

9% lihtc application narrative



Project Name: Foundry Apartments
Project Address: 601 W. Bates Ave.
Englewood, CO 80110

THE FOUNDRY:

The Foundry is a mixed-use transit oriented development located at the heart of an amenity rich area that is within close proximity to transit, schools, parks, hospitals, employment and amenities that will provide a healthy living environment for future residents. Residents and tenants within the mix of office, townhomes and multifamily have direct access to transportation through light rail, bus and a new City of Englewood Walk & Wheel path that connects the Foundry to parks, the South Platte trail and Englewood City Center. Located north of Dartmouth on the east side of Sante Fe, this 18-acre redevelopment represents one of the largest opportunities in the Denver metro area to establish a mix of housing and commercial space. The Winslow crane booms that have been a presence since 1957 from Broadway and from Sante Fe will soon be replaced with iconic Foundry signage and commercial and multifamily buildings.

The mix of uses in planning stages includes 82 for-sale townhomes, 32,000 square feet of office and the 70-unit Foundry Apartments. The townhomes are projected to break ground in late 2015, with the Foundry Apartments and office breaking ground in early 2016. Upon full build-out, The Foundry will include a new brewery, up to 135 for-sale townhomes, 118,000 square feet of office and 155 multifamily units.

THE FOUNDRY APARTMENTS:

The Foundry Apartments is the proposed affordable housing community located within the Foundry redevelopment. This market-driven 70-unit project is located on the northwest corner of W Bates Ave & S Elati Street, adjacent to an established residential neighborhood. Residents

and families of the Foundry Apartments will enjoy the short 5-minute walk to the neighborhood community garden, Bates Elementary school, middle & high school bus stops and Cushing Park, where the S. Platte bike trail starts. Residents can also walk 10 minutes or take a short bus ride to access the Englewood light rail, Englewood library, grocery stores, restaurants, retail services, the Englewood recreation facility and healthcare services. The bus stop is located directly in front of the Foundry Apartments and picks up every 30 minutes through the weekday and weekend.

The ownership has worked with Kaiser Permanente, Walgreens, the Pink Bus and First Commercial Bank to provide the Foundry Apartment residents with free or reduced cost health care screening, flu shots, mammograms and financial seminars. All programs are planned to be located within the property for convenience to residents. In addition to third party services, the management will coordinate multiple events such as Kids' Corner, activities ranging from safe summer fun and pool safety tips to crafts and games; a yard sale, scheduled for twice a year; food and coat drives; and a book exchange.

Significant interest and multiple land purchase offers have been received by market rate developers for the Foundry Apartment's 2 acre site to develop into a market rate project. It's the development team's mission and the ownership's preference to create affordable housing to serve the significant affordable demand in this market area. The Winslows have a 60 year history building and giving back to the Englewood community which is why it's the ownership's preference to develop affordable housing. Affordable units also allow for a balance of housing options within the Foundry redevelopment. Notwithstanding, the absence of an award this round could prevent the development of the Foundry Apartments and additional affordable housing desperately needed in this market.

The Foundry Apartments will be developed by SW Development Group and owned in partnership by SW Development Group and the Winslow family. The architecture firm, ShopWorks, has a primary focus of designing high quality infill affordable housing. The general contractor, Catamount Constructors, is one of the leading multifamily contractors in Colorado that also brings a resume of high-quality LIHTC projects. Silva-Markham Partners will manage the property and have been actively engaged on the initial design concepts and establishing a services program for our residents. They are a perfect fit to manage this property based on their spotless compliance record.

Market Demand

All 70 units will be rent restricted for a period of 40 years to households earning at or below 60% AMI. At the end of February 2015, the Englewood Housing Authority had a **waiting list of 2,254 income eligible households** for section 8 vouchers. As the Foundry market study indicates, there are only 262 units serving 6,745 households; equivalent to a **3.88% capture rate** within our primary market area. Following the delivery of Broadway Station and the Foundry Apartments, 6,302 households will remain underserved. The primary market area that is defined generally as Mississippi to the North, University to the East, Belleview to the South and Sheridan to the West is **one of the most underserved affordable markets in the state of Colorado.**

The Foundry Apartments is located in a Market Area with a relatively low number of comparable/competing LIHTC projects. Much of the inventory is older, smaller projects with the exception of the Evans Station Lofts. The Market Study indicates the Foundry Apartments will benefit from having larger units and more amenities than the market comparables and that there is sufficient demand to support this project.

