

9% lihtc application narrative



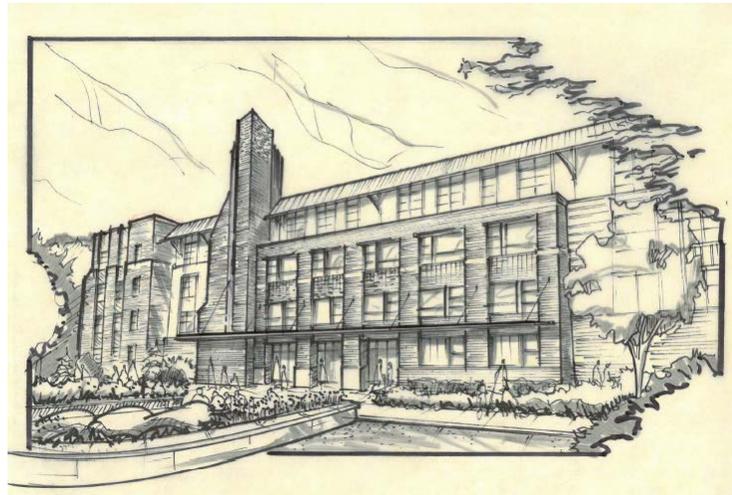
Project Name: High Line Canal Apartments

Project Address: 15510 E. Alameda Parkway, Aurora, CO 80017

Project Description:

Gardner Development Colorado, LLC along with its development team is excited to present this 9% LIHTC funding application to CHFA for High Line Canal Apartments located in the Centretech neighborhood in southeast Aurora—**which has not had an LIHTC development since 2007.** This community will consist of a new four-story, elevator-served building containing 63 one, two and three bedroom units for families earning a mix of 30%, 40%, and 50% of the AMI. The slab-on-grade double-loaded building design includes attractive brick veneer and fiber cement siding with private balconies offering views of either the Front Range to the west or the DeLaney Community Farm open space to the east.

In addition to very strong support from DeLaney (an affiliate of Denver Urban Gardens), we are formalizing a partnership for them to expand their programming for High Line Canal Apartment residents and the larger community. DeLaney’s mission is to



“provide access to healthy, locally produced food for people of all economic levels through community food security programs.” We have allocated approximately 500 square feet of flex space on site that will be used as programming space for community presentations, agricultural demonstrations, healthy eating classes, and children’s gardening. This partnership will greatly benefit both the development and DeLaney Community Farms as their office is located in downtown Aurora, while the actual farm is adjacent to the site.

High Line Canal Apartments represents a unique opportunity to provide much needed quality, safe, affordable housing to a low to middle income neighborhood in which many households work in the military, healthcare, retail, service and industrial blue collar occupations. Incomes in the area generally range from \$20,000 to \$65,000, with the project targeting households generally earning between \$13,000 and \$43,000. There are ten existing LIHTC projects containing 953 units in the Primary Market Area (“PMA”). However, seven of the ten are deeply-subsidized and receive project-based rental assistance and, therefore, will not compete directly with High Line Canal Apartments. Of the remaining three, one is a senior project with



103 units. The PMA is projected to gain 277 renter households annually and according to the Market Analyst, High Line Canal Apartments and a 50 unit age-restricted project are the only proposed LIHTC projects in the PMA. However, the age-restricted project will not compete with High Line Canal Apartments due to its non-elderly tenant profile.

Finally, most of the PMA’s LIHTC inventory includes inferior deeply-subsidized projects, and no developments include 30% AMI dwellings without rental assistance. As a result, High Line Canal Apartments’ 30%, 40% and 50% AMI units will target a wide band of income-qualified renters, will be more affordable and will offer a better value to a PMA that has mostly 60% AMI units.

To further illustrate the need for affordable housing within the PMA, **the overall capture rate for the project is 2.9%** which includes 0.5% for the 30% units, 1.6% for the 40% units, and 4.8% for the 50% units. The Market Study also shows 100% occupancy for LIHTC units along with significant waitlists. The overall occupancy in the PMA, including market rate units, is 96.7%.

In addition to providing housing for an underserved population, this site will offer distinctive locational amenities that will enhance the quality of life for the future resident families. The largest tract of green



space in the neighborhood is DeLaney Community Farm, which is located adjacent to the northern edge of the property. The farm land is managed by Denver Urban Gardens who provides community farming & education for all economic levels through community food security programs.

