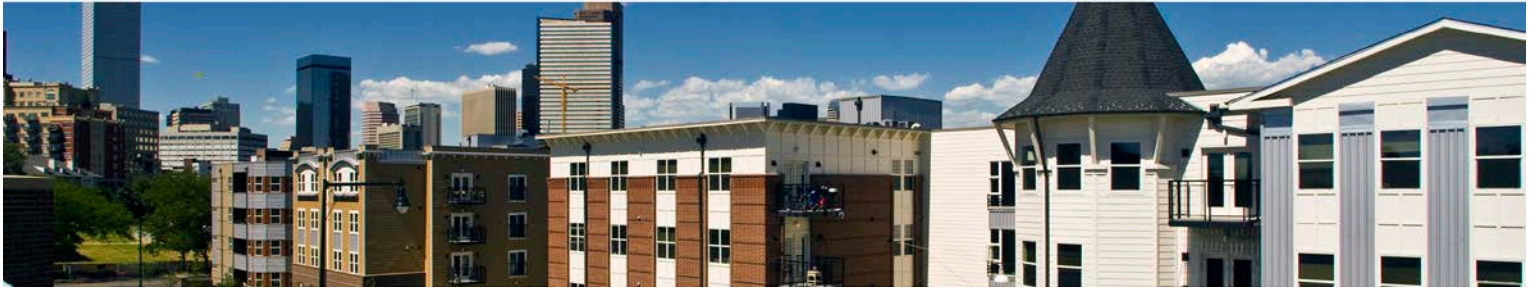


9% lihtc application narrative



Project Name: **Cottonwood Commons Apartments**

Project Address: **Southeast Corner of CR 317 and Antero Circle
Buena Vista, CO, Chaffee County**

The Narrative

Characteristics of Cottonwood Commons & Why It should Be Awarded Tax Credits

Urban, Inc. recognizes the difficulty of selecting a limited amount of projects from a large applicant pool. Urban, Inc. believes that the Cottonwood Commons project is an excellent candidate for funding based upon the severe shortage of affordable housing located in Buena Vista, and Chaffee County in general. The town, county, and employers feel that lack of affordable housing options is so great that the economy and growth in the area are being negatively affected by the shortage. At a meeting with the Town of Buena Vista, we were informed that there is such a housing shortage of temporary housing that residents are forced to sleep in tents and campers. This is evidenced by the fact that the current Town vacancy rate is 1.2%. Urban, Inc. was sought out specifically by the director of Chaffee County Economic Development Council (“CCEDC”) due to its history of successful development and management of affordable housing projects in Buena Vista and throughout Colorado. Urban, Inc. is very fortunate to be able to work with a Town whose leaders and employers display unwavering commitment to the support and success of their community, including monetary contributions, in order to alleviate the shortage of affordable housing.

Project’s Strengths

- This project is the result of a tremendous need for affordable housing in Chaffee County as illustrated from the overwhelming support from the Town of Buena Vista, Chaffee County, Council of Governments, and CCEDC. They feel that this project will improve the community growth that has been suppressed by a severe shortage in affordable workforce housing which is hurting Chaffee County’s ability to attract and retain employees.
- CCEDC is supporting the project by donating the land and the Town of Buena Vista is working with the Developer to reduce and waive various development fees.

- Urban, Inc. is a strong developer and manager of affordable housing over the last 43 years and as a result was selected for this project by CCEDC.
- The project will provide safe and affordable housing to the employees and residents of Buena Vista, Colorado.
- The vacancy rate of Buena Vista is less than 2%. Average monthly rental is \$824.00.
- Median earnings for Buena Vista is \$29,050. The average wages are under \$12.50 per hour.
- 24% of Buena Vista renters earn between \$25,000 and \$34,999 per year.
- 88% of Chaffee employers think that housing is a problem. Cottonwood Commons will allow the Town to have the local work force live where they work.
- 40% of residents of Buena Vista pay 35% or more of their income towards housing.
- Allows the town to have the local work force live where they work.
- The property is located within walking distance of shops, restaurants and transportation lines.
- The property rents are below the market rents for Buena Vista.
- Current primary overall capture rates are 6.1%.
- The PMA, which is gaining 27 renter households per year, does not have any other project in the development pipeline. CHFA has not funded a tax credit project in Chaffee County for over 12 years.
- Based on the pent-up demand, the PMA can absorb 144 rental units before causing the vacancy rate to exceed 5.0%.

