



NEIGHBORHOOD HOUSING SERVICES
of Southeast Wisconsin

November 26, 2007

Brian F. O'Connell
Director of City Development
730 Washington Avenue
Racine, Wisconsin 53403

Re: Redevelopment of 1014 Dr. Martin Luther King Drive

Dear Brian:

This is a letter of interest from NHS regarding the former Homeward Bound property. Our interest is in the development of single family owner occupied homes. Our past discussions with M&I Bank and Joe Heck of your staff included home designs that were created by Bob Hartmann and inspired by the work of Frank Lloyd Wright. NHS envisions the development of new quality homes as a key component of the neighborhood revitalization effort that was describe by Mike Schubert's neighborhood study.

I attached a copy of the somewhat dated proposal NHS circulated sometime ago to the participants of the discussions mentioned above. Please let me know if you require any additional materials or information at this time.

Thank you for your letter of November 19, 2007. As always, your questions, comments, or observations are sincerely appreciated. Thank you for your time and efforts on our behalf.

Cordially,

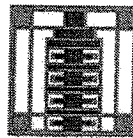
Domenick Martinelli
Executive Director

Cc: Brian Anderson, Bob Hartman, Dave Titus



NEIGHBORHOOD HOUSING SERVICES
of Southeast Wisconsin

Neighborhood Housing Services of Southeast Wisconsin, Inc.



Towerview

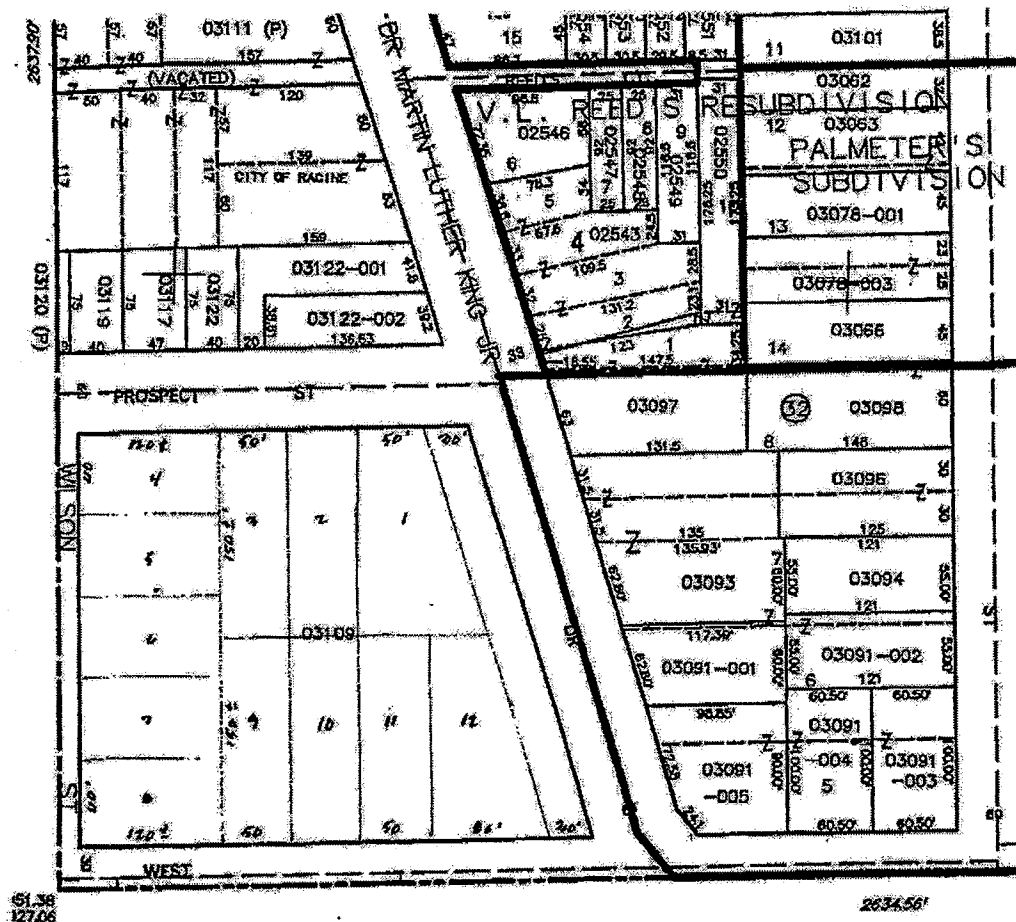
Towerview Manufactured Homes Proposal (12-Home Development Site)

Overview

Neighborhood Housing Services of Southeast Wisconsin, Inc. has been invited to participate in the planning, development, construction, and sale of affordable housing on a potential 12-home inner-city site in the City of Racine, Wisconsin. The site is currently owned by an inactive not-for-profit organization, Homeward Bound. The organization's former office (located on lot 1 of the diagram below) is currently vacant and is in disrepair, requiring the building to be razed. While Homeward Bound maintains that the property as-is has a current value of \$218,000 (based on an outdated appraisal), NHS contends that once the building is razed, the property will be undeveloped city lots (currently referred to as the Lincoln-King neighborhood), and has suggested the property be designated for manufactured home construction as recommended in the Neighborhood Plan.