The site is also located on the High Line Canal Trail. This community amenity runs 71 miles between Aurora and Roxborough State Park and offers access to a variety of recreational activities.

Public schools are within 2.5 miles from the site. There is an RTD provides bus service for the site with the nearest bus stop at South Chambers Road and Alameda Avenue, a 0.1 mile walk. Residents at High Line Canal Apartments can ride buses from this location to Montbello. The buses run every 15 minutes, from 5:30 am to 12:30 am, seven days a week. The one-way fare is \$2.25 for all riders and \$1.10 for senior citizens. Furthermore, upon completion in 2016, RTD will provide light rail service to the subject's PMA. The 10.5-mile I-225 rail line, or R Line, will



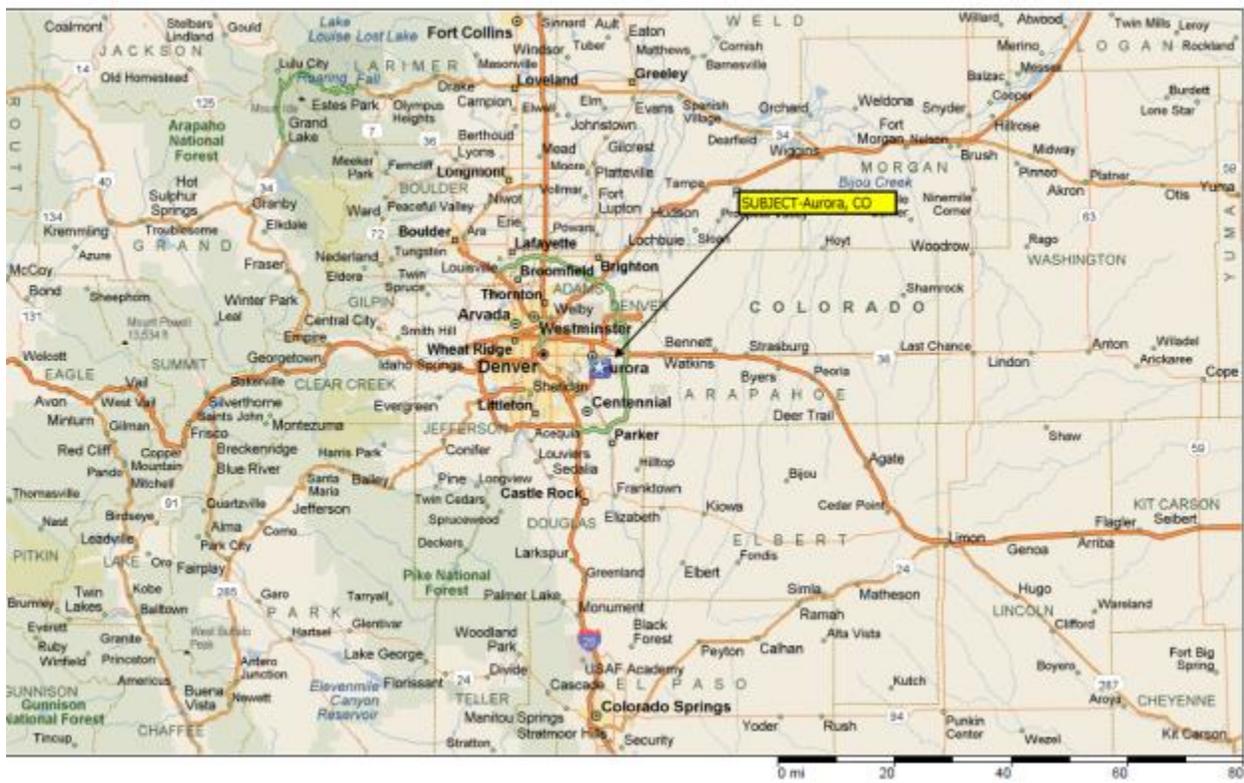
provide north-south access in Aurora along Interstate-225 and provide connections to the East and Southeast lines. The Aurora Metro Center station, approximately 0.6 miles west of the subject, will be the nearest stop. Riders will be able to ride to destinations throughout the Denver area, including Downtown and Denver International Airport, along with suburban destinations in Jefferson County.

