACMs), lead-based paint, chlorofluorocarbons (CFCs), polychlorinated biphenyls (PCBs), and mildew/mold has been undertaken as part of this assessment.



Development sign



Asphalt paved access drive and parking area surfaces exhibit age-related cracks, wear, and deterioration



Cracks/deterioration of concrete sidewalk surfaces noted at various locations



Concrete footings for carport framing columns exhibit significant movement/displacement at several locations



One of three on-site play areas with original metal play equipment



Selective tree pruning/removal needed at some locations



Original York warm gas-fired warm air furnace at front office/laundry maintenance building – Operable but at or near end of its expected useful service life



Natural gas-fired domestic hot water tank at front office/laundry/maintenance building was replaced in recent years



Original, exterior-mounted, condenser unit for cooling of interior space at front office/laundry/maintenance building



Original natural gas-fired furnace at domestic hot water tank at rear office/laundry/maintenance building – Both pieces operable but at or beyond the end of their expected useful service lives



Front elevation of building containing garden-style units



Front elevation of a building containing townhouse-style units



Front office/laundry/maintenance building



Rear office/maintenance/laundry building



Dirt and organic growth typical on original vinyl siding wall surfaces; isolated areas of past repair also noted



Isolated area of siding repaired via face nailing



Peeling paint typical on wood trim at entry canopies



Isolated bird-damaged wood column at a garden-building balcony structure



Rust/deterioration of exterior unit entry door frames and loose thresholds noted at a large number of units



Original slider-style windows typical throughout all buildings



Typical first floor level concrete patios and second floor level wood-framed balconies at a garden-style building – Townhouse units also have concrete patios



Isolated cracks, but not displacement or trip hazards, noted at some patios



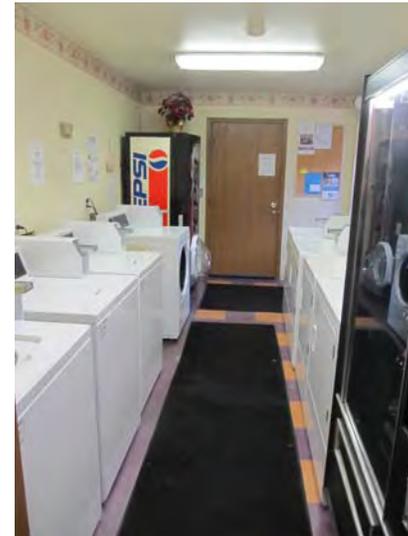
Typical wood balcony and railing assembly



All building roofs covered with original three-tab shingles – Age related wear evident



Management office located at front office/laundry/maintenance building



Laundry room located at front office/laundry/maintenance building



Typical finishes in unit living areas



Typical finishes and equipment in unit kitchens – Significant portions of the appliances are original

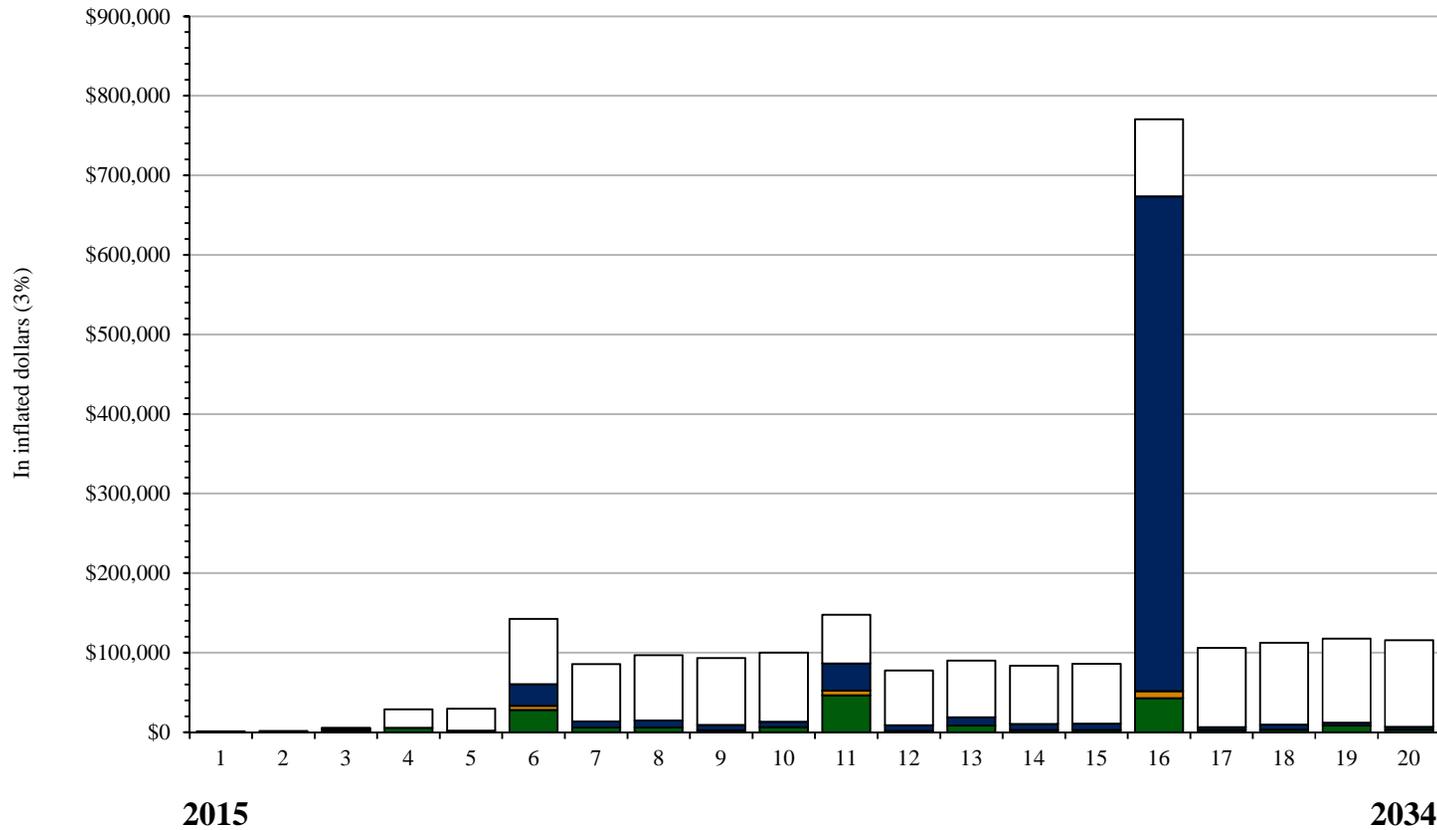


Typical finishes and fixtures
in unit bathrooms

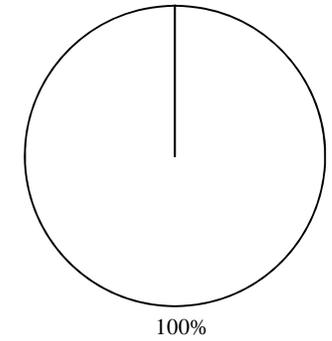


Natural gas-fired DHW tank (on left) produces
DHW and works in concert with the air handler
unit (on right) and the condenser unit (in center)
to provide thermal comfort within each unit

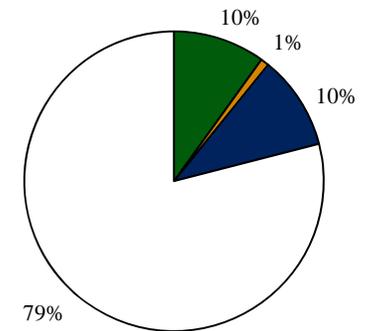
Capital Needs Summary



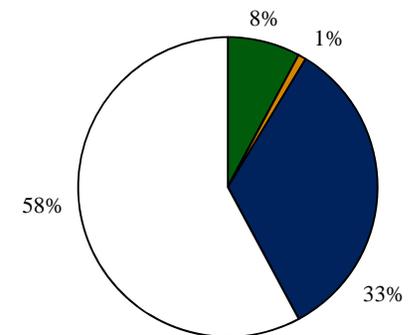
Bracken Woods



Year One Distribution



Ten Year Distribution



Twenty Year Distribution

Total Costs by Building System (inflated dollars)

	In Year 1	In Years 1-10	In Years 1-20
Site Systems		\$58,001 or \$558/unit	\$179,499 or \$1,726/unit
Mechanical Room			
Building Mech. & Elec.		\$5,217 or \$50/unit	\$20,106 or \$193/unit
Building Architectural		\$59,402 or \$571/unit	\$766,570 or \$7,371/unit
Dwelling Units	\$1,337 or \$13/unit	\$461,787 or \$4,440/unit	\$1,326,080 or \$12,751/unit
In inflated dollars:	\$1,337 or \$13/unit	\$584,406 or \$5,619/unit	\$2,292,255 or \$22,041/unit
In current dollars:	\$1,337 or \$13/unit	\$483,778 or \$4,652/unit	\$1,590,822 or \$15,296/unit

Capital Needs Summary

Bracken Woods
Midland, MI

OSI Ref: 14571
Property Age: 20 Years
Financing: MSHDA

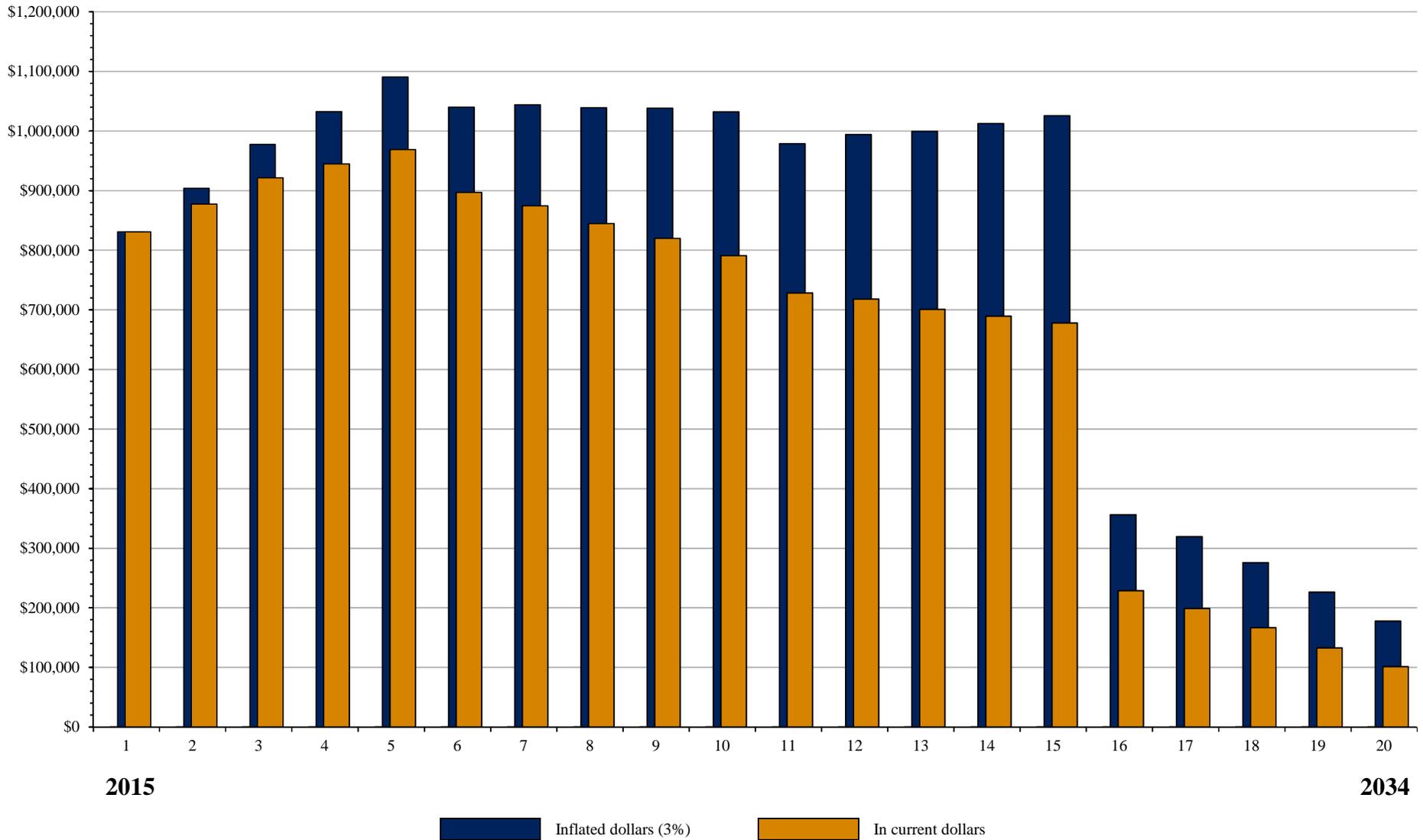
Residential Buildings: 15
Total Number of Units: 104
Occupancy: Family

	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5	2020 Year 6	2021 Year 7	2022 Year 8	2023 Year 9	2024 Year 10
Site Systems										
Surface	\$0	\$0	\$1,910	\$5,407	\$2,026	\$28,049	\$5,908	\$5,965	\$2,280	\$6,456
Site Distribution Systems	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Site Sub-Total	\$0	\$0	\$1,910	\$5,407	\$2,026	\$28,049	\$5,908	\$5,965	\$2,280	\$6,456
Mechanical Room										
Boilers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Boiler Room Systems	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mechanical Sub-Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building Mech. & Electrical										
Mechanical	\$0	\$0	\$0	\$0	\$0	\$5,217	\$0	\$0	\$0	\$0
Electrical	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Elevators	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mechanical & Electrical Sub-Total	\$0	\$0	\$0	\$0	\$0	\$5,217	\$0	\$0	\$0	\$0
Building Architectural										
Structural and Exterior	\$0	\$0	\$2,122	\$0	\$0	\$27,230	\$6,317	\$8,966	\$6,701	\$6,902
Roof Systems	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Halls, Stairs, Lobbies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Community Spaces	\$0	\$0	\$0	\$0	\$0	\$0	\$1,164	\$0	\$0	\$0
Building Architectural Sub-Total	\$0	\$0	\$2,122	\$0	\$0	\$27,230	\$7,480	\$8,966	\$6,701	\$6,902
Dwelling Units										
Living Areas	\$0	\$0	\$0	\$21,910	\$23,760	\$24,473	\$25,207	\$25,963	\$26,742	\$27,544
Kitchens	\$1,337	\$1,377	\$1,419	\$1,461	\$3,803	\$31,466	\$32,410	\$37,432	\$38,555	\$39,712
Bathrooms	\$0	\$0	\$0	\$0	\$0	\$19,089	\$7,722	\$11,129	\$11,463	\$11,807
Mechanical & Electrical	\$0	\$0	\$0	\$0	\$0	\$6,782	\$6,985	\$7,195	\$7,411	\$7,633
Dwelling Units Sub-Total	\$1,337	\$1,377	\$1,419	\$23,371	\$27,563	\$81,810	\$72,324	\$81,720	\$84,171	\$86,696
Total Capital Costs	\$1,337	\$1,377	\$5,450	\$28,778	\$29,589	\$142,306	\$85,712	\$96,650	\$93,153	\$100,055

Bracken Woods

Costs on these two pages are aggregated by category from the Capital Needs worksheets which follow. Total capital costs on these two pages are carried forward to line F of the Replacement Reserve Analysis(es) that follow.

2025 Year 11	2026 Year 12	2027 Year 13	2028 Year 14	2029 Year 15	2030 Year 16	2031 Year 17	2032 Year 18	2033 Year 19	2034 Year 20	
\$44,880	\$0	\$7,055	\$2,643	\$2,723	\$42,600	\$2,888	\$2,975	\$8,424	\$3,156	Site Systems Surface Site Distribution Systems
\$1,344	\$1,384	\$1,426	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$46,224	\$1,384	\$8,480	\$2,643	\$2,723	\$42,600	\$2,888	\$2,975	\$8,424	\$3,156	Site Sub-Total
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	Mechanical Room Boilers Boiler Room Systems
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	Mechanical Sub-Total
\$6,048	\$0	\$0	\$0	\$0	\$8,841	\$0	\$0	\$0	\$0	Building Mech. & Electrical Mechanical Electrical Elevators
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$6,048	\$0	\$0	\$0	\$0	\$8,841	\$0	\$0	\$0	\$0	Mechanical & Electrical Sub-Total
\$31,568	\$7,323	\$10,394	\$7,769	\$8,002	\$621,769	\$3,370	\$6,777	\$3,575	\$3,682	Building Architectural Structural and Exterior Roof Systems Halls, Stairs, Lobbies Community Spaces
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$2,474	\$0	\$0	\$0	\$0	\$467	\$0	\$0	\$0	\$0	
\$34,041	\$7,323	\$10,394	\$7,769	\$8,002	\$622,237	\$3,370	\$6,777	\$3,575	\$3,682	Building Architectural Sub-Total
\$28,371	\$29,222	\$30,099	\$31,002	\$31,932	\$32,890	\$33,876	\$34,893	\$35,939	\$37,017	Dwelling Units Living Areas Kitchens Bathrooms Mechanical & Electrical
\$14,557	\$20,752	\$21,375	\$22,016	\$22,677	\$23,357	\$24,058	\$24,779	\$25,523	\$26,289	
\$8,936	\$9,204	\$9,480	\$9,764	\$10,057	\$10,359	\$10,670	\$10,990	\$11,319	\$11,659	
\$9,609	\$9,897	\$10,194	\$10,500	\$10,815	\$30,178	\$31,083	\$32,016	\$32,976	\$33,965	
\$61,473	\$69,075	\$71,148	\$73,282	\$75,480	\$96,783	\$99,687	\$102,677	\$105,758	\$108,930	Dwelling Units Sub-Total
\$147,786	\$77,782	\$90,022	\$83,694	\$86,205	\$770,461	\$105,945	\$112,429	\$117,756	\$115,769	Total Capital Costs



2015

2034

Current reserve Balance: **\$0** At the end of Year One, Reserve Balances are projected to be: **\$830,643**
Current annual contributions to reserves: **\$31,200** At the end of Year 20, Reserve Balances are projected to be: **\$177,901**
All projected capital needs are met throughout the plan

