

9% lihtc application narrative



Project Name: AUBURN VILLAS

Project Address: 1033 Auburn Drive, Castle Rock, Douglas County, CO 80109



Figure 1. Auburn Villas Clubhouse/Community Building surrounded by residential buildings (Rendering by PWN Architects & Planners)

Development Overview and History

Auburn Ventures II, LP, in special limited partnership with Douglas County Housing Partnership (“DCHP”), proposes the construction and development of “Auburn Villas”, a senior affordable housing community located at 1033 Auburn Drive in Castle Rock, Douglas County, Colorado. Auburn Villas will feature 100 newly constructed top-quality apartments for *seniors*, aged 55 and older.

Auburn Ventures II, LP is requesting an allocation of \$1,250,000 in Low Income Housing Tax Credits. Auburn Villas, owned by Auburn Ventures II, LP, represents a complimentary Phase II to Auburn Ridge, owned by an affiliate of the applicant. It will be owned and operated as part of the Atlantic Development & Investments, Inc. portfolio of affordable housing communities.

Auburn Villas will include 59 one-bedroom units and 41 two-bedroom units. The rent structure of the 100 units will be:

- \$541 (1 bed) & \$649 (2 bed) for 15 units at 40% AMI
- \$685 (1 bed) & \$821 (2 bed) for 25 units at 50% AMI
- \$829 (1 bed) & \$994 (2 bed) for 37 units at 60% AMI
- \$850 (1 bed) & \$1,025 thru \$1,180 (2 bed) for 23 units at Market Rate

The development of Auburn Villas will successfully address the housing, social, and financial needs of the Town of Castle Rock, Douglas County, and the State of Colorado. Auburn Ventures II, LP is confident that upon an award of 2015 Low-Income Housing Tax Credits from CHFA, Auburn Villas will be an award-winning development for the Town of Castle Rock and Douglas County, as well as a welcomed addition to the CHFA affordable housing portfolio.

Location

Auburn Villas will be located at 1033 Auburn Drive in Castle Rock, Colorado. The Town of Castle Rock is the county seat of Douglas County, and is named after the prominent tower-shaped “castle” butte near the center of town. It is part of Colorado's Front Range Urban Corridor and is located approximately 28 miles (46 km) south of Denver and 37 miles (60 km) north of Colorado Springs. According to the US Census Bureau, Castle Rock had a population of 53,063 as of 2013.

Ranching, the railroad, clay mines, and rhyolite quarries formed the basis for Castle Rock's early economy. With the construction of I-25 and growth of both Denver and Colorado Springs, Castle Rock's economic lifeblood became tied to the interstate and the ease of access it provides to both metropolitan areas.

Castle Rock's physical setting creates a natural shape and identity. Steeply sloping terrain, buttes and ridgelines surround the Town, rising 300 to 800 feet above the 6,200-foot average elevation. Creeks and gulches meander through the many drainage basins, and ponderosa pine and scrub oak cover the landscape. Panoramic views of the Rocky Mountains extend from Pike's Peak north to Long's Peak. Residents and business owners choose Castle Rock for its strong community identity, small town flavor, clean environment, and natural scenic beauty.

Auburn Villas will be located next to Auburn Ridge affordable senior housing community at 1101 Auburn Drive, Castle Rock. Auburn Villas will act as a second phase and complementary "sister property" to Auburn Ridge. The two properties will be designed to be contiguous and accessible to one another, and residents of each property will have access to common amenities and services of each as discussed in the "amenities" section of this narrative.

Site Suitability

The *site is highly suitable for the development of affordable senior housing*. The land for Auburn Villas is located approximately 0.8 miles west of I-25, the state's primary north-south corridor. The site sits atop a ridge southwest of the intersection of E. Wolfensberger Road and Auburn Drive. ***A Phase I Environmental Report by Kumar & Associates, Inc. (completed 6/14/2014) raised no environmental issues with the site.***

Auburn Villas will work with the naturally sloped topography of the site by designing the buildings in an "over/under" fashion. See figure 2 below that the buildings closest to single family homes are effectively "one story" from the perspective of neighbors, and two stories on the other side of the building that fronts the entrance to the property, thus taking advantage of the natural slope.



Figure 2. Auburn Villas streetscape facing South (Rendering by PWN Architects & Planners)

The site is currently surrounded by Auburn Ridge, a church, single-family and other multi-family housing. The site plan for Auburn Villas proposes a maximum building coverage which is significantly less than the 40% allowed by zoning. The topography and placement of the buildings, including a 25' landscape buffer between Auburn Villas and the adjacent single family homes (when paving is included the distance between these homes and Auburn Villas units is closer to 40'), help to preserve visual corridors for surrounding neighbors. Additionally, the density of units abutting the single family homes has been purposefully lowered (10 Dwelling Units per Acre compared to 20 DUA for the rest of the site) in response to neighborhood meetings and feedback from the Town of Castle Rock Planning Department.

