

HOFF MALL EXPANSION

101 E. Main St & 111 S. First St

Mt. Horeb, WI

WEDC – Community Development Investment Grant

Attachment

Section A – 2

TIF and CDI assistance are required to make the Hoff Mall Expansion project economically viable. The improvements to the properties will provide an additional estimated increment to the tax base of \$2,493,500 and enhance the property values of the surrounding properties. Obtainable rents for apartments and commercial spaces in Mt. Horeb are not sufficiently high enough to overcome the high improvement costs, considering the overall costs of construction, demolition, surface and covered heated parking and land costs, which will have to be incurred in order to allow us to provide quality housing alternatives and commercial spaces without such assistance. The gap between the overall budgeted project cost of \$6,143,000 (as detailed below) as compared to the estimated assessed value of \$3,950,000 is too great to substantiate the risk of investment without the TIF and CDI assistance.

The CDI Grant Program is intended for major downtown redevelopment projects that add significant value and destination appeal to a host community, including the provision of affordable workforce housing for local employers. We feel the Hoff Mall Expansion project will meet the criteria and respectfully request the maximum award in the amount of \$250,000. The Village Board approved the submission of a grant application on our behalf. These funds are essential to the feasibility of our project.

The TIF and CDI Grant will allow the Hoff Mall Expansion project to achieve a minimum market-feasible average cash on cash return on investment of approximately 8% , year-over-year, over a 5 year period after stabilization, a threshold below this would make it unlikely that Gallina could attract the private investment necessary to secure additional financing and move forward with the development.

Project Cost and Funding Sources:

Use of Funds

Construction	\$2,956,616
Property/Building Acquisition	\$2,281,617
Professional Fees	\$ 275,728
Financing Costs	\$ 147,830
Impact Fees, RE Taxes, Insurance	\$ 68,084
Contingency	\$ 179,783
<u>Development Fee</u>	<u>\$ 233,342</u>
Total Use of Funds	\$6,143,000

Source of Funds

TIF Loan – 2 nd Mortgage	\$ 151,084
WEDC – CDI Grant	\$ 250,000
First Mortgage	\$4,397,489
<u>Owner’s Equity</u>	<u>\$1,344,427</u>
Total Sources of Funds	\$6,143,000

The status of the Source of Funds are:

TIF Funding – The Village Board authorized the TIF in the amount of \$626,000, Pay as You Go, 4% Interest at it’s December 7, 2016 Village Board Meeting.

WEDC – CDI Grant – under consideration with determination anticipated in late December or early January.

First Mortgage / TIF Loan Secon Mortgage – Bank of Prairie du Sac - currently have a term sheet (see Attachment Section C-5) with a commitment letter to be issued by December 15, 2016.

Owner’s Equity – Private equity is verbally committed subject to finalization of the TIF, WEDC Grant, First Mortgage and finalization of the project budget.