**Starting reserve balance of \$0 and annual contribution of \$300/unit, indexed at 3% for inflation, per MSHDA Preservation Guidelines
 \$800,000 in outside capital included in Year 1 to cover items not in SOW and meet minimum Year 2 starting reserve balance of \$1,000/unit**

		Reserve Funding In Year 1									
Start replacement reserve balance:		\$0 or \$00/unit									Replacement Reserve (RR) analysis starts here with the starting RR balance reported, or imputed, to have been on hand at the start of Year 1, and current annual RR contributions. The projections below reflect Starting RR Balance (Line A), plus the Total Annual RR Contributions (Line D) and Interest Earnings on RR (Line E), minus Total Annual Capital Costs (Line F), taken from the CNS above. This is expressed arithmetically as (A+D+E)-F=G, Year-End Balances, then carries forward to Line A of the following Year.
Contributions to Reserves:		\$31,200 or \$300/unit									
	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5	2020 Year 6	2021 Year 7	2022 Year 8	2023 Year 9	2024 Year 10	
(A) Reserve Balances											
Starting Replacement Reserves	\$0	\$830,643	\$903,737	\$977,402	\$1,032,439	\$1,090,466	\$1,039,757	\$1,044,219	\$1,039,111	\$1,038,425	
(B) Annual Funding											
Contributions Indexed at 3%	\$300	\$309	\$318	\$328	\$338	\$348	\$358	\$369	\$380	\$391	
(C) Additional Unit Contributions											
	300	309	318	328	338	348	358	369	380	391	
(D) Total Annual Reserve Funding	\$31,200	\$32,136	\$33,100	\$34,093	\$35,116	\$36,169	\$37,254	\$38,372	\$39,523	\$40,709	
(E) Interest on Reserves at 5%	\$780	\$42,336	\$46,014	\$49,722	\$52,500	\$55,428	\$52,919	\$53,170	\$52,944	\$52,939	
Total Funds Available	\$31,980	\$905,114	\$982,852	\$1,061,217	\$1,120,055	\$1,182,063	\$1,129,931	\$1,135,761	\$1,131,578	\$1,132,073	
(F) Total Capital Cost	\$1,337	\$1,377	\$5,450	\$28,778	\$29,589	\$142,306	\$85,712	\$96,650	\$93,153	\$100,055	
(G) Reserve Balances	\$30,643	\$903,737	\$977,402	\$1,032,439	\$1,090,466	\$1,039,757	\$1,044,219	\$1,039,111	\$1,038,425	\$1,032,019	
Outside Capital:	\$800,000										
Adjusted Reserve Balances	\$830,643	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	

Notes:

**Starting reserve balance of \$0 and annual contribution of \$300/unit, indexed at 3% for inflation, per MSHDA Preservation Guidelines
 \$800,000 in outside capital included in Year 1 to cover items not in SOW and meet minimum Year 2 starting reserve balance of \$1,000/unit**

*ANNUAL RR CONTRIBUTIONS are shown being indexed for inflation at the % specified above except when Additional Contributions are called for.

Line C, Additional Contributions allows for material adjustments in annual RR funding that would enable the property to meet all projected needs out of reserves through Year 20.

**INTEREST EARNINGS ON RESERVES are calculated on 100% of starting balances and on 50% of the total annual contribution for the year at the rate shown

Replacement Reserve (RR) Analysis: *Preservation Plan*

Bracken Woods

Reserve Funding In Year 20

Projected replacement reserve balance is **\$177,901**

This is \$1,711 per unit in inflated dollars or \$976 per unit in uninflated dollars

Projected annual funding to reserves is **\$54,709**

This is \$526 per unit in inflated dollars or \$300 per unit in current dollars

2025 Year 11	2026 Year 12	2027 Year 13	2028 Year 14	2029 Year 15	2030 Year 16	2031 Year 17	2032 Year 18	2033 Year 19	2034 Year 20	
										Reserve Balances (A)
\$1,032,019	\$978,812	\$994,239	\$999,525	\$1,012,771	\$1,025,577	\$356,218	\$319,403	\$275,802	\$226,279	Starting Replacement Reserves
										Annual Funding (B)
\$403	\$415	\$428	\$441	\$454	\$467	\$481	\$496	\$511	\$526	Contributions Indexed at 3%
										Additional Unit Contributions (C)
403	415	428	441	454	467	481	496	511	526	
\$41,930	\$43,188	\$44,484	\$45,818	\$47,193	\$48,609	\$50,067	\$51,569	\$53,116	\$54,709	Total Annual Reserve Funding (D)
\$52,649	\$50,020	\$50,824	\$51,122	\$51,818	\$52,494	\$19,063	\$17,259	\$15,118	\$12,682	Interest on Reserves at 5% (E)
\$1,126,598	\$1,072,021	\$1,089,546	\$1,096,465	\$1,111,782	\$1,126,680	\$425,348	\$388,231	\$344,036	\$293,671	Total Funds Available
\$147,786	\$77,782	\$90,022	\$83,694	\$86,205	\$770,461	\$105,945	\$112,429	\$117,756	\$115,769	Total Capital Cost (F)
\$978,812	\$994,239	\$999,525	\$1,012,771	\$1,025,577	\$356,218	\$319,403	\$275,802	\$226,279	\$177,901	Reserve Balances (G)
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	

Bracken Woods

SITE SYSTEMS

(Expected Useful life)

Replacement Items	Quantity	Cost per unit in 2015 \$\$	Total Cost in 2015 \$\$	AGE (Years)	EUL (Years)	Replacement Schedule Year of action AND duration of project	Notes
SURFACE							
Roadways	96,115 sf		\$0	0	20		As-needed milling and full resurfacing of all asphalt in SOW Monitor going forward
Parking							
Crack-Fill and Sealcoat	96,115 sf	0.22	\$21,145	0	5	6 /11 /16 in 1 Year	Future asphalt surface maintenance cycles - crackfill, sealcoat, and stripe
Sidewalks	62,960 sf	0.05	\$3,148	varies	3	4 /7 /10 /13 /16 /19 in 1 Year	As-needed sectional repair/replacemenet of concrete in SOW Periodic allowances for potential future sectional repair/replacement needs
Retaining Walls	148 1 tl lf ls	750.00	\$750	varies	5	6 /11 /16 in 1 Year	Initial repair/repl. of low timber walls at some carpports in SOW Future allowances for additional as-needed sectional repair/replacement
Flower Boxes/Planters	3 ea		\$0	0	20		As-needed repair and painting in SOW Monitor going forward
Fencing							
Dumpster Enclosures	61 lf	50.00	\$3,050	~12	20	8 in 1 Year	As-needed repair and painting in SOW Future replacement of presure-treated wood board fencing enclosures
Play Equipment	1 ls		\$0	0	20		Replacement of existing play equipment in SOW Monitor new equipment going forward
Site Lighting	32 ea	450.00	\$14,400	varies	10	3 /13 over 8 Years	Pole-mounted fixtures of varying ages and styles No problems noted; Allowances to replace fixtures
Landscaping	1 ls	3500.00	\$3,500	varies	10	11 in 1 Year	As-needed re-grading included in SOW Some trees in need of pruning/removal; Periodic allowances
Carpports	1 ls	7500.00	\$7,500	varies	20	11 in 1 Year	Resetting of footings at carpports in SOW Future allowances for as needed repairs, surface prep, painting, etc.
Mail Facilities	1 ls		\$0	0	20		Replacement of existing pedestal-mounted cluster boxes in SOW Monitor new structures going forward
Development Sign	1 ea		\$0	0	20		SOW included installation of new monument sign Monitor and maintain new sign going forward
Maintenance Shed	1 ea	500.00	\$500	varies	5	6 /11 /16 in 1 Year	Initial repair of wood shed near office/laundry building in SOW Future allowances for additional repair/replacement needs
SITE DISTRIBUTION SYSTEMS							
Gas Lines	1 ls		\$0	20	60		Utility supplied No problems observed or reported; Monitor
Sanitary Lines	1 ls		\$0	20	60		Municipally supplied No problems observed or reported; Monitor
Cold Water Lines	1 ls		\$0	20	60		Municipally supplied No problems observed or reported; Monitor
Electric Distribution	1 ls		\$0	20	60		Utility supplied No problems observed or reported; Monitor
Sanitary Leach Fields							
Landscape Irrigation	1 ls	3000.00	\$3,000	varies	10	11 over 3 Years	As-needed replacement of controllers in SOW Periodic future allowances for continued as-needed replacements

Projected Capital Needs Over Twenty Years

Costs projected at 3%

SITE SYSTEMS

Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019	Year 6 2020	Year 7 2021	Year 8 2022	Year 9 2023	Year 10 2024	Year 11 2025	Year 12 2026	Year 13 2027	Year 14 2028	Year 15 2029	Year 16 2030	Year 17 2031	Year 18 2032	Year 19 2033	Year 20 2034
SURFACE																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$24,513	\$0	\$0	\$0	\$0	\$28,418	\$0	\$0	\$0	\$0	\$32,944	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$3,440	\$0	\$0	\$3,759	\$0	\$0	\$4,107	\$0	\$0	\$4,488	\$0	\$0	\$4,904	\$0	\$0	\$5,359	\$0
\$0	\$0	\$0	\$0	\$0	\$869	\$0	\$0	\$0	\$0	\$1,008	\$0	\$0	\$0	\$0	\$1,168	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,751	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$1,910	\$1,967	\$2,026	\$2,087	\$2,149	\$2,214	\$2,280	\$2,349	\$0	\$0	\$2,566	\$2,643	\$2,723	\$2,804	\$2,888	\$2,975	\$3,064	\$3,156
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,704	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,079	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$580	\$0	\$0	\$0	\$0	\$672	\$0	\$0	\$0	\$0	\$779	\$0	\$0	\$0	\$0
SITE DISTRIBUTION SYSTEMS																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,344	\$1,384	\$1,426	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Bracken Woods

BUILDING MECHANICAL AND ELECTRICAL

(Expected Useful life)

Replacement Items	Quantity	Cost per unit in 2015 \$\$	Total Cost in 2015 \$\$	AGE (Years)	EUL (Years)	Replacement Schedule Year of action AND duration of project	Notes
BUILDING MECHANICAL							
Compactors	_____ ea	_____	_____	_____	_____	_____	_____
Building Fire Suppression	_____ ls	_____	_____	_____	_____	_____	_____
Building Heating Distribution	_____ ls	_____	_____	_____	_____	_____	_____
Domestic Hot/Cold Water Dist.	_____ 1 ls	_____	\$0	20	40	_____	No problems observed or reported; Monitor
Building Sanitary Waste & Vent. Dist.	_____ 1 ls	_____	\$0	20	75	_____	No problems observed or reported; Monitor
Building Gas Distribution	_____ 1 ls	_____	\$0	20	75	_____	No problems observed or reported; Monitor
Building Warm Air Furnace	_____ 2 ea	_____	\$0	0	20	_____	Repl. of existing warm air furnaces at office/ldry bldgs in SOW Monitor new furnaces going forward
Building Air Conditioning	_____ 1 ea	1175.00	\$1,175	0	15	16 _____ in 1 Year	Replacement of two-ton exterior condenser unit in SOW Future replacement allowance for new condenser
Domestic Hot Water Generation	_____ 1 ea	4500.00	\$4,500	4	10	6 /16 _____ in 1 Year	Lochinvar 100-gallon natural gas-fired tank at office/laundry bldg Replaced in recent years, good condition; Future replacement allow's
Domestic Hot Water Generation	_____ 1 ea	4500.00	\$4,500	0	10	11 _____ in 1 Year	Repl. of 84-gal natural gas-fired tank at rear laundry bldg in SOW Future replacement allowance for new tank
Domestic Hot Water Pumps	_____ 2 ea	_____	\$0	varies	10	_____	Fractional horsepower cartridge-style pumps Replacement included with tanks
Sewage Ejectors	_____ ea	_____	_____	_____	_____	_____	_____
BUILDING ELECTRICAL							
Building Power Wiring	_____ 1 ls	_____	\$0	20	99	_____	Units individually metered No problems observed or reported; Monitor
Emergency Generator	_____ ea	_____	_____	_____	_____	_____	_____
Emergency Lights	_____ 1 ls	_____	\$0	varies	10	_____	Wall-mounted battery packs at office/laundry building No problems noted; Monitor
Smoke / Fire Detection	_____ 1 ls	_____	\$0	varies	10	_____	Hardwired smoke detectors at office/laundry buildings No problems noted; Monitor
Signaling / Communication	_____ ls	_____	_____	_____	_____	_____	_____
BUILDING ELEVATORS							
Shafts and Doorways	_____ ea	_____	_____	_____	_____	_____	Not Applicable - No elevators at development
Cabs	_____ ea	_____	_____	_____	_____	_____	_____
Controller/Dispatcher	_____ ea	_____	_____	_____	_____	_____	_____
Machine Room Equipment	_____ ea	_____	_____	_____	_____	_____	_____

Bracken Woods

BUILDING ARCHITECTURE

(Expected Useful life)

Replacement Items	Quantity	Cost per unit in 2015 \$\$	Total Cost in 2015 \$\$	AGE (Years)	EUL (Years)	Replacement Schedule Year of action AND duration of project	Notes
STRUCTURE							
Foundation	4,962 lf		\$0	20	50		Masonry block foundaitons No problems observed or reported; Monitor
Framing	1 ls		\$0	20	70		Wood framing No problems observed or reported; Monitor
Slab	sf						
Miscellaneous	ea						
BUILDING EXTERIOR							
Exterior Common Doors	2 ea 104 ttl		\$0	0	30		Replacement of entry doors at office/laundry bldgs in SOW Monitor and maintain new doors going forward
Exterior Unit Doors	35 ea	300.00	\$10,500	varies	30	6 over 15 Years	As-needed replacement, repair, and painting of all in SOW Allowances for gradual replacement of others in future
Storm Doors	ea 104 ttl						As-needed replacement and/or repair of 52 doors in SOW Allowances for additional replacement and/or repair needs in future
Glass Sliding Doors	52 ea	750.00	\$39,000	20	35	16 in 1 Year	Mix of single and double leaf steel doors at mechanical closets, etc. Generally good conditions; Allow's for gradual replacement in future
Service Doors	70 ea	300.00	\$21,000	20	25+	6 over 15 Years	Post repl., as-needed repairs, and painting/cladding in SOW Modest allowances for potential future repair/painting needs
Entry Canopy	52 ea		\$0	20	20		Pressure washing of all vinyl siding, trim and soffits in SOW Allowances to complete similar pressure washing cycles in future
Exterior Walls	90,996 sf	0.20	\$18,199	0	5	6 /11 in 1 Year	Future replacement of vinyl siding, trim, soffits, etc. Vinyl and aluminum elements
Exterior Walls	90,996 sf	2.50	\$227,490	20	35	16 in 1 Year	Periodic pressure washing and future replacement needs included above Vented vinyl paneling at entries
Trim, Soffit & Fascia	1 ls		\$0	20	35		Periodic pressure washing and future replacement needs included above Vinyl-framed slider-style units
Exterior Ceilings	1 ls		\$0	20	35		No operational problems noted; Future replacement As-needed replacement of fogged/broken glazing panels in SOW
Window Frames	290 ea	450.00	\$130,500	20	35	16 in 1 Year	Allowances for future replacement needs Integral screens
Window Glass	290 ea	75.00	\$21,750	varies	15	6 over 10 Years	Generally good condition; Future allow's for replacement as needed Concrete patios
Storm / Screen Windows	290 ea 72 ttl	35.00	\$10,150	varies	15	6 over 10 Years	Isolated cracks but no significant displacement; Future repair allow's Replacement of existing wood balconies in SOW
Patios	1 ls	2000.00	\$2,000	20	20+	3 /8 /13 /18 in 1 Year	Monitor and maintain new materials going forward As-needed repair/replacement of exsting wood railings in SOW
Unit Balconies	32 ea		\$0	0	20		Allowances for potential future repair and/or replacement needs
Balcony Railings	32 ea		\$0	0	20		
Fire Escapes	ea						Unit entry and porch/balcony fixtures
Bldg Mounted Lighting	160 ea		\$0	varies	15		Replacement included with siding above

Projected Capital Needs Over Twenty Years

Bracken Woods

Costs projected at 3%

BUILDING ARCHITECTURE

Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019	Year 6 2020	Year 7 2021	Year 8 2022	Year 9 2023	Year 10 2024	Year 11 2025	Year 12 2026	Year 13 2027	Year 14 2028	Year 15 2029	Year 16 2030	Year 17 2031	Year 18 2032	Year 19 2033	Year 20 2034
STRUCTURE																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BUILDING EXTERIOR																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$811	\$836	\$861	\$887	\$913	\$941	\$969	\$998	\$1,028	\$1,059	\$1,091	\$1,123	\$1,157	\$1,192	\$1,227
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$60,761	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$1,623	\$1,672	\$1,722	\$1,773	\$1,827	\$1,881	\$1,938	\$1,996	\$2,056	\$2,118	\$2,181	\$2,247	\$2,314	\$2,383	\$2,455
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$21,098	\$0	\$0	\$0	\$0	\$24,458	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$354,422	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$203,315	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$2,521	\$2,597	\$2,675	\$2,755	\$2,838	\$2,923	\$3,011	\$3,101	\$3,194	\$3,290	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$1,177	\$1,212	\$1,248	\$1,286	\$1,324	\$1,364	\$1,405	\$1,447	\$1,491	\$1,535	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$2,122	\$0	\$0	\$0	\$0	\$2,460	\$0	\$0	\$0	\$0	\$2,852	\$0	\$0	\$0	\$0	\$3,306	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Bracken Woods

BUILDING ARCHITECTURE--*continued*

(Expected Useful life)

Replacement Items	Quantity	Cost per unit in 2015 \$\$	Total Cost in 2015 \$\$	AGE (Years)	EUL (Years)	Replacement Schedule		Notes
						Year of action AND duration of project		
ROOF SYSTEMS								
Structure	88,588 sf		\$0	20	40			Pitched wood trusses and sheathing No problems observed or reported; Monitor
Roof Covering	88,588 sf		\$0	0	20			Replacement of all existing roof shingles in SOW Monitor new shingles going forward
Roof Covering								
Roof Covering								
Roof Drainage	8,066 lf		\$0	0	30			Replacement of existing aluminum gutters in SOW Monitor and maintain new gutters going forward
Skylights								
Penthouses								
Access Doors & Hatches								
Roof Railings								
HALLS								
Hallway Walls								
Hallway Ceilings								
Hallway Floors								
Hallway Doors								
Hallway Railings								
Hallway Interior Lighting								
Hallway Heating								
Miscellaneous								
STAIRS								
Stair Walls/Ceilings								
Stair Floors								
Stair Doors								
Stair Railings								