Project Weaknesses

- The property is near some light industrial/office uses; however, there is housing within the vicinity.
- As evidence to the affordable housing shortage in Chaffee County, there are no real affordable 60% comps in the market at this time. However, 60% max rents are below market and this project meets an unmet niche. While the Town of Buena Vista, the employers, and the Developer believe that 60% rents are very achievable, we have conservatively discounted our proforma max 60% rents since this is somewhat unproven.

- In order to make this project financially feasible, the CHFA 30% discretionary basis boost is needed. The boost is necessary to fill the financing gap resulting from the high cost of building in a small rural mountain community.
- Due to the size of the project, there is limited cash flow. There is only enough cash flow over the next ten to fifteen years to support a 12% deferred developer fee. Therefore, we are limited in the size of the Deferred Developer Fee Note.

Description of the Project

Type of Construction

Cottonwood will consist of two, three-story wood frame, exterior access walk-up garden style apartment buildings. It will have post tension slab foundations with three story wood framing (Type 5a code compliant) and 1hr fire separations between all units as required by code. Each unit will have its own furnace and air conditioner unit and will be separate metered for gas and electric. Each unit will have a living room, kitchen with adjacent dining space, bedrooms with ample closet space and one or two bathrooms depending on the unit. The square footage of units are 564 to 659 for the one bedroom, 781 for the two bedroom and 1,042 for the three bedroom.

Population Served

Cottonwood Commons has been developed to meet the needs of individuals and families with incomes falling within the range of 40%-60% AMI. In Buena Vista, this income range encompasses a wide variety of wage earners including those in grocery and hospitality, public administration, healthcare and social workers, retail, construction, entertainment, food services, transportation, warehousing, and many other categories identified as low wage earners by the Buena Vista Town Administrator. Generally speaking, salaries for these positions range from minimum wage to eighteen dollars per hour.

Bedroom Mix

Cottonwood Commons will consist of two buildings, each containing five 3-bedroom units, twelve 2-bedroom units, and eight 1-bedroom units. One of the 1-bedroom units will be designated a manager's unit. There will be 16 1-bedroom units, 24 2-bedroom units and 10 3-bedroom units in total. One 1-bedroom, three 2-bedroom, and one 3-bedroom units will be

offered at 40% AMI for a total of 5 units (10%). The remaining 44 units will be offered at 60% AMI, plus one additional manager's unit. Please see chart below.

	40%	60%	Managers	Total
1 Bedroom	1	14	1	16
2 Bedroom	3	21		24
3 Bedroom	1	9		10
Total	5	44	1	50

Location

Cottonwood Commons is a two building, 50-unit apartment community to be built on an approximate 2.5-acre site next to an approximate 2-acre park to be located in Buena Vista, Colorado. It will be in the southeastern part of Buena Vista, which is currently a mixed residential, industrial and commercial community. The project is located at the south end of Buena Vista and will be annexed to Buena Vista within four months from the award of the credits. It is .3 miles from the highway, and within a half mile of a medical clinic and shopping corridor and within one mile of a grocery store, convenience store, middle school, high school, community college, childcare facility and park. Main Street is 1.1 miles away and the north end of town is only 2 miles. As such, all amenities are within a 2-mile walking distance. The site will be adjunct to the Town's future trail system. (Please see the Site Location Map.)

Amenities & Services

Cottonwood Commons will feature modern facilities, central laundry areas, multi-purpose community rooms, ample parking, attractive landscape design, multiple unit variations, Energy-Star rated appliances, air conditioning, snow removal and a host of other amenities to ensure a comfortable and attractive home. The property has also been designed to feature premium mountain views from nearly every unit. There is open green space surrounding the development. Our project will include a playground/tot lot and picnic/BBQ area. In addition, the Town of Buena Vista will develop an approximate 2-acre park on the property.

