

# 9% lihtc application narrative



Project Name: 1702 Paris St. Permanent Supportive Housing (Paris PSH)

Project Address: 1702 Paris Street, Aurora, CO.

## **1. Request Statement**

Paris PSH as Applicant and Brothers Redevelopment, Inc. (BRI), as Sponsor/Developer requests a Preliminary Reservation of \$1,075,790 in annual 9% LIHTC to provide the equity portion of the overall financial structure of Paris PSH.

### **Executive Summary**

Paris PSH is a unique mixed affordable community serving both Permanent Supportive Housing (PSH) families at or at risk of homelessness and Very Low Income (VLI) families ideally located in close proximity to the Anschutz Medical Campus and Fitzsimons Life Science District. This project was conceived in joint effort between the City of Aurora – Community and Housing Development Dept. and BRI, a 40+ year old non-profit housing provider in the Denver Metro Area. BRI was sought out by the City because of its successful history of affordable rental housing operation and its willingness to address the growing PSH needs for families in Aurora. Both the City of Aurora and BRI participated in the Denver Area Permanent Supportive Housing Toolkit in 2014.

BRI will deliver 44 units of critically needed, new affordable VLI (40% and 50% AMI) rental housing units, including 15 units targeting PSH families at or at risk of homelessness. These 15 units will be supported by project-based Housing Choice Vouchers (HCV) provided by Aurora Housing Authority (AHA), in its role as Special Limited Partner. AHA will also provide Real Estate Tax Exemption to Paris PSH. Paris PSH will be efficiently financed with 9% Federal LIHTC, substantial HOME, CDBG and NSP funds from the City of Aurora (said funding was fully approved by the City of Aurora in Feb. 2015), HOME funds from Arapahoe County, and a small permanent loan. It should be noted that the land is stipulated as NSP Land Bank status and, as such, has a distinct, short timeline for re-development and delivery of replacement units. Paris PSH will provide the first, new PSH units in Aurora since Forest Manor’s 86-unit project placed-in-service in June 2002. This incredibly under-served population is a high priority for the City of Aurora, as outlined in the City of Aurora’s Consolidated Community Development Plan 2015-2019. A full array of Supportive Services at Paris PSH will be provided by and coordinated through Aurora Mental Health Center, an Aurora based non-profit service provider in operation since 1975. Finally, Paris PSH is located within the Fitzsimons Boundary Area District, one of the

highest priority redevelopment areas for the City of Aurora, and it is also located within a Qualified Census Tract (QCT).

## **2. Project Summary**

- a. **Ownership Structure:** Paris PSH will be owned by a ‘to be formed’ Colorado Limited Liability Company or Limited Partnership. A ‘to be formed’ related entity of BRI will be the Managing Member or General Partner.

BRI is a non-profit affordable housing owner/operator whose mission is to provide safe, affordable, accessible housing and housing services for Colorado's low-income, elderly and disabled residents. BRI operates as a Community Development Housing Organization (CHDO).

- b. **Location:** Paris PSH is located at 1702 Paris Street, Aurora, Adams County, CO., the southwest corner of 17<sup>th</sup> Avenue and Paris St. The location is one block from the west side of the Anschutz/Fitzsimons campus. The site is located within the Fitzsimons Boundary Area District, one of the highest priority redevelopment areas for the City of Aurora, and the site is located within a QCT (80.00).
- c. **Land:** The land is approximately 0.55 acre in size, and is zoned FBAD-1, which permits multifamily uses of the type proposed by Paris PSH. The site is bordered on the east by a closed down restaurant/bar and other commercial uses fronting Peoria St; on the south by older multifamily, market rate properties; on the west by both older single-family and multifamily uses; and on the north by older multifamily uses. Of note, both a grade school and a middle school are within a few blocks of the site. The site is within two blocks of the Colfax Corridor (east-west) High-Frequency bus lines and one-half block from the Peoria St. (north –south) High Frequency bus lines. The site earns a Walk Score of 70.