Projected Capital Needs Over Twenty Years

Costs projected at 3%

BUILDING ARCHITECTURE--continued

Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019	Year 6 2020	Year 7 2021	Year 8 2022	Year 9 2023	Year 10 2024	Year 11 2025	Year 12 2026	Year 13 2027	Year 14 2028	Year 15 2029	Year 16 2030	Year 17 2031	Year 18 2032	Year 19 2033	Year 20 2034
ROOF SYSTEMS																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
HALLS																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
STAIRS																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Bracken Woods

BUILDING ARCHITECTURE--*continued*

(Expected Useful life)

Replacement Items	Quantity	Cost per unit in 2015 \$\$	Total Cost in 2015 \$\$	AGE (Years)	EUL (Years)	Replacement Schedule Year of action AND duration of project	Notes
LOBBIES/MAIL FACILITIES							
Lobby Walls/Ceilings	_____ sf	_____	_____	_____	_____	_____	_____
Lobby Floors	_____ sf	_____	_____	_____	_____	_____	_____
Lobby Floors	_____ sf	_____	_____	_____	_____	_____	_____
Mail Facilities	_____ ea	_____	_____	_____	_____	_____	_____
Lobby Local HV	_____ ea	_____	_____	_____	_____	_____	_____
COMMUNITY ROOM							
Cmnty Room Walls/Ceilings	_____ sf	_____	_____	_____	_____	_____	_____
Cmnty Room Floor Covering	_____ sf	_____	_____	_____	_____	_____	_____
Cmnty Cabinets/Countertop	_____ ea	_____	_____	_____	_____	_____	_____
Cmnty Kitchen Appliances	_____ ea	_____	_____	_____	_____	_____	_____
Cmnty Room Furnishings	_____ ea	_____	_____	_____	_____	_____	_____
OFFICE							
Office Walls/Ceilings	1,056 sf	0.55	\$581	0	10	11 in 1 Year	Initial painting cycle included in SOW Allowances for future painting
Office Floors	60 sf	5.00	\$300	0	15	16 in 1 Year	Replacement of existing vinyl composition tile (VCT) in SOW Future replacement cycle for VCT flooring
Office Floors	203 sf	2.25	\$457	0	10	11 in 1 Year	Replacement of existing carpet in SOW Future replacement cycle for carpet flooring
PUBLIC LAUNDRY							
Laundry Walls/Ceilings	1,188 sf	0.55	\$653	0	10	11 in 1 Year	Initial painting cycle included in SOW Allowances for future painting
Laundry Floors	324 sf	2.62	\$849	8	15	7 in 1 Year	Vinyl composition tile (VCT) No significant wear or deterioration noted; Future replacement
Laundry Equipment	1 ls		\$0	20	20		Washers and dryers owned/maintained by third-party vendor
PUBLIC RESTROOMS							
Restroom Walls/Ceilings	272 sf	0.55	\$150	0	10	11 in 1 Year	Initial painting cycle included in SOW Allowances for future painting
Restroom Floors	48 sf	2.62	\$126	8	15	7 in 1 Year	Vinyl composition tile (VCT) Generally good condition; Future replacement
Restroom Fixtures	1 ls		\$0	20	30+		Toilet and wall-mounted sink Good overall condition; Monitor and maintain
Restroom Accessories	1 ls		\$0	20	30+		Typical dispensers and receptacles Good overall condition; Monitor and maintain

Projected Capital Needs Over Twenty Years

Bracken Woods

Costs projected at 3%

BUILDING ARCHITECTURE--continued

Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019	Year 6 2020	Year 7 2021	Year 8 2022	Year 9 2023	Year 10 2024	Year 11 2025	Year 12 2026	Year 13 2027	Year 14 2028	Year 15 2029	Year 16 2030	Year 17 2031	Year 18 2032	Year 19 2033	Year 20 2034
LOBBIES/MAIL FACILITIES																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
COMMUNITY ROOM																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OFFICE																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$781	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$467	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$614	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PUBLIC LAUNDRY																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$878	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$1,014	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PUBLIC RESTROOMS																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$201	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$150	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Bracken Woods

DWELLING UNITS

(Expected Useful life)

Replacement Items	Quantity	Cost per unit in 2015 \$\$	Total Cost in 2015 \$\$	AGE (Years)	EUL (Years)	Replacement Schedule Year of action AND duration of project	Notes
LIVING AREA FINISHES							
Unit Hallway Doors	ea						
Unit Interior Doors	344 ea		\$0	varies	25		As-needed repl. of existing hollow core wood doors in SOW Monitor and maintain new doors going forward
Unit Closet Doors	576 ea		\$0	varies	25		As-needed repl. of existing hollow core wood bi-fold doors in SOW Monitor and maintain new doors going forward
Living Area Walls	255,040 sf		\$0	varies	5		Texture painted drywall Generally good condition; Monitor and maintain going forward
Living Area Ceilings	84,248 sf		\$0	varies	5		Texture painted drywall Generally good condition; Maintain concurrent with walls
Living Area Floors	80,202 sf	1.75	\$140,354	varies	7	4 /11 /18 over 7 Years	As-needed replacement of existing carpet flooring in SOW Allowances for future replacement of all based on expected useful life
Living Area Floors	4,046 sf	2.62	\$10,601	varies	10	5 /15 over 10 Years	Vinyl at entry area of some units Conditions vary; Replace concurrent with carpet
Unit Interior Stairs	76 ea		\$0	20	20		Carpeted treads and risers at second floor garden and all townhouse units Carpet replacement included with living area floors above
KITCHENS							
Kitchen Walls/Ceilings	36,848 sf		\$0	varies	5		Texture painted drywall Good overall condition; Paint and maintain going forward
Kitchen Floors	7,792 sf	2.62	\$20,415	varies	10	5 /15 over 10 Years	As-needed replacement of existing vinyl flooring in SOW Allowances for future replacement of all based on expected useful life
Kitchen Cabinets	52 ea		\$0	0	20		Laminated particleboard cabinets - Replacement of 50% in SOW Monitor and maintain new cabinetry going forward
Kitchen Cabinets	52 ea	1850.00	\$96,200	20	20+	6 over 5 Years	Laminated particleboard cab's in units not included as part of SOW Good overall condition; Future replacement including counters and sinks
Kitchen Countertop	104 ttl						Replacement of 50% of existing laminate countertops in SOW
Kitchen Countertop	52 ea	375.00	\$19,500	varies	10	11 over 25 Years	Allowances for future as-needed replacement of countertops only
Kitchen Countertop	ea						
Range	104 ea	400.00	\$41,600	varies	15+	12 over 10 Years	Repl. of 68 30" electric ranges based on age/condition in SOW Gradual replacement cycle in future for all ranges
Range	ea						
Refrigerator	104 ea	475.00	\$49,400	varies	15	8 over 15 Years	Repl. of 52 existing refrigerators based on age/condition in SOW Gradual replacement cycle in future for all refrigerators
Refrigerator	ea						
Rangehood and Vent	104 ttl						Replacement of 50% of existing recirculating hoods in SOW
Rangehood and Vent	52 ea	110.00	\$5,720	20	25	6 over 5 Years	Replace remaining 50% concurrent w/cabinetry not included in SOW Fractional horsepower disposals
Disposal	104 ea	90.00	\$9,360	varies	7	1 /8 /15 over 7 Years	Annual allowances for replacement as needed
Dishwasher	104 ea	325.00	\$33,800	varies	10	6 /16 over 10 Years	As-needed replacement of existing built-in models in SOW Allowances for future gradual replacement cycles for all dishwashers

Projected Capital Needs Over Twenty Years

Bracken Woods

Costs projected at 3%

DWELLING UNITS

Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019	Year 6 2020	Year 7 2021	Year 8 2022	Year 9 2023	Year 10 2024	Year 11 2025	Year 12 2026	Year 13 2027	Year 14 2028	Year 15 2029	Year 16 2030	Year 17 2031	Year 18 2032	Year 19 2033	Year 20 2034
LIVING AREA FINISHES																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$21,910	\$22,567	\$23,244	\$23,941	\$24,660	\$25,399	\$26,161	\$26,946	\$27,755	\$28,587	\$29,445	\$30,328	\$31,238	\$32,175	\$33,140	\$34,135	\$35,159
\$0	\$0	\$0	\$0	\$1,193	\$1,229	\$1,266	\$1,304	\$1,343	\$1,383	\$1,425	\$1,467	\$1,511	\$1,557	\$1,603	\$1,652	\$1,701	\$1,752	\$1,805	\$1,859
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
KITCHENS																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$2,298	\$2,367	\$2,438	\$2,511	\$2,586	\$2,664	\$2,744	\$2,826	\$2,911	\$2,998	\$3,088	\$3,181	\$3,276	\$3,374	\$3,476	\$3,580
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$22,304	\$22,974	\$23,663	\$24,373	\$25,104	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,048	\$1,080	\$1,112	\$1,145	\$1,180	\$1,215	\$1,252	\$1,289	\$1,328	\$1,368
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,758	\$5,931	\$6,109	\$6,292	\$6,481	\$6,676	\$6,876	\$7,082	\$7,295
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,050	\$4,172	\$4,297	\$4,426	\$4,559	\$4,696	\$4,836	\$4,981	\$5,131	\$5,285	\$5,443	\$5,607	\$5,775
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$1,326	\$1,366	\$1,407	\$1,449	\$1,493	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$1,337	\$1,377	\$1,419	\$1,461	\$1,505	\$1,550	\$1,597	\$1,645	\$1,694	\$1,745	\$1,797	\$1,851	\$1,906	\$1,964	\$2,023	\$2,083	\$2,146	\$2,210	\$2,276	\$2,345
\$0	\$0	\$0	\$0	\$0	\$3,918	\$4,036	\$4,157	\$4,282	\$4,410	\$4,542	\$4,679	\$4,819	\$4,964	\$5,113	\$5,266	\$5,424	\$5,587	\$5,754	\$5,927

Bracken Woods

DWELLING UNITS--*continued*

(Expected Useful life)

Replacement Items	Quantity	Cost per unit in 2015 \$\$	Total Cost in 2015 \$\$	AGE (Years)	EUL (Years)	Replacement Schedule Year of action AND duration of project	Notes
BATHROOMS							
Bathroom Walls	45,312 sf		\$0	varies	5		Texture painted drywall with ceramic tile bathtub surrounds Good overall condition; Paint and maintain going forward
Bathroom Ceilings	9,856 sf		\$0	varies	5		Texture painted drywall Good overall condition; Paint and maintain concurrent with walls
Bathroom Floors	9,856 sf	2.62	\$25,823	0	10	8 /18 over 10 Years	Replacement of existing vinyl flooring in SOW Allowances for future replacement of all based on expected useful life
Bath-tub and Shower	200 ea	350.00	\$70,000	20	25	6 over 25 Years	Fiberglass bathtubs w/ceramic tile surrounds and anti-scald mixing valves Future allowances for resurfacing, tile repairs, mixing valves, etc.
Bathroom Vanties and Sinks	192 ea		\$0	0	20		Replacement of existing LPB vanities and inset sinks in SOW Monitor and maintain new vanities and sinks going forward
Bathroom Sinks	8 ea		\$0	20	25+		Wall-mounted vitreous china sinks in barrier free units No problems observed or reported; Monitor and maintain
Bathroom Toilets	200 ea		\$0	0	30		Repl. of existing vitreous china toilets w/low-flow models in SOW Monitor and maintain new toilets going forward
Medicine Cabinets	200 ea	60.00	\$12,000	20	25	6 over 5 Years	Recessed plastic cabinets with mirrored doors Good overall condition; Allowances for gradual replacement in future
Accessories	200 ea	50.00	\$10,000	20	25	6 in 1 Year	Metal towel rails Good overall condition; Replace concurrent w/medicine cab's in future
Ventilation & Exhaust	200 ea	95.00	\$19,000	varies	15	6 over 15 Years	Replacement of 25 existing ceiling-mounted exhaust fans in SOW Future allow's for gradual replacement of all based on expected useful life
IN-UNIT MECHANICAL							
Unit Air Handlers	104 ea		\$0	0	20		Repl. of existing AHUs w/wet loop fed from DHW tank in SOW Monitor and maintain new air handler units going forward
Unit Thermostats	104 ea	75.00	\$7,800	0	15	16 over 10 Years	Replacement of existing wall-mounted thermostats in SOW Future replacement of new thermostats
Unit DHW Generation	104 ea	450.00	\$46,800	0	8	6 /14 over 8 Years	Replacement of existing 40-50 gal. gas-fired DHW tanks in SOW Future replacement of new DHW tanks
Unit Air Conditioning	104 ea	1100.00	\$114,400	0	15	16 over 10 Years	Replacement of existing thru-wall condenser units in SOW Allowances for future replacement of new air conditioners
Unit Radiation	lf						
IN-UNIT ELECTRICAL							
Unit Electrical Panel	104 ea		\$0	20	30		Circuit breaker panels No problems observed or reported; Monitor
Unit Wiring	104 ea		\$0	20	30		No problems observed or reported; Monitor
Unit Security Call System	ea						
Unit Smoke / Fire Detection	104 un	125.00	\$13,000	0	10	11 over 10 Years	Replacement of existing hardwired smoke/fire detectors in SOW Future allowances for gradual replacement of all devices
Miscellaneous	ea						

Projected Capital Needs Over Twenty Years

Bracken Woods

Costs projected at 3%

DWELLING UNITS--continued

Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019	Year 6 2020	Year 7 2021	Year 8 2022	Year 9 2023	Year 10 2024	Year 11 2025	Year 12 2026	Year 13 2027	Year 14 2028	Year 15 2029	Year 16 2030	Year 17 2031	Year 18 2032	Year 19 2033	Year 20 2034
BATHROOMS																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,176	\$3,271	\$3,369	\$3,470	\$3,574	\$3,682	\$3,792	\$3,906	\$4,023	\$4,144	\$4,268	\$4,396	\$4,528
\$0	\$0	\$0	\$0	\$0	\$3,246	\$3,343	\$3,444	\$3,547	\$3,653	\$3,763	\$3,876	\$3,992	\$4,112	\$4,235	\$4,362	\$4,493	\$4,628	\$4,767	\$4,910
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$2,782	\$2,866	\$2,952	\$3,040	\$3,131	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$11,593	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$1,468	\$1,512	\$1,558	\$1,605	\$1,653	\$1,702	\$1,753	\$1,806	\$1,860	\$1,916	\$1,973	\$2,033	\$2,094	\$2,156	\$2,221
IN-UNIT MECHANICAL																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,215	\$1,252	\$1,289	\$1,328	\$1,368
\$0	\$0	\$0	\$0	\$0	\$6,782	\$6,985	\$7,195	\$7,411	\$7,633	\$7,862	\$8,098	\$8,341	\$8,591	\$8,849	\$9,114	\$9,388	\$9,669	\$9,959	\$10,258
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,823	\$18,358	\$18,909	\$19,476	\$20,060
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IN-UNIT ELECTRICAL																			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,747	\$1,800	\$1,853	\$1,909	\$1,966	\$2,025	\$2,086	\$2,149	\$2,213	\$2,280
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Evaluator's Summary***Physical Needs Over The Term***PROJECT: Bracken Woods

DEVELOPMENT AGE: 20 years

ADDRESS(ES): 5301 Dublin Avenue, Midland, MI

MORTGAGE TERM: 0 years

ELDERLY: No

FAMILY: Yes

OF UNITS: 104

BUILDINGS: 15

ITEM	COST BY YEAR									
	2025 Year 11	2026 Year 12	2027 Year 13	2028 Year 14	2029 Year 15	2030 Year 16	2031 Year 17	2032 Year 18	2033 Year 19	2034 Year 20
Kitchen Cabinets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Kitchen Countertop	\$1,048	\$1,080	\$1,112	\$1,145	\$1,180	\$1,215	\$1,252	\$1,289	\$1,328	\$1,368
Range	\$0	\$5,758	\$5,931	\$6,109	\$6,292	\$6,481	\$6,676	\$6,876	\$7,082	\$7,295
Refrigerator	\$4,426	\$4,559	\$4,696	\$4,836	\$4,981	\$5,131	\$5,285	\$5,443	\$5,607	\$5,775
Rangehood and Vent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Disposal	\$1,797	\$1,851	\$1,906	\$1,964	\$2,023	\$2,083	\$2,146	\$2,210	\$2,276	\$2,345
Dishwasher	\$4,542	\$4,679	\$4,819	\$4,964	\$5,113	\$5,266	\$5,424	\$5,587	\$5,754	\$5,927
Bathroom Floors	\$3,470	\$3,574	\$3,682	\$3,792	\$3,906	\$4,023	\$4,144	\$4,268	\$4,396	\$4,528
Bath-tub and Shower	\$3,763	\$3,876	\$3,992	\$4,112	\$4,235	\$4,362	\$4,493	\$4,628	\$4,767	\$4,910
Medicine Cabinets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accessories	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ventilation & Exhaust	\$1,702	\$1,753	\$1,806	\$1,860	\$1,916	\$1,973	\$2,033	\$2,094	\$2,156	\$2,221
Unit Thermostats	\$0	\$0	\$0	\$0	\$0	\$1,215	\$1,252	\$1,289	\$1,328	\$1,368
Unit DHW Generation	\$7,862	\$8,098	\$8,341	\$8,591	\$8,849	\$9,114	\$9,388	\$9,669	\$9,959	\$10,258
Unit Air Conditioning	\$0	\$0	\$0	\$0	\$0	\$17,823	\$18,358	\$18,909	\$19,476	\$20,060
Unit Smoke / Fire Detection	\$1,747	\$1,800	\$1,853	\$1,909	\$1,966	\$2,025	\$2,086	\$2,149	\$2,213	\$2,280
TOTAL INFLATED	\$30,358	\$37,027	\$38,138	\$39,282	\$40,461	\$60,713	\$62,534	\$64,411	\$66,343	\$68,333
TOTAL INFLATED-ALL PAGES	\$147,786	\$77,782	\$90,022	\$83,694	\$86,205	\$770,461	\$105,945	\$112,429	\$117,756	\$115,769
CUMULATIVE TOTAL-ALL PAGES	\$732,192	\$809,974	\$899,996	\$983,690	\$1,069,894	\$1,840,356	\$1,946,301	\$2,058,730	\$2,176,486	\$2,292,255