Proximity to Existing Tax Credit Developments

With regard to ***proximity to existing tax credit developments***, Auburn Villas is proposed as a second phase to the recently completed Auburn Ridge senior development. Auburn Ridge was

the first ever 9% tax credit award to Castle Rock; it was awarded an allocation of LIHTC in 2013 and successfully completed construction in December 2014. The property was 100% pre-leased prior to receipt of its Certificate of Occupancy and fully occupied within a week. There is currently a waitlist of potential renters approaching 300, strong local support and market demand for a second phase (please see attached letters of support from the Town of Castle Rock, Castle Rock Economic Development Council, Douglas County Housing Partnership, and the local community). Furthermore, at this time, there are no other known tax-credit properties either existing or under development in the market area that are expected to be competitive with Auburn Villas.

Shopping

The nearest shopping center is located approximately one mile from the site southeast along Plum Creek Parkway, and offers a Safeway, Walgreens, salons, Wells Fargo, Coffee Stop, and a pizzeria. The Outlets at Castle Rock is located approximately three miles north of the site and features many popular national retailers.

Senior Facilities

The Castle Rock Senior Center is located less than four miles northeast of the site. The center arranges social activities for seniors; provides services including transportation, financial, and health; and holds special recreational events for seniors such as the Annual Golf Tournament at Red Hawk Ridge Golf Course. Auburn Ridge has fostered a strong working relationship with the Castle Rock Senior Center this relationship would be furthered through the addition of a second phase.

Houses of Worship

Auburn Villas will neighbor the Epiphany Lutheran Church to its immediate west. In the surrounding area there are several other places of worship including Castle Rock Church of the Nazarene, Calvary Chapel Castle Rock, Christ Episcopal Church, Harvest Baptist Church, and Castle Rock Bible Church.

Medical Services

The nearest medical offices can be found near the intersection of Plum Creek Parkway and S. Wilcox St., located less than 1.5 miles from the site. The nearest full-service hospital is the newly built Castle Rock Adventist Hospital, located just 2.6 miles northwest of the site.

Government

Many city government offices are located less than a mile southeast of the site in downtown Castle Rock, including Castle Rock Fire Department, Castle Rock Police Department, and Castle Rock Town Government. The site is within the 6 minute emergency response time area served by the Castle Rock Fire Department.

Recreation

Castle Rock offers outdoor recreation within the city, as well as beyond city limits. Located less than one mile east of the site, Rock Park features hiking trails and scenic views of surrounding Castle Rock, as well as Pikes Peak and the Front Range.

The site is adjacent to Red Hawk Ridge Golf Course. This golf course, opened in 1999, features scenic views of the surrounding area and is open year-round. The Philip S. Miller Douglas County Public Library is located 1.5 miles to the southeast. The AMC Castle Rock 12 movie theatre is located less than 2 miles to the north, and there is a new activity and recreation center located up the road.

Detailed Type of Construction

Auburn Ridge will be a newly constructed garden-style apartment community located on a 6.13 acre site. There will be a total of 100 units spread over 6 apartment buildings, including one 3-story elevator building, one 2-story elevator building, and four 2-story walk-up buildings, as well as a clubhouse building.

The total development square footage is 110,063 square feet, with 4,378 square feet of common space and 105,685 square feet of rentable area (82,068 square feet of which is low-income). The development will include 59 one-bedroom units and 41 two-bedroom units, with five unit types: a 1-BR/1-BA unit at 745 square feet and four types of 2-BR/2-BA units at 1,200,

1,240, 1,284, and 1,390 square feet. There will be five Type-A fully ADA Accessible units located throughout the property in accordance with Fair Housing Policy.

Auburn Villas will be constructed with type V-one hour wood framed construction with hardboard siding, including stucco, stacked stone, and cedar plank accents. Roofs will be pitched and surfaced with composition shingles. Windows will be double pane in vinyl frames. Access to apartments will be by exterior stairs and breezeways for the walk-up buildings, and elevators, interior stairs, and hallways for the elevator buildings. ***All units will feature on-grade entry or will be elevator, meaning that stairs will always be optional.***

Floors will be faux hardwood plank vinyl throughout (including kitchens, living rooms, bathrooms, and bedrooms). Good quality fixtures and cabinets, with laminate countertops in both kitchens and bathrooms. Kitchen appliances will include a refrigerator, range with microwave hood, dishwasher, and disposal. Because the property will be designed for seniors, one bedroom units will have a walk-in shower, and two bedroom units will have one walk-in shower and one bathtub/shower combo. Showers and tubs will have unified acrylic surrounds.

Heating and cooling will consist of central air and individual, exterior condensing units with Aquatherm heating. Each unit will have its own water heater.

Community Amenities

Auburn Villas will feature a number of amenities and will also enjoy access to the community amenities at Auburn Ridge. Auburn Villas will have an integrated fitness trail, a dog park, and 147 parking spaces (5 of which are reserved for handicap parking, and 47 of which are garaged). The community building is 4,378 sf and will feature a light and airy design with large windows and amenity areas that include a leasing office, multi-media/game room, a computer room with single-cup coffee maker providing an internet café feel, fitness center, hearth/gathering area, pool table room, mailroom, laundry facility, and a maintenance room. The clubhouse will exit directly to an outdoor patio and pool area with covered seating. Residents at Auburn Ridge will also have access to this community amenity.

