



2/20/2024

Question & Answer Summary – Public Hearing #1:

Proposed Rezoning of 403 W Head Street

Following is a comprehensive summary of questions that were raised in the initial public hearing regarding the rezoning of 403 W Head Street to develop The Wheldon – approximately 50 apartment units to be financed via the State of Iowa’s Housing Tax Credit Program.

If anyone reviewing this Q&A has further questions please do not hesitate to contact KCG via Anna Folwell (Anna.Folwell@KCGCompanies.com) and CJ Lintner (CJ.Lintner@KCGCompanies.com) – we will be happy to continue the conversation.

Question: How many tax credits are you getting?

Answer: KCG is applying for \$1.3M in annual tax credits for a 10 year period to be used to fund the proposed development via the State of Iowa’s 9% Housing Tax Credit Program. This comes out to \$13M in credits over the 10 year period in which they are received. The credits will be sold for roughly 82 cents per dollar and the resulting proceeds (approximately \$10.7M) will be used to fund the construction of the development. In total the tax credits will fund roughly 75% of the overall development cost of this community.

Question: What is your rate of return on this investment?

Answer: Given the complex nature of how housing tax credit communities are financed there is no one single “rate of return” that we target or measure in any way. Instead, KCG looks at a variety of metrics that assess not only the dollars coming back to our firm but also the financial stability of the property itself over the next 30 years.

Question: How much rent income are you making per year?

Answer: It’s anticipated that the community will generate approximately \$544,000 a year in Gross Rental Revenue. To operate the development it’s expected that expenses will be in the realm of \$314,000 per year – including \$42,000 annually in repairs, maintenance and repair reserves account funding, plus an additional \$182,000 in loan payments. All in all the property is expected to cash flow approximately \$35,000 annually.

Question: How do we know you are going to stay and be invested for thirty years?

Answer: KCG is wholly focused on the business of affordable housing development. When we build a community such as The Wheldon we are agreeing to a laundry list of operational and compliance terms with the State of Iowa, our lenders and our investors. Included in these terms is the required minimum compliance period (15 years) and an extended use agreement (30 years). Should KCG fail to uphold the agreed upon terms we would be forced to sell the property to another qualified affordable housing developer, or to the State of Iowa. Not only that, the resulting blemish on our track record would effectively put KCG out of business. All that is to say – the financial viability and continued existence of KCG as a firm is largely dependent upon our ability to execute on the proposed ownership timeline of 30 years.

Question: Is there a sliding scale of who pays different levels of rent and how do you justify that?

Answer: Yes, there are two different rent levels at which apartment rents will be set. One is 60% or less of the Area Median Income (“AMI”), the other is 40% or less than the Area Median Income. Prospective tenants qualify by providing proof of income, which KCG verifies on an annual basis. 28% of the total units will be reserved for renters at 40% AMI and 72% of units will be for 60% AMI households.

Question: How would you fix the drainage and noise problems on this site?

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Answer: By bringing in fill soil and re-grading the site, along with substantial added storm drainage and the creation of a detention pond to hold water on the site. This is an extremely simple and easy to resolve issue through the aforementioned items and will be coordinated by our Engineer and Architect.

Question: How much money would you get in tax abatement? How much has Greene County promised you? And do you pay any taxes at all?

Answer: KCG has applied for the tax abatement which is available to any and all new construction developments in the City. KCG estimates that this would save the property from having to pay roughly \$40,000 annually in real estate taxes. Otherwise – no sort of financial assistance whatsoever has been discussed with Greene County, nor is it anticipated.

Question: How much of our tax dollars is paying for this development?

Answer: The Housing Tax Credits that the development will receive come from the Federal Government to the State of Iowa for distribution. The Federal Housing Tax Credit Program is one that has existed for decades – i.e. it is something every tax paying citizen in the country has been funding for quite some time. Unfortunately, Jefferson has never benefited from this program in that there has never been a community developed in Jefferson utilizing the program. The development will receive \$1.3M in annual Housing Tax Credits (a total of \$13M over 10 years) to fund its construction.

Question: Why Jefferson? Why now?

Answer: Jefferson is one of a handful of communities in Iowa to receive a “Thriving Community” designation – a distinction which the City of Jefferson applied for and received after being rated against dozens of other municipalities. It was selected for many of the same reasons we feel it’s a financially viable opportunity for our firm – a rural community with more economic investments and job opportunities than the average Iowa rural community, resulting in a heightened demand for additional rental housing opportunities. The creation of The Wheldon will bring stable, equitable, high quality housing opportunities to area residents which will in turn make it a more attractive place for workers and acting as a catalyst for future economic growth and expansion in the area.

Question: Why this site?

Answer: This site was one of the larger parcels available with proximity to local area amenities, the town of Jefferson, etc. KCG tries to develop sites that can act as a catalyst for future growth and sees this as an opportunity to bring continued investment to the immediate area over the long term. The site is also sizeable enough to build a community that is not just a bunch of apartments crammed on a couple acres – we plan to incorporate amenities for tenants such as walking paths, playscapes, gazebos, bbq grills, a community garden and more.

Question: Do you use local contractors and employees?

Answer: Yes, we have an in-house General Contractor team but we work with subcontractors local to the area in which we are developing. We aim to get as many subcontractors from Greene County as possible and will bring in the rest from the larger Iowa construction community.

Question: How do we know you won’t have the same problems here that you had in Madison?

Answer: Madison and Jefferson are polar opposites in every way, shape and form – from their size to what drives the local economy and most importantly what socioeconomic conditions exist in the larger community. Madison on the whole is dealing with organized crime and cyclical poverty and mental health issues. This is not at all the case in Jefferson, nor is it the reality that is KCGs dozens of other community investments across the country – some of which have won national awards for their revolutionary designs and impactful community investments.

Question: What would you make on the rent of each apartment if the government wasn’t subsidizing you?

Answer: If KCG was not receiving Housing Tax Credits, we would not be pursuing this development at all and therefore don’t have an accurate answer to what the rent would otherwise be.

Sincerely,



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