Aurora's City Center Urban Renewal Areas I & II run just west of the site. This area includes the Aurora Municipal Center, 0.3 miles from the site, the Arapahoe County Administrative Office, the Aurora City Center Place retail center, the refurbishment of the Town Center at Aurora (formerly the Aurora Mall), and Alameda Avenue Streetscape Improvements. The Planning & Development staff at the City of Aurora are in "full support of the proposed High Line Canal Multi-Family use" and further state that "the project will help in implementing one of the goals outlined in the 2015-2019 Consolidated Community Development Plan, which is to 'maintain and improve the existing supply of affordable housing to meet the needs of low and moderate income residents'."

An example of recent investments in the area include the Anschutz Medical Campus and Fitzsimons Life Science District, which is currently experiencing substantial redevelopment and expansion. The related redevelopment involves a \$5.2 billion transformation of a square-mile area of the campus near the intersection of Interstate 225 and Colfax Avenue, which employs more than 21,000, is the home of the University of Colorado Anschutz Medical Campus, the University of Colorado Hospital, Children’s Hospital Colorado and a U.S. Department of Veterans Affairs Hospital that is under construction, as well as several other centers for healthcare, biomedical research and workforce development.

Location Maps:

The Following is a Regional Map showing the High Line Canal Apartments Site in Aurora:



The Following is a Preliminary Market Area Map Showing High Line Canal Apartments Site:



The Following is a Location Map Showing High Line Canal Apartments Site:



The Following is a Site Plan Showing High Line Canal Apartments:

The development of High Line Canal Apartments has garnered significant support from local stakeholders including DeLaney Community Farm, the Aurora Community Development Division, The City of Aurora Planning & Development Division, Colorado State Senator Morgan Carroll, and Colorado State Representative Su Ryden.

The partnership between DeLaney Community Farm and Gardner Capital would provide the High Line Canal Apartment residences the opportunity to cultivate and foster healthy lifestyle choices and relationships within the community. One notable aspect of the partnership is the proximity to the farm and the proposed apartments; the farm staff would use community space at the apartments and bring vibrant and exciting programming directly to those residents.

-Heather DeLong, Director, DeLaney Community Farm

I was pleased to hear about your efforts to incorporate innovative partnerships with DeLaney Farms and local groups like Denver Urban Gardens to help provide these families the quality-of-life opportunities that all of our citizens deserve.

-State Representative Su Ryden

The long-term plans for this site include building up to an additional 70 units at such time that financing makes an opportunity feasible.

Unit Mix & Amenities:

High Line Canal Apartments will provide 63 energy efficient one, two and three bedroom units for families earning a mix of 30%, 40%, and 50% of the AMI. A total of 37% of the units will be restricted to 30% and 40% of the AMI, thereby providing a much needed opportunity for very-low and low income families. This deep affordability will leverage the limited LIHTC funding to create not only a high quality housing opportunity, but will help catalyze the Centretech Neighborhood development in general.

According to the Market Study, the underwritten LIHTC rent levels are achievable in the market and offer a weighted average discount to achievable market rate rents of 40%.

The overall unit mix information is included in the following table:

Unit Mix								
Type	Unit #	AMI	Ave. Sq. Ft.	Gross Rent	Net Rent	% of Mix	Achievable Mkt Rent	Discount to Mkt
1BR	2	30%	600	\$450	\$393	3%	\$1,205	63%
1BR	3	40%	600	\$600	\$543	5%	\$1,205	50%
1BR	5	50%	600	\$750	\$693	8%	\$1,205	38%
2BR	2	30%	860	\$540	\$462	3%	\$1,275	58%
2BR	9	40%	860	\$720	\$642	14%	\$1,275	44%
2BR	23	50%	860	\$900	\$822	37%	\$1,275	29%
3BR	3	30%	1,200	\$623	\$527	5%	\$1,675	63%
3BR	4	40%	1,200	\$831	\$735	6%	\$1,675	50%
3BR	12	50%	1,200	\$1,038	\$942	19%	\$1,675	38%
Totals:	63		58,040			100%		40%

While the bedroom sizes are slightly smaller to comparable LIHTC properties in the PMA, the new construction will generally offer superior amenities. **In-unit amenities** will include:

Unit Amenities	
High Line Canal Apartments	Amenity
X	Energy Star Appliances
X	Garbage Disposal
X	Dishwasher
X	Washer/Dryer
X	Blinds
X	Air Conditioning
X	Carpet
X	Balcony
X	High Speed Cable Hook-Ups

Common property amenities will include:

Property Amenities	
High Line Canal Apartments	Amenity
X	Community Room
X	Exercise Room
X	Computer Room
X	Picnic Area
X	Limited Access Entry
X	Covered Parking
X	On-Site Parking
X	Access to Open Space

Population Served:

All of the 63 units in High Line Canal Apartments will be restricted to very-low and low income households. Incomes in the area generally range from \$20,000 to \$65,000, with the project targeting households generally earning between \$13,000 and \$43,000.