Amenities & Services

Residents of the Foundry Apartments will have many options to relax, learn and be active within their new community. The ownership and Silva-Markham will coordinate monthly community events and resident services. We are fortunate to have so many interested 3rd party service providers such as Kaiser Permanente who will be providing nurse volunteers to administer free health screenings and educational seminars promoting a healthy lifestyle. According to the Commonwealth Fund, lower-income populations are at increased risk of experiencing worse access, lower-quality care and worse health outcomes compared to those with higher incomes in their home state. Income-related disparities were most pronounced on measures of access and prevention. Our goal is that residents of the Foundry Apartments will have increased access to healthcare screening through this program and thus result in a better prevention of health related illnesses.

First Commercial Bank is a local Englewood community bank that has offered financial services education to assist residents in making sound banking, financial planning and savings decisions. Affordable renters often do not have the resources or the network to establish bank accounts or ask for financial planning advice. Furthermore, many affordable households rely on Pay Day Loan or similar operators who prey on lower income families with interest rates that can exceed 1900% over time. Beyond the role to provide housing, by offering financial planning

classes and an avenue to establish a bank account, we hope that many of the residents of the Foundry Apartments will find more financial security in their lives.

Walgreens flu clinic located at nearby Swedish Medical will offer vouchers for immunizations to keep our community healthy, working and active. The management will additionally provide resources for residents with children to sign up for The Vaccines for Children (VFC) program that offers vaccines whose parents or guardians may not be able to afford them. According to the Centers for Disease Control and Prevention (CDC), vaccination of children between 1994 and 2013 has prevented 332 million illnesses, helped avoid 732,000 deaths and saved nearly \$1.4 trillion in societal costs.

The Pink Bus will stop by our community once per year to offer vital screens to any of our insured female residents. Using data on more than 100,000 U.S. women diagnosed with breast cancer between 1998 and 2002, a study in the online journal BMC Cancer found that those living in economically depressed areas had poorer survival rates. When other factors were weighed, the timing of a woman's diagnosis seemed to explain much of the income gap. Breast cancer is the most commonly diagnosed cancer in women and the 2nd leading cause of death among women. One in eight women will be diagnosed with breast cancer in their lifetime. By providing this service to our residents, we aim to save lives by providing earlier detection.

In addition to our service programs, tenants will be able to enjoy Colorado sunsets on top of the 3rd story building deck or relax in the community courtyard. The courtyard will also include a playground for children, grills & patio furniture for community use and events. There is a large indoor community room that will include book shelves for a community book club, games and gaming consoles for kids and adults alike. Off the community room will be a kitchen for special events and a gym to facilitate exercising. Just outside of the Foundry Apartments, residents have easy access to walking trails, bike paths, community gardens and parks for outdoor activity. In addition, the future walk & wheel bike path will provide tenants with direct access to the S. Platte and Englewood Light rail platform.

The design team has created very livable unit plans for this project that range in size between 650 sf for one-bedrooms and 850 for 2-bedroom units. All residents will have multiple large windows to maximize light and a large balcony for direct access to the outdoors. A Colorado closet, capable of storing bikes and outdoor gear will be provided in each unit along with walk-in bedroom closets for all 2-bedroom units. Similar to Class A market rate apartments, tenants at the Foundry Apartments will all have individual washer and dryers in their unit and all 2-bedroom units will have two full bathrooms. Residents will be allowed to have dogs roam free in the units with luxury vinyl plank flooring throughout except for carpet in the bedrooms.

minutes. With this transit access, all employment, hospitals, education and services within the Denver-metro area can be easily reached within a 30-minute or less travel time.

There has been long-range planning by the City of Englewood and RTD for a proposed light rail station at West Bates Avenue, just west of the Project. While the long-term status of Bates Station is unknown, a light rail station at that location would be extremely positive for the Foundry and Foundry Apartment residents.

Employment

The property is one mile southwest of Porter Adventist Hospital and one mile northwest of Swedish Medical Center, two of the leading medical facilities in the Denver metro area. Hospitals within close proximity offer both healthcare and strong employment opportunities with hundreds of jobs. Sports Authority's headquarters is located within 1 mile of the Foundry and multiple employment opportunities exist with local companies located off Broadway and off of Hampden. Due to its location south of the central business district and close to bus lines and a major light rail line, the property has excellent access to a large number of employers. There are numerous employment opportunities with businesses located in nearby downtown Denver, the southern suburbs, the Denver Tech Center and the western suburbs; all only a short distance away.