Apartment Amenities

Each of the individual units will have vinyl-tile plank flooring, with vinyl tile and formica counter tops in the kitchens and bathrooms, a combination heating, air-conditioning and water heater unit on the balcony, ceiling fans, walk-in closets; conventional oven/stove, microwave, refrigerator/freezer, dishwasher, disposal, washer/dryer hookups, and intercom security system.

Conformance with Neighborhood Character

The site for Auburn Villas fronts Auburn Drive, a neighborhood collector street. Landscaping and a dog park will act as a natural buffer between that street and the development. The community will consist of one 3-story building with an elevator (60 units), one 2-story building with an elevator (16 units), and four 2-story walk-up buildings (6 units each). The 2-story buildings will generally ring the outer portion of the community along the eastern and southern sections of the property near Auburn Drive and adjacent to the single family homes to the south, while the taller 3-story building will be located near the center of the site, adjacent to the clubhouse. The placement of the buildings allows for good visibility from Auburn Drive and Wolfensberger Road. Parking will be conveniently located near the buildings. Parking on the site will consist of 100 surface spaces, and 47 spaces in detached garages, largely on the northwestern edge of the property, creating a buffer between the apartment community and the residential and church properties to the north and west. These design considerations translate to an architectural design that is compatible with the scale and vernacular style of adjacent existing residential development: a simplified alpine style tailored to today's attainable living. The building has been designed to incorporate materials, colors and architectural elements that are complementary to Auburn Ridge and typical to the surrounding area, thus helping to preserve Castle Rock's distinct character. The generous landscaped common areas, including the dog park, contribute to a harmonious transition between neighborhoods.



Figure 3. Auburn Villas streetscape facing North from adjacent single-family homes (Rendering by PWN Architects & Planners)

The architecture of the building utilizes siding, stucco and stone veneer. Architectural detail includes dormers and multiple gables with exposed cross-bracing and roof brackets. Selected focal points of the buildings are accented with stone veneer. Covered balconies, stucco arches and window shutters add articulation and dimension to the building elevations. The detached garages and trash enclosures will be constructed with materials to match the residential buildings. The vivid color palette of gold and auburn are a continuation of the colors used successfully in Auburn Ridge.

Energy Efficiencies

Auburn Villa’s Developer has a proven track record in developing energy-efficient affordable communities, as demonstrated by Atlantic’s most recent senior affordable developments.

Ghost Ranch Lodge in Tucson, Arizona, received the Judges Award for Achievement in Sustainability by The National Housing & Rehabilitation Association, in conjunction with the National Trust Community Investment Corporation, at the 2011 J. Timothy Anderson Awards for Excellence in Historic Rehabilitation. Auburn Ridge has successfully completed phase 1 certification through Enterprise Green communities, and expected to finalize its Enterprise Green Communities Certification in the next month.

Under the guidance of its sustainability consultant, C2 Sustainable Development Services, Auburn Villas will also follow the Enterprise Green Communities Criteria for sustainable development, and will include: advanced water conserving appliances and features, meeting the rigorous building performance standards of Energy Star version 3, Energy-star rated appliances, energy-efficient lighting, and low-water use landscaping.

By utilizing Energy Star version 3, the project will go not only beyond the energy code the project applied for permits under, but also beyond the 2012 IECC the town of Castle Rock has adopted. These standards require rigorous performance testing of the units to ensure they are as air-tight and energy efficient as possible. In essence, Auburn Venture II, LP's goal is to maximize energy-efficiencies in the development of Auburn Villas, in order to create the most sustainable, cost-effective development over the long term.

Population Served

Auburn Villas is designed for *seniors* aged 55 and older, with 77 of the units (77%) rent-restricted for seniors whose income is 60% or less of the AMI. The 100 planned units have a broad income mix, restricted at 40%, 50% and 60% AMI as well as market-rate units. ***Auburn Villas proposes more low-income units than any other project applying for an allocation of 2015 LIHTC and thus represents CHFA's most efficient use of tax credits as it provides the most low-income units to Colorado's senior population.***

Proposed rents are targeted at the maximum allowable, and residents will pay electric utilities. The rent structure of the 100 units will be:

- \$541 (1 bed) & \$649 (2 bed) for 15 units at 40% AMI

- \$685 (1 bed) & \$821 (2 bed) for 25 units at 50% AMI
- \$829 (1 bed) & \$994 (2 bed) for 37 units at 60% AMI
- \$850 (1 bed) & \$1,025 thru \$1,180 (2 bed) for 23 units at Market Rate

Auburn Ventures II, LP has contracted with the Englewood Housing Authority to provide HUD Section 8 Rental Assistance Certificate Holders (and public housing entity waiting list applicants) first priority status for vacant units to the Certificate Holders.