The major employers in the Denver MSA are in the government, healthcare and education sectors. According to the Market Analyst, most market area residents have military, healthcare, service and/or retail occupations. Many work at Buckley Air Force Base, Denver International Airport and central Aurora. The closest major employment centers to the site include Walmart, ADT Call Center and the Town Center at Aurora, all of which offer service and retail occupations within one mile of the site.

Location/Neighborhood Description:

High Line Canal Apartments will be located at the corner of East Alameda Parkway and Alameda Drive in the Centretech Neighborhood of Aurora. The site is 0.3 miles east of the Aurora Municipal Center. This area is a low to middle income, mixed residential and commercial community that was largely developed during the 1980s and 1990s. The subject's immediate neighborhood includes commercial, residential and vacant land uses. Most nearby single-family homes are ranch and custom structures that were built between the 1970s and 1990s, and are well maintained.

The subject is in the Aurora Public School District. Children living at High Line Canal Apartments going to public school will attend the Peoria Elementary School, East Middle School and William Smith High School. The elementary school is 2.5 miles northwest of the subject, the middle school is 1.7 miles north and the high school is 1.2 miles northeast. Busing is available to all schools. Community College of Aurora is 0.6 miles north of the site.

According to the Market Analyst, High Line Canal Apartments will have a walk score of 56, which is 47% better than Aurora's overall score of 36, and is 6% higher than the overall average score of 53 for the comparable projects in the PMA. The site's transit score is 52, which is 49% better than Aurora's overall score of 35, and is 18% higher than the overall score of 44 for the comparable projects in the PMA. The scores for High Line Canal Apartments will improve with the completion of the light rail station in 2016.

The site is within 2.5 miles to many locational amenities, most of which are described below:

Locational Amenities	
Amenity	Distance from Site
King Soopers (Grocery Store)	1.0 miles
City Center Marketplace (Shopping Center)	0.1 miles
Walmart Super Center	1.1 miles
Town Center at Aurora (Shopping Center)	0.9 miles
Peoria Elementary School	2.5 miles
East Middle School	1.7 miles
William Smith High School	1.2 miles
Community College of Aurora	0.6 miles
RTD Bus Stop	0.1 miles
R-Line Light Rail Stop	0.6 miles
First Step Infant & Toddler Center	0.2 miles
Aurora Public Library	0.4 miles
Aurora Municipal Center (Government Services)	0.3 miles
Medical Center of Aurora (Hospital)	2.0 miles
Aurora Outpatient Clinic (Medical Facility)	1.6 miles
DeLaney Community Farms (Open Space)	0.1 miles
High Line Canal Trail	adjacent
Beek Recreation Center	2.1 miles

High Line Canal Apartments will have 22 covered parking spaces and 43 surface spaces, for a total of 65 spaces, or 1.03 per unit. The parking arrangement meets the requirements under the SIR zoning code, as 34% of its total parking will be covered.

Covered parking will be situated among an attached, ground floor garage, along with a detached garage structure at the southern portion of the site. According to the Market Study, Surveyed comparables lease carports for \$15 to \$30 per month, attached garages for \$90 to \$130 and detached garages for \$20 to \$110. High Line Canal Apartments will not charge for covered parking, which will be available to tenants on a first-come-first serve basis.

Services Description:

While there will be no specific services required at High Line Canal Apartments, we are partnering with DeLaney Community Farm, which is a part of the Denver Urban Gardens, a non-profit organization. DeLaney Community Farm is located adjacent to the site. Their mission is to provide access to healthy, locally produced food for people of all economic levels through food security programs. They also provide trainings, education, resource sharing opportunities, and demonstrations for small-scale agricultural practices. In addition to leveraging DeLaney's community service and benefits for the residents, there will be some flex common area space in the apartment building that will be used by DeLaney staff. Their office is currently in downtown Aurora, so a proximate space to the farm will allow for office functions demonstrations, and a gathering space.