Project Design & Efficiency

The design of the Foundry Apartments incorporates steel, sloping roof planes and reclaimed masonry; influenced by the previous General Ironworks Foundry that operated on this site dating back to the 1930's. The three-story building is positioned on the southeast corner of the Foundry development for a direct tie to the existing established residential neighborhood. The facade on Bates will be reclaimed masonry with large patio doors set in steel trim. A focal point steel paseo establishes the main entrance, central breezeway and 3rd floor roof deck. The 3,000 square foot leasing and interior community room stands proud of the building with large storefront windows for light. ShopWorks has uniquely designed two blank canvasses on the exterior for artists to create murals for the community. The ownership will work with the Englewood Cultural Arts Commission to request proposals from local artists and residents to complete murals on the blank canvasses.

The building footprint for the Foundry Apartments allows for maximum sun exposure, pleasant mountain views and the establishment of a heavily landscaped courtyard. The courtyard will include shade trees, gardens, bbq grills, a kid's playground and trellis area with furniture for

community gathering. Residents have direct access into the property with 86 off-street parking spaces, the equivalent to a 1.23/unit parking ratio. In addition to off-street parking, any overflow parking can be accommodated by 48 on-street parking spaces adjacent to the property. Access to 2nd & 3rd floor units are through three open breezeways and internal conditioned corridors.

The Project has been designed and cost estimated to preserve water and maximize heating and cooling efficiency. This includes central boilers to serve all hot water needs and packaged terminal air conditioners with heat pumps for energy efficient supply of heating and cooling. The Project will be designed and has been budgeted to meet Energy Star V.3 and Enterprise Green standards. The development team has recent experience designing to these standards on two separate Boulder projects and understands the best approach to achieve the energy efficiency standards.

Colorado has been experiencing unprecedented construction cost escalation due to the abundance of development activity spurred by growth. The market has experienced a 12%+ annual cost escalation year-over-year for the past 4 years. It's therefore critical to design a project that maximizes the efficiency of the exterior skin, foundation and site to control cost escalations and maintain quality. The development team for the Foundry Apartments redesigned this project in 2014/2015 to maximize those efficiencies so that the same project and unit amenities can be delivered in a beautiful building without sacrificing any quality.

Team and Ownership

The Foundry Apartments will be developed by SW Development Group and owned in partnership between SW Development Group and the Winslow Family.

SW Development Group and its principal Scott Yeates has successfully facilitated the development of 5 Colorado LIHTC projects totaling 306 units since 2009 & 5 Colorado market-rate multifamily projects totaling 741 units since 2012. Mr. Yeates & SWDG contributed and facilitated the successful strategy, budgeting, financing, entitlement, compliance during development, design and construction management for Yale Station Apartments, Ledges on 29th and Lumine on 28th. Recently SW Development Group contributed to the successful development of University Station Apartments and is working with Koelbel to close the LIHTC & debt financing for Yale Station II (Garden Court). Mr. Yeates has been involved in all aspects of the financing for 9% and 4% low income housing tax credits including the negotiation of syndicator, lender and loan documents, managing the underwriting process and closing tax credit equity, construction debt, permanent loan forward-commitments, State and local HOME

funds, TCEP funds and FHLB funding. With three projects under construction in 2015, SW Development Group is current on construction costs and has relationships with major subcontractors to help facilitate competitive costs in the current cost sensitive market. SW Development Group has successfully entitled multiple market rate and affordable multifamily projects including Site Plan Approval for over 400 units in Denver, a recent 120-unit rezoning in Arvada and a recent 100-unit rezoning and comprehensive plan amendment in Broomfield. Mr. Yeates's background includes asset management & addressing compliance for multifamily and commercial properties. Mr. Yeates and SW Development Group will provide overall project orchestration and management throughout the project development and provide an asset management role during operations.

The Winslows can trace their roots in Colorado back more than 100 years with a long history in the state's real estate and construction industries. Interests include long-term ownership of commercial and residential assets, commercial and residential development and land ownership. The Winslow family real estate office has invested more than \$150 million in real estate holdings to secure an impressive privately owned and diversified real estate portfolio. In addition, subsidiaries of the Winslow family office have started and managed a successful highway infrastructure construction company and one of the largest mobile crane operations in Colorado. Bryant Winslow is currently engaged in the development of a 65-unit multifamily project in Glendale; the development of Leyden Ranch, a 180 single-family lot subdivision in Arvada; and multiple additional real estate ventures.