Energy Efficiencies

Cottonwood Commons will be built to Enterprise Green standards, which provide a framework for constructing energy efficient buildings. Some of these efficiencies include certification under ENERGY STAR New Homes, proper sizing of heating and cooling equipment, installing ENERGY STAR rated washers, dishwashers, and refrigerators, installing energy efficient interior and exterior lighting, and installing individual electric meters in all dwelling units to promote energy conservation.

Type of Financing & Subsidies

The project will be financed with a construction and permanent loan provided by Wells Fargo Bank. In addition, Wells Fargo Bank will be the tax credit investor for the project. Urban, Inc. will also defer a portion of its developer fee. Please see the chart below for the construction and permanent sources and terms.

Construction Sources

Construction Loan	\$7,640,000	3.7% UW Rate	24 Month Term	Wells Fargo
Tax Credit Equity	\$1,812,034	93 cents		Wells Fargo
Deferred Costs	\$1,248,099			Urban, Inc.
Total	\$10,700,133			

Permanent Sources

Permanent Loan	\$1,475,000	5.75% / 1.28 dsc	18 Yr. Term/ 30 Yr. Amortization	Wells Fargo
Tax Credit Equity	\$9,060,168	93 cents		Wells Fargo
Deferred Developer Fee Note	\$164,964			Urban, Inc.
Total	\$10,700,133			

In addition to the sources identified above, subsidies will be provided from CCEDC in the form of a land donation and the Town of Buena Vista in the form of various reduced and waived development fees.

Additional Items the Narrative Should Address

1. Guiding Principles in Section 2 of the QAP – Project Meets and Why

Cottonwood Commons supports and integrates CHFA’s Guiding Principles by implementing as many of the concepts for quality affordable housing as possible. The following details represent the developer’s commitment to successfully constructing and managing Cottonwood Commons within the framework established by the Guiding Principles.

Cottonwood Commons will offer units to individuals and families with incomes falling within the range of 40%-60% AMI. The community will maintain occupancy restrictions for the mandatory 15-year period as well as waiving rights to terminate the extended use period for an additional 20 years.

The development will be the sole affordable housing family community located in Buena Vista, Colorado. Only two other affordable housing properties exist in the entire boundary of Chaffee County. The first is located in Salida and offers affordable housing to families. The second is located in Poncha Springs. Both properties are fully leased with wait lists.

Urban, Inc, a for-profit company, has been heavily involved in the construction and management of affordable housing since 1974. Its extensive background in low-income housing will help ensure the successful completion and operation of the Cottonwood Commons development.

The town of Buena Vista does not currently offer bus, rail or light rail services. Two options exist for those in need of third party transportation. Chaffee County Shuttle and Neighbor to Neighbor Inc. offer public transportation Monday through Friday from 8:00 a.m. to 3:00 p.m. Chaffee County Shuttle offers door to door service at no charge. Additionally, nearly all locations in the town limits are under three miles away, with most being located under two miles from the proposed site.

Housing credits awarded to the Cottonwood Commons project will allow for the construction of a 50 unit affordable housing option where none currently exists and ensure that affordable housing will be available to individuals and families in the Buena Vista area, where otherwise few or no options exist. Not only will residents benefit from the addition of the affordable

units, but the developer also intends to use local labor, supplies, and businesses when possible generating an infusion of investment dollars into the local economy.

Extensive research has been invested into the planning of the development to create a conservative, but viable construction and operations budget. Current modeling produces a strong assurance of successful project completion as well as financial stability throughout the term of the compliance period.

2. Identify which Housing Priority in Section 2 of the QAP – Project Qualifications

According to the 2014 United States Census Bureau, Chaffee County contains 18,363 residents. CHFA considers counties with fewer than 175,000 residents to be a housing priority due to the unique challenges of development for smaller communities.