**MSHDA Preservation Scope of Work For:
BRACKEN WOODS**

Description of Item	Replacement Items - Quantity?	Planned Additions - Quantity?	Notes
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SITE SYSTEMS

Surface

Roadways/Parking	96,115 sf		Resurface, mill, grind as necessary
Roadways/Parking			
Storm Drains			
Sidewalks	TBD		Repair/Repalce as needed
Play Equipment	3		
Mail Facilities	1 LS		Replace original kiosks
Dumpsters & Enclosures	61 lf		Repaint, repair
Flower Boxes	3		Repair/Replace
Site Lighting			
Site Lighting			
Landscaping	1 LS		regrade as necessary
Car Ports	2		reset footings
Car Ports - Lighting			
Signage	1		New Monument Sign

Site Distribution Systems

Gas Lines			
Sanitary Lines			
Cold Water Lines			
Electric Distribution			
Sanitary Leach fields			
Miscellaneous	1 LS		Replace, as needed, irrigation controllers

BUILDING MECHANICAL & ELECTRICAL

Building Mechanical

Compactors			
Building Fire Suppression			
Building Heating Distribution			
Domestic Hot/Cold Water Dist.			
Building Sanitary Waste & Vent. Dist.			
Building Gas Distribution			
Warm Air Furnace			
Building Air Conditioning	1		Replace original
Domestic Hot Water Generation	1		Replace 84 gal tank serving bldg 1
Domestic Hot Water Generation			
Domestic Hot Water Generation			
Sewage Ejectors			

Building Electrical

Building Power Wiring
 Emergency Generator
 Fire Alarm Systems
 Signaling / Communication
 Signaling / Communication

Pool Filter Equipment

Filter
 Pump
 Auto Chlorinator
 Cover

BUILDING ARCHITECTURE

Structure

Foundation
 Framing
 Slab
 Miscellaneous

Building Exterior

Exterior Common Doors
 Exterior Unit Doors
 Service Doors
 Glass Sliding Doors
 Storm Doors
 Exterior Walls--1
 Exterior Walls--2
 Exterior Walls--3
 Trim, Soffit & Fascia
 Entry Canopy
 Window Frames--1
 Window Frames--2
 Window Glass
 Storm / Screen Windows
 Unit Balconies/Wood Decks
 Balcony Railings
 Fire Escapes
 Bldg Mounted Lighting

	2	New entry doors at Bldgs 11 an 12
	104	Repair, repaint, replace as required
	52	Repair/replace as needed part of SOW
	90996 sf	power was (includes trim and soffit
	52	Replace post, paint/repair wood and/or wrap
	290	Replace fogged or broken glass where needed
	32	Replace 2nd floor decks
	32	Repair/replace as needed

Roof Systems

Structure
 Roof Covering--1
 Roof Covering--2
 Roof Covering--3
 Roof Drainage

	88,588 sf	Replace
	8,066 lf	Replace with roof replacement

Skylights
 Penthouses
 Access Doors & Hatches
 Roof Railings

Halls

Hallway Walls
 Hallway Ceilings
 Hallway Floors
 Hallway Doors
 Hallway Railings
 Hallway Interior Lighting
 Hallway Heating
 Miscellaneous

Stairs

Stair Walls and Ceilings
 Stair Floors
 Stair Doors
 Stair Railings

Lobbies/Mail Facilities

Lobby Walls & Ceilings
 Lobby Floors
 Lobby Floors
 Mail Facilities
 Lobby Local HV

Community Room

Comm. Room Walls/Ceilings
 Comm. Room Floor Covering
 Comm. Cabinets/Countertop
 Comm. Kitchen Appliances
 Comm. Room Furnishings

Office

Office Walls/Ceilings
 Office Floor Covering
 Office Equipment

1,056 sf		repaint
263 sf		replace VCT and carpet

Public Laundry

Laundry Walls/Ceilings
 Laundry Floors
 Laundry Equipment

1,118 sf		repaint

Public Restrooms

Restroom Walls/Ceilings
 Restroom Floors
 Restroom Fixtures
 Restroom Accessories

272 sf		repaint

DWELLING UNITS

Living Area Finishes

Unit Hallway Doors		
Unit Interior Doors	344 max.	Replace as needed
Unit Closet Doors	576	replace as needed
Living Area Walls		painting, as needed, to be done by operations
Living Area Ceilings		paint, as needed, to be done by operations
Living Area Floors	80,802sf	Replace carpet as needed
Unit Interior Stairs		
Blinds		

Kitchens

Kitchen Walls & Ceilings	36,848 sf	paint and maintain from operations
Kitchen Floors	7,792 sf	Vinyl to be replaced as needed
Kitchen Cabinets	104	replace based on age and condition
Kitchen Countertop	104	replace based on age and condition
Range	34	Replace based on age
Range		
Refrigerator	34	Replace based on age
Refrigerator		
Dishwasher	104	Replace as needed based on age and condition
Dishwasher		
Rangehood and Vent	104	Replace concurrent with cabinetry; say 52 as part of SOW
Disposal	104	Replace
Disposal		

Bathrooms

Bathroom Walls and Surrounds		
Bathroom Ceilings	9,856 sf	paint as needed by operations
Bathroom Floors	9,856 sf	replace vinyl
Bath-tub and Shower		
Bathroom Vanity & Sink	192	replace concurrent with cabinetry
Bathroom Vanity & Sink		
Toilets	200	replace with low flush
Medicine Cabinets		
Accessories		
Ventilation & Exhaust	200	replace noisy nits; say 25 during SOW

In-Unit Mechanical

Unit Warm Air Furnaces	104	Repalce
Unit Thermostats	104	Replace
Unit Air Conditioning		
Unit Air Conditioning	104	Replace
DHW Generation	104 total	Repalce

In-Unit Electrical

Unit Electrical Panel
Unit Wiring
Lighting
Unit Smoke / Fire Detection
Washer/Dryers

	104	Replace

Approvals:

Matt Bergeon, Asset Management

Date

Maryanne Vukonich, Design

Date

Contractor

Date

This report and analysis are based upon observations for the visible and apparent condition of the building and its major components on the date of the fieldwork. Although care has been taken in the performance of this assessment, ON-SITE INSIGHT, Inc. (and/or its representatives) makes no representations regarding latent or concealed defects that may exist and no warranty or guarantee is expressed or implied. This report is made only in the best exercise of our ability and judgment. Conclusions in this report are based on estimates of the age and normal working life of various items of equipment and/or statistical comparisons. It is essential to understand that actual conditions can alter the useful life of any item. The previous use/misuse, irregularity of servicing, faulty manufacture, unfavorable conditions, acts of God and unforeseen circumstances make it impossible to state precisely when each item would require replacement. The client herein should be aware that certain components within the above referenced property might function consistent with their purpose at the time of the observation, but due to their nature are subject to deterioration without notice. Unless otherwise noted, all building components are assumed to meet the building code requirements in force at the time of construction. Conclusions reached in this report assume responsible ownership and competent management of the property. Information provided to us by others is believed reliable, but we assume no responsibility for accuracy thereof.



COMPANY BACKGROUND

Lockwood Development specializes in the development and production of senior housing, new and rehabilitated multi-family housing and condominiums. Lockwood Development was established in 1987 and its staff has been directly involved in the development of over 5,100 residential units.

The mission of Lockwood Development is to develop communities that offer an outstanding value for its residents and a sound financial return for the Company's investors. To accomplish that mission, Lockwood Development has assembled an internal team of individuals with exceptional talent in planning, design, construction, marketing and property management. The Company has also developed close, long-standing relationships with leading third-party professionals in the fields of market research, land planning, landscape architecture, civil engineering, architectural design, environmental assessment, interior design, construction and product marketing. Within a structured framework of financial control, Lockwood Development directs this diverse and experienced team of professionals to build attractive, cost-effective and high-quality communities.

Lockwood Construction is a specialized builder of multi-family housing dedicated to excellence in workmanship, cost management and customer service. Customers include non-profit corporations, local government entities, private ownership groups and individuals. The company approaches customer relationships with a long-term focus, emphasizing quality, efficiency and expense control throughout every phase of the construction process. Since Lockwood Construction's inception in 1944, it has built more than \$1.6 billion of housing in the state of Michigan, including 13,000 single family homes, 5,100 multifamily units, 2,300 senior housing units, 1,200 rehabilitation units and 200 condominiums.

Lockwood Management was established in 2000. A strong reputation as a skilled construction company and successful developer helped the management company gain instant recognition and respect. Lockwood Management has built upon that reputation to successfully manage communities in a manner that ensures customer satisfaction from both client and owners. Lockwood Management currently manages 34 communities comprising over 4,400 units, including many with HUD financing.

Portfolio occupancy is currently 96.9%.

LOCKWOOD MULTI-FAMILY PROJECTS BUILT

5,395 Total Units

Alberta W. King Village, Detroit, MI – 121 Units
Arbor Pointe Apartments, Ypsilanti, MI - 200 Units
Avon Park Apartments, Flint, MI – 56 Units
Bay Hill Apartments, Traverse City, MI – 150 Units
Bay Pointe Apartments, Holland, MI – 156 Units
Bridgewater Park Apartments, Independence Twp., MI – 264 Units
Carriage Town Square, Flint, MI – 30 Units
Cedarshores Apartments, Mt. Morris Twp., MI – 144 Units
Centre Street Village, Portage, MI – 64 Units
Cranbrook Place Apartments Phases I - IV, Southfield, MI – 204 Units
Eagle Ridge Apartments, Flint, MI – 104 Units
Fairview Ridge Apartments, Normal, IL – 136 Units
Ford Lake Landing, Ypsilanti, MI – 184 Units
Forest Hills, Kalamazoo, MI – 81 Units
Genesis Villas at Medbury Park, Detroit, MI – 89 Units
Glenview Gardens, Port Huron, MI – 96 Units
Lakeshore Village Phase I, Howell, MI – 144 Units
Lakeshore Village Phase II, Howell, MI – 96 Units
Lincoln at Fairlane Town Center, Dearborn, MI – 200 Units
Mapleview Apartments Phase I, Buena Vista Twp., MI – 144 Units
Mapleview Apartments Phase II, Buena Vista Twp., MI – 56 Units
Marsh Creek Apartments, Woodhaven, MI – 144 Units
Morris Square, Mt. Morris, MI – 96 Units
Newberry Homes, Detroit, MI – 60 Units
Norris Apartments, Westland, MI – 60 Units
Oakview Square, Chesterfield Twp., MI – 193 Units
Palmer Court Apartments, Detroit, MI – 173 Units
Park Place Apartments, Grand Rapids, MI – 165 Units
Pineshores Apartments, Mt. Morris Twp., MI – 121 Units
Rivertown Green, Port Huron, MI – 97 Units
Shafer Square, Flint, MI - 91 Units
Shoal Creek North, Sterling Heights, MI – 72 Units
Springbrook Apartments Phase I, Union Twp., MI – 48 Units
Springbrook Apartments Phase II, Union Twp., MI – 48 Units
U. S. Coast Guard Family Housing, Sault Ste Marie, MI – 14 units
Vista Brownstones, Novi, MI - 260 Units
Waldon Lake Apartments, Orion Twp., MI – 200 Units
Walkabout Creek Apartments Phase I, Dexter, MI - 100 Units
Walkabout Creek Apartments Phase II, Dexter, MI - 65 Units
Waterford West Apartments Phases I & II, Waterford, MI – 172 Units
Woodchase Apartments Phase I, Ann Arbor, MI – 144 Units
Woodchase Apartments Phases 2 & 3, Ann Arbor, MI – 224 Units
Woodlake Hills, Pontiac, MI – 145 Units

LOCKWOOD SENIOR PROJECTS BUILT

2,332 Total Units

American House, West Bloomfield, MI – 86 Units
Cedarwood Seniors, Flushing, MI – 100 Units
Cranbrook Terrace, Mt. Pleasant, MI – 40 Units
Fairfax Manor, Superior Twp., MI – 20 Units
Glenhaven Manor, Grand Rapids, MI – 133 Units
Kearsley Daly Manor, Flint, MI – 100 Units
Lakehaven Manor, Pontiac, MI – 163 Units
Lockwood of Fenton, Fenton, MI – 106 Units
Magnolia Gardens, Troy, MI – 147 Units
Meadowbrook Commons, Novi, MI – 175 Units
Meadows of Livonia, Livonia, MI – 166 Units
Meadowview Gardens, Burton, MI – 126 Units
Millpond Manor, Fenton, MI – 65 Units
Oakhaven Manor, Howell, MI – 112 Units
Parkhaven Manor, Hazel Park, MI – 125 Units
Pine Gardens, Mt. Morris Twp., MI – 126 Units
Porthaven Manor, Port Huron, MI – 102 Units
Riverside Gardens, Waterford, MI – 126 Units
Rosehaven Manor, Flint, MI – 123 Units
Sylvan Pines, Chelsea, MI – 100 Units
Taeckens Terrace, Davison, MI – 91 Units

THE LOCKWOOD EXECUTIVE TEAM

Rodney M. Lockwood, Jr., Chairman and Chief Executive Officer

Mr. Lockwood has been in his current positions for over 25 years. He has overseen the construction of over 10,000 housing units and the design and development of 5,100.

He is former Chairman of the Board of the Michigan Chamber of Commerce, former President and Chairman of the Board of the Michigan Housing Council, former Board Member of First Independence Bank and also serves on the board of the National Housing and Rehabilitation Association, is former Treasurer and current board member of the Mackinac Center for Public Policy in addition to serving on the Steering Committee of the Housing Credit Group of the National Association of Home Builders.

Mr. Lockwood has been a leader in the turnaround of Michigan. His op-eds and letters have been published in the Detroit Free Press, the Detroit News, Lansing State Journal and the Wall Street Journal. He has made a number of appearances on Fox Business Network, Fox News and local Detroit TV and radio stations.

Mr. Lockwood holds a B.S. - Mechanical Engineering degree from the University of Michigan and an M.B.A. (finance) from Wayne State University.

Scott A. Larry, Chief Operating Officer and Partner

Mr. Larry is the COO of the Lockwood Companies while also maintaining his role as Executive Vice President of Lockwood Construction. He has been employed in the construction industry since 1975, starting in the field as a laborer and working his way up through the ranks. Mr. Larry joined Lockwood in 1988 as Project Manager and assumed his role as Executive Vice President in 1998. He has been directly involved in constructing over 10,000 housing units, approximately 8,000 of these in his tenure with Lockwood. In 2005, he was appointed COO and is responsible for the operations of all three business units. Mr. Larry holds a Bachelor of Science and Technology from Lawrence Technological University and is a licensed builder in the states of Michigan and Florida. He is the past President of the Michigan Housing Council, and a member of the International Code Council, National Fire Protection Association, the National Association of Home Builders and the Construction Specification Institute.

Philip A. LaBelle, Vice President and Partner

Mr. LaBelle is the Vice President of Lockwood Management. He is responsible for the day to day operations of the corporate accounting department. He has a diverse background in finance, accounting and operations management. Prior to joining Lockwood, Mr. LaBelle was employed with an internationally recognized hospitality management company, where he worked in finance and accounting for fifteen years. He was financially responsible for assets with revenues up to \$14,000,000 annually. He has also worked as a Director of Property Management for a Michigan-based property management company where he led the day to day operations of the property management division. He received a Bachelor of Science degree in Business Economics from The State University of New York at Oneonta and a Master of Science in Management from Walsh College of Business and Accountancy.

Mark Lockwood, Vice President of Development

Mr. Lockwood joined the Lockwood Companies in 2011 after working in the multifamily division of Marcus & Millichap, a national brokerage firm. He also has experience working for City Year Detroit, a non-profit organization as volunteer outreach coordinator and a corporate sponsor public relations ambassador.

Mr. Lockwood has been intimately involved in the financial analysis of the company portfolio and acquisition opportunities. Mr. Lockwood has experience in processing loan applications for the HUD 223(f) program in addition to key involvement in acquisition and rehabilitation projects involving Section 42 Low-Income Housing Tax Credits. Mr. Lockwood is a graduate of Albion College, holding a Bachelor of Arts degree in Economics and Management. Mr. Lockwood is also a licensed real estate salesperson in the State of Michigan and is a Certified Property Manager candidate with the Institute of Real Estate Management.

Barbara Boik, Director of Administrative Services and Partner

Ms. Boik has in excess of 20 years of experience in commercial and multifamily property management and 13 of those years have been with Lockwood Management LLC. She joined Lockwood Management LLC as an Administrative Assistant in August of 2000. Prior to joining Lockwood she worked for Etkin & Co as their Office Manager.

Ms. Boik has been an integral part of the management company. She has diligently overseen the insurance business of Lockwood very successfully, which has resulted in the Company enjoying very competitive rates for this industry. Ms. Boik has close contact with MSHDA on many issues overseeing annual report submissions, completing new management agent change packages as well as overseeing the property budget submissions.

She has taken Business Administration classes through Macomb Community College.

Robert Salomon, Director of Asset Management

Mr. Salomon has in excess of 40 years' experience in virtually every aspect of commercial and multifamily residential real estate, including the acquisition, development, finance, construction and completed operations of more than 20,000 units of affordable and market rate apartments in MI, FL, IL, NY, AZ, GA, NC, VA and WA.

Mr. Salomon was awarded a B.A. degree in History from the State University of New York at Buffalo, and a Juris Doctor degree (*cum laude*) from its Law School. He is licensed to practice law in the State of New York, and is a licensed Associate Real Estate Broker in the State of Michigan.

Mr. Salomon is a past director of the Michigan Housing Council, and was the chairperson of its Legislative Committee. He has spoken as a guest lecturer at the University Of Michigan School Of Business, and before other professional and civic groups.