The following is a list of nearby community amenities:

<b><i>Service or Facility</i></b>	<b><i>Distance from Subject</i></b>
Supermarket	1.3 miles
Convenience Store	0.2 miles
Neighborhood Shopping Center	0.2 miles
Community Shopping Center	1.4 miles
Walmart	1.2 miles

Mall	2.6 miles
Elementary School	0.5 miles
Middle School	0.4 miles
High School	1.0 miles
College	2.8 miles
University	7.8 miles
Bus Stop	0.1/0.3 miles
Future Light Rail Station	1.7 miles
Hospital	0.3 miles
Medical Clinic	0.4 miles
Library	1.5 miles
City Hall	4.1 miles
Child Care (Existing)	1.2 miles
Head Start	1.3 miles
Park	0.2 miles
Recreation Center	1.4 miles

- d. **Site Plan:** See attached exhibits. All infrastructure assets are currently available to the site including City of Aurora water and sewer, public electric and natural gas utilities, and are subject only to usual tap fees and permits. The site will receive a Water Tap Fee credit of 21 units based on the previous buildings located at the site at the time of the acquisition of the site by the City of Aurora. The site is zoned FBAD-1 which allows for the multifamily concept provided. There is no commercial space planned within this LIHTC application, although there is Service Provider space within the building. As planned, the City of Aurora agreed to support a parking reduction to 1.1 spaces per multifamily unit.
- e. **Construction type:** Paris PSH will consist of one, four story wood frame, elevator building with sub-grade parking and controlled entry/access. Construction will be wood frame over a post-tension slab podium with a skin comprised of primarily brick and stucco. The roof will be flat urethane covered. Windows will be vinyl, dual pane, Low-E, energy efficient and include vertical window blinds. Floor coverings will include laminate plank flooring in the living areas and bathrooms, and carpet in bedrooms. All units will feature wood cabinets, laminate countertops, low flow plumbing fixtures and Energy-Star rated appliances including a frost free refrigerator, electric range with self-cleaning oven, dishwasher, disposal, microwave oven and ceiling fans in bedrooms. The

HVAC system will be individual PTAC heating/air conditioning system with central hot water.

In reviewing the exhibits, it is noted that due to excessively high costs of Davis-Bacon Commercial Wage levels associated with the original design concept and the two-way parking system, the building design has been changed from the design elements illustrated in the market study. The parking will now be accessed from a single entrance on Paris St. (a lower volume street) and will be approximately 5' below grade. The residential units will be four stories atop the parking ceiling 'podium' qualifying the property as a 4-story building and subject to the more affordable Residential Davis-Bacon Wage levels.

**f. Environmental Efficiencies:** The building will be designed to be energy efficient and comply with the Green Communities program. The building will be physically situated and architecturally detailed to take advantage of passive heating and cooling opportunities as well as providing outdoor amenity area. The building enclosures will be energy efficient with Energy Star windows and doors, R-30 insulation in the ceiling, R-20 insulation in the walls, and R-14 insulation at the foundation. Energy Star appliances will include dishwashers, refrigerators, bath fans and air conditioning. Heating and cooling equipment will all be sized according to best practices and balanced for the most efficient operation. All lighting and light fixtures will be Energy Star. To encourage residents to conserve energy, all units will be individually metered for electricity and all utility usage will be monitored and data collected. Further, the building will be built to be 'solar ready.'

**g. Building(s):**

- 1) Number:** One building will be constructed containing 44 two and three bedroom units, common areas, controlled access and ample storage.
- (2) Parking:** A total of 48 garage parking spaces, including the required number of handicap parking spaces will be provided at Paris PSH. These figures have been supported by the City of Aurora Planning Department staff.