3. Criteria for Approval in Section 2 of the QAP

a. Market Conditions

Of the PMA's 67 existing family LIHTC units, 61 are 40% and 50% AMI units. The subject's proposed 60% AMI units will fill a void and address the need for households who have incomes above the 50% AMI level, but do not have sufficient incomes to pay the prevailing market rents, which exceed the maximum 60% AMI limits. In addition, the subject will be one of the newest apartments in the market area which, combined with its rent restrictions and affordability, should be an attractive rental option for renters living in older, lower quality, below average housing. The county's largest employer, the Buena Vista Department of Corrections, employs new hires for a one-year probationary period at which time they need rental housing. Additionally, during this period, the guards are generally below or near the maximum income threshold for 60% AMI units. The subject's proposed two-bedroom 60% AMI rent is 15% lower than the Class B market-rate effective rent, providing a rent advantage over market. None of the PMA's existing non-subsidized LIHTC projects have one-bedroom units. The subject, which will be comprised of 28% one-bedroom dwellings, can attract one-person renter households, who make up 46% of the PMA's renters. All of the other rental units in the PMA were constructed between 1900 and 2003.

b. Readiness-To-Proceed

Cottonwood Commons is ready to begin construction as soon as the credits are awarded and the annexation process is complete. We have begun the annexation

process and pursuant to the Town Manager, they have made the annexation and zoning of the site a top priority. The Town provided a conservative schedule with a completion date of October 13, 2015. This is the only outstanding item for us to proceed. The developer has been assured that the process will not hold up the development. We would anticipate breaking ground within four months of the receipt of the tax credits.

c. Overall Financial Feasibility and Viability

Cottonwood Commons has been structured to meet the needs of Chaffee County's workforce affordable housing shortage. The AMI levels and unit mix were determined based on several meetings with CCEDC, the Town of Buena Vista, and local employers after they conducted several community studies. The project provides a range of incomes targeting the 40% and 60% AMI levels. The rent levels are well supported by the market and provide a discount compared to the other limited available product. Nonetheless, since there are limited affordable comparable projects, the proforma 60% rents have been discounted.

The debt is sized based on debt service coverage at 1.28 x dsc, which is at the higher end of CHFA's range of 1.15x to 1.30x, in order to provide cushion for changes in NOI given the small rural nature of the project. The Deferred Developer Fee is limited to a smaller percentage due to the limited cash flow in the project

The project meets all of CHFA's underwriting criteria including a 7% vacancy. As per the market study, the current low-income vacancy is 1.2%. The operating expenses are conservatively estimated above CHFA's required minimum. Our development budget is very realistic and we expect to see savings in some of the line items. Per the lender's requirement, we are budgeting a six-month operating reserve, which is greater than CHFA's required four months. We have also conservatively budgeted construction interest expense for 20 months.

Based on the small size of the project and its rural nature, the 15-year cash flow is minimal. Therefore, the Deferred Developer Fee Note needs to remain smaller in order to be paid off within the tax credit period. This cash flow is typical for a small rural project.

Overall, this is a very strong financial project that has been structured to ensure long-term viability.

d. Experience and Track Record of the Development and Management Team

Urban, Inc. is a development and management company owned by Colorado natives since 1974. Steve Shraiberg, Al Blum and Jim Murphy are the principals and have operated over \$300 million of residential and commercial properties, including the development and management of over 2,000 units of affordable housing throughout Colorado. The project sizes range from 20-400 units. Urban, Inc. is a very liquid company with a combined financial capability of the company and its principals well into the eight figures.

e. Cost Reasonableness

Cottonwood Commons meets CHFA cost reasonable guidelines. The project eligible basis is approximately \$800,000 below the Threshold Basis Limits. In addition, we are assuming a 5% construction contingency. Our combined Architect and Engineering budget is 7.64 per gross square feet. While CHFA allows 10% Builder Profit and Overhead, our budget only includes 7%. In addition, the land is being donated.