SUMMARY REPORT TO MANAGER
For City Council Meeting of February 15, 2016

SUBJECT: Questions for the Housing Commission to respond to during its public hearing on the Bracken Woods PILOT request by Lockwood Development.

INITIATED BY: David A. Keenan, Assistant City Manager

RESOLUTION SUMMARY:

This resolution would approve a list of questions as provided on *Exhibit 1 – City Council Questions for the Housing Commission*, and refer said questions to the Housing Commission for them to answer during their public hearing process on the PILOT request for Bracken Woods Apartments.

ITEMS ATTACHED:

1. Letter of Transmittal
2. *Exhibit 1, City Council Questions for the Housing Commission*
3. Resolution

CITY COUNCIL ACTION:

3/5 affirmative vote required for adoption

David A. Keenan, Assistant City Manager



City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640 ♦ 989.837.3300 * 989.837.2717 Fax ♦ www.midland-mi.org

TO: Jon Lynch, City Manager

FM: David A. Keenan, Assistant City Manager

DT: February 10, 2016

RE: Questions for Housing Commission public hearing on the Bracken Woods PILOT request by Lockwood Development.

On January 25, 2016 City Council accepted a request for a “payment in lieu of taxes” exemption, or PILOT, for the property known as Bracken Woods Apartments, and referred said request to the Housing Commission for study and recommendation.

During the deliberation City Council advised that there are some questions that they would like to have answered during the Housing Commission public hearing process for the PILOT request on Bracken Woods Apartments.

Those questions are shown on *Exhibit 1, City Council Questions for the Housing Commission*.

The accompanying resolution for City Council’s consideration will approve the list of questions to be forwarded to the Housing Commission to be answered during the public hearing process on the PILOT request for Bracken Woods Apartments.



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EXHIBIT 1 – City Council Questions for the Housing Commission

To answer during the public hearing process for the PILOT request at Bracken Woods Apartments

1. How many inspected apartment/rental units are there in the city of Midland (and the county of Midland if that is available)? And what has that number been for each of the past 5 years?
2. What are the current rental rates for 1 and 2 bedroom units both in the city and in the county?
3. How do Midland's rental rates compare to 5 other similarly sized cities (i.e. Traverse City, Flint, Mount Pleasant, Muskegon, East Lansing, Holland, Jackson)?
4. What is the PILOT rate in those 5 other similar sized cities?
5. If this were a newly constructed complex, what PILOT rate would the Housing Commission recommend?
6. Under the PILOT program can we grant a stair stepped rate so that the 4% rate applies to the remainder of the years under the existing Bracken Woods program and then new rates apply to any extension being requested?
7. Other cities with a PILOT building seem to impose a service charge on top of the PILOT rate; has the Housing Commission considered that type of charge for a PILOT?
8. Is it correct that individuals that qualify for PILOT housing can remain in their apartments even though their income levels increase beyond the 50% of median level? If so, then it is theoretically possible that Bracken Woods would no longer be providing low income housing and not warrant the extension of PILOT tax relief?
9. Have PILOT programs in other cities removed this tax benefit if the complex fails to maintain a minimum percentage of qualified tenants?
10. Is the condition something that we as a city/housing commission feel is a problem?
11. What is it specifically that has led to the purported inferior (yet code compliant) condition of Bracken Woods?
12. What code changes should be implemented to correct those things that are considered a problem?
13. Can we have a higher maintenance standard for PILOT subsidized housing? Would that be imposed by ordinance?

EXHIBIT 1 – City Council Questions for the Housing Commission (continued)

14. What is the enforcement mechanism for failure to comply with maintenance standards?
15. What is the MHSDA maintenance standard? And is it more stringent than Midland's code?
16. As proposed by the PILOT request from Lockwood Development, of the 104 units at Bracken Woods Apartments, how many will be barrier free, and how many will be handicap accessible?
17. Interview some references from communities where Lockwood Development currently has PILOTS.
18. In Lockwood's presentation they referenced that in some agreements there can be a condition that if the property is sold it would no longer have a PILOT status – is this beneficial and is that something that can be added to our agreement?



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BY COUNCILMAN

WHEREAS, on January 25, 2016 the City Council accepted a request for a “payment in lieu of taxes” exemption, or PILOT, for the property known as Bracken Woods Apartments, and referred said request to the Housing Commission for study and recommendation; and

WHEREAS, during their deliberation, City Council advised that there are some questions that they would like to have answered during the Housing Commission’s public hearing process for the PILOT request on Bracken Woods Apartments; now therefore

RESOLVED, that the questions listed on *EXHIBIT 1 – City Council Questions for the Housing Commission* is hereby approved to be referred to the Housing Commission for them to answer during their public hearing process on the PILOT request for Bracken Woods Apartments.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeas vote of all of the Councilmen present at a regular meeting of the City Council held Monday, February 15, 2016.

Selina Tisdale, City Clerk

EXHIBIT 1 – City Council Questions for the Housing Commission

To answer during the public hearing process for the PILOT request at Bracken Woods Apartments

1. How many inspected apartment/rental units are there in the city of Midland (and the county of Midland if that is available)? And what has that number been for each of the past 5 years?

There are currently 6,400 certified rental units within the city of Midland. While the exact number of certified rentals per year is not known, it is known that this number has remained generally constant over the last five years.

2. What are the current rental rates for 1 and 2 bedroom units both in the city and in the county?

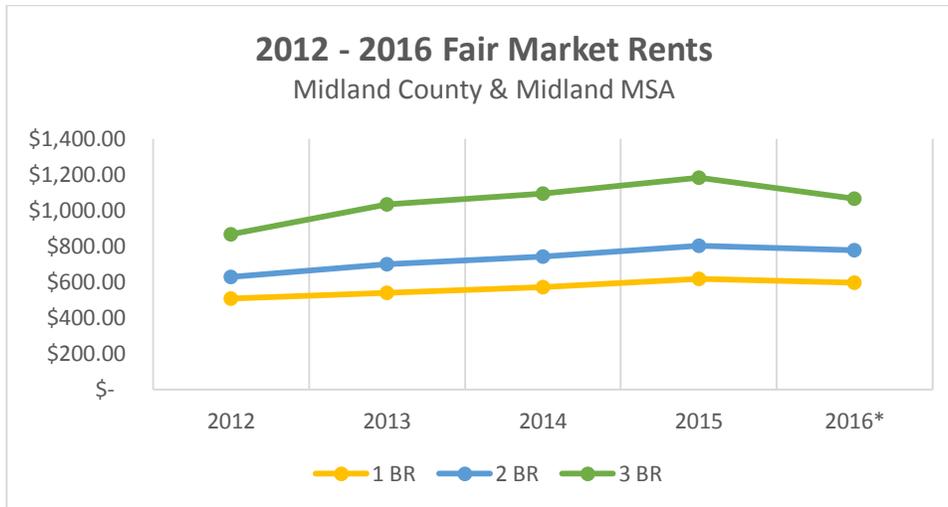
True rental rates for 1 and 2 bedroom units are not known for the city and the county as this information is not required to be reported, nor actively collected. The U.S. Department of Housing and Urban Development compiles Fair Market Rent (FMR) values for counties and Metropolitan Statistical Areas (MSA) on a yearly basis that can be used to gain an idea of the rental rates within a specific area. These numbers are generated using American Community Survey estimates provided by the U.S. Census Bureau as a base. HUD then makes a series of adjustments following a set calculation methodology, (the full calculation methodology is included in the attached FY 2016 Fair Market Rent calculation for Midland MSA). It must be noted that these FMR numbers are not intended to be an exact representation of prevailing rents within a market area; rather, the numbers are intended to be used as a yearly estimate for various HUD and state housing programs.

Starting in year 2016, FMRs for the city of Midland are no longer part of Midland County but are part of the newly created Midland MSA. The ACS 2013, of which the 2016 FMRs are based upon, was the first year that established the Midland MSA.

	2012	2013	2014	2015	2016
1 Bedroom	\$510	\$541	\$573	\$619	\$598
2 Bedroom	\$629	\$702	\$744	\$803	\$778
3 Bedroom	\$867	\$1,034	\$1,096	\$1,183	\$1,068
	<i>Midland County</i>				<i>Midland MSA</i>

Source: HUD Fair Market Rent Documentation System 2012-2016

<https://www.huduser.gov/portal/datasets/fmr.html>



3. How do Midland’s rental rates compare to 5 other similarly sized cities?

Midland’s current Fair Market Rent (FMRs) rates fell near the top of the six market areas that were selected for comparison based upon geographical proximity and comparable population size of the targeted city that falls within the Metropolitan Statistical Area or county. The five comparable MSAs and the one comparable county included: Bay City MSA, Saginaw-Saginaw Township North MSA, Isabella County (Mt. Pleasant), Battle Creek MSA, Lansing-East Lansing MSA, and Jackson MSA.

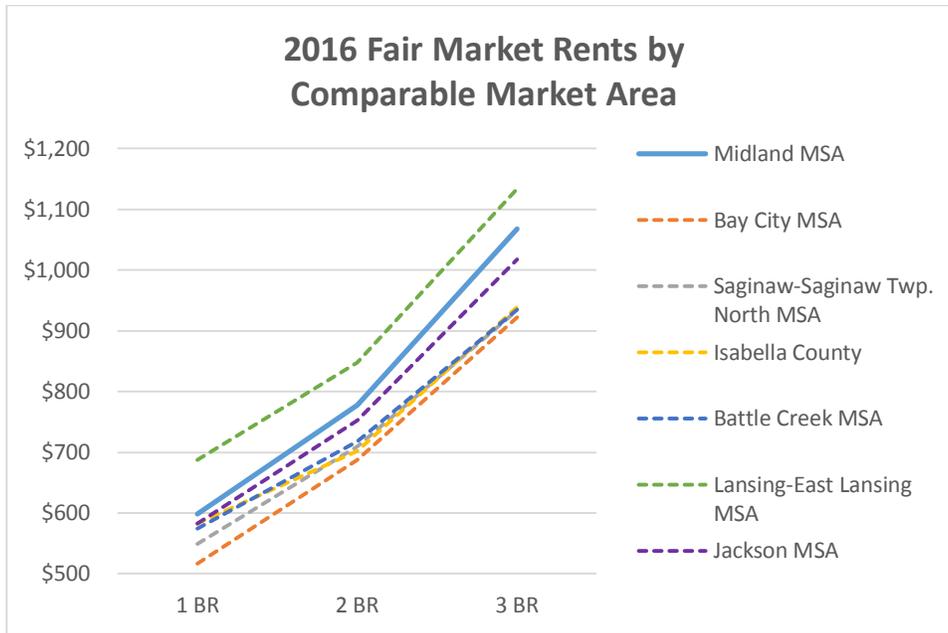
2016 Fair Market Rents by Comparable Market Area

	Midland MSA	Bay City MSA	Saginaw-Twp. North MSA	Isabella County	Battle Creek MSA	Lansing-East Lansing MSA	Jackson MSA
1 BR	\$598	\$517	\$549	\$583	\$574	\$687	\$583
2 BR	\$778	\$687	\$709	\$702	\$718	\$848	\$752
3 BR	\$1,068	\$922	\$934	\$939	\$935	\$1,134	\$1,017

Source: HUD Fair Market Rent Documentation System 2012-2016

<https://www.huduser.gov/portal/datasets/fmr.html>

The only comparable market area that has higher FMRs in every bedroom category is the Lansing-East Lansing MSA. The comparable market area most similar to Midland in each bedroom category is the Jackson MSA: 1 BR ±\$15; 2 BR ±\$26; 3 BR ±\$51.



4. What is the PILOT rate in those 5 other similar sized cities?

The PILOT rates in seven comparable jurisdictions were researched to determine how the city of Midland compares to jurisdictions of similar population size and/or geographic proximity. The table below highlights the number of PILOT exemptions and the applicable service fee rates established by ordinance for housing developments in the seven comparable jurisdictions.

Notably, Midland appears to have a high number of PILOT exemptions compared to the other jurisdictions. This disproportion can be explained by the number of single-family residences that are established by ordinance in Midland: eight of the 19 PILOTs in the City of Midland are single-family homes. Comparatively, most other jurisdictions do not have such a high number (or any) PILOTs granted to individual single-family homes but rather have PILOTs established for only larger scale developments.

PILOT Rates by Comparable Jurisdictions

Jurisdiction	Number of PILOT Exemptions	PILOT Rate Range
City of Midland	19	All at 4%
City of Bay City	5	All at 4%
Saginaw Township	2	All at 4%
City of Saginaw	8	4-10%
City of Mt. Pleasant	10	4-10%
City of Battle Creek	11	2.25 – 10%
City of East Lansing	7	4-10%
City of Jackson	3	All at 4%

5. If this were a newly constructed complex, what PILOT rate would the Housing Commission recommend?

It is important to note that the Housing Commission has not dealt with PILOTs prior to August of 2015 – Bracken Woods request from Lockwood Development. Prior PILOT requests were not required to come before the Housing Commission. It would be staff’s expectation that the Commission would rely upon a recommendation of staff that was arrived at in conjunction with the 2010 recommended guidelines received and filed by City Council. Ideally the same criteria should be considered in both scenarios.

6. Under the PILOT program can we grant a stair stepped rate so that the 4% rate applies to the remainder of the years under the existing Bracken Woods program and then new rates apply to any extension being requested?

MSHDA does allow for PILOTs with stair-stepped rates; however, for underwriting approval purposes MSHDA assumes all years to be at the highest rate. They do not see many PILOTs with similar rate structures. Typically an accelerating PILOT does not allow the development to achieve feasibility.

7. Other cities with a PILOT building seem to impose a service charge on top of the PILOT rate; has the Housing Commission considered that type of charge for a PILOT?

See previous explanation about the Housing Commissions past experience with PILOTs. From MSHDA’s viewpoint, it is allowable to charge an additional fee, on top of the PILOT fee, but they will combine them together as if the PILOT fee were higher for the purposes of their underwriting process.

8. Is it correct that individuals that qualify for PILOT housing can remain in their apartments even though their income levels increase beyond the 50% of median level? If so, then it is theoretically possible that Bracken Woods would no longer be providing low income housing and not warrant the extension of PILOT tax relief?

That is correct. Because Bracken Woods is a Low Income Housing Tax Credits program , the Internal Revenue Code provides direction. As explained by John Hundt of MSHDA, residents must be income-qualified at the time of their initial move-in. Such initially-eligible households remain income-qualified even if their incomes subsequently increase to an amount that is in excess of the income limit. There is no time limit or dollar limit that will be applied to this situation. The rents on these households must remain restricted.

9. Have PILOT programs in other cities removed this tax benefit if the complex fails to maintain a minimum percentage of qualified tenants?

QUESTION POSED TO MSHDA. NO RESPONSE YET.

10. Is the condition something that we as a city/housing commission feel is a problem?

The main concern of staff is not necessarily the current condition of Bracken Woods but rather the direction of decline this facility has been headed in over the last few years. While the current condition is not great, there are rental units within the city that are in slightly worse condition and there are some that are in better condition. The City's rental inspection program is meant to review the current state of the property through a checklist of health and safety standards; it is not meant to assess the capital replacement needs of the facility. The responsibility for maintenance in compliance with capital replacement plans or other loan covenants with MSHDA is MSHDA's responsibility for monitoring.

11. What is it specifically that has led to the purported inferior (yet code compliant) condition of Bracken Woods?

In the opinion of John Hundt from MSHDA, the development is currently owned by an out of state developer who has become disinterested in the Michigan market and has attempted to sell his entire Michigan portfolio for the last several years. During this time the owner has not focused on actively managing these developments and has allowed the physical and financial condition to deteriorate. Several of this developers properties in the state have been foreclosed on, those with MSHDA held mortgages were taken over and either listed and sold outright, or are in the process of stabilization and listing for sale. During the time the state owns the property, no taxes are paid.

12. What code changes should be implemented to correct those things that are considered a problem?

Code changes would not be advisable as codes relate to all rental units and cannot be tailored towards specific developments or properties. Code changes targeting specific properties would be a form of discrimination. Any additional requirements above the City's typical code could be included in a separate agreement with the apartment owner and MSHDA.

13. Can we have a higher maintenance standard for PILOT subsidized housing? Would that be imposed by ordinance?

Higher maintenance standards for PILOT housing can be achieved through the adoption of a PILOT policy, rather than through ordinance changes, that would specify higher maintenance standards. These standards would be achieved through the establishment of a contractual agreement with the apartment owner and MSHDA. However, before taking action on such an item, staff advises that additional study be done regarding enforcement and penalty for non-compliance.

14. What is the enforcement mechanism for failure to comply with maintenance standards?

REQUESTED FROM MSHDA ON 2/3. NO RESPONSE YET.

15. What is the MSHDA maintenance standard? And is it more stringent than Midland's code?

The MSHDA Physical Inspection Manual is available at this web site:

http://www.michigan.gov/mshda/0,4641,7-141-5555_8002_26576_26578-113476--,00.html

While the scope of MSHDA's manual appears to be greater in some areas compared to the City's rental code, there are significant areas of overlap between the two on the items that are reviewed during inspections.

16. As proposed by the PILOT request from Lockwood Development, of the 104 units at Bracken Woods Apartments, how many will be barrier free, and how many will be handicap accessible?

There are 6 barrier free apartments. In addition, 3 other units are considered accessible for the visually or hearing impaired.

17. Interview some references from communities where Lockwood Development currently has PILOTs.

Request for references have been asked for from various communities that Lockwood Development operates in. It is anticipated that these references will be presented during the Housing Commission meeting on March 2.

18. In Lockwood's presentation they referenced that in some agreements there can be a condition that if the property is sold it would no longer have a PILOT status – is this beneficial and is that something that can be added to our agreement?

QUESTION POSED TO MSHDA ON 2/3. NO RESPONSE YET. Waiting on MSHDA legal department.

Recommendations for amendments to Article XIII Section 2-260 of the Code of Ordinance Payment in Lieu of Taxes (PILOT) Policy

Required Application Materials

1. Completed city application form
2. Must meet MSHDA eligibility and be approved as a non-profit housing corporation.
3. Must be financed with a MSHDA or other similar financing program.
4. Provide site/project specific third party market study (completed within the past 12 months)
City Council would have discretion to waive this requirement.
5. All units within a proposed project must serve those at 50% or below of median income (as defined by HUD or MSHDA) and include units to serve those at 30% of below of median income.
6. Specify targeted rental rates by unit and income eligibility guidelines.

