

9% lihtc application narrative



Project Name: Freedom Springs

Project Address: E San Miguel and N Yuma St, Colorado Springs, CO 80909

Project Description

Colorado Springs is one of the largest military communities in the United States. Home to 78,000 soldiers and military family members, the need for veteran services is indisputable. Ft. Carson Military Base has from 400-600 soldiers transitioning back into civilian life each month. According to Rocky Mountain Human Services—the main supportive services provider for the veteran population in Colorado— a significant portion of that population are at risk of homelessness due to the challenges of finding non-military employment and housing. Despite this, Colorado Springs currently has no permanent supportive housing developments addressing the needs of homeless veterans or veteran families at risk of homelessness.

Freedom Springs would change that. By offering affordable housing and onsite supportive services from Rocky Mountain Human Services, Freedom Springs will fill a void in the community by helping to eradicate homelessness among military families. A 50-unit new construction development, Freedom Springs will include 13 three bedroom apartments, 25 two bedroom apartments, and 12 one bedroom apartments, with rents set to serve people earning from 30% AMI to 50% AMI. Integration into civilian life is an important objective for veteran families. As such, 30% of the units at Freedom Springs will be set-aside for veteran families at risk of homelessness while the remaining units will provide affordable housing to the general qualifying population.

Strengths of Freedom Springs

- Freedom Springs would be the first permanent supportive housing development in Colorado Springs. While the area had 1,219 homeless individuals and thousands of families at risk of homelessness, there are currently no permanent supportive housing developments, only scattered site housing

- The Integrated concept follows the ideals of the Housing First model. Studies show that the strategy of blending supportive housing units within developments that also provide affordable housing is an excellent way to increase the availability of supportive housing. It also prevents isolation and “warehousing” of special needs populations
- Partnership with Rocky Mountain Human Services (RMHS) will provide reputable referral agency and on-site supportive services. RMHS is currently working with 500 veteran households in El Paso County. Of those households, 45% are in need of homeless prevention. RMHS has received additional funds to their SSVF program due to the need in the Colorado Springs area. RMHS has long identified lack of affordable housing as the biggest challenge in serving veteran families. Freedom Springs will help overcome that gap. Rocky Mountain Human Services is a nonprofit organization serving vulnerable populations throughout the Rocky Mountain West. A service leader for nearly 25 years, RMHS is the recipient of a grant awarded by the U.S. Department of Veterans Affairs.
- A full-time social worker will provide onsite case management and supportive service to the veteran families living at Freedom Springs. A caseload of 12:1 will deliver more individualized attention than the 36:1 caseload currently being delivered in the scattered site method of service delivery.
- Supportive service costs are incorporated into the development. The social worker will be hired and managed by Rocky Mountain Human Services; however, the position will be funded via the operating budget of Freedom Springs. This ensures a source of funding for the life of the deal.
- Rents for supportive housing set-aside have been set at 30% AMI. The Colorado Springs Housing Authority does not offer project based vouchers, thus eliminating Freedom Springs from receiving project based vouchers or being able to apply for the Colorado Permanent Supportive Housing Pilot Program rental assistance. Providing rents far below the standard 60% AMI will allow us to serve a population at risk of homelessness without vouchers. Additionally, RMHS will provide temporary rental assistance as needed via their Supportive Service for Veteran Families (SSVF) fund.
- Site at the corner of Yuma and San Miguel Streets offers both safety and convenience. Surrounded by well cared for residential homes, the location also provides convenient

access to two bus lines, a grocery store, bank, medical services, employment, and entertainment.

- Family amenities will include playground, outdoor grills and picnic tables, indoor play area, computer lab and study area. This will benefit all residents and help foster a sense of community.
- The Vecino Group has successfully developed a supportive housing development for veterans in St. Louis. Complete with 68 affordable apartments, 4 onsite social workers, community spaces, and programming, Freedom Place means that The Vecino Group is uniquely qualified to take on a similar project in Colorado Springs.