Chad Holzinger, as a partner at Oz and more recently as founder and owner of ShopWorks, has designed in excess of 1,300 affordable housing units. ShopWorks Architecture was formed in 2012 by Mr. Holtzinger with a mission to design quality affordable housing and community oriented projects at infill sites. Mr. Holzinger and his firm are a perfect fit for the Foundry Apartments based on his history growing up in an ironworks environment and his deep resume of completed LIHTC projects. ShopWorks has designed the Foundry Apartments to be reminiscent of the building form and materials of an ironworks foundry while having all the bells and whistles of a new construction apartment community.

Since 2011, Catamount Constructors have built 3,280 multifamily units in 14 states comprised of affordable, market-rate, mixed-use, senior living, and student housing units valued at \$508 million. They were recently named one of Denver's top 25 contractors by the Denver Business Journal and have been named a top 400 general contractor nationally by ENR. Catamount has constructed multiple successful LIHTC projects including Wheatridge Town Center Apartments for Wazee Partners and Bluff Lake for Mercy Housing. In the past 10 years, more than 80% of Catamounts' clients have chosen to do repeat business, including SW Development Group. Mr.

Yeates of SW Development Group has worked with Catamount on multiple projects and that relationship is strong due to Catamount's ability to deliver a high level of quality on schedule and on budget. Mark Barton, Catamount's lead estimator, has been involved in the redesign of the Foundry Apartments to maximize efficiency while not sacrificing quality. The ownership and development team trust Mr. Barton and his team to deliver.

Silva-Markham Partners possess over 100 collective years of property management experience and the principals have extensive knowledge of the tax credit process. The team that Silva-Markham puts in place, including a fulltime compliance manager, is highly skilled in managing tax credit housing properties. Alfonso Silva, as president of SMP, claims more than 15 successful tax credit and conventional lease-ups on new construction and rehab conversion communities. Mr. Yeates has worked with Alfonso, Vivian Markham and their team on multiple LIHTC projects in their previous roles at ComCap Asset Management.

Entitlement

Bryant Winslow, in concert with the City of Englewood, spent 10+ years meeting with the community and re-zoning the assembled Foundry property with the vision of one day repurposing the parcels for a mixed use development that focuses on reintroducing families back into the north Englewood landscape. The surrounding neighborhood and Englewood community at large has been actively engaged in the process to approve the PUD and allow for the approved zoning. Plans for the Foundry Apartments have been reviewed by the Englewood Planning staff and City Council and the proposed plan is in agreement with the approved PUD.

The Mayor, City Council, City staff and neighborhood have all been actively involved in the planning and updates for both the Foundry redevelopment and the Foundry Apartments. The City of Englewood supports the Foundry Apartments as expressed in the enclosed letter of support from Mayor Randy Penn. The ownership and development team continue to meet regularly with planning staff and the City Manager's office to coordinate the walk & wheel program, Yale bus realignment and plans for development.

Environmental

General Iron and its foundry has served as a landmark in Englewood dating back to the 1930's – many familiar with Denver will surely remember the green buildings that could be seen for miles up and down Santa Fe Drive. During its heyday the General Iron Foundry was one of Englewood's largest employers and manufactured many important American parts and products including those used to support our military in World War II. After the plant shut

down, many of the buildings fell in disarray and much time and effort was required to clean up the site and prepare it for redevelopment. Sand Creek Investors, LLC remediated the site (primarily foundry sands contamination) under the Colorado Voluntary Cleanup Program and the ownership received a No Action Determination (NAD) for the General Iron Works Site on June 18, 2014.

Financing

SW Development Group has actively pursued multiple sources to finance the Foundry Apartments project to reduce the tax credit request and allow CHFA the ability to award more projects. We are very proud of achieving this goal by **requesting \$13,872 per unit** in annual tax credit for a new construction project.

The capital stack for the Foundry Apartments includes \$500,000 of Arapahoe County HOME funds, a grant from the City of Englewood through their incentive policy, deferred developer fee, a very competitive 5.27% interest rate on a 35 year amortization through Freddie's permanent forward mortgage program and competitive tax credit equity pricing based on the strength of the sponsorship. The institutions that provided letters of intent have all reviewed initial financial information regarding the ownership and have a high level of comfort with their financial security.

SPECIFICS TO BE ADDRESSED IN THE NARRATIVE:

The following outline lists and describes how the Foundry Apartments meets the guiding principles of the Qualified Allocation Plan.

- Serving the lowest income tenants.
The Foundry Apartments will provide 38 of its total units to households earning 50% AMI or lower (2 units at 30% AMI, 13 units at 40% AMI and 23 units at 50% AMI). The ownership has committed to restrict rents to serve those in need for the extended 40-year period.