The lender will also order an appraisal and a construction cost review as part of their underwriting of the transaction.

f. Proximity to Existing Tax Credit Developments

It is difficult to come up with strong comparables for Cottonwood Commons since there are no family tax credit developments within 20 miles of the site. There is limited multifamily around, let alone affordable. It has been over 12 years since credits have been awarded in Chaffee County. Sunrise Manor (301 Alsina Street, Buena Vista) is 1 mile away. However, it is a 100% Section 8 low income housing for seniors over 62, so it will not be in competition with Cottonwood Commons. Urban, Inc. knows Buena Vista well having built Sunrise Manor in 1985. Sunrise Manor was sold in 2001 after 16 years of successful operations. There are two other tax credit projects within Chaffee County. River Bend Apartments was built in 1997 and is 21.9 miles away in the Town of Salida. DeAnza Vista I & II was built in 2002 and is 22

miles away in the Town of Poncha Springs. All of these properties have waitlists. The combined waitlist is over 50 people with an approximate wait time of 2 years.

g. Site Suitability:

As a new site with no multifamily affordable family tax credit properties within 20 miles, this site selection satisfies the need of affordable housing in the north portion of Chaffee County. This is the only project in the development pipeline. The PMA gains 27 renter households per year and already has a large pent-up demand.

This is also a good site given the fact that CCEDC has agreed to donate the land, helping make the project financially feasible. In addition, existing water and sanitary sewer are adjacent to the site. Gas and electric are within 100 feet of the site.

4. Applicable Additional Information

a. Justification for Waiver of Any Underwriting Criteria

Not Applicable. Cottonwood Commons meets all of CHFA's underwriting criteria.

b. Justification of the Financial Need for CHFA's DDA Credit up to 130% of Qualified Basis

Per CHFA's QAP, CHFA reserves the basis boosts for projects that need the additional credits to be economically feasible. The only way to provide the desperately needed affordable housing to meet Chaffee County's housing shortage is to have the additional tax credit equity. Without the basis boost, the project has a financing gap of over \$2 million. The project is already receiving contributions from CCEDC and the Town of Buena Vista. Therefore, in order for this project to be economically feasible, the basis boost is necessary.

The gap is a result of the high cost of construction in a rural mountain town. Many of the materials and additional laborers need to be brought to the Town. Most other mountain towns, including those in Eagle & Summit counties, are designated difficult developer areas. We believe that Chaffee County should also benefit from the extra basis needed to develop in this difficult rural mountain area. The deferred developer fee is also limited due to the limited annual cash flow available for its repayment. As such, it cannot cover more of the gap.

5. Issues Raised by the Market Analyst in the Market Study

The Market Study indicates an increase in the PMA's overall capture rate, in large part due to its 60% rate increasing 14.6 percentage points, from 3.3% to 17.9%. Although this increase is more than 6 percentage points, the overall rates will remain well below 25% and are attainable due to a number of factors. First, 61 of the existing 67 LIHTC units in the PMA are 40% and 50% units. The proposed 60% units will accommodate those households who have income above the 50% levels but cannot afford the current market rents, which exceed the maximum 60% AMI limits. Second, there are no other LIHTC projects in development in the PMA at this time. Sufficient demand exists for the PMA to absorb 144 rental units while keeping vacancy rates at 5% or lower. Additionally, because the proposed project will be the newest multifamily project in the PMA, featuring competitive amenities and below-market rents, it will be an attractive rental option. Lastly, Buena Vista is home to the Buena Vista Department of Corrections, which is the county's largest employer. New prison employees typically are within the maximum income 60% threshold, and therefore could be a source of occupancy for the 60% units.

While Cottonwood Commons' Walk Score is only 14, all amenities in Buena Vista are within a 2 mile walk.

6. Issues Raised in the Environmental Report & Mitigation

There are no environmental issues raised per the Phase 1 dated April 27, 2015.

7. Community Outreach & Local Support for the Project

Urban, Inc. was initially approached by CCEDC headed by Director Wendell Pryor to explore affordable housing, as there was a dire shortage of housing for its workforce. The CCEDC heard from employers that there was a lack of affordable housing. Over a third of the work force in Chaffee County are employed in retail, food service and accommodations, and arts and entertainment industries and were earning less than \$31,000 per year. The CCEDC is likewise motivated in that it is selling a six-acre site to Urban, Inc. for \$1.00.