Auburn Villa's tenant mix will have a diverse income range and will include 23 market-rate units. The decision to incorporate senior market-rate units into the development is warranted due to the high cost of developing in Castle Rock and Douglas County warrants the inclusion of senior market-rate units as the most appropriate unit mix for an affordable senior development in this location as noted by *The 2014-2018 Consolidated Plan Douglas County CDBG Program*, which notes:

Although progress is continually being made to increase affordable housing in Douglas County, barriers do exist. Development costs continue to be a barrier. The cost of land being at a premium and water being a scarce resource are factors that contribute to increasing the costs of development. For these reasons, it is extremely challenging to develop affordable housing in this county without having multiple funding sources in place. It is especially difficult to build multi-family residential developments that serve persons and households in the 40 to 80 percent of AMI due to these high costs. ***Even the 60 to 80 percent AMI developments have to include market rate units within their development in order to be financially feasible.*** (p 81, emphasis added)

Amenities

Each unit at Auburn Villas will feature full kitchens with Energy-Star rated appliances (including dishwasher and garbage disposal), walk-in closets, balconies or patios, air-conditioning, walk-in closets, vinyl tile "hardwood" flooring, coat closet, and window coverings. These proposed unit amenities are considered highly desirable by seniors, and should considerably enhance the marketability of the community.

Auburn Villas will also be built with the needs of disabled residents in mind. Five "Type A" fully handicap accessible dwelling units will be built per the Fair Housing Act and the 2009 IBC; this represents more than 5 % of the total number of dwelling units in the project. The balance of units in the project will be "Type B", and adaptable for the needs of handicapped residents. All handicap elements will be installed in these units at first construction, including those for sensory impairments (2% of units). All common areas of the facility will be designed to meet ADA for public accommodations.

Interior common amenities at Auburn Ridge will be designed to enhance a sense of community for residents. Residents will enjoy a spacious community building with computers and Wi-Fi, seating, and a café bar, providing a space for residents to socialize, a flat screen TV, and Wii; an exercise room including free weights, exercise machines, and floor/class space; and pool table.

Finally, outdoor amenities at Auburn Ridge will include a dog park, security camera system, garage parking spaces, and a community patio and pool. Based on feedback from seniors at Auburn Ridge and our experience building and owning senior affordable properties, the swimming pool is considered highly desirable by the senior population who use it for exercise and as a gathering/reflection area. The site will be connected to both Auburn Ridge and public sidewalks at several locations, providing an opportunity for residents to stay fit by walking this route, and also connecting Auburn Villas to the wider neighborhood and enhancing a sense of community within the Town of Castle Rock.

Services

While Auburn Villas is designed for seniors seeking to live an independent lifestyle, we have found at Auburn Ridge that many of our residents desire and need support services, especially as they progress in age. Accordingly, the community's management company, Celtic Property Management, LLC, now provides a variety of supportive services to residents, and will also provide these services to residents of Auburn Villas. Specific in-house support services we will provide include, but are not limited to: an ADA accessible shuttle van, resident service coordination, on-site health classes, coordination with an on-site visiting nurse, food bank coordination.

Through Celtic, Auburn Ridge will promote the social integration of Auburn Ridge residents within the wider Castle Rock community. A number of community organizations are excited for the proposed development including the Castle Rock Senior Center. The Castle Rock Senior Center provides a number of services and activities for seniors in the area, including a local shuttle service, financial advice, and health services.

On-site staff will be equipped to provide support to our residents, some of whom may be disabled or otherwise require assistance with the activities of daily living (e.g., managing finances, health matters, etc.). Celtic will also make referrals to outside agencies and services that may contract separately with residents (e.g., transportation, home health, housekeeping, food delivery, rehabilitation, etc.).

Auburn Ridge successfully promotes the social integration of Auburn Ridge residents within the wider Castle Rock community. Auburn Ridge has a strong relationship with the Castle Rock Senior Center, which is located less than four miles away and provides a number of services and activities for seniors in the area, including a local shuttle service, financial advice, and health services.

Residents at Auburn Villas will be able to avail of services provided onsite at and also at neighboring Phase 1. For this reason, it is worth briefly discussing some of the services currently offered at Auburn Ridge, and which will be available to residents of Auburn Villas.

Phase 1 started their transportation and other services in February 2015 after opening and moving in 90 units the end of December. Residents were surveyed regarding the types of programs and/or services they would like to see. The top request was for transportation. Auburn Ridge has 13 residents that do not drive or have vehicles. These residents rely on us, family and friends to provide for their transportation needs. Other residents do not feel safe driving in snowy conditions and they have also used Auburn Ridge's transportation services. On average there are 5 people per day every Tuesday/Friday that use this service. Services are currently being expanded and will be expanded further to meet the needs of residents of Phase 2.

In February, Phase 1 began a program with the Visiting Nurses Association whereby they provide foot care that consists of toenail clipping, trimming and filing, callous and corn evaluation, circulation assessment, blood pressure and foot care education. Auburn Ridge also has a local audiologist from Accent on Hearing that does a monthly free hearing clinic for those who do not currently wear hearing aids. For those that currently use hearing devices they can order their supplies through them (batteries, audio wipes, wax traps) and have them delivered on the clinic day. Celtic Property Management, LLC has also coordinated Medicare check-ups for any resident that is new to the area and needed update their information to Medicare.

Additionally, the Douglas County Senior Council, Douglas County Housing Partnership and other community organizations host various events on senior related and housing topics use the community space at Auburn Ridge. The property effectively functions as a satellite Senior Center for Castle Rock, and the residents of Auburn Villas will be able to enjoy it as such.