Weaknesses of Freedom Springs

According to the survey completed by the Gill Group, in the Colorado Springs market the average unit size for one-bedroom units is 722 square feet; the average unit size for two bedroom units is 882 square feet; and the average unit size for three-bedroom units is 900 square feet. Freedom Springs' one-bedroom unit size (572) will be smaller than the average unit size, the two-bedroom units will be the same as the average unit size; and the three-bedroom units will be larger than the average unit size. Efficient design and family oriented development are driving principles behind Freedom Springs' unit size and design.

Design and Construction

Freedom Springs will be a single wood frame construction building with three floors and total 50 units. The building will be served by a single elevator and multiple stairwells. Exterior finishes will feature quality, low maintenance materials including cement fiberboard and stone. The total square footage of the development is 51,760 square feet, with units averaging 572, 882, and 1145 square feet, along with 12,371 square feet of common area. Universal Design principals will be utilized throughout the development.

Population

Freedom Springs will be an integrated supportive housing development. Of the 50 total housing units, 30% will be set-aside for veteran families at risk of homelessness. Rocky Mountain Human Services (RMHS) currently serves 500 veteran families in the Colorado Springs area. Of these, 45% are in need of homeless prevention. Rocky Mountain Human Services will serve as a referral agency for Freedom Springs, matching families in their Supportive Services for Veteran Families programs with available apartments at Freedom Springs. With 15 available units, it would require less than 7% of RMHS current service base to fill the supportive housing units. RMHS identifies lack of affordable housing as the #1 challenge of serving Colorado Springs veterans. Additionally, Ft. Carson has 400-600 veterans a month transitioning back into civilian life. As one of the largest military communities in the country, Colorado Springs can more than meet the demand for a development like Freedom Springs.

The remaining 70% of the units will provide affordable housing to the general qualifying population. Per the market study (included in application), Colorado Springs population and growth trends are expected to increase through 2020. The area has a 1.0% vacancy rate, with the majority of the vacant units being market rate. The study shows a strong demand for additional affordable housing.

Bedroom Mix

Freedom Springs is a 50 unit multifamily development consisting of 12 one bedroom, 25 two bedroom, and 13 three bedroom units. Please see the table below for detailed unit mix:

Units	AMI Level	Description	Square Footage
3	30%	1 Bed, 1 Bath	572
7	30%	2 Bed, 2 Bath	882
5	30%	3 Bed, 2 Bath	1145
9	50%	1 Bed, 1 Bath	572
18	50%	2 Bed, 2 Bath	882
8	50%	3 Bed, 2 Bath	1145

Location

Walkability and safety were two driving criteria in determining the site of Freedom Springs. The development is surrounded by quiet residential streets, but only 100 yards from a major arterial road, N Circle Drive, where residents can access resources such as a major grocery store, banks, and restaurants. Three public parks are located within a half mile. Residents will also benefit from ready access to public transportation, with two bus lines within ¼ mile of the site. Additionally, the site’s walk score of 50 is 66% higher than the Colorado Springs average.

The site is in a census tract of Colorado Springs currently without previous LIHTC projects. The location delivers the walkability, resources, and safety that families require and provides an ideal site for LIHTC housing.

Services

Rocky Mountain Human Services' Homes for All Vets program (HAV) will provide supportive services to the veteran families living at Freedom Springs. Services are for up to 1 year based up on eligibility. Services may be delivered both on-site and off-site depending on the services needed. Services will include:

- Transportation
- Transportation vouchers
- Benefits counseling for VA, Social Security and others
- Employment counseling and support
- Temporary financial assistance for eligible costs
- Housing supports
- General case management services to address barriers to housing and other assistance

The operating budget at Freedom Springs includes the salary of one fulltime social worker. This position will be hired and managed by RMHS but funded by Freedom Springs. This professional will provide 40 hours a week of case management for the supportive housing set aside at Freedom Springs.