- (3) **Unit Type and Mix:** Paris PSH will contain 20 two-bedroom/one bath units and 24 three bedroom/two bath units. Paris PSH will include a minimum of two fully accessible ADA units which meets requirements.
- (4) **AMI Mix:** For LIHTC purposes, Paris PSH will serve families with 12 units (27.3%) at 40% AMI and 32 units (72.7%) at 50% AMI. It should be noted, however, that of the 32 50% AMI units, 15 units (34.1% of the total unit count) will be supported by HCV from AHA, and will serve PSH families, who, by definition, will typically earn 30% AMI or less.
- (5) **Amenities:** Paris PSH will provide a very competitive amenities package which will appeal to both the PSH families as well as general LIHTC families:

Unit Amenities include PTAC heating/air conditioning, balcony for the two bedroom and some three bedroom units, walk in closets, ample storage space, cable TV hookup, high-speed Internet access, window coverings/blinds, E-Star refrigerator and dishwasher, stove/oven, garbage disposal, microwave ovens, pantry, and carpet in bedrooms.

Project Amenities include controlled access entry to both building and parking garage, elevator service, central laundry facilities on each floor, community room, computer room with wi-fi and computer availability, picnic area and tot lot, community gardens, perimeter fencing, separate and secure PSH Services area and the property will be served by an on-site manager and maintenance staff. A park is located to the west. Additionally, several other amenities and mass transit access are located immediately adjacent to the property.

- (6) **Services, if applicable:** Paris PSH will receive a complete array of Permanent Supportive Housing services from lead provider, Aurora Mental Health Center (AuMHC). Further, AuMHC has historically partnered with numerous other service providers to create unique, individualized programs for each of its clients. Included providers are Arapahoe House, Providers' Resource Clearinghouse (PRC), Metro Community Provider Network (MCPN), Tri-County Health, Colorado Legal Services and DU Law Clinic, Metro-Caring, Catholic Charities, Aurora Youth Options, Aurora Public Schools, ARC and Goodwill, and Peak Parent Center. A full Service Plan and Budget are attached as exhibits to this narrative.

BRI will provide a typical array of coordinated services for the non-PSH families including, but not limited to, job skills services, financial assistance, and other social support and counseling services. These services are typically provided by other organizations, but with no cost to Paris PSH or BRI.

**(7) Financing Structure including all Federal, State, Local support:** Paris PSH will be financed by a First Bank construction loan, a very small CHFA first mortgage loan, substantial City of Aurora HOME, CDBG, and NSP funds, Arapahoe County HOME funds, and LIHTC equity from Midwest Housing Equity Group (MHEG). Significant factors in the financing structure include:

- a. City of Aurora has approved its total contribution of \$2.3 million at the CHD Community Board meeting on Feb. 10, 2015.
- b. Site is designated as an NSP Land Bank location which has a distinct, short timeline for re-development and delivery of replacement units.
- c. Paris PSH will be the second LIHTC equity investment by MHEG in Colorado and they are pricing their investment at \$0.96, well above the QAP minimum threshold of \$0.90 and a very significant initial bid price for a Permanent Supportive Housing property.

### **3. Guiding Principles**

- **To support rental housing projects serving the lowest income tenants for the longest period of time:** BRI, as Sponsor/Developer, commits to maintain 100% of the units at 50% AMI or less, including 12 units at 40% AMI, for a minimum of 40 years.
- **To provide for distribution of housing credits across the state:** City of Aurora is located in the eastern portion of the Denver Metro Area of Colorado, where the last PSH LIHTC allocation was in 2002.
- **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit:** BRI is a non-profit affordable housing owner/operator who has recently earned a CHDO license under HUD. Paris PSH would be BRI's first LIHTC project, even though BRI currently owns and operates over 500 low-income seniors and families at 14 properties located throughout the Denver metro area. All BRI properties are supported by Project Based Section 8 and HUD Section 202 Rental Assistance contracts. Solvera Advisors was chosen to act as

Development Consultant to BRI because of its significant experience in LIHTC development and as development trainer to BRI for the CHDO requirements.