Auburn Villa's Response to Market Study Recommendations

The market study for Auburn Villas was generally supportive of the development and noted the many ways in which we have incorporated design elements that will make Auburn Villas competitive over the long-term. However, it did note that "The lack of available transportation is one potentially negative factor, since the Town of Castle Rock does not currently provide public transportation. As such, other forms of transportation will be necessary for residents to access shopping, services, and recreational amenities" (p. 72). We encountered this difficulty when developing Phase 1, Auburn Ridge. In response to our market study at that time and feedback from CHFA, we made the decision to provide an ADA van for the property. This van is now operational and ***provides for the transportation needs of residents***. When Auburn Villas is complete, residents will be able to use the Auburn Ridge van as a shared amenity, addressing this potential weakness in the project. Furthermore, our excellent relationship with the Castle Rock senior center will ensure that residents are also able to avail of the other existing transport options available in town. We will be sure to highlight these transportation options in our marketing efforts, in response to the market study's recommendation.

The market study also recommended that "The utility savings projected from the energy efficient design features and other environmentally conscious project elements leading to the proposed Enterprise Green Community and Energy Star Community certifications should also

be highlighted to prospective tenants” (p. 5). We are currently working with Celtic Property Management, LLC on drafting an informational packet that will educate both prospective residents of Auburn Villas and current residents of Auburn Ridge on the economic and environmental benefits of living in a property built to Enterprise Green Communities and Energy Star standards.

Auburn Villas and Housing Priorities as set forth in Section 2 of the QAP

Auburn Ridge will feature 100 newly constructed top-quality apartments for seniors, aged 55 and older. While seniors are not identified as a priority population in the 2015 QAP, it is unquestionable that they are a population in need of affordable housing. Auburn Villas will provide a supportive community in which seniors in Castle Rock and Douglas County can age in place with peace of mind.

Auburn Ridge is Consistent with the Guiding Principles in Section 2 of the QAP

Auburn Ridge meets a number of the guiding principles set forth in Section 2 of the Qualified Allocation Plan (QAP).

First and foremost, Auburn Villas will provide housing that ***serves the lowest income tenants for the longest period of time***. Auburn Ventures II, LP is committed to targeting *15 units at 40% AMI*, 25 units at 50% AMI, and 37 units at 60%AMI, for a total score of 66 under the Low-Income Targeting Category. Auburn Ventures II, LP has entered into an agreement with the Englewood Housing Authority to provide HUD Section 8 Rental Assistance Certificate Holders (and public housing entity waiting list applicants) with first priority status for vacant units (see PHA Agreement with Englewood Housing Authority in Tab 9). Finally, Auburn Ventures II, LP is committed to extending the 15-year compliance period by an additional 25 years for all rent-restricted units, a total 40-year affordability period, which is the highest possible score of 38 points for extended low-income use under the 2015 QAP. As previously mentioned, Auburn Villas provides the largest number of affordable units of any applicant for 2015 LIHTC.

The development of Auburn Villas will also successfully contribute towards a ***distribution of housing credits across the state***. Castle Rock has only ever had one 9% competitive tax credit allocation. An award of 9% competitive tax credits to Auburn Villas will address the still existing

pent up demand for desperately needed affordable senior housing in a market area that has previously been overlooked by developers.

An award of tax credits to Auburn Ventures II, LP will also help to ***provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit.*** Auburn Ventures II, LP's special limited partnership with the Douglas County Housing Partnership will create a private-public partnership that will successfully bring affordable housing to an area previously avoided by developers.

Auburn Villas will create housing opportunities for ***senior citizens*** and ***the disabled*** in Castle Rock and Douglas County, thereby ***assisting an identified population in need of affordable housing.***

The development of Auburn Ridge goes towards meeting CHFA's stated goal of ***supporting new construction of affordable rental housing projects.*** Auburn Ventures II, LP is confident that this asset will not only be financially viable over the long term, but will also be an award-winning development for the Town of Castle Rock, Douglas County, and the State of Colorado.

Finally, Auburn Ventures, LP's request for \$1,250,000 in tax credits is necessary for ***the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period.***

Auburn Villas Meets the Criteria for Approval in Section 2 of the QAP

Market Conditions

Auburn Villas will successfully address the identified community housing priorities of Douglas County as set forth in *The 2014-2018 Consolidated Plan Douglas County CDBG Program*. In particular, this regional plan identifies seniors as a population with special housing needs:

“Douglas County experienced a 178 percent increase in the population age 65 and over from 2000 to 2010, from 7,322 to 20,343 people. The total population only increased 62 percent during the same time period. People age 65 and over now make up 7 percent of the population, compared to 4 percent in 2000. By the year 2030, seniors are projected to be 20 percent of the total county population. Over the past two decades, Douglas

County has been a “young” county, with a high percentage of children and working-age adults. Now, ***the aging population will require significant changes to the priorities of the County, in terms of resources, facilities, and services provided.***” (p. 76, emphasis added)

Furthermore, a recent presentation to Castle Rock Town Council by the Castle Rock Planning Department noted that the rapidly growing senior population in Castle Rock will mean that “The development community will need flexibility to adjust their developments and products as market demand changes” in the Town.