Energy Efficiency

Freedom Springs will be constructed to comply with “Green Communities” criteria. Energy efficient and water-conserving features will be designed to maximize performance and will include:

- Low-E Energy star qualified windows and doors
- High “R-Value” insulation
- Energy star rated appliances and energy-efficient heating systems
- Low flow fixtures
- Energy efficient lighting
- Low flow showerheads

- Native and Xeriscape landscaping
- Low-VOC paints, adhesives, and carpet systems
- Photovoltaic Solar Panels

Financing

Several sources of funding are available for Freedom Springs, which makes it financially viable. A basis boost for the tax credit equity is being requested (see support below). The structure of funding covers expected costs with this development. Moreover, The Vecino Group has proven experience developing with LIHTC credits, completing a variety of projects on time and within budget. Sources of funding include:

Sources of Financing	Amount
Permanent Loan	\$ 1,641,609
FHLB AHP Funds	\$ 500,000
Deferred Developer Fee	\$ 160,000
LIHTC Equity	\$ 9,527,598
Solar ITC Equity	\$ 69,157
Total Sources	\$ 11,898,364

Uses of Financing	Amount
Land	\$ 490,000
Site Work	\$ 633,480
Construction	\$ 7,227,334
Professional Fees	\$ 591,913
Construction Interim Costs	\$ 585,047
Permanent Financing	\$ 25,000
Soft Costs	\$ 287,331
Syndication Costs	\$ 60,000
Developer Fee	\$ 1,411,516
Supportive Services (5% increase)	\$ 470,505
Project Reserves	\$ 116,236
Total Uses	\$ 11,898,364

Letters of support for each source of hard financing are included with this application. Our existing developments and local perspective from our management partner, Ross Management, provide a solid basis for estimating operating expenses. Per unit annum expenses total \$4,675 and replacement reserves are \$400 per unit per annum well above minimum expenses and reserve requirements.

QAP Fulfillment

Freedom Springs aligns with the guiding principles outlined in the 2015 QAP—

- *To support rental housing projects serving the lowest income tenants for the longest period of time*

Freedom Springs has opted for a 15 year compliance period with a 15 year waiver and also created a 30% set-aside serving individuals at 30% AMI, the remainder of the units also offer rent rates below the standard 60% AMI.

- *To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas*

Freedom Springs is the only LIHTC application being submitted in Colorado Springs this round and would be the first designated Permanent Supportive Housing development in Colorado Springs.

- *To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit*

The Vecino Group (a for-profit) and Rocky Mountain Human Services (a non-profit) have the qualifications and experience to be valuable additions to the Colorado affordable housing development pool. While the Vecino Group has LIHTC developments in other states, Freedom Springs is their first CHFA application.

- *To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing*

As an integrated development, Freedom Springs will create supportive housing for veteran families at risk of homelessness, as well as general affordable housing for families

- *To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail*

Freedom Springs' residents will benefit from access to public transportation. There are two bus lines within ¼ mile of the site. Additionally, the site has a Walk Score of 50, 66% higher than the Colorado Springs average Walk Score of 33 and a Transit Score of 32, which is 113% higher than the average Colorado Springs Transit Score of 15.

- *To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects*

Freedom Springs is a new construction development.

- *To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period*

Freedom Springs leverages Low Income Housing Tax Credit equity with Affordable Housing Program funds from FHLB and deferred developer fees to develop 50 units, 30% of which will be supportive units dedicated to homeless families.

- *To reserve credits for as many rental housing projects as possible while considering these Guiding Principles and the Criteria for Approval.*

Freedom Springs is applying for less than the maximum allowable tax credit allocation per development while meeting the Guiding Principles and Criteria for Approval.

CHFA Housing Priority

- *Projects serving persons with Homeless Persons as defined in Section 5.B 5*
- *Projects serving persons with special needs as defined in Section 5.B 5*

Freedom Springs will serve veteran families at risk of homelessness. According to Rocky Mountain Human Services, of the 539 families served through their homeless prevention programs, 55% are identified as disabled, 29% are identified as having a mental health problem, 4% are identified as having a substance abuse problem, 44% are

identified as having a chronic health problem, and all are identified as having barriers to securing permanent housing. By including many of the facets of a supportive housing deal (MOU with service provider, onsite supportive services, extremely low rents at 30% AMI, special needs population), Freedom Springs provides supportive housing in an integrated setting and illustrates that supportive housing can be done even without project based vouchers (which were not available from the Colorado Springs Housing Authority, which therefore eliminated Freedom Springs from applying for the 2015 Supportive Housing Pilot Program vouchers, where matching support from the local PHA was required.) If funded, Freedom Springs will demonstrate that by combining rents low enough to work without rental assistance, onsite supportive services, and partnership with a reputable service provider, supportive housing units can be offered in the general housing pool by taking advantage of the developer fee bonus for homeless populations.