- **To distribute housing credits to assist a diversity of populations in need of affordable housing, including homeless persons, persons in need of supportive housing, senior citizens, and families:** Paris PSH will provide much needed PSH to the North Aurora area. Further, of the 1,023 homeless households in Adams and Arapahoe Counties, 51.7% are single-parent with children households, 26.8% are couples with children, and 4.0% are couples without children. Therefore, there are 844 potential homeless family groups for which there are only 43 existing PSH units in the Primary Market Area (PMA).
- **To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those at risk of converting to market rate housing:** Paris PSH will provide 44 new construction affordable rental housing units to Aurora, Adams County, CO., including 15 PSH units. Further, the Paris PSH Market Study highlights the need for additional affordable rental units.
- **To reserve credits for as many rental housing projects as possible while considering the Priorities and Criteria for Approval in the following sections:** See details listed below.
- **To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period:** Paris PSH utilizes Federal 9% LIHTC, including the Federal Qualified Basis Boost because the project is located in a Qualified Census Tract. The initial pricing of the LIHTC equity is estimated at \$0.96 per Federal LIHTC. This figure exceeds CHFA minimum standards. Paris PSH also utilizes \$2.3 million of already approved City of Aurora HOME, CDBG and NSP funds, which is 16.5% of the total development budget. The permanent loan will be a CHFA Perm Loan. Further, with the inclusion of the Arapahoe County HOME funds, along with Other Owner Equity illustrates that Paris PSH is maximizing the available resources in order to minimize the utilization of the 9% LIHTC.

#### **4. Housing Priority**

Paris PSH meets the following CHFA priorities:

Projects serving Homeless Persons as defined in Section 5.B.5.

Projects serving persons with special needs as defined in Section 5.B.5.

#### **5. Criteria for Approval**

**a. Market Conditions including any issues raised in the Market Study:**

- (1) AMI strata with Capture Rates in excess of 25%:** Pursuant to the current Paris PSH Market Study, the overall capture rate does not exceed the 25% level. The 40% AMI level is equal to 26.3% when the Paris PSH units are added. However, the Market Study analyst specifically states that the 40% AMI rate is slightly above CHFA's preferred 25% threshold, but it is still attainable based on the PMA's tight LIHTC rental market. Further, historically, LIHTC properties have had very little or no trouble filling 40% AMI level units.
- (2) AMI strata with Capture Rate increase greater than 6%:** Pursuant to the current Paris PSH Market Study, no AMI strata capture rate or the Paris PSH overall capture rate increases more than 6%.
- (3) Point in Time Study for Homeless units:** Pursuant to the Paris PSH Market Study, the 2015 Point in Time data was not available to the Market Analyst at the time of the Market Study. Therefore, the total number of homeless households is based on the January 2014 estimate provided by the MDHI's Point in Time Survey and is not projected to the subject's expected date of market entry. The analysis suggests that the existing units for the homeless provide shelter for 5.1% of the market area's size- and income-qualified homeless population. The completion of the subject will raise the percentage of units available for the homeless to 6.9% of the total eligible households, which is well below CHFA's 25% threshold and easily attainable, especially considering that there are no other rental homeless units within the price range of homeless households, who are dependent upon rental assistance.
- (4) USDA Study for Farmworker Housing:** N/A
- (5) In-migration as specified within the Market Study:** N/A

**(6) Achievability of proposed rents within the PMA:** Pursuant to the current Paris PSH Market Study, the proposed 40% and 50% AMI rents are set at the LIHTC maximums. Compared to Class B LIHTC properties within the PMA, the subject's proposed 40% AMI rents are 4% lower to 1% higher than the surveyed weighted average effective 40% AMI rents, while its 50% AMI rents are 4% lower to 3% higher.

Compared to Class C market-rate properties within the PMA, the subject's pro forma 40% AMI two-bedroom rent is 45% lower than the surveyed weighted average effective Class C market rents, while its 50% AMI two-bedroom rent is 30% lower. There were no surveyed Class C market-rate three-bedroom units.