This strong demand for senior housing was reflected in the market study for Auburn Villas:

...strong demand is reflected in the PMA by the 286-person waiting list (as of April 21, 2015) and rapid absorption of Auburn Ridge. This high demand level is corroborated by a vacancy of only 1.6% and extensive waiting lists among the comparables used in this analysis, as well as the fact that a majority of those comparables reported 100% occupancy. (p. 74)

The development of Auburn Villas is necessary to meet a pent up demand for desperately needed affordable housing in an area that has previously been overlooked by developers, due to the high cost of developing in the area and previous resistance from the local community.

Readiness-to-Proceed

The Auburn Ridge development is ***ready to proceed immediately*** following an award of LIHTC from CHFA.

The land for the site is property zoned for the development and construction documents will be ready by the end of the summer. The land for the site is zoned Multifamily-2 (MF2) within the Auburn Ridge Planned Development (PD). MF2 allows for the construction of age-restricted, independent senior living facilities, with a density of 17 dwelling units per acres, and 40% maximum building coverage. The parking requirements for MF2 require 1 parking space per dwelling unit plus 1 space per 5 dwelling units for guest parking. The 147 parking spaces provided at Auburn Villas exceeds this parking requirement. Please see zoning verification letter from the Town of Castle Rock in Tab 15 of this LIHTC Application.

Financial Feasibility and Viability

Auburn Villas has the financial strength and local support to successfully complete the development. The Town of Castle Rock, Douglas County, and numerous community organizations and local businesses strongly encourage the construction of Auburn Villas.

We have maximized the financing potential of the property, thereby minimizing the total need for tax credits. We have a financing commitment for the construction of the project from National Mortgage Investors, LLC in the amount of \$22,222,747 and an equity commitment of \$12,500,000 from Credit Capital, LLC, our tax-credit investor.

Due to the number of partnerships we have previously closed with our tax credit investor, Credit Capital is prepared to purchase a ninety-nine and nine-tenths percent (99.98%) limited partnership interest in Auburn Ridge upon receipt of the tax-credits at a purchase price which is at the high end of the national tax credit spectrum (***\$1.00 cents per tax credit dollar***), thereby giving greater leverage to the state's tax credits, and keeping rents more affordable.

The \$2,269,930 Developer Fee and \$835,305 Contractor overhead and profit amounts are both within their respective permissible percentages as outlined in the 2013 QAP (these fees were automatically calculated in the CHFA 2013 LIHTC Application on the Contractor-Developer Fee Limits Worksheet). It should be noted that the \$835,305 overhead and profit amount is a reduced fee in conformance with the requirements of the QAP to counteract the identity of interest between Auburn Ventures, LP and the contractor Regis Construction, Inc.

Auburn Ridge's per unit hard cost of \$156,048, and total development cost of \$222,227 per unit are below the 221d4 HUD basis limits. ***The costs are considered reasonable*** when compared to other tax credit developments, particularly given the considerably high costs associated with completing developments in Douglas County, and have been verified by an independent third-party, PWN Architects and Planners.

The development team has identified its sources of funding for the project that make the project ***financially feasible***. We have firm commitments for both the construction and permanent financing on the project. Additionally, we have a firm commitment from our equity

investor, and have chosen to defer 28.64% of the developer’s fee. We have begun discussions with Douglas County CDBG program to apply for \$500,000 in CDBG funds and they are supportive of the project.

The financing structure is as follows:

Auburn Ridge Financing Structure

<u>Source</u>	<u>Amount</u>	<u>Status</u>
1st Mortgage from Charter Oak	\$8,572,747	Committed
Douglas County CDBG	\$500,000	Letter of Interest Received
LIHTC Equity	\$12,500,000	Committed
Deferred Developer Fee	\$650,000	Committed
Total Sources	\$22,222,747	

The financial strength of Auburn Villas deal structure means that we have not had to request any HOME funds from the Colorado Division of Housing, meaning that those funds can be used to further other projects and not placing undue burden on the department’s limited resources.

The high cost of developing in Douglas County is the primary justification of the **financial need for CHFA’s DDA credit up to 130 percent of qualified basis**. The *2014-2018 Consolidated Plan Douglas County CDBG Program* noted that it is extremely challenging to develop in Douglas County. Additionally, **the project is not financially feasible as a non-competitive 4% deal**.

At this time Auburn Ventures, LP is **not requesting any waivers for the following underwriting criteria**: minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 minimum replacement reserves, vacancy rate below CHFA’s minimum. The DSC ratio above 1.3 in year 15 only speaks to the financial strength of the development and the confidence that CHFA can have in allocating an award of LIHTC.

Furthermore, the Douglas County Housing Partnership (DCHP), a Multi-Jurisdictional Housing Authority, intends to materially participate in the design and development of the project as a special limited partner in the ownership of the development. DCHP has been in existence for over ten years and functions primarily to assist first time homebuyers with down payment

assistance. DCHP's role as Special Limited Partner and co-owner means that Auburn Ridge will be exempt from real estate taxes, further ensuring the financial viability of the development (see attached letter of support from Douglas County Housing Partnership and letter of real estate exemption from Douglas County Assessor's Office).