Criteria for Approval

Market Conditions

Freedom Springs market is the Colorado Springs metropolitan statistical area. According to the Comprehensive Housing Market Analysis for Colorado Springs, published in May 2011 by the U.S. Department of Housing and Urban Development, there was a projected demand for 2,150 rental units through May 2014. The market study for Freedom Springs showed “the subject property will be a new construction for veterans and their families and will be superior to the existing properties in the area. Therefore, it is believed the demand for the proposed development is sufficient to support the 50 units.”

The capture rate of 5.8% is not only well below CHFA’s benchmark of 25% but also lower than market studies performed for recent LIHTC projects in Colorado Springs. The primary market area has a great number of prospective residents (over 400) reported to be on waitlists at tax credit properties, as noted in our attached market study.

Additionally, the Colorado Springs market currently offers no permanent supportive housing nor does it offer any affordable housing developed specifically for veterans. With a veteran population expanding by 400-600 people per month, there is a specific niche market in Colorado Springs that Freedom Springs could fill.

Readiness to Proceed

Freedom Springs is ready to proceed, based on the following:

- Proper zoning is in place (R5)
- Phase I Environmental assessment has been completed, indicating no areas of environmental concern
- Site control is secured (see attached contract)
- Development team established, including an architect, attorney, financial consultant, tax credit syndicators
- Service provider/referral agency determined (see attached MOU)

Overall Financial Feasibility and Viability

The "soft" funds identified in this application, are considered to be highly achievable, though not yet possible to receive a firm commitment. Federal Home Loan Bank Affordable Housing Program funds will be sought with an application deadline of July 2nd, 2015. The "hard" funds identified, including construction financing terms, permanent mortgage terms, and tax credit investor pay-in rates, are all based on discussions with the developer's existing relationships with these firms and considered very achievable, given the forecasted conditions for the next 12 months in the financial markets. Pro forma estimates of rental income, vacancy rates, operating expenses, debt coverage ratios and reserve deposits all fall within the developer's typical underwriting targets and within CHFA's underwriting standards as well. Finally, the project is not feasible as a PAB/4% LIHTC project. The amount of soft funds required under a "4% scenario" to maintain acceptable AMI levels, would be unachievable.

Basis boost justification

CHFA's 2015 Qualified Allocation Plan allows an applicant to apply for a basis boost if the project is within a Qualified Census Tract. The basis boost allows the development to provide more units at lower AMI levels. Combined with Affordable Housing Program funds, 30% of the development will be reserved for tenants at or below 30% of the Area Median Income.

Developer Fee Bonus Narrative

Freedom Springs will have 30% of the development at 30% AMI or less, a 5% increase in developer fee is being requested to provide supportive services; we've shown this under the Development Budget tab as "Other Consultant Fees." The following adjustments have been made to balance the supportive services in the income & expense tabs. The proceeds from the developer fee will be allocated to Supportive Services provided by Rocky Mountain Human Services and is accounted for in the Development Expenses tab under "Service Coordinator Salary." RMHS has submitted an MOU outlining the services to be provided. On the income side, supportive services have been balanced as an "Operating Subsidy" on the Development Income tab before the 7% vacancy loss. The net proceeds available for an operating subsidy would not be subject to vacancy loss, therefore necessitating modification of the 15-year pro forma to show the annual income increase by 2% per annum and not the operating subsidy. The following 15-year pro forma shows the operating subsidy remaining stable over 15 years.

Experience and Track Record

Freedom Springs will be developed and owned by Vecino Bond Group, LLC, and managed by Ross Management Group.

Ross Management Group is a Denver based company with 25 years of experience in property management. With a portfolio comprised of many LIHTC properties, RMG specializes in lease up and compliance. RMG is in good standing with CHFA.