On January 1, 2006, The City of Racine created a TIF district (Tax Increment District Number 15) of the area based on the following findings:

- Not less than 50% by area of the real property throughout the district is blighted or in need of rehabilitation and or conservation work;
- The improvement of the area is likely to enhance significantly the value of substantially all other real property in the district and the project costs relate directly to eliminating blight or directly serve to rehabilitate or conserve the area;
- The equalized value of taxable property of the district plus the value of substantially all other real property in the district and the project costs relate directly to eliminating blight or directly serve to conserve the area;
- The area is a blighted area and rehabilitation district; and
- The project plan for the district is feasible and in conformity with the master plan of the City of Racine.



Towerview Manufactured Homes (12 Lot Site)

NHS, in cooperation with the City of Racine, Homeward Bound, M&I Bank, and NeighborWorks® America, has development plans for the lots that include the new construction of 12 single-family homes based on designs patterned after Frank Lloyd Wright's Prairie style homes. The designs, created by architect Bob Hartmann, NHS neighborhood resident and volunteer, create a branding effect, by mirroring the Frank Lloyd Wright prairie home design and nesting them throughout the city that has an historical connection to the architect. All partners are committed to the success of this venture and the creation of quality affordable housing in the Lincoln-King neighborhood in the city of Racine.

Market Analysis and Outcomes

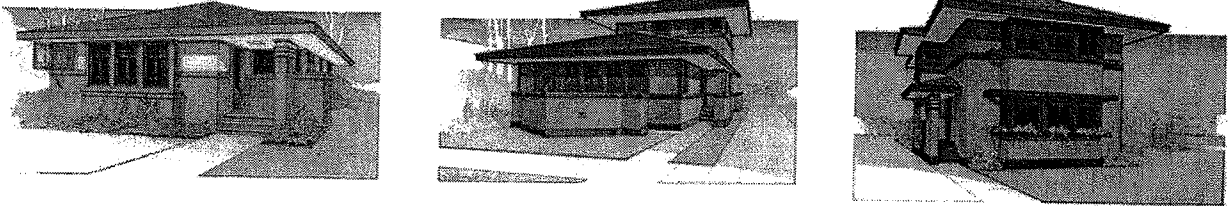
Michael Schubert of Community Development Strategies, in his report "*WITHIN REACH, A Strategy for revitalizing the Lincoln-King Neighborhood*", observed that the neighborhood, although showing signs of improvement, still suffers from a negative image, lacks a visual identity, has underutilized anonymous spaces, too many single-family homes owned by investors, some poorly maintained commercial properties, low front yard and porch maintenance, and is generally perceived as a "poor neighborhood". The neighborhood has these characteristics despite positive changes such as steadily rising property values, an

increase in home ownership, construction of single-family homes by various non-profits, and a rising home ownership rate. Mr. Schubert recommends outcomes to improve the neighborhood image, draw demand from a diverse market of homebuyers, improve physical conditions of individual buildings and public spaces, build a strong culture of neighborliness, and connect strong institutions to the neighborhood. The first strategy contained in Mr. Schubert's analysis is to build high-quality single-family homes on the Homeward Bound site.

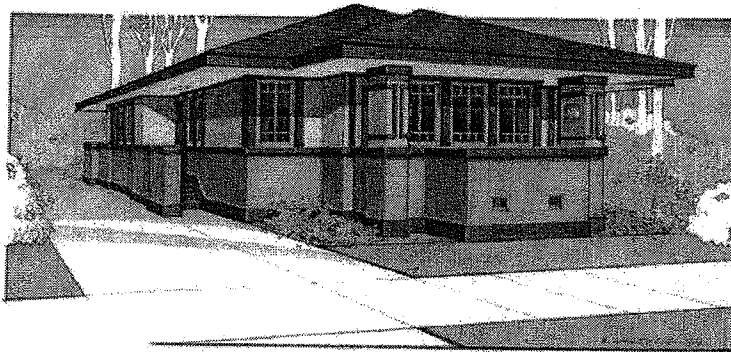
Organizational Fit and Partners

NHS has consulted with Michael Schubert, M&I Bank, the City of Racine, and Homeward Bound to partner for the success of transforming the Lincoln-King neighborhood site into its first Towerview Home site. We will develop, construct, market, and sell, 12 new *quality* affordable single family homes. All partners are committed: Mike Schubert has studied the market and neighborhood and issued a report on his recommendations, the TIF district has already been created by the City of Racine, M&I Bank has committed to provide the line of credit for financing the project, NHS has retained staff (George Huxhold, NHS Construction Consultant) and requested funds from our affiliate, NeighborWorks® America, and Architect Bob Hartmann, NHS neighborhood resident and volunteer, has developed designs that will be converted into manufactured homes by Wausau Homes of Wisconsin.