We are committed to the tax credit program and to the individuals it serves. Our commitment is that upon receipt of a tax credit reservation, we will deliver Auburn Villas as promised and when promised. We believe that Auburn Villas will be another exemplary addition to the Colorado Housing and Finance Authority's portfolio.

Community Outreach and Local Support

Auburn Villas has a substantial amount of community support both in spirit as well as in the form of financial subsidy.

Neighborhood and Town Support

Discussion of Phase II began at neighborhood meetings held on June 6th and 7th, and September 17th 2012 with all HOAs and homeowners within a 600 ft. radius of the site at a local restaurant, Castle Café, on Wilcox Street in Castle Rock. At these meetings, we presented an overview of the development, including its affordable nature. We have continued to have discussions with the neighborhood, keeping them updated as the development has progressed. Our most recent neighborhood meeting (held in April 2015), discussed our intention to apply to CHFA for an award of LIHTC, and we have received numerous letters from the community supporting our development and highlighting the need for senior affordable housing in Castle Rock (see attached letters of support).

The Town has worked with us to expedite annexation, rezoning and other approvals. Their support is not only evidenced by their unanimous approval of the annexation and re-zoning of the land for the development on December 11, 2012 by a vote of 7-0, but by the words of support from the Mayor at the Grand Opening of Auburn Ridge and the letter of support from the Town's Long-Term Planner (see attached). Our work on Phase 1 has cultivated unparalleled support for affordable housing in Castle Rock and we need to capitalize on this momentum. Furthermore, our special limited partnership with DCHP strengthens our application as the

Town of Castle Rock is one of the local government members of the DCHP and a party to the Intergovernmental agreement that established the DCHP.

County Support

Auburn Ventures II, LP's partnership with Douglas County Housing Partnership also shows the high level of support at the county level for Auburn Ridge. The development team has held meetings with Jennifer Eby and Tina Dill of Douglas County CDBG, and has been encouraged to apply for CDBG funds for Auburn Villas as it successfully addresses an identified community housing priority for as set forth in The *2014-2018 Consolidated Plan Douglas County CDBG Program* (see Tab 9 of this application).

The strength of our organization is unparalleled and we believe that it will allow us to successfully complete the Auburn Villas development. Until Auburn, Ridge Castle Rock was an area that local developers have found difficult to develop due to higher than average costs and NIMBY-ism. Along with our special limited partner, DCHP, Auburn Ventures II, LP has built strong relationships with the Town of Castle Rock and Douglas County over the last three years and has been told by those in the local municipalities that they have never witnessed such enthusiasm for a LIHTC project before. There is still a need for affordable senior housing in this area, and now is the time to show the community that their faith in our development team will be rewarded by funding the much-needed second phase.

Experience and Track Record of the Development and Management Team

Auburn Ventures II, LP is part of the Atlantic Development & Investments, Inc. family of affiliated companies, headed under the direction of Mark Breen. Since 1986, Mark has been involved in the development of over 4,000 LIHTC units across the country. Atlantic is dedicated to developing high quality, affordable communities that stand the test of time. Our winning formula includes innovative designs, value engineering, attentive construction management, quality contracting and a unique ability to adapt to the complexities of any development. Atlantic's affiliate, Glennmark Construction, Inc., has been a leader in the development of affordable housing communities, and its relationship with National Mortgage Investors, Inc. and Charter Oak Mortgage ensures that construction and permanent financing are in place and firmly committed at the time of application. The financial strength of the developer, who has

never sold a LIHTC property since 1987, speaks to our dedication and perseverance through any challenges the market may bring.

We assemble the best possible development team to get the job done as efficiently and cost effectively as possible. Our property management company, construction affiliates, accountants, lawyers and tax credit investor partners all have extensive experience in tax credit property development, have worked together as a team in the past, and compliment one another's various skills. Affiliates of Glennmark have worked with our tax attorney, Siegel, O'Connor, O'Donnell & Beck, and our CPA, Whittlesey & Hadley, P.C., for over twenty years. They take pride not only in being part of the team but also in developing quality communities that serve our low and moderate-income residents for many years to come.

Our successful balance of equity and debt financing has earned the trust of some of the country's premier investment partners. Among those we've attracted include nationally known sponsors of affordable housing, several publicly held corporations, including insurance and utility companies and select regional banks. The Richman Group Capital Corporation is one of the premier syndicators in the country. Our 25-year relationship with Bruce Nelson at Credit Capital, on behalf of the Richman Group, provides a strong foundation and ensures that we will receive our equity on time. This financial footing ensures a strong foundation for each of our community developments. The breadth of knowledge and experience we have in the field of affordable housing together with our financial strength ensures that Auburn Villas will be successful over the long term.