City Council Review Process

1. Application submitted directly to City Council for initial acceptance and referral.
2. City Council referral to the Housing Commission for study and recommendation.
3. % of PILOT fee negotiated between the City and applicant based upon a recommendation by staff upon financial analysis of project. (Minimum 4% up to 11%)
4. PILOT status eligible for original mortgage term only expiring upon payoff (not to exceed 40 years). No assignment, refinancing or sale permitted without submission of a new application.
5. PILOT requirements between the developer and the City including all rules, regulations, policies and obligations shall be outlined in a document recorded with the Midland County Register of Deeds office.
6. Housing Commission review of application and provide recommendation to City Council.
7. City Council considers request as an ordinance amendment requiring two readings.

Annual Compliance & Enforcement

1. Filing of annual audit (prepared by a CPA), financial statements and/or IRS 990 form submitted to the City of Midland.
2. The City of Midland, upon request, shall be provided access to any tenant income verification or property inspection reports provided to MSHDA on an annual basis by the developer.
3. Annual report from Housing Commission to City Council on PILOT status compliance.
4. Maintain compliance with the City of Midland Rental Housing Ordinance. (Biannual registration and physical property inspection.)
5. Noncompliance may result in the loss of property tax exemption (including interest and penalties) for any year in which noncompliance can be proven, including retroactively, at the discretion of the City. Noncompliance may include but shall not be limited to fraudulent reporting practices, ineligible tenant occupancy, violation of the terms and conditions of MSHDA's or the City of Midland's rules and regulations, late or nonpayment of the annual PILOT fee and other actions contrary to the purpose and intent of this policy.

To the Housing Commission: In his editorial on Thursday, February 11, in the Midland Daily News, Floyd Andrick says that the landlord association, MAREIA, has always supported and provided housing for low income individuals. He has even provided "as many as 10 – 12 units for low income residents" ...over 42 years! Were those 10 – 12 units constantly rented to low income residents or is this just an occasional rental when higher paying residents were not available over 42 years?

I would like MAREIA to identify how many of their current properties are being used for low income housing according to the definitions presented in the Bracken Woods hearing. Will they rent to low income residents only if they get housing vouchers or higher paying renters are not available? Or are their low income rentals really the result of low quality properties that do not warrant any higher rents? What is the real level of commitment from MAREIA to low income housing? Andrick and Anna Marie Morgan only speak in generalities about their commitment to low income housing, and seem to resent any subsidized approach to meeting a demand for low income housing that MAREIA has never been able to meet with their own properties.

And who does MAREIA actually represent? Do they represent all rental property owners in Midland? That answer is no. At least one of the largest rental property owners in Midland does not belong to MAREIA because he is quite able to manage his own business successfully while helping a lot of low income residents.

Bracken Woods was approved by the city of Midland as a PILOT program 20 years ago to try to help meet some of the need for affordable low income housing in Midland. There are 19 PILOT (Payment In Lieu Of Taxes) rental facilities in Midland, so there is obviously a need for low income housing that is not being met by the commercial landlords in Midland, members or MAREIA and non-members of MAREIA. Officials of the City of Midland in the Bracken woods hearings have stated that there is still an excess of demand for low income housing compared to the supply of low income housing. Any facility that helps reduce that unmet need for low income affordable housing is a benefit to the potential residents and the city of Midland's objective of preventing homelessness and giving low income people a chance to better themselves.

I am tired of MAREIA members acting like they are victims, when in fact they have chosen to be rental property owners to realize an income. They are for profit landlords. There are risks and obligations that they have as landlords, such as the obligation to pay taxes on their properties (like we all pay for the properties we own) and to provide safe and quality housing that meets the codes of the city of Midland. If their properties need repairs or appliance replacements, they must perform those, not just to meet code, but to provide their residents a clean safe place to live. Their properties have a certain value based on their condition and attractiveness that should be reflected in the rent charged. If they are priced too high, no one will want to live there. If they can't find people willing to live in their properties, they should look to the value they are offering for the price they are charging.

However, if as a landlord group, MAREIA can limit lower priced alternatives like PILOT facilities, they can limit supply and maintain higher rents and higher incomes.

The argument that a PILOT or Bracken Woods in particular is a burden on the taxpayers of Midland is pure myth. Again from the statements of City of Midland officials, the taxes lost to the City of Midland (about \$86,639 for a year for Bracken Woods in the future) are an investment in the welfare of residents in 104 units in Bracken Woods whose rents would be reduced about \$186,216 per year. If that forgone tax is considered an investment in the residents, that is over a 200% return on investment (benefits) to people for the \$86,639 investment by the city. If that \$86,639 were spread over all the property taxpayers of Midland (city and county) it would be insignificant to each tax paying homeowner or business owner. In addition, the \$186,216 rent reduction would be used to buy necessities from Midland merchants, adding to the Midland economy in sales and jobs.

In the Bracken Woods hearing in front of the Midland City Council, we have learned that the original owners of Bracken Woods were not capitalized sufficiently to afford to maintain the property long term. They also have incurred large financial losses. The State of Michigan asked Lockwood to take over management of Bracken Woods last summer and asked Lockwood to take over ownership to allow renovation and competent management of the facility. Lockwood, a Michigan corporation, has successfully operated about 25 PILOT facilities without foreclosure of any of them. Lockwood has a proven track record of successful ownership and management of PILOT programs for the benefit of their residents and the cities in which they reside. Lockwood's competence and the thoroughness of their proposal in the last city council hearing on Bracken Woods was very impressive. I have no doubt that Lockwood would not only upgrade Bracken Woods to be an outstanding physical facility, but would have the financial management tools in place to insure that the facility would remain in an excellent condition throughout the life of the PILOT. Lockwood has responded to all the requests and questions of the Midland Housing Commission and the City Council to this point.

Bracken Woods allows the City of Midland, in conjunction with the State of Michigan to continue their commitment to help provide quality housing for low income Midland residents that is not and can not be provided by commercial landlords of Midland. Housing all the low income people of Midland is not the responsibility of MAREIA. They are engaged in the for profit business of renting apartments or houses for whatever they can charge. That is fine. But don't try to prevent the continuation of a well established program of joint state and city cooperation to help meet the need for subsidized, low income housing that you, MAREIA, are not able to meet. Your efforts in opposition to Bracken Woods, MAREIA, do nothing more than limit opportunities for low income people to have safe, affordable places to live, opportunities that you are not able to provide.

Why am I interested in this subject? Because as a volunteer member of the Midland Continuum of Care, my eyes have been opened to needs in Midland of people that are struggling, often from situations beyond their control. Midland is a community blessed with affluence. I believe we citizens of Midland have both an opportunity and an obligation to help those less fortunate in a variety of ways. The organizations of the Continuum, the Midland foundations, the Churches do wonderful work to help the community. I believe that the upgrade and continuation of Bracken Woods by Lockwood would be another component to allow the City of Midland and its residents to help those less fortunate.

Ron Parmele, Midland resident

Tuesday February 23rd, 2016

Midland Housing Commission
333 Ellsworth Street
Midland, MI 48640

Subject: Documents for your Review & Recommendation re Bracken Woods PILOT request from Lockwood Development and Cinnaire Corporation

Dear Housing Commission Member,

Thank you for your service on the Housing Commission. This particular PILOT for Bracken Woods poses specific challenges. For one thing, if approved, it would set a precedent for 19 other existing PILOTS to be perpetuated.

While Lockwood's second PILOT request is an improvement over their first where only **2 out of 104 units** were offered at the 30% AMI rate, the question remains whether 10 out of 104 units would adequately meet the demand which exceeds the supply as stated by Assistant City Manager, Dave Keenan, during his presentation to City Council on January 25th. We submit that it would not even begin to meet those needs and suggest that at least 25-40% of the units be designated to the 30% AMI group.

This would be a show of good faith by Lockwood Development and Cinnaire since this is supposedly a partnership between them, the city of Midland and MHSDA towards the common goal of providing 'Affordable Housing' to the 30% AMI households. Lockwood and Cinnaire need to step up and prove they are genuinely trying to help those most in need. We must remember too that this is supposed to be a reciprocal arrangement. From where we stand, it appears that the only ones to benefit from this venture is MHSDA, Lockwood and Cinnaire.

It is therefore incumbent upon you to ensure the needs of the working poor are served and that Midland residents are not made to bear undue tax burdens for an extended length of time.

Enclosed for your review are the following documents from MAREIA members:

- Three Part Series on Lessons Learned from the PILOT Application Process for the Bracken Woods Apartments by Sid Hansen
- Letter to the Editor by past MAREIA president, Floyd Andrick
- Letter from MAREIA Secretary Starla Jordan
- List of Questions from Marcia and John Blackson

We are confident that you are up to the task of setting parameters and ensuring that the housing needs of the working poor or 30% AMI households are adequately served through this PILOT.

Thank you for your time and consideration.

Respectfully,

AnnaMaria Morgan - President
Midland Area Real Estate Investors Association (MAREIA)
P O Box 2685
Midland, MI 48641
Phone: 989-837-2366
Email: Mareia.Rent@gmail.com

// Thoughts from John + Marilee Blackson

PILOT

- Do the residents also get a break on utility costs?; If so, do they always pay low utilities until they move out?
- Security deposit
- Stay forever – Case in point-an office professional
- Apt. turn over
- Can 1 person request to fill a 2-3 bedroom
- Average lease length?
- Eviction policy
- As their ability to pay more increases then the complex should be paying more in property tax
- How do they get approved for Sec. 8's? It is a very nit picky inspection.

When does helping hurt the person/family?

When does helping hurt the community?

- When people from other areas are filling up our low income housing units?

An outside firm (absent landlord)

Current owner should bring it up to code before they should be able to sell it. Just like we have too to meet certain finance loan requirements or even federal government financing requirements. i.e. HUD, VA loans, etc. (reposed bank property an exception).

Lockwood

- Request their Business Plan to purchase and operate, just like you would a start up business.
 - First year balance sheet
 - 15-25 yr
 - previous year balance sheet

Questions to the City Council

- 1) How many residents of PILOT/or other low income housing units in Midland graduated from Midland H.S.'s or are we luring more low income people to Midland because we have "so many" units available?
- 2) What is the AMI for Bay City or Saginaw? What/Who defines the AMI, the city, the county or the state?
- 3) Why are the other PILOTs in town doing okay? What are they doing differently? Or are they not doing okay? Do they have lower interest rates?
- 4) What low income housing that isn't under the PILOT program and who is subsidizing it?
- 5) Somebody is making money or development firms wouldn't invest. (Bond investors and capital investment firms (the rich) are benefiting from Midland tax breaks.)
- 6) Are there better ways to provide low income housing? If so then let Brackenwoods go to private sector.
- 7) Why are we amending an ordinance
- 8) Are you figuring everything using the assessed tax value or the purchase price?
- 9) Who is responsible for monitoring the building codes?
- 10) The benefits of Midland's tax credit State Housing Authority isn't staying in our community it will be going to Detroit area. Except that those benefiting in the community are working and spending in the community
- 11) When a PILOT matures, then what happens? Or do they never come off just change hands and the new owner applies for a new pilot like we have case of Brackenwoods?

12) Who owns the liability on the current loan and are they related?

13) The current Brackenwood case is an example of having an entity managed by bureaucracy that isn't elected by the people, they aren't business people and they run it into the ground because it is somebody else's money and they take no loss in the outcome.

? 25 well managed properties?

? 60% ?

February 8th, 2016

Midland City Council
City of Midland
333 W. Ellsworth Street
Midland, MI 48640

**SECOND REQUEST FOR PILOT ORDINANCE
FROM LOCKWOOD COMPANIES FOR BRACKEN WOODS APARTMENTS
5301 DUBLIN AVENUE, MIDLAND, MI 48640**

Dear Madam Mayor and Midland City Council Members,

Lockwood Companies presented a second request for PILOT to the Midland City Council on January 25th, 2016 regarding the Bracken Woods Apartments. The Midland City Council received the application package for PILOT and referred it to the Midland Housing Commission for study and recommendation.

However, it was determined at the January 25th meeting that Council will meet again on February 15th to discuss new requirements and direction to be given to the Housing Commission so that they could make a more informed decision regarding this PILOT.

We thank City Council for doing due diligence regarding this PILOT request. We are exceedingly proud of you for your thoroughness in ensuring that the needs of the targeted group (30-50% AMI) will be served, for upholding the trust of your constituents and for protecting Midland residents from potential exploitation and abuse from out of state investors.

We understand that it is critical that new direction and requirements be provided to the Housing Commission at this time because, if this PILOT is approved, it will set a precedent for future PILOTS which may be allowed to perpetuate after their initial term has expired.

To that end, in an attempt to help, the following MAREIA members invested much time and effort putting these articles together for your review.

(1) Sid Hansen, MAREIA Member:
(a) Lessons Learned from PILOT Application Process
for Bracken Woods Apartments

DRAFT Editorial in the Midland Daily News in three parts: (REV 4, 2-3-16)

PILOT PART I – MODERATE & LOW INCOME RENTAL HOUSING
PILOT PART II – BRACKEN WOODS APARTMENTS

The new Bracken Woods Apartment PILOT Application

Questions and Resolutions by Sid Hansen, MAREIA Member

1. Why is Boston Capital Investment breaking the Bracken Woods PILOT agreement before the full 35 year period?
2. Are there no financial or legal sequences for failure of the Bracken Woods PILOT and early termination on the part of Boston Capital Investment?
3. Should Boston Capital Investment make more whole their "hollowed out" Bracken Woods PILOT investment before the sale rather than be rewarded on their "designed- to-fail" business investment model?
4. How can Boston Capital Investment be entitled to a bailout for the failed Bracken Woods PILOT from the city of Midland and the new buyer, CINNAIRE Capital Investment?
5. How can CINNAIRE Capital Investment call the purchase of the failed Bracken Woods PILOT a good deal? Is it only more Midland property tax forgiveness that make this a good deal?
6. Is CINNAIRE's compassion for the low income 30% AMI (the poor) so shallow that they proposed only 2 of the 104 rental housing units in the new Bracken Woods PILOT application?
7. Is the new Bracken Woods PILOT application just a good deal for Boston Capital Investment as the seller and CINNAIRE as the buyer and Lockwood Development as the broker?
8. How can MSHDA endorse this expensive remodeling project in the Bracken Woods Apartments PILOT as a good deal? Has MSHDA likewise no compassion for the low income 30% AMI (the poor) by endorsing only 2 of the 104 rental housing units in the PILOT application?
9. Boston Capital Investment, CINNAIRE Capital Investment, and Lockwood Development will not let the Bracken Woods PILOT fail! None of these financial players can afford to have the Bracken Woods PILOT failure flagged on their investment record.

Resolution

What is the resolution of the Bracken Woods PILOT application?

The course of action for the Bracken Woods PILOT is for the City of Midland to honor the original 35 period of property tax forgiveness. The remaining 15 years on the PILOT should be used to make the Bracken Wood Apartment investment more whole, meet low income 30% AMI needs, and implement a sustainable business investment model moving forward. MSHDA should wholehearted endorse such a plan and provide assistance.

The Midland City Council will have served the moderate and low income rental housing community well by looking for accountability from all the capital investment players in the Bracken Woods PILOT application and MSHDA.

1. The Midland City Council should reject the Bracken Woods PILOT application as proposed
2. The Midland City Council should direct the Midland Housing Commission to work with local groups and agencies such as the Continuum of Care and MARIEA to define the rental housing needs and capacity in the community. The Midland Housing Commission should set the requirements for moderate (50% AMI) and low (30%AMI) rental housing based on community needs rather than capital investment models.
3. Alternatively, Lockwood Development may want to withdraw the Bracken Wood PILOT application and re-work a new proposal with all the capital investment players while holding to the original PILOT period of 35 years.

**Lessons Learned from PILOT Application Process
for Bracken Woods Apartments**

DRAFT Editorial in the Midland Daily News in three parts: (REV 4, 2-3-16)

PILOT PART I – MODERATE & LOW INCOME RENTAL HOUSING

PILOT PART II – BRACKEN WOODS APARTMENTS

PILOT PART II – BRACKEN WOODS APARTMENTS

PILOT PART I – MODERATE & LOW INCOME RENTAL HOUSING

This first in a three part series describes the lessons learned during the PILOT application process whereby the Midland City Council grants property tax forgiveness for up to 40 years. PILOT is shorthand for Payment in Lieu of Taxes. This financial scheme subsidizes large capital investments for moderate and low income rental housing using local property tax dollar credits. How does it work?

The federal Housing and Urban Development(HUD) and the Michigan State Housing Development Authority(MSHDA) have defined moderate and low income households using the annual median income (AMI) for each county grouped by the number of persons living in a household. For example; a family of four in Midland County has an AMI of \$70,000. A moderate income household would be 50% of that AMI or \$35,000 and a low income household (poor) would be 30% of that AMI or \$21,000.

The Michigan legislature in 1966 enacted a PILOT program that encourages local units of government to offer financial incentives to non-profit private investment to expand the availability of much needed quality affordable housing. This is aimed at moderate and low income households, especially in economically depressed communities. Hybrid government and business partnerships have grown into specialty businesses with hundreds of thousands of subsidized rental housing units across the nation. The business complexities are virtually incomprehensible to local units of government and to local property tax payers. Large non-profit businesses such as Boston Capital Investment can create a "great deal" for its investors and can leave local community property tax payers subsidizing a "bad deal".

The Midland City Council is the final arbitrator to grant or deny all PILOT applications. Local city units of government feel pressured to cooperate. They often passively support PILOT projects approved by state (MSHDA) and federal (HUD) housing agencies. The state and federal agencies assume that local units of government will take-on active management of their PILOT housing programs. In the past Midland has looked to MSHDA for oversight of its PILOT projects and merely handled the arms-length financial transaction of receiving the annual payment in lieu of property taxes.

The Bracken Woods Apartments is one PILOT project with 104 rental units that was originally granted a 35 year "property tax forgiveness subsidy" by the Midland City Council in 1995. Midland has nineteen other such PILOT projects totaling 521 rental units. The property tax forgiveness subsidy includes all city, county, school, community college, and special assessments.