**b. Readiness to Proceed including application timeline discussion:**

**(1) LIHTC Application Steps:** This application has met or exceeded the timeline criteria for this section.

**(2) Post-LIHTC Reservation Approval Steps:** Land is currently controlled by a Letter Agreement with the City of Aurora. Discussions with the construction lender and the LIHTC investor corroborate the estimate to close both the construction loan and the LIHTC investment by April 20, 2016.

**(3) Pre-Construction Steps:** Discussions with Calcon Constructors, the general contractor, corroborates meeting the May 1, 2016 construction start target. Complete construction drawings will be completed by Dec. 1, 2015. The local approval process would then have approximately 3 months for completion; a timeline that the local building department believes is achievable. The land is currently zoned for the use intended, and no changes or exceptions are present.

**(4) Construction Steps:** Permit processing is estimated at approximately 90 days after submission of the permit architecture set, a timeline the local building department believes is achievable. A construction period of 12 months is typical for these building types and number of units.

**(5) Post-Constructions Steps:** Solvera, as Development Consultant, will be primarily responsible for monitoring construction progress, but will use Shopworks Architects, to assist with construction administration. Solvera, as Development Consultant, will be assembling the necessary information to submit the Place-in-

Service Application to CHFA within 30 days after construction completion/Certificate of Occupancy. Given the market and demand information assembled in the current Market Study, and the active 'wait list' managed by AHA and AuMHC, Lease Up/Stabilization estimate of three to four months appears achievable. Based on discussions with all lenders, no significant or unusual Loan Closing terms or conditions are expected, indicating that the Loan Closing timeline should be achievable. Solvera will manage all information and documentation to assure submittal of the LIHTC Final Application by the Dec. 31, 2017 target.

**c. Financial Feasibility including analysis of:**

- (1) AMI and Rent positioning:** Both Solvera and third-party Market Study analyses of the AMI targets and Rent Positioning indicate that Paris PSH is very responsive to market needs, and the rents should be achievable within the market.
  
- (2) Vacancy Rate:** Both Solvera and third-party Market Study analyses of the Vacancy Rate indicate extremely low vacancy rates, which has led to increases in rents and further stress on limited income individuals and families. Based on an April 15, 2015 LIHTC Property Comparison Chart performed by Prior & Associates, the market study analyst, vacancy in the overall Paris PSH PMA was 1.8%. Vacancy in the 14 surveyed LIHTC properties in the PMA was 0.2% and vacancy in the subsidized units was 0.0%. Paris PSH will add 44 total new affordable rental housing units as well as 15 PSH units to help address that need. Further, in conformance with CHFA Qualified Allocation Plan (QAP) standards, Paris PSH pro forma uses the standard 7% vacancy rate, a full 5+ percentage points higher than current market vacancy levels.
  
- (3) Operating Expenses:** Operating Expenses have been estimated at \$7,184 PUPA including Reserve for Replacement (R4R) deposits. The factors identified as principally responsible for this figure are:

- a. R4R deposit of \$400 PUPA: Paris PSH is a high bedroom count property serving families. Therefore, a higher R4R is expected to cover property condition wear and tear.
- b. Paris PSH is an elevator served building which requires additional cost coverage.
- c. Paris PSH will pay all utilities except electric for the operation of the building. This factor has additional cost implications and is preferred given the population served. Further, current electric sub-metering techniques require a higher level of computerization and staff monitoring time.
- d. Paris PSH will have a significant amount of building security monitoring equipment whose operation and maintenance add costs.
- e. Although only 44 units total, Paris PSH will have a full-time management staff person and a half to three-quarters time maintenance staff person at the site. The PSH nature of this property and the high bedroom count make these staff levels necessary.
- f. As previously noted, AHA will provide Real Estate Tax Exemption to Paris PSH.