The Vecino Group is a private, for-profit company devoted to Housing for the Greater Good. The principals of the Vecino Group have successfully completed over 1,500,000 square feet of

development. We have a proven track record of completing difficult projects on schedule and on budget under exacting compliance driven conditions. From conception to closing, idea to occupancy, development is what we do. A project portfolio can be found attached. However, the main Vecino Group point of difference doesn't translate to a list of addresses and square footage.

Every Vecino Group project must pass the company gut check. That means every development we touch has to address a broader issue, impact an entire community, set an example, give back, and, inspire everyone working on the development with a sense of higher purpose. That's housing for the greater good. That's the Vecino Group difference.

Based in Springfield, MO but rooted in a desire to change the world, the Vecino Group is spreading our particular brand of development throughout the United States.

- The Vecino Group has been awarded both 9% and 4% tax credit allocations.
- The Vecino Group has never defaulted on a LIHTC project or failed to close any deal—affordable or market rate
- The Vecino Group specializes in forming relationships with non-profits, municipalities, and special interest groups, asking questions, listening to expert opinions, and creating developments with a shared vision
- The Vecino Group has a track record of leveraging various forms of funding (LIHTC , Historic Tax Credits, CDBG, HOME, Shelter Plus Care, and Project Based Vouchers) to make even the most difficult of projects financially strong
- In-house capabilities include development and finance management, construction management, asset management and marketing.

Cost Reasonableness

Freedom Springs will cost approximately \$237,967 per unit to develop at a total cost of \$11,898,364 (including reserves, supportive services developer fee and other soft costs). Of the units at Freedom Springs, 30% will be reserved for tenants at or below 30% AMI. A 5% increase in the developer fee is being requested and will be committed to providing supportive services

for those tenants. Total development costs are inside of the basis limit calculation of \$12,390,885. Hard costs for the project are estimated to be \$157,216 per unit for \$7,860,814 total hard costs.

Proximity to Existing Tax Credit Projects

There are 26 active LIHTC projects in El Paso County, 18 non-senior projects, and zero projects developed for homeless. Only nine (9) 30% AMI units in non-senior projects exist in El Paso County. There is one existing Low-Income Housing Tax Credit family development located within the subject’s primary market area, Homewood Pointe, a 104-unit property targeting families at 40, 50, and 60 percent of the area median income. The property was placed in service in 2006 and is currently 99% occupied. Two other LIHTC properties that were not able to be confirmed are also located within the subject’s market area: Eldorado Apartments and Plaza on the Platte. The market analyst was unable to locate working telephone numbers for either property. There were no family properties that received a LIHTC allocation in 2013.

Project Name	Distance	Vacancy	# Units
Plaza on the Platte	.75 Miles	Unconfirmed	32
Eldorado Apartments	1.6 Miles	Unconfirmed	120
Homewood Point	2 Miles	1%	104

Site Suitability

Services within the subject’s immediate area include Safeway, Walgreens, Kid Zone, Twain Elementary School, U.S. Post Office, New Panda Two, Phat Hatties Smokehouse Barbeque, Taco Star, Wendy’s, Sonic, Korean Baptist Church, Community of Christ, Springs Life Fellowship, Bernie’s Place, and six public parks within one mile of the proposed development. Also, there

are community services located within walking distance including restaurants, department stores and grocery stores. The subject's location will enhance the marketability of the proposed development.

Given the close proximity of services and amenities, vehicular access and employment opportunities for the target population, the subject location appears to be the best location for the development of new affordable housing in the area.

Issues raised by Market Analyst

The crime rate is higher in the City of Colorado Springs than the national average across the United States.

Environmental Report

There are no environmental issues associated with this site, as shown in the updated Phase I ESA report (please see attached).

Community Outreach

Both prior to securing property and after, The Vecino Group has been in communication with the City of Colorado Springs, including the Office of the Mayor, Planning Department, Housing Authority and Department of Human Services. Additionally, we engaged with local and state service providers including Rocky Mountain Human Services, United Way, Mt. Carmel Veterans Center, and the Independence Center. All service organizations validated the need for Freedom Springs and expressed their support. Additionally, support letters from the City of Colorado Springs, Mt. Carmel Veterans Center, the Colorado Springs Housing Authority and Congressman Lamborn are included in this application.