The key to the strength and success of the Atlantic business model lies in the fact that our team has worked together for such a long period of time. This holistic approach to doing business emphasizes the importance of long-lasting relationships and the value that is added when the various individuals composing a development team that are normally disparate are brought together to function more efficiently as a whole. Our development, construction, and management affiliates are all co-located in the same building, meaning that we can look to other members of the development team for assistance or support at any time of the day and meet face-to-face at a moment's notice. This vertical integration allows us to get the job done more efficiently than other developers. We deliver our LIHTC communities on time and have more "skin in the game" than any other developer, often guaranteeing the financing and

construction completion of our projects in order to accelerate the development process for our investors. This type of business model adds value to the finished product; in particular, the synergy it produces allows us to complete developments more quickly and cost effectively than our competitors and is highly attractive to our equity investors. Our investors know that we are able to respond more quickly than others to their construction, management or development needs due to our ability to have direct oversight over each of these constituent elements. As such, we are able to attract the highest equity pricing in market and build superior affordable communities that stand the test of time. In essence, the efficiency of our development, construction and management organizations, and our willingness to stand by our properties, helps to maximize tax credit dollars. Today, Atlantic Development & Investments, Inc. is one of the nation's most successful LIHTC developers, and recently one of its affordable senior developments, Ghost Ranch Lodge, was selected as a semi-finalist by the National Development Council for its Academy Award.

Antares Development & Investments, Inc. is the co-developer of Auburn Ridge. Jessica Breen, the principal of Antares, has had primary responsibility for the entitlement process for the land on which Auburn Villas will be constructed and has been integrally involved in securing soft sources of financing and developing the partnership with DCHP. For its role in the development process, Antares will receive 20% of the developer fee and Jessica Breen will receive a minority ownership interest in the general partner of Auburn Ventures II, LP.

Auburn Villas has been designed by PWN Architects and Planners, of Greenwood Village, a firm with a wealth of experience in affordable housing construction in Colorado. C2 Sustainable Development Services in Boulder is engaged as the green consultant for Auburn Villas, and Kumar & Associates, Inc. has provided the Environmental report for the development. All of these development team members have extensive experience with LIHTC development and are working integrally with our General Contractor, Regis Construction, Inc.

Regis, proudly a woman-owned business, together with PWN and C2 Sustainability, will ensure that Auburn Villas is designed and built to Enterprise Green Sustainability Criteria. Regis Construction, Inc. is working diligently with the Castle Rock Economic Development Council to connect with a number of local businesses (e.g. subcontractors, suppliers, etc.), and is currently preparing an invitation to bid from local subcontractors who are all eager for Auburn Villas to

be awarded tax credits. The continued success of the Atlantic business model, which Regis follows, has been directly attributable to our ability and willingness to work with local businesses, subcontractors and suppliers. We are in the process of developing similar long-lasting relationships with local subcontractors in Colorado, and have established an office in Denver in our efforts to further build our presence in the state.

Finally, Auburn Villas will be managed by Celtic Property Management (Celtic), LLC. Celtic's principal team of owners, company managers, and officers has a combined experience of more than 80 years in all aspects of multi-family and affordable housing properties. As of February 1, 2008, Celtic assumed full-time management responsibilities for 1,150 units of affordable multi-family housing in 10 communities. Since its establishment in 2008, Celtic has tripled its portfolio to include more than 4,000 units in over 30 properties across the country. This includes management of six senior rent-restricted properties, and five 100% Project-Based Section-8 properties (two of which serve elderly and/or disabled residents). Celtic's properties are held to the highest standards and compliance is overseen by our in-house compliance department. Our Chief Operating Officer and designated broker, Tina Beland, holds a Colorado broker's license and is currently managing an ever-growing waiting list for Auburn Ridge (and now Auburn Villas!) comprised of individuals from the community who have spontaneously called or emailed asking about the development, and requesting to be placed on its wait list (there are currently almost 300 names on this list).

Closing

For the past two and a half years we have demonstrated to CHFA, Douglas County, the Town of Castle Rock and the community that all of our commitments have been fulfilled. Furthermore, we have delivered everything that we have promised to date. Phase 1, Auburn Ridge, has been a tremendous success (it has already been nominated for a Vanguard Award from the National Affordable Housing Management Association), and has educated an entire community about the importance of senior affordable housing, and created support for the LIHTC program in new areas of the state. Neighboring towns are now interested in how they can support the development of affordable senior housing in their communities and a once vacant parcel of land has been transformed into a property of which the Town of Castle Rock, Douglas County, and the State of Colorado can all be proud. With CHFA's award of tax-credits to Phase 2, Auburn Villas, we will continue to show our commitment and build on the time-sensitive

positive moment and support for affordable housing that we have cultivated within the Town of Castle Rock and Douglas County.

Auburn Ventures II, LP is committed to commence construction no later than third quarter 2015 and shall be complete with construction the fourth quarter of 2016. Essentially, we believe that we will be the first to commence construction and the first to complete construction for the 2015 tax-credit year. Our affiliates have never had to return any credits to any state for failing to complete a project on time. All of this speaks to the dedication, commitment and experience we have in the field of affordable housing. We believe that no one else can make this commitment, and as such we respectfully submit that everyone will benefit from an award to the development of Auburn Villas.

Auburn Ventures II, LP would like to thank Douglas County, the Town of Castle Rock and the multitude of neighborhood and other community organizations for their continued support. Finally, we want to thank the state of Colorado, particularly the Colorado Housing and Finance Authority, for its time and dedication to the review the LIHTC application for Auburn Villas. We know that upon receiving an allocation this year, as we look back in years to come, everyone involved in the development of Auburn Villas will know that it was a worthy cause.