**(4) Debt Service Coverage Ratio (DSCR):** DCR on the 15 Year Pro Forma begins at 1.77:1 ratio and is estimated to decrease over the first 15 years to a 1.72:1 ratio. This level of DCR is in excess of the CHFA target maximum DCR of 1.30:1 for the following reasons:

- a. Paris PSH has sized its permanent mortgage loan based upon LIHTC rents for the 12 – 40% AMI units and 32 – 50% AMI units without HCV support. This position is considered prudent as a safeguard against changes and/or elimination of the PSH or HCV programs, thus requiring Paris PSH to rent at only LIHTC levels. This perm loan sizing corresponds with preferences by the LIHTC Investor community.
- b. The loan sizing and attendant available after debt service cash flow is necessary to support the Services Package as provided by AuMHC. This Service Package is necessary for the appropriate support of the resident population.
- c. The higher DCR allows the DCR to remain stable over the 15 Year

Compliance Period, again, an important factor in financial safety and attracting a LIHTC Investor paying a premium LIHTC price on a Supportive Housing property.

- d. It should be noted that on the Development Financing tab of the LIHTC Application, in order to define the amount of cash flow necessary to support the Services Program, a line in the “loans” section was used to illustrate the \$50,000 annual Services Budget contribution. Because the Application is ‘locked’, it was necessary to use a ‘loan’ at \$750,000 repayable in annual payments over 15 years at no interest rate. That \$50,000 per year then transfers to the 15 Year Pro Forma tab and it separates the Building Operating Expenses from the Services Budget. However, to balance the Sources and Uses of the project, \$750,000 is then deducted on the Development Financing tab.

- (5) **Absorption/Lease Up Schedule:** Based on the very low market vacancy rates, long affordable rental ‘wait lists’, competitive rents, and attractive project amenities, the third-party Market Study analyses estimates lease up and stabilized absorption within 3 – 4 months.

**d. Development/Management Team:**

- (1) **General Partner/Managing Member:** BRI is a non-profit affordable housing owner/operator whose mission is to provide safe, affordable, accessible housing and housing services for Colorado's low-income, elderly and disabled residents. BRI operates as a Community Development Housing Organization (CHDO). Executive Director of BRI for the last 3+ years is Mr. Jeff Martinez. Prior to BRI, Mr. Martinez worked in the Economic Development department at the City of Aurora.  
Solvera Advisors acts as Development Consultant to BRI on the Paris PSH project. Solvera, through its principles, Greg Glade, Lisa Mullins, Mike Gerber, and Bob Munroe, has significant experience in the development and financing of affordable multifamily rental housing. Over the last 11 years, MGL has developed more than 1,400 multifamily units, including more than 900 affordable rental housing units.

- (2) **Developer:** Brothers Redevelopment Inc.  
2250 Eaton St.  
Denver, CO. 80214  
303-685-4222
- (3) **Development Consultant:** Solvera Advisors  
1553 Platte St., Ste. 208  
Denver, CO. 80202 303-554-0500
- (4) **Contractor:** Mr. Jim Bosshart  
Calcon Constructors  
2270 W. Bates Ave.  
Englewood, CO 80110  
303-762-1554
- (5) **Management Company:** Mr. Richard McKinley  
Brothers Redevelopment, Inc.  
2250 Eaton Street  
Denver, CO 80222  
303-685-4222
- (6) **Legal Counsel:** Mr. Mark Berry  
1 Wren  
Littleton, CO 80127  
303-932-2909
- (7) **CPA:** Mr. Michael Morrison  
Novogradac & Co.  
246 First Street, Second Floor  
San Francisco, CA 94105  
415-356-8025
- (8) **Architect:** Mr. Chad Holtzinger  
ShopWorks Architecture  
2882 Wyandot St.,  
Denver, CO 80211  
303-433-4094