The city of Midland has approximately 6000 rental units that service our community housing needs. Most are owned by Midland area real estate investors. Some housing is provided by the Continuum of Care consortium made-up of 28 local non-profit agencies. Sadly, there is a shallow understanding of how Midland's current rental housing capacity meets the moderate and low income housing needs.

MAREIA is presenting its view of the Midland's PILOT application process. This is intended to be a positive and a constructive critique using the Bracken Woods Apartments as an example. The Midland Area Real Estate Investors Association (MAREIA) is a professional association of primarily local independent rental housing investors.

PILOT PART II – BRACKEN WOODS APARTMENTS

This second in a three part series describes the lessons learned using the Midland's new PILOT application process for the Bracken Woods Apartments at 5301 Dublin Avenue. PILOT is shorthand for Payment in Lieu of Taxes.

Why is a PILOT extension being requested by Lockwood Development for the Bracken Woods Apartments? The apartment complex is only 20 years old and Boston Capital Tax Fund has 15 years left on the original 35 year PILOT granted by the Midland City Council.

Simply put, Boston Capital has met the 15 year Low Income Housing Tax Credit (LIHTC) compliance period and the 10 year tax credit period has expired. Proactive management at the Boston Capital Tax Fund has identified the Bracken Woods Limited Dividend Housing Association for "disposition" or to cash out this investment and replace the investment portfolio with new, more profitable ones. Boston Capital is leaving behind a minimally maintained (hollowed out) asset in need of extensive remodeling with no reserve funds.

The sale of Bracken Woods Apartments from Boston Capital is being brokered by Lockwood Companies. The new owners are the Great Lakes Tax Fund (now CINNAIRE). This sale would re-set the financial investment periods for the 15 year LIHTC compliance period and the 10 year tax credit period all over again for the new owners.

Lockwood Development, a subsidiary of Lockwood Companies, presented this new PILOT to the Midland City Council on August 17, 2015. It includes an expensive multi-million dollar remodeling investment for the Bracken Woods Apartments. The original 35 year PILOT would be extended to 57 years or until 2052. The new PILOT application that was denied by the Midland City Council would have provided only 2 out of the 104 rental units for low income (30% AMI) households. The amount of property tax forgiveness over 37 years was estimated to be \$5,220,000 (today's dollars).

Lockwood Development is back a second time presenting a revised PILOT application to Midland City Council at their January 25, 2016 meeting. The video can be viewed at the city website: http://midland.granicus.com/MediaPlayer.php?view_id=2&clip_id=2884. Be informed so that the city council will do "the right thing" on issues before them. Midland is fortunate to have a city council that is asking the right questions and weighing decisions in the community's best interests.

But, what does all this mean to the property tax payer in the city of Midland?

The PILOT description above is a classic case of "crony capitalism" where government and city tax payers assume essentially all the risk with no consequences for the large capital fund investors. Part III in this three part series provides a summary of lessons learned during the Bracken Woods Apartments PILOT application process.

MAREIA is presenting its view of the Midland's PILOT application process. This is intended to be a positive and a constructive critique using the Bracken Woods Apartments as an example. The Midland Area Real Estate Investors Association (MAREIA) is a professional association of primarily local independent rental housing investors.

PILOT Part III. SUMMARY OF LESSONS LEARNED

This last in a three part series shares the lessons learned during the PILOT application process whereby the Midland City Council can grant property tax forgiveness for up to 40 years. PILOT is shorthand for Payment in Lieu of Taxes.

The following is a summary of lessons learned from the PILOT extension for Bracken Woods Apartments using the new PILOT Application process. These lessons learned are directed to three areas of Midland city government for their consideration.

Midland City Council

1. The Midland City Council should have a policy statement that a PILOT must have a demonstrated economic return of equal or more value than the property tax forgiveness.
2. The Midland City Council should have a policy statement that PILOT projects are for the original period granted and not to be perpetuated indefinitely.
3. The Midland City Council should require new PILOT applications to achieve the AMI distribution targets set by the Housing Commission.
4. A new PILOT application must have measures to be used to track performance against specific rental targets and goals identified by the Housing Commission. An interim compliance review of performance should be reported by the PILOT applicant to the city of Midland every 5 years. Failure to perform would result in a re-negotiation and/or termination of the PILOT agreement.

Midland City Housing Commission

Currently, a comprehensive understanding of the some 6000 rental units in the city of Midland is sadly lacking. The Midland Housing Commission has the primary responsibility to proactively provide oversight of housing needs for the various income groups including rental housing for moderate and low income households.

1. The required percentage of moderate income and low income (AMI) housing rental units in PILOT applications should be set by the Housing Commission each year. For example, PILOT applications must be only moderate and low income rental units. At least 25% must be low income (30% AMI) rentals.
2. The Housing Commission should have a database showing actual rental housing capacity, rental occupancy, and unmet rental household needs by income level from which to set rental housing targets and goals.
3. Federal (HUD) and state (MSHDA) agencies should assist the Housing Commission in updating the rental housing database for setting rental housing goals annually.

Midland City Staff

1. The city manager should set up a fee schedule for city staff expenses in evaluating a PILOT proposal similar to a fee schedule used by the Planning Department.
2. The PILOT applicant must identify the ownership and management to be held responsible for performance against measures.
3. Every new PILOT application must have a sustainable business model. This model should be transparent and easily understood by city staff, City Council, and the general public.
4. The city manager should take an active role to measure performance against compliance standards for existing and new PILOT programs. The city of Midland should not assume that MSHDA has the only comprehensive oversight of PILOT programs.
5. The city manager should annually report the amount of property tax revenue forgiveness by the various tax exempt entities including PILOT in the city's annual budget.
6. The city assessor should appraise all residential property in the city of Midland without regards to profit or non-profit ownership or status.
7. Midland's rental inspection database should be the basis for compiling a more comprehensive understanding of rental housing capacity, including where, what type/size and ownership type. This would yield the first comprehensive picture of the actual rental housing capacity in the city.

The city of Midland and its citizens are being better served by having the new PILOT application evaluation process in place. The new PILOT application process should be continued and further refined.

How can citizens get involved in the next PILOT application? Citizens should become informed on the PILOT program. Speak-up, write letters, and talk to City Council members with your concerns. Hopefully, our citizens are better informed on how the PILOT program works in the city of Midland from this three part series.

MAREIA is presenting our view of PILOT application process that is intended to be a constructive critique. The Midland Area Real Estate Investors Association (MAREIA) is a professional association of primarily local independent rental housing investors.

Floyd Andrick, past president of MAREIA (8 years) submitted this letter to the Editor, Midland Daily News, in response to MDN's article, 'To Allow PILOT or Not' and Ron Parmelee's false characterization of MAREIA. We respectfully request that this letter be included in the packet for City Council's meeting on Monday February 15th, 2016. Thank you. Midland Area Real Estate Investors Association (MAREIA)

'In regard to Mr. Ron Parmelee's comment as reported in the Midland Daily News (To Allow PILOT Or Not?) on January 28, 2016 he states: "Their focus is not low-income housing." Mr. Parmelee was referring to members of MAREIA (Midland Area Real Estate Investors Association), which is a group of 80 landlords/ladies in Midland County. This organization which has existed under 3 different names over the past 45+ years has ALWAYS supported and provided housing for low income individuals.

Mr. Parmelee should certainly utilize correct facts vs. false judgment when making public statements. Dozens of Midland landlords/ladies (in and outside of the MAREIA group) have been and are providing housing for low income individuals including many who are disabled, elderly, local veterans and individuals on Section 8. Over the past 42 years, I have provided as many as 10-12 units (out of 12) for low income residents. The mortgages, property taxes and insurances were all paid along with maintaining the units in excellent condition which can be verified through the Midland Building Department.

During those many years, each property generated profits and this was done WITHOUT burdening Midland County taxpayers with PILOT subsidizing (Payment in Lieu of Taxes). If I and many others who own and operate low income rental housing and can make profits, WHY then should ALL Midland taxpayers bear the burden of subsidizing a few units at Bracken Woods Apartments at great expense via PILOT for 40-50 years?

To further expound on this issue: Bracken Woods is a 104 unit complex on Dublin Avenue that was built and operated with a PILOT subsidy for the past 20 years. The complex was poorly maintained and allowed to deteriorate to the point where 3 million dollars in renovations are necessary. Meanwhile, the owners/investors in the property realized hundreds of thousands of dollars in tax benefit...at the expense of ALL Midland taxpayers! A few rental units were provided to individuals at the low income level to comply with the PILOT requirement.

Now, Lockwood Developers of southern Michigan wishes to purchase and rehab the complex with benefit of PILOT (funding by Midland taxpayers...again!). This means "property tax free" for decades and paying a small annual fee instead. All taxpayers should be incensed by this scenario as are we landlords/ladies who pay the full 100% tax fee on our properties. We have fought this injustice for the past 20 years not only on our behalf, but, for all Midland taxpayers. We have heard that the need for low income housing in Midland has not been fulfilled...if that is the case, why has a high vacancy rate existed at Bracken Woods along with several other PILOT subsidized properties?

Floyd Andrick
Past President of MAREIA'

Midland City Council
City of Midland
333 W. Ellsworth Street
Midland, MI 48640

**SECOND REQUEST FOR PILOT ORDINANCE
FROM LOCKWOOD COMPANIES RE BRACKEN WOODS APARTMENTS
5301 DUBLIN AVENUE, MIDLAND, MI 48640**

Dear Madam Mayor and Midland City Council Members,

My name is **Starla Jordan** and I live at **1858 Baker Rd. Hope, MI. 48628.**

I am writing in regards to the PILOT Program and respectfully request that Council take into consideration the following letter.

I have been a limited dividend landlord for the past twenty-one years and during those years my rental has always served families and individuals in the low income bracket (or 30-50% AMI).

The reason I keep my rental low income is because I was once a low income person, working two jobs to make ends meet and this is my way of helping out and giving back.

Here are my concerns about PILOT:

The burden on the tax payers - in the Midland Daily News dated 1/24/2016 there was an article titled "What your Tax Dollars Buy."

- 39% law enforcement and Corrections
- 27% General Operating (Schools, Fire, City Officials, etc.)

These two categories stand to lose the most revenue from this PILOT Program. Can you in good conscience approve a tax break for a PILOT Program but increase millages for our schools? Haven't our schools suffered enough - with schools being consolidated, school buildings demolished, and outsourcing of school services? Our children are our future. We need to educate them for a better future and keep them safe.

Fire House Station #1 is in need of unexpected repairs - What happens when the contingency fund runs out? What about public safety? Where do we draw the line on what is important? How many people will be affected and **who** will be affected? Someone's son, daughter, parent or grandparent? This city needs proud City Leaders to stand with integrity for its city on what matters most.

I have some questions:

1. Why is Bracken Woods operating with a 16% vacancy when there is a waiting list of individuals who are in desperate need of low income housing? Why not fill those vacancies with the proposed number of individuals you plan to serve to show your good intentions?

2. The Village at Joseph's Run is another PILOT Program that is advertising vacancies. Coincidentally, these apartments are owned by Boston Capital who also own Bracken Woods Apartments.

In Conclusion:

I feel that Bracken Woods should finish the remaining PILOT, and during that time exhibit to the City of Midland's tax payers what a successful PILOT can become.

This PILOT is asking the City tax payers for generosity so in return, we need to ask for their generosity to not over-burden Midland taxpayers for the next 25+ years. This PILOT has already failed for the past 20 years. If you approve this PILOT, it would set a precedent and enable the perpetuation of failed PILOTs in the future.

I recommend that you reject Lockwood's request for PILOT in its current form. Council can honor the existing 35 year PILOT and allow Lockwood to buy the property and manage it for the remaining 15 years. If that is not an option, then they can re-work their plan and submit a more reasonable PILOT application that would (a) serve the needs of the working poor and (b) not place undue burden on Midland taxpayers for an excessive amount of time.

Thank You for your consideration.

Starla Jordan - MAREIA Secretary



STAFF REPORT TO THE HOUSING COMMISSION FOR THE MEETING OF MARCH 2, 2015

DATE: February 25, 2016

SUBJECT: Proposed 2016-2017 Community Development Block Grant Budget

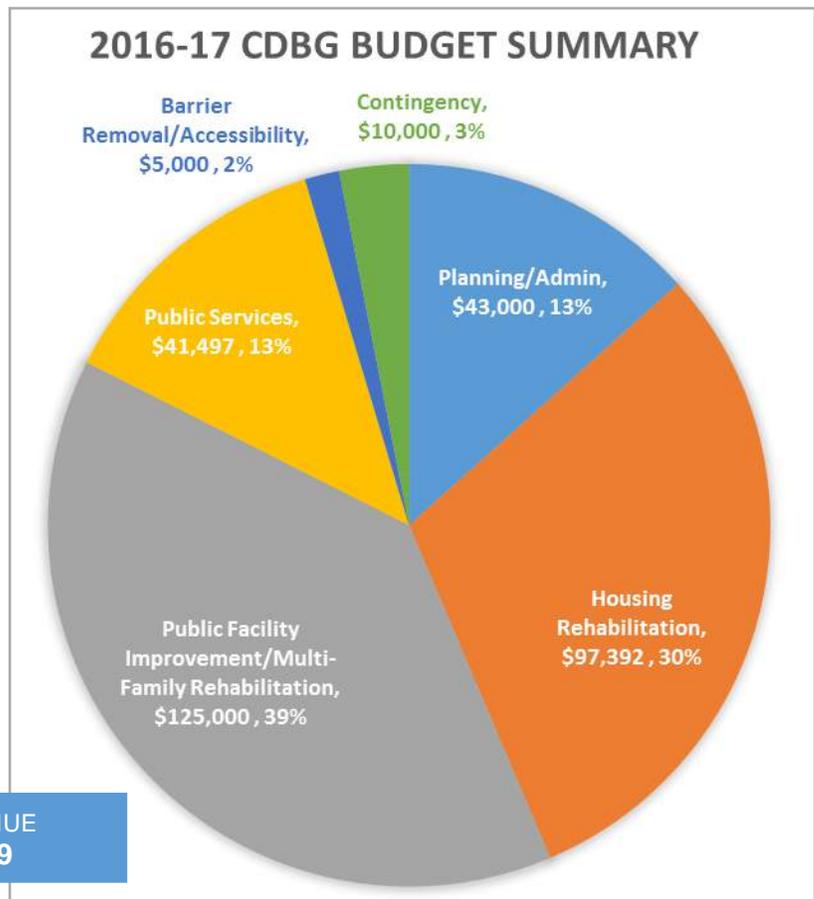
As a requirement of the Community Development Block Grant (CDBG) program, the city is required to formulate a budget for each program year. This budget is the basis for the annual Action Plan that will be submitted to the U.S. Department of Housing and Urban Development (HUD) for their approval before the start of each program year. Historically, the budget process has begun with an initial proposal from staff presented to the Housing Commission. The Housing Commission reviews the proposal, revises it as the Commission sees fit and then formulates a recommendation onto City Council. Ultimately, City Council adopts the CDBG budget for the program year.

Staff has formulated the following CDBG budget proposal for the 2016-2017 program year, which begins July 1, 2016. The total funding available for the annual budget is the sum of three pieces: yearly entitlement, carry-over from previous years, and program income. First, HUD has indicated that the city should anticipate to receive \$242,289 in new entitlement funds for the year. Second, staff anticipates that \$38,000 will be carried-over from the current program year in unspent funds. Lastly, \$15,000 in program income is estimated to be collected during the year. The total resulting amount is \$332,889.

Explanation of Carry-Over Funds

Staff has calculated an anticipated amount of carry-over funds based off of current project indications and the best estimate of project outcomes. A couple projects have come in under-budget during the year, which means that the remaining funds from each will be available to be carried-over. The \$10,000 in contingency has also gone unspent to-date. It is anticipated that all \$10,000 in contingency, \$15,000 in unspent down-payment assistance, and an additional \$13,000 from under budget projects will be available to carry-over into the upcoming year.

The chart to the right is a summary by category for recommended funding allocations in the 2016-17 program year. The following pages provide an explanation of the individual funding requests and the recommended funding levels for each category and specific activity.



ANTICIPATED REVENUE
2016-17: \$332,889

1. **Planning/Administration - \$43,000**

These funds cover a portion of the salary and benefits of city staff (primarily the Community Development Planner) for administering the CDBG program, the cost of HUD training throughout the year, office supplies needed to administer the CDBG program, required notices in the Midland Daily News, and mortgage recording fees. HUD regulations state that not more than 20% of the total project/service expenditures throughout the program year shall be expended for planning and administrative costs. Based off of this proposed budget, this category can be no more than \$66,577.80. The current year and previous year's budgets have allocated \$43,000 for this activity. This year's proposal retains this category at the same funding level.

**HOUSING REHABILITATION
(\$97,392)**

2. **Housing Rehabilitation Administration - \$10,000**

These funds pay for a portion of the salary and benefits of the city's Housing Technician to oversee the city's housing rehabilitation loan program, as well as required certifications, lead training and other training sessions for the position throughout the year. This item was funded at \$10,000 for the current 2015-2016 CDBG program year. Staff recommends funding this category at \$10,000 given the low amount proposed for the city's housing rehabilitation loan program.

3. **Zero-Interest Home Rehabilitation Loans - \$32,392**

Deferred payment, zero-interest home rehabilitation loans are administered through the Planning Department by the Community Development Planner and the Housing Technician. These loans benefit low- and moderate-income households and are used for emergency repairs, such as new roofs, plumbing, electrical upgrades, furnace replacement, etc. Over the last few years, these loans have been utilized exclusively for emergency rehabilitation, with project costs ranging from \$500 to \$15,000. This activity was funded at \$47,211 for the current 2015-16 program year.

4. **Midland Area Homes: Minor/Emergency Home Repairs - \$25,000**

Midland Area Homes (MAH) requested \$25,000 to provide eligible low-income city of Midland homeowners with health, safety, and emergency repairs to their homes. This funding focuses primarily on covering the costs associated with small urgent-need projects. The projects are provided to the homeowners as grants that do not require repayment. MAH has been awarded money for this program for many years, including \$25,000 in the current program year. Staff recommends funding this activity request in full.