Urban, Inc. met with a large group of employers in Buena Vista who expressed a real need for affordable housing. Following those meetings Urban, Inc. met with the City Administrator for Buena Vista who expressed the same concern and visited several sites

to determine the best site to develop the housing. After meeting with the Administrator, Urban, Inc. met with the Mayor and full town council to determine their support. At a public meeting, Council voted to provide its full support to the development of the project.

The town is so motivated to move forward that it is willing to work with Urban, Inc. on fees associated with the development, and to negotiate concessions where possible to ensure the viability of the project. Please see attached Mayor Support Letter & Town Contribution dated March 10, 2015 as well as the Town Support Letter from the Town Administrator dated 4/25/15 along with the Town presentation dated 6/10/2014. CCEDC provided a letter of support as well. Also attached is a copy of the editorial of the Chaffee County Times indicating strong support for the project from the community.

In the outreach conducted by Urban, Inc., we approached a number of employers to determine their support including the Dept. of Corrections, Monarch Ski Area, Heart of the Rockies Regional Medical Center, Mt. Princeton Resort, Eddyline Brewery and Pub, etc., who all indicated a dire need for affordable housing. Please see attached Employer Support Letters.

The US Congressman for the Fifth District has provided strong support for this project as well as the State Representative for Buena Vista. They recognize the great need for affordable housing in Chaffee County. Please see their attached letters. In addition, The Upper Arkansas Area Council of Governments has submitted a letter indicating their desire that this development proceed.

- 8. For acquisition/Rehab**
Not Applicable

Additional Documentation that Supports Narrative

Please see attached files:

Project Description

- Cottonwood-Application_Narrative.doc
- Cottonwood-Application_Certification.pdf
- Cottonwood-Application_Fee.pdf
- Cottonwood-Location_Maps.pdf
- Cottonwood-Architectural_Drawings.pdf
- Cottonwood-Market_Study.pdf
- Cottonwood-Phase1.pdf
- Cottonwood-Zoning_Documentation.pdf
- Cottonwood-Site_Control.pdf
- Cottonwood-Green_Communities_Certification_Workbook.xls
- Cottonwood-Green_Communities_Supporting_Docs.pdf
- Cottonwood-Green_Communities_Self-Certification_Form.pdf
- Cottonwood-Charts_Green_Communities_Building_Items.docx
- Cottonwood-Charts_Unit/Project_Amenities.doc
- Cottonwood-Charts_Walk_Score.doc
- Cottonwood-Charts_Market_Study_Comparison.doc
- Cottonwood-Park_Letter.pdf

Community Support Documentation

- Cottonwood-Support_Congressman.pdf
- Cottonwood-Support-State_Representative.pdf
- Cottonwood-Support_Mayor_Letter.pdf
- Cottonwood-Support_Town_Of_Buena_Vista.pdf
- Cottonwood-Support_CCEDC.pdf
- Cottonwood-Support-Employers.pdf
- Cottonwood-Support-Council_Of_Governments.pdf
- Cottonwood-Local_Paper_Article.pdf

Developer & Management Company Experience

- Cottonwood-Applicant/Develoepr/GP_Experience_Resume.pdf
- Cottonwood-Management Co_Experience_Resume.pdf

Development Team Experience

- Cottonwood-GC_Experience_Resume.pdf
- Cottonwood-Architect_Experience_Resume.pdf
- Cottonwood-Consultant_Experience_Resume.pdf
- Cottonwood-CPA_Experience_Resume.pdf
- Cottonwood-Attorney_Experience_Resume.pdf

Financial Back-Up

- Cottonwood-Electronic_Application.xls
- Cottonwood-GC_Cost_Estimate.xlsx
- Cottonwood-UA-Matrix.pdf
- Cottonwood-LOI_Construction&Permanent_Lender.pdf
- Cottonwood-LOI_Equity.pdf
- Cottonwood-Evidence_Soft_Funds.pdf
- Cottonwood-Tax_Exemption_NA.pdf

Scoring Support

- Cottonwood-Scoring_Development_Location_Community_Housing_Priority.pdf
- Cottonwood-Scoring_No_Smoking_Policy.pdf