- (9) **Environmental/  
Phase I Preparer:** Mr. Gary Reynolds  
Partner Engineering and Science Inc.  
1350 Pine Street, Ste. 2  
Boulder, CO 80302  
303-952-3050
- (10) **Capital Needs  
Preparer:** N/A
- (11) **Cost Estimate  
Preparer:** Calcon Constructors (see above)
- (12) **Green Consultant:** ShopWorks Architecture (see above)

**d. Cost Reasonableness Analysis:** Based on the construction ‘hard cost’ estimate provided by Calcon Constructors, said estimate reviewed and analyzed by Solvera staff and ShopWorks Architecture staff, and based upon the experience of Calcon in constructing similar buildings in the Denver Metro Area, this estimate is considered reasonable, including prudent contingency allowances.

Overall, Paris PSH has higher costs than typical LIHTC properties in the Denver area due to the following:

- (1) Small site necessitating structured/below grade parking: This requirement due to the small site, is adding significant concrete, site work, and shoring costs relative to a typical Post Tension Slab foundation for a project of this size.
- (2) Higher Impact, Permit Fees and Design Requirements: Although Paris PSH will receive some waivers and discounts, overall costs will be higher than typical projects of this size due to City of Aurora design, development and fee requirements.
- (3) Supportive Housing requirements for prudent operation: Paris PSH, as a Supportive Housing property, has designed in certain significant security and service provision areas and details that have increased overall costs.

To balance the additional costs at Paris PSH, the Development Team details the following mitigating factors:

- (1)** The City of Aurora has approved a total of \$2.3 million in project funding: As compared to the typical \$250,000 to \$500,000 in funding that might be expected for a project of this size, the City of Aurora recognized the need and benefit this development provides, and provided significantly more funding than typical.
- (2)** BRI, as a non-profit developer, will receive a certain amount of fee waivers and reductions from the City of Aurora. Although this figure has not yet been finally quantified, the initial estimates total approximately \$250,000.
- (3)** Even though Paris PSH itself will be located in Adams County, Arapahoe County will support Paris PSH with as much as \$500,000 in HOME funding upon an award of 9% LIHTC because a significant portion of the PMA is in Arapahoe County.
- (4)** Initially structured without ‘hard’ permanent debt, Paris PSH has determined a meaningful, but prudent means of supporting a permanent loan for the project. This loan is currently sized at \$725,000, and is supported by the LIHTC Investors that have previewed the project financing.
- (5)** Current analysis indicates that actual building costs are estimated at approximately \$140 per gross ‘buildable’ square foot, which is reasonable to today’s construction of a 4-story, wood framed building. The vast majority of the excess costs are generated by the structured parking.
- (6)** In further support of utilizing only the necessary 9% LIHTC for Paris PSH, the Developer Fee will be held to an amount payable as cash from the total project Sources of Funds. In total, Paris PSH is eligible to ask for a Developer Fee of \$1.725 million. In fact, the Developer Fee will only be \$1.4 million. This figure represents 81% of the total eligible Developer Fee. Paris PSH is not seeking the additional amount of 9% LIHTC associated with the larger Developer Fee as a means to help offset the significant costs at the project.

- (6) Paris PSH is located in a QCT, and, therefore, receives the 30% Basis boost. Because of the significant additional Sources provided by the City of Aurora and Arapahoe County, Paris PSH is 'GAP' constrained on the calculation of the LIHTC available to the project. This means that Paris PSH request for \$1,075,790 in annual 9% LIHTC is only 87% of the total \$1,231,687 for which the project is eligible.

Therefore, based on all the information above and while more expensive than other typical 4-story LIHTC projects, Paris PSH believes it has been responsive to the issue and responsible in its presentation and request for 9% LIHTC.