Design

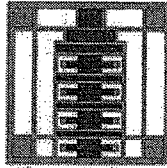


The Towerview designs uphold Frank Lloyd Wright design standards and are aimed at achieving quality while remaining affordable to the NHS home buyer. Homes included one-story, two-story, and a one-story with partial second story. The interior layout of the homes is functional for today's living standards and range from 1,126 square feet to 1,535 square feet. Besides the Frank Lloyd Wright style they boast eat-in kitchens with work stands and pantries, dining rooms, verandas, decks, and spacious closets and living areas.



Financial Analysis

The costs of this 12-home project have been reviewed by all partners, and NHS offers the following budget as a forecast of project expenses:



Towerview

Project Cost Estimate-Sources and Uses of Funds

<u>Sources of Funds</u>			
Proceeds-Sale of Homes			\$1,950,000
6 @ \$175,000=\$1,050,000			
3 @ \$160,000=\$ 480,000			
3 @ \$140,000=\$ 420,000			
TIF District funding (Committed)			400,000
NeighborWorks® America (Applied)			200,000
Other Participant Funding			259,934
TOTAL Sources of Funds			\$2,809,934
<u>Uses of Funds</u>			
Acquisition			\$ 0
Demolition			\$ 95,000
Architectural			\$ 12,500
Site Development:			\$ 185,500
Survey & Platting	\$ 10,000		
Engineering	6,000		
Site Grading	24,000		
Sewer & Water Laterals	72,000		
Tapping fees	5,500		
Street opening permit	2,000		
Sidewalk permit	4,000		
Erosion Control	2,000		
Hauling Spoils	5,000		
Underground electric	20,000		
Natural Gas service	10,000		
Remediation	25,000		
Construction:			\$1,865,160
6 Homes (1,535 sq. feet @ \$110 sq ft.)	\$1,013,100		
3 Homes (1,382 sq. feet @ \$110 sq. ft.)	\$ 456,060		
3 Homes (1,200 sq. feet @ \$110 sq. ft.)	\$ 396,000		
12 Two Car Garages			\$ 120,000
Financing Fees (assume 8% for 18 mo. \$1.5 Million)			\$ 180,000
Landscaping			\$ 36,000
Utilities, Insurance, & other carrying costs			\$ 36,000
Developer Fee			\$ 93,258
Contingency 10%			\$ 186,516
TOTAL Uses of Funds			\$2,809,934

Marketing and Sale

The NHS Marketing plan will aggressively market the 12 new homes to NHS customers and clients that have benefited from our Home Buyer Education activity. The NHS Marketing Plan for Homeownership related to Towerview Homes includes:

- Offering homeownership and financial fitness education classes within a learning institution—The University of Wisconsin-Parkside and Gateway Technical College
- Distribute cards and neighborhood services flyers regarding our homes to private schools and churches in the area
- Hold Exclusive Open House Events—with neighbors to invite family, friends, co-workers, and also within the real estate community
- Develop incentive; free homebuyer education for all renters who attend and a \$200 gift card for qualified offer referral. Slide show of Towerview. Banker available to pre-qualify. Membership and refreshments
- Advertise with UW-Parkside, Gateway, Carthage College, UWex, churches, Racine county Homes, DREAM—yard signs to local realtors
- Target Spanish speaking customers with fast-track intakes directly with lenders, lender referrals, Hispanic Business Professionals Referrals, and Spanish speaking home buyer education
- Pair home sales with City of Racine Down Payment Assistance Program
- Offer low-interest financing through the NHS RLF for select buyers to make purchase of Towerview Homes more affordable for those buyers with needs

The NHS marketing effort and the name "Towerview" has already been recognized by the local newspaper, The Racine Journal Times. In an article featured Sunday, March 11, 2007, Business reporter Michelle Burke observes that the name Towerview "seems as natural and familiar to Racinians as the terms Downtown or Uptown", and is "a little shorter and snappier than Southside Historic District, which hardly anyone uses.

We can boast that our area is near Lake Michigan, the bike path, great architecture in a well-preserved historic district, the marina, and great restaurants in a great downtown. Even though the Homeward Bound site in the Lincoln-King neighborhood is not directly in the Towerview neighborhood, NHS would like to bring the "branding effect" to an area in the city that is in great need of revitalization, and raised awareness of a new neighborhood image.

Timely sale of homes as they are complete is crucial to success of the project. Planting involved and committed residents savvy of the benefits of home ownership, community building, and leadership will help the newly developed area thrive, and inspire confidence in surrounding areas. As the homes are built NHS will canvas the surrounding neighborhoods door-to-door to meet residents, explain our efforts in the neighborhood, and invite them to participate in our success by visiting NHS, meeting our staff, and taking advantage of the tools available to them to repair their credit through financial fitness participation, become home owners themselves, repair or improve their homes through financial assistance available to them, and join in neighborhood groups, activities, and leadership.

Timeline

NHS is looking to acquire the site by June 1, 2007 and commence demolition and construction on 4 homes immediately, begin construction on another 4 homes by October 1, 2007, and begin construction on the final 4 homes in March of 2008. Funds for the project are projected to be in place by June 1, 2007.