5. **Midland County Habitat for Humanity: NRI Home Improvements - \$10,000**

Habitat for Humanity is requesting \$10,000 to purchase materials (windows, gutters, doors, shingles, etc.) to make home improvements to one home through its Neighborhood Revitalization Initiative. This home will be in need of critical home repair, meaning that at least 15% of the home's value will be invested in exterior improvements. Habitat has raised money for this initiative and as much as \$50,000 will be leveraged in additional funds for the NRI program. Habitat has been funded for this initiative during the last two year in the amount of \$20,000 per year. In line with the lower request amount from this organization, staff is recommending this activity be funded in full.

6. **Habitat for Humanity & Midland Area Homes: Collaborative Roofing Initiative - \$20,000**

Midland County Habitat for Humanity and Midland Area Homes have submitted a joint application for CDBG funding to cover costs associated with a new collaborative effort between the two organizations. This effort will seek to meet the needs of low-income homeowners who are in need of roof repairs or replacements. Midland Area Home will conduct the intake and initial assessment

**PUBLIC FACILITY IMPROVEMENTS
(\$125,000)**

7. **Salvation Army: Boiler Replacement - \$15,000**

The Salvation Army has requested \$15,000 to cover a portion of the costs associated with the replacement of an outdated and failing boiler within the organization's main facility on Waldo Avenue. The boiler was installed in 1986 and is much past its lifetime. The application includes \$5,456 in a

local match to the requested CDBG funds. In order to see that the boiler is replaced before the system fails, staff is recommending this project be funded in full. (Subject to Davis-Bacon Requirements)

8. Cleveland Manor: 3 Unit Kitchen & Bathroom Modifications - \$60,000

Cleveland Manor has requested \$60,000 to modify the bathrooms and kitchens in three apartments for easier access for elderly persons or someone with physical disabilities. The products proposed to be replaced will provide increased energy efficiency and accessibility modifications within the units. Cleveland Manor is starting the process of remodeling a large portion of the units within the Cleveland Manor I portion; as part of this process the staff at Cleveland Manor will be applying for an AHP Grant this coming April. If awarded the AHP Grant and the CDBG funding, these two monies will be leveraged to better meet the modification and improvement needs required in many of the units. Staff is recommending this project be funded in full to support the continued sustainability of this very-low income housing facility.

9. Safe & Sound Child Advocacy Center: Security Improvements - \$5,000

Safe and Sound has requested \$5,000 to cover a portion of the costs associated with the installation of additional security improvements that will strengthen the services and safety for families, multi-disciplinary team members, and staff who use the organization's space. These improvements will contain added security components to the exterior of the facility in the form of a security-camera and intercom connected system. Staff is recommending this project be funded in full to support the ongoing security needs of this organization. (Subject to Davis-Bacon Requirements)

10. Washington Woods: Backflow Preventer/Fire Suppression - \$15,000

Washington Woods has requested \$15,000 for the replacement and upgrade of the backflow preventer for the facility's fire suppression system. The current preventer is original to the building (1984) and does not have the capability of being tested as current regulations require. Accounting for the upgrades and code compliance that will result from this project, staff is recommending this request be funded in full. (Subject to Davis-Bacon Requirements)

11. Washington Woods: Walk-in Freezer - \$30,000

Washington Woods has requested \$30,000 to cover the costs of upgrading two compressors, two evaporator coils and the refrigeration lines in the facility's existing walk-in refrigerator and freezer boxes. This equipment is original to the building from 1984 and is in need of replacement. Staff is recommending this project be funded in full. (Subject to Davis-Bacon Requirements)

12. Shelterhouse: Parking Lot Maintenance & Repair

Shelterhouse has requested \$9,240 to cover the costs of repairing and re-sealcoating of the facility's parking lot. Because the project relates to general maintenance and repair of the facility's parking lot, as well as the understanding that the project will not increase the usability of the parking lot for a long period of time but rather provide a short-term "band-aid", staff is not recommending the project be funded.

13. Big Brothers Big Sisters of the Great Lakes Bay Region: Parking Lot Repairs

Big Brothers Big Sisters (BBBS) has requested \$9,000 to cover a large portion of the costs associated with the repair of the facility's rear parking lot to correct drainage issues. Because this project relates to the general maintenance and repair of the facility's parking lot and due to budget constraints, staff is not recommending the funding of this project.

**PUBLIC SERVICES
(\$41,497)**

The public services category is capped at 15% of the total yearly entitlement (\$242,289) plus prior year program income (\$52,600). For 2016-17, staff calculates this cap to be \$44,233.35.

14. Cancer Services: Transportation - \$7,500

Cancer Services has requested \$15,000 to provide for additional transportation assistance for low-income clients who need assistance travelling to cancer treatment and follow-up appointments.

CDBG funds are proposed to be used to fund the continuing services that began in the current year that allowed for assistance to be provided to clients for follow-up appointments after treatment. Staff recommends partially funding this request at \$7,500 to match the level of funding for the current year.

15. ROCK Grounded: After School Program - \$10,000

The ROCK Center for Youth Development has requested \$10,000 to support the activities of their Grounded after school program. These funds will be used to subsidize the costs of low-income city of Midland resident-students to participate in this program at Northeast & Jefferson middle schools, and the Greater Midland Community Center. Staff is supportive of this program that provides mentorship, tutoring, fun activities, and an overall safe place for teens after school. Staff is therefore recommending this activity be funded in full.

16. Reece Endeavor of Midland: Dial-A-Ride Tickets - \$2,997

Reece Endeavor has requested \$2,997 for Dial-A-Ride tickets to be disbursed to their clients for transportation needs. The Endeavor currently provides 42 rental units for persons with disabilities in the city. Reece Endeavor has received funds for DART tickets for many years including the current year in the amount of \$2,997. Staff recommends funding this request in full again this year.

17. Legal Services of Eastern Michigan: Fair Housing Testing - \$3,500

Legal Services has requested \$3,500 to provide on-going testing and enforcement activities that will curb housing discrimination and guarantee equal opportunity access to housing within the City of Midland. On-going fair housing activities including testing are necessary and in line with the objective of the adopted 2015 Fair Housing Plan. Legal Services have been providing these services to the community for many years, including during this current year under the award amount of \$3,500. Staff recommends awarding the full requested amount to Legal Services again this year.

18. West Midland Family Center: Family Ties Program - \$10,000

West Midland Family Center has requested \$10,000 for their Family Ties Program which focuses on strengthening low-income, at-risk families from the city of Midland. WMFC has received funding for this program for many years including this current year in the amount of \$10,000. While concerns have been raised regarding the amount of money spent towards transportation costs associated with getting the families out to WMFC, staff is supportive of this program that has regularly and positively impacted participating city families for many years. If the Housing Commission determines that these transportation concerns warrant further discussions with this organization, staff can begin conversations to determine appropriate alternatives. Staff is recommending this activity be funded in full for the upcoming year.

19. Midland Community Former Offenders: Housing/Work Assistance - \$7,500

Midland County Former Offenders (a subprogram of Caregiving Network) has requested \$10,000 to provide employment and housing assistance to former offenders. The inability to meet basic life needs is the number one predictor of re-offending, thus this project helps the city of Midland be a safer and more productive community while reducing recidivism. Since the applicant has not indicated an approximate end date for which CDBG funding support for this activity will no longer be needed, staff recommends partially funding this request at \$7,500 to match the level of funding for the current year. This amount will provide ongoing support to this program which is working to meet the needs of a subpopulation that is not widely served.

**ARCHITECTURAL BARRIER REMOVAL
(\$5,000)**

20. Midland Area Homes: Accessibility Ramps - \$5,000

Midland Area Homes is requesting \$5,000 to provide extremely low-income Midland residents who are experiencing limited mobility impairments with accessibility ramps for their homes. These funds can provide up to seven ramps for low-income homes, including mobile homes. For this current year, this program received \$2,000 in CDBG funds. Due to the reported increase in requests MAH has been receiving, staff is recommending this request be funded in full at \$5,000.

**AFFORDABLE HOUSING
(\$11,000)**

21. Midland County Habitat for Humanity: Land Acquisition (311 Sam Street) - \$11,000

Habitat for Humanity has requested \$11,000 to fund a portion of the costs associated with the purchase of 311 Sam Street. Habitat for Humanity has acquired a couple of parcels in the immediate area and are intending to build multiple homes for qualifying low income households. While CDBG funds cannot be used to directly fund new housing construction, CDBG can be used to fund land acquisition for new construction. Given this organization's interest in this area of Sam Street, and that one additional unit on 311 Sam St will be added to a collection of future Habitat units in this area, staff is recommending this request be funded in full.

CONTINGENCY

22. Contingency - \$10,000

Contingency funds are generally factored into the CDBG budget, as HUD allocations are not confirmed and unforeseen cost overruns for funded projects are possible. Staff is recommending allocating \$10,000 to this fund for the ability to respond to unforeseen circumstances.

HOUSING COMMISSION ACTION

Staff currently anticipates that the Housing Commission will formulate a recommendation to City Council on the 2016-17 CDBG Budget during its March 2, 2016 meeting. If this takes place, we anticipate that on March 14, 2016 the City Council will set the public hearing date for April 25, 2016, allowing for the 30-day public comment period. On April 25, 2016, we anticipate that the City Council will consider the 2016-17 CDBG budget. Please note that these dates are merely preliminary and may be adjusted due to Housing Commission action and City Council agenda scheduling.

Respectfully Submitted,



Grant Murschel
Community Development Planner

Attachment A
Community Development Block Grant
Proposed Budget 2016-17

<u>REVENUE</u>	<u>Staff Proposal</u>
2016-17 Entitlement	\$ 242,289.00
Carry-Over (Fund Balance)	\$ 80,000.00
2016-17 Program Income	<u>\$ 5,000.00</u>
Subtotal	\$ 332,889.00
<u>EXPENDITURES</u>	
Planning/Administration	\$ 43,000.00
Housing Rehabilitation	
Administration	\$ 10,000.00
Zero-Interest Loans	\$ 32,392.00
Midland Area Homes - Minor Repairs	\$ 25,000.00
Habitat for Humanity - NRI Home Improvement	\$ 10,000.00
MAH/Habitat for Humanity – Collaborative Roofing	<u>\$ 20,000.00</u>
Subtotal	\$ 97,392.00
Public Facilities Improvements	
Salvation Army – Boiler Replacement	\$ 15,000.00
Cleveland Manor – 3 Unit Remodel	\$ 60,000.00
Safe & Sound – Security Improvements	\$ 5,000.00
Washington Woods – Backflow Preventer/Fire Sup.	\$ 15,000.00
Washington Woods – Walk-In Freezer Upgrades	\$ 30,000.00
Shelterhouse – Parking Lot	\$ - .00
Big Brothers Big Sisters GLBR – Parking Lot	<u>\$ - .00</u>
Subtotal	\$ 125,000.00
Public Services	
Cancer Services – Transportation	\$ 7,500.00
ROCK Grounded – After School Program	\$ 10,000.00
Reece Endeavor - Dial-a-Ride Tickets	\$ 2,997.00
Legal Services - Fair Housing Testing	\$ 3,500.00
West Midland Family Center - Family Ties	\$ 10,000.00
MCFOAR – Housing/Work Assistance	<u>\$ 7,500.00</u>
Subtotal	\$ 41,497.00
Public Services Cap	\$ 44,233.35
<i>(15% of Ent. And P. Y. Program Income)</i>	
Architectural Barrier Removal	
MAH - Accessibility Ramps & Modifications	<u>\$ 5,000.00</u>
Subtotal	\$ 5,000.00
Affordable Housing	
Habitat for Humanity – Land Acquisition	\$ 11,000.00
Contingency	\$ 10,000.00
GRAND TOTAL	<hr/> \$ 332,889.00

Housing Commission

March 2, 2016

Washington Woods

West Side Asbestos/Renovation Update:

Our three pilot apartments have now been fully renovated. They look great! These apartments have been a learning experience for us. We have discovered many issues and challenges throughout this renovation process, but now we have a good idea of what to expect going forward.

The final costs for these three pilot apartments have been calculated. We are now in the process of determining if this renovation work should be completed by a general contractor rather than sub-contracting all the work ourselves. We soon will be submitting an invitation to bid for general contractors regarding this complete renovation on the city website.

An additional 13 rooms were abated at the beginning of February and now are waiting renovation work. Once some of these 13 rooms are refurbished, we will begin the process of moving the current residents to the newly renovated apartments in order to open up new apartments for abatement. The master plan for this is still being developed.

Occupancy:

Over this last quarter, Washington Woods has had a total occupancy rate of 90.7%. This is due to 19 empty apartments on the west side. However, our east side occupancy rate for this quarter was 98%.

Maintenance:

Over the last couple of months, we have been operating with a full maintenance team. Because of low east side move outs, we have been able to concentrate on completing items, such as carpet cleaning, that have been neglected when we were experiencing low staffing.

In January we had our east water main replaced. We had several issues with tying in this new line into our building. Due to our old corroded pipes, we needed to complete several fixes and interior pipe replacements before the new line could be fully tied in. This involved a couple of days that our east end residents had a water shut down. (One shut down lasted about 10 hours!) The residents were prepared for this and handled the water shut down very well.

Community Development Block Grants:

Our upgrade and renovation for both of the east side elevators will be starting on March 14th. CDBG will be covering the cost of our kitchen elevator. The kitchen elevator will be out of service for about 3 weeks. Once that is completed, the east lobby elevator will begin.

Health Services Program:

Our nurses saw 878 residents in our M-F clinics over the last three months. They saw an additional 652 residents either in their apartments or in their office outside of clinic hours. The nurses had 37 family conferences.

Our resident health programs included Diabetic Management; Exercise for Flexibility; Hearing Aid Cleaning; Heart Health Class; and Senior Service Assist. Each month we have Mid Michigan come in for foot care and Senior Services help with Medicaid sign ups and care/caid questions.

Mid Michigan also comes in weekly for lab draws. Over the last quarter, we had 82 residents take advantage of this service.

Activities:

The Christmas season always brings a flood of extra activities for our residents. We had several groups of carolers throughout December. Our Christmas Open House was enjoyed by our residents, families and staff. Other December activities include craft sales, the Lucy Barnes Cloggers, Men of Music and Ugly Sweater Day.

Our annual Walk-a-ton kicked off at the end of December. This year we have 64 residents registered and walking the halls of Washington Woods. They record the number of halls that they walk over a three month period.

Special activities in January and February also included trivia games, a polka band, a Teddy Bear Presentation, Team shirt day, national wear red day, tax assist day with AARP and several extra bingos.

(On a side note....every Friday the front office staff has been doing a short Zumba routine for our residents as they are waiting to go into the dining room for their noon meal. Just this week, a couple of residents have even joined us!)

Housing Commission Report
March 2, 2016
Senior Housing Report
Riverside Place

Occupancy:

Riverside Place Average Daily Occupancy since November has been 98.74%.

November, 2015: 99.67%;

December, 2015: 99.35%;

January, 2016: 98.11%;

February to date 2016: 97.84%

Beginning in December, apartments became vacant due to residents passing away and needing higher levels of care. This is not a surprise and is somewhat typical in Senior Housing during the holidays and winter months.

This produced 10 open apartments, including Supportive Units that became vacant within about a one month time frame. We are still in process of catching up on the vacant apartments and gaining agreement for move-ins. Riverside Place is currently at 97.84% occupancy, which means we have between 4 and 5 open apartments with no revenue. Typically, we have about one or two at time. Tours and new applications continue to be slow and steady. As of February 25th, the Supportive Units have been sold and are awaiting unit turns so families can move-in.

Activities:

In January, Muzyka provided a program of Hawaiian music for our Luau. Natasha Fisher of Washington Woods put on a hula hoop demonstration and encouraged a handful of residents to give it a try. We ate Hawaiian pizza and held a Hawaiian shirt contest.

Another group of new nursing students from Saginaw Valley State University spent four weeks at Riverside Place for part of their training. They provided vital signs checks and coordinated a health program with our Nurse Coordinator, Michel Hupfer.

Riverside Place residents started an informal coloring group. Since adding coloring to the calendar, the group has grown from 4 to 15 participants and counting. Midland Daily News donated a dozen coloring books to us for those residents on a tight budget or who would like to try the activity before making some purchases. These are a fairly new trend and not like child coloring books. They are more detailed and specifically made for adult use and relaxation.

Our Mardi Gras party was a huge success. Jantz Black led a jazz group to entertain the residents. We provided king cakes for our refreshments, and the residents had beads and masks to wear. The following week we celebrated Valentine's Day with a visit from the Meister Singers. The high school students performed their singing valentines.

Health Services Programs:

Our nurses continue to work with residents and families to ensure a safe and healthy living environment for our seniors.

Michel is working on a marketing plan to increase awareness of our Supportive Units within the community on a regular basis as we are finding the internal wait list trend has not been as steady as in the past. We have actually been filling these units by reaching out to the community with basic Business Development. By doing this, we have maintained 100% occupancy for all 20 Supportive units very regularly.

We continue to host Saginaw Valley State University first year nursing students for Nursing 101. We are very excited to have added a new agreement with CMU for Riverside Place to be an internship/field placement site for students. The first student meeting with the Health Coordinator took place on Wednesday, Feb 24.

Upcoming health programs include:

- 22nd annual Riverside Walking Program
- Hearing Awareness with Dr. Deb Wall
- Heart Health Month – health Program with SVSU students

Maintenance:

Doug Ward accepted the position of Maintenance Coordinator over both Washington Woods and Riverside Place. The two maintenance teams along with Kim, Lori and Doug are working through transition bumps and getting used to new routines. This will take time and patience. We also had one full-time maintenance staff out for an extended period time recovering from surgery at Riverside Place.

Examples of transitional bumps at Riverside Place: Although, we were very timely getting the inside Christmas decorations picked up and back to storage, the outside lights are still hanging. We have bugs in the indoor lighting, more than normal dirty stairwells, outdoor flags need replacing, we have lights burned out in the building and work orders for personal services are taking too long. I have made a spring cleaning list for the maintenance team to focus on. Our maintenance worker has returned from surgery and recovery. This will help.

Riverside Place fire strobes are in and were tested Monday, February 22nd. We are very close to completion of this project. Our spring project is to have the outside of Riverside Place painted for the first time in 23 years. We are working on specifications and placing them for bidding opportunities. If spring does not work out for local contractors, we will look into fall time.