- e. **Proximity to Existing Tax Credit Projects:** Pursuant to the Paris PSH Market Study, there are 14 existing, family LIHTC properties in the PMA. Overall, the Market Study indicates that Paris PSH will compete very favorably with these properties in terms of amenities, unit types, AMI and rent levels, and location, and that all the properties have very low vacancy levels with wait lists. As noted in the Vacancy Rate section of the Financial Feasibility Analysis, there is now an acute shortage of affordable rental units in Aurora, especially this sub market near Fitzsimons campus.
- f. **Site suitability and environmental issues discussion:** Pursuant to the Market Study analysis, the site is completely compatible for the intended use.

Partner Engineering and Science, Inc. conducted a Phase I review at Paris PSH and has submitted its report dated April 16, 2015. Based upon the report, the consultant has issued a No Further Action statement. A copy of the Phase I and all exhibits are included with this application.

Paris PSH is properly zoned and approved for this multifamily use pursuant to the attached zoning letter from the City of Aurora. The Development Team has conducted two Pre-Application meetings with the City of Aurora Planning Department, and is proceeding with the comments and recommendations discussed therein. Based on this information, Paris PSH has received a letter of support from the City and believes its Application Timeline estimate of final Construction/Design plan approval by the City of Aurora by Feb. 1, 2016 to be achievable.

## **7. Strengths and Challenges:**

### **Strengths:**

- a. Proximity to Fitzsimons campus with health care services for all families.
- b. Maximum use of available resources to finance Paris PSH including in-place and final approval by the City of Aurora for \$2.3 million in HOME, CDBG and NSP funding.
- c. The relationship with AHA providing 15 HCV and Real Estate Tax Exemption will be an excellent financial support at Paris PSH.
- d. Paris PSH will be providing the first new construction PSH units in the PMA since 2002.
- e. Vacancies at other LIHTC properties are extremely low (0.2%).
- f. Market vacancies remain extremely low (1.8%) and this vacancy rate has been 5% or less for 3+ years.
- g. Market rents continue to increase, and are 30% - 45% higher than maximum calculated 50% AMI rents. In the Denver Post article of April 28, 2015, it was noted that Aurora, CO. has the fastest rent growth in the U.S.
- h. Capture rates are moderate and will increase less than 6% at all AMI strata and the overall capture rate, including Paris PSH, stays moderate at 21.6%.
- i. No other new construction PSH multifamily projects are planned in the PMA.
- j. The site is located 2 blocks from primary high frequency public bus transit routes with service running every 15 minutes, 24 hours a day, 7 days a week. Further, this location is within a mile of the under construction light rail line north on Peoria St.
- k. Strong Development Team especially the experience of the Service Provider, AuMHC, who has been successfully operating in Aurora since 1975.
- l. Development owner has substantial experience owning and operating multifamily properties with significant service provision.

- m. Pursuant to the City of Aurora letter dated April 16, 2015, Paris PSH meets numerous goals of the City of Aurora 2015-2019 Comprehensive Plan.
- n. The subject's project and unit amenities, and its unit sizes will make it competitive or superior compared to the existing LIHTC and Class C market-rate projects in the area.
- o. The subject's location provides good drive-by exposure and visibility, and very good access to nearby shopping, services and employment centers.
- p. Paris PSH has a walk score of 70, which is much higher than the overall Aurora walk score of 38, and exemplifies previously identified strengths.

### **Challenges**

- a. Per the Market Study report, 'Some of the site's surrounding land uses are in below average or deteriorating condition. However, nearby rental properties have high occupancy rates and do not have difficulty filling vacant units.' Paris PSH is a catalyst for continued revitalization in this area of the FBAD, meets several targets of the 2015-2019 Aurora Comprehensive Plan, and, as such, is significantly supported by the City of Aurora.
- b. Paris PSH has higher than typical construction costs for a LIHTC affordable multifamily rental property. As noted, several of these costs are specific to the site and are created by requirements for multifamily development in the City of Aurora. To that end, Paris PSH has reduced several costs, lowered the 9% LIHTC request below the amount eligible, and has received a total of \$2.8 million from the City of Aurora and Arapahoe County in the effort to balance the higher costs with a reasonable LIHTC request.