- Distribution of tax credits.
Despite the inventory of affordable communities in the Denver-metro, the subject market area in the northwestern portion of the City of Englewood does not have a large number of LIHTC properties and is currently underserved. Award of tax credits to this project will help facilitate an affordable housing void in a PMA that has a current capture rate of 3.88%.

- To provide opportunities to a variety of qualified sponsors.
 SW Development Group was founded in 2012 with a mission to tackle tough infill redevelopment sites and create affordable housing. The 5 LIHTC projects that SW Development Group has developed or facilitated the development of exemplify that mission. The Winslow family has been active in Colorado real estate and construction for over 60 years. Their long-term ownership, financial strength, wealth of asset management experience and commitment to making Englewood a better community is a perfect fit for LIHTC projects. The combined experience, commitment to affordable housing and financial strength make this ownership a very strong sponsorship of affordable housing.
- To distribute housing credits.
 Tax credits awarded to the Foundry Apartments can provide housing to young families and young adults in Englewood where there are no housing options.
- To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail and lightrail.
 How about a bus stop that's at the front entrance! Not only will residents benefit from this stop, but they will have multiple bus line options within a ¼ mile walk. In addition, the Foundry Apartments is located 6 blocks from Englewood light rail station. This can be accessed by walking 10 minutes or taking a short 2-3 minute bus ride from the front steps.
- To support new construction of affordable housing where there is a risk of converting land to market rate housing.
 Due to market demand there is significant interest from market rate developers to purchase the site and develop for-sale townhomes at this prize corner of the overall development. Multiple letters of intent have been received and the lack of an award this round may lead to losing control of the opportunity.
- Credit for financial feasibility & reserve credits for as many rental housing projects as possible.
 By leveraging additional funding sources, the Foundry Apartment's competitive request for \$971,044 in annual credit or \$13,872 per unit allows CHFA to maximize its yield (number of units) per tax credit dollar. Based on the 2015 9% LOIs, this request represents one of the top 2 most competitive new construction allocations which allows more projects to be awarded.

In addition to the narrative above, the following outline specifically addresses the Criteria for Approval as described in section 2 of the QAP.

- Market conditions.

The demand for affordable rental housing in the Foundry Apartments market area is very strong. Of the 6 comparable properties, vacancies are nearly non-existent and Englewood Housing Authority has a waiting list of 2,254 households. There are collectively 950+ households on waiting lists for the comparable properties and 6,745 affordable renter households are underserved in the market. Following the completion of the Foundry Apartments, the capture rate will equal 4.92%. Following completion of Broadway Lofts, the capture rate will equal 6.57% and the market will have 6,302 households that remain underserved.

- Readiness to Proceed.

The Foundry Apartments is zoned, is a priority project for both the ownership and City of Englewood, and is scheduled to be under construction in February 2016. The project stands on its own and is not dependent on other infrastructure improvements. The development team and ownership are both highly qualified for the project and committed to the long-term success of the project. The development costs account for potential escalations and the financing structure does not present obstacles that have not already been addressed by the development team. Multiple lenders and tax credit syndicators have reviewed the project and the ownership financials and have expressed significant interest. The development team is ready to fully engage in the development of the project following an award.

- Overall Financial Feasibility. The Foundry Apartments is financially feasible to complete as projected; for cost, equity pricing, debt pricing, revenue and expenses. SW Development Group and this team have a track record of delivering successful projects to meet the budget and exceed expectations on leasing timeframes. Mr. Yeates' active leadership in multifamily development and LIHTC financing can provide confidence to the CHFA tax credit team that the projections are reflective of market conditions, accurate and complete. The tax credit request is one of, if not the most competitive tax credit request per unit for new construction based the team's active procurement of additional funding sources.

Our goal is to convey the following strengths and considerations in evaluating the Foundry Apartments for an award:

- 3.88% existing capture rate with 6,483 households underserved in the market area
- Strong ownership, property management, development, architecture and construction team with a wealth of multifamily and LIHTC experience; many partners on the team have a mission to establish affordable housing in Colorado
- Deep affordability mix to serve tenants of all needs
- Transit Oriented Development with direct access to bus and light rail transit
- Strong walkable location near parks, community gardens, schools, services, employment, retail, recreation and transit
- Multiple service providers to provide health services and financial education
- Fully amenitised project (site, building and units)
- Multiple funding commitments & very competitive tax credit request for new construction
- The Foundry Apartments provides an affordable housing opportunity in one of the largest infill redevelopments in Denver metro market
- Townhomes are in planning and will commence construction prior to the Foundry Apartments. Lack of an award leads to the potential that the subject site is sold for market rate housing