Construction Description:

The High Line Canal building design is focused on creating a strong connection between residents and the surrounding amenities. The architecture draws on the forms of industrial agrarian vernacular and industrial small town centers prominent in the area. The project uses materials such as masonry, clapboard siding and forms drawn from grain silo and cupolas. The intent of the architecture is to create a contextual aesthetic that connects with the surrounding community.

High Line Canal Apartments will consist of a single four-story, double-loaded, elevator-served, slab-on-grade building with a mixed brick and cementitious exterior. The roof will be flat and the façade will use the blend of brick textures and traditional siding elements to create an inviting residential atmosphere. The development team has been working closely with the City of Aurora to design an attractive and appropriate building that will greatly enhance the neighborhood. The overall site is 3.77 acres of which High Line Canal Apartments will use approximately 1.8 acres. There will be a total of 65 parking spaces on site for residents, which is consistent with the SIR zoning for the City of Aurora. Parking on site will include 22 covered spaces to be reserved on a first come, first serve basis.

There will also be access on site to the High Line Canal Trail, at the southeastern corner. The landscaping is designed to elevate the already existing open space represented by DeLaney Community Farm to the east. There is an existing bridge crossing the Highline Canal that connects the trail system to the city sidewalks along Alameda Parkway. The residential circulation through the site will also connect to the trail system at the bridge location, creating a connection independent of the city sidewalks.

Energy Efficiency/Green Build Description:

High Line Canal Apartments will meet all mandatory requirements of Enterprise Green Communities, plus has goals of achieving 40% interior water savings and 20% annual energy cost savings. Tenants will benefit from the lower water and energy use through lower utility bills. We anticipate over 50% construction waste recycling, and will be implementing surface stormwater management. Tenants will also have excellent access to public transportation with seven bus lines within a quarter mile of the site. The design of the project will include low VOC materials and environmentally preferable flooring, and will be solar ready for future installation of photovoltaics. Construction will further specify regional materials for concrete and drywall.

Financing Description:

Highline Canal Apartments will be financed with federal LIHTC equity, a 9% Tax Credit Loan through CHFA Community Development, and Colorado Division of Housing funds. Below is a sources and uses chart:

Sources & Uses of Funding					
Sources	Amount	% of Stack	Uses	Amount	% of Stack
Federal LIHTC Equity:	\$12,081,626	75%	Land Acquisition:	\$700,000	4%
CHFA 9% Permanent Loan:	\$2,881,457	18%	Hard Costs:	\$10,051,807	63%
CDOH Loan:	\$630,000	4%	Local Development/Permitting:	\$1,259,385	8%
Deferred Developer Fee:	\$412,000	3%	Developer Fee:	\$1,400,000	9%
Other:	\$0	0%	Soft Costs:	\$2,259,252	14%
Other:	\$0	0%	Reserves:	\$334,639	2%
Total:	\$16,005,083	100%		\$16,005,083	100%

Construction financing will be bridged by a conventional construction period loan in the approximate amount of \$12,350,000. This loan will be paid down to conversion largely through equity contributions. The total development costs are approximately \$254,070 per unit. The deferred developer fee represents approximately 29.5% of the total fee and is paid back by the end of year 9 (assuming current underwriting trending).

Summary of Strengths:

- High Line Canal Apartments will supply much needed high quality affordable housing in a PMA that **has not had an LIHTC allocation since 2007**

- Income targeting of low & very low AMI families
- Very low capture rates with an overall capture rate of 2.9%
- Robust community stakeholder support
- Partnership with DeLaney Community Farm
- Great location next to needed amenities and services
- **Close (0.6 miles, which is just over the 0.5 mile designation for the guiding principles)** from the planned light rail station (the R-Line) that will be completed in 2016

Guiding Principles:

1. Identify which guiding principles in Section 2 of the Qualified Allocation Plan (QAP) the project meets and why it meets them:

- To support rental housing projects serving the lowest income tenants over the longest period of time. All of the units planned for High Line Canal Apartments will be restricted to very low and low-income households with 100% of the units restricted to 50% of the AMI. A total of 37% of the units will be restricted to 30% and 40% of the AMI, thereby providing a much needed opportunity for very-low and low income families in the PMA. Furthermore, we have elected to commit High Line Canal Apartments to a 15-year compliance period plus an additional 25 years.
- To support projects in a QCT, the development of which contributes to a concerted community revitalization plan. High Line Canal Apartments is located in a Qualified Census Tract (820) and the development of the site has garnered significant support from local stakeholders including DeLaney Community Farm, the Aurora Community Development Division, the City of Aurora Planning & Development Division, Colorado State Senator Morgan Carroll, and Colorado State Representative Su Ryden. While the site itself is not designated as an urban renewal area (though literally borders one) the Planning & Development staff at the City of Aurora are in “full support of the proposed High Line Canal Multi-Family use” and further state that “the project will help in implementing one of the goals outlined in the 2015-2019 Consolidated Community

Development Plan, which is to ‘maintain and improve the existing supply of affordable housing to meet the needs of low and moderate income residents’.”

- To provide for a distribution of housing credits across the state. High Line Canal Apartments is located in the Centretech Neighborhood of Aurora, **which has not had an allocation of housing credits since 2007.**
- To provide opportunities to a variety of qualified sponsors of affordable housing. The sponsor for the successful development of High Line Canal Apartments, Gardner Capital Development, is a national mission-based for-profit developer and investor in affordable housing. Gardner Capital, a sister company, is a syndicator of both federal and state tax credits and is actively investing in not only developments of affordable housing in Colorado, but also investments in the tax credits.
- To distribute housing credits to assist in a diversity of populations in need of affordable housing. With the 2015 QAP priority of housing projects supporting homeless and special needs populations, High Line Canal Apartments will provide a much needed housing opportunity for very-low and low-income families in a PMA that has not received a tax credit allocation since 2007.
- To support new construction of affordable rental housing projects. High Line Canal Apartments will provide high-quality new construction of affordable rental housing.

2. Identify which housing priority in Section 2 of the QAP the project qualifies for:

Not applicable

3. Describe how the project meets the criteria for approval in Section 2 of the QAP:

- **Market conditions:**

The LIHTC market in the PMA are showing 100% occupancy with waitlists. The Market Analyst has indicated a **very low overall capture rate for the project at 2.9%** which includes 0.5% for the 30% units, 1.6% for the 40% units, and 4.8% for the 50% units. Furthermore, there has not been an allocation of housing credits in the Centretech Neighborhood since 2007, and according to the Market Analyst, High Line Canal Apartments and a 50 unit age-restricted project are the only proposed LIHTC projects in the PMA. However, the age-restricted project will not compete with High Line Canal Apartments due to its non-elderly tenant profile. The projected renter household population is going to increase 277 households annually. All of this data points to the extremely high demand in the PMA for safe, quality, affordable housing.

Our underwritten rents at 30%, 40%, and 50% levels are determined achievable by the market analyst, and the underwritten rents show a weighted average discount to achievable market rents of 40% (ranging from 29% to 63% in discount).

- **Readiness-to-proceed:**

Site Control: Gardner Capital Development executed a letter of intent to purchase the property with the existing owner in January 2015.

Zoning: The site is currently zoned Planned Community Zone District—Office (“PCZD-Office”). The development team started the re-zoning process on April 13, 2015 in order to be classified as a Sustainable Infill & Redevelopment District (“SIR”). This SIR zoning allows for a mix of uses including multi-family, and is by all accounts a favored re-zoning classification for use by the city officials (please see the re-zoning letters—one dated April 17 and one dated April 24—from the City Planning & Development Services along with a re-zoning support letter from the current site owner). The Planning & Development staff are in “full support of the proposed High Line Canal Multi-Family use” and further state that “the project will help in implementing one of the goals outlined in the 2015-2019 Consolidated Community Development Plan, which is to ‘maintain and improve the existing supply of affordable housing to meet the needs of low and moderate income residents’.”

While the re-zoning process is underway with the city, the project team anticipates official approval of the re-zoning for the site to occur on or before June 29, 2015.

Environmental: Gardner Capital Development commissioned Fred Corn & Associates to perform a Phase I Environmental Site Assessment (“ESA”) for the site, the effective date of which is March 26, 2015. This Phase I ESA discovered no Recognized Environmental Conditions on the site, but did find records of a dry cleaning facility(ies) up-grade from the site.

As a result of this information, we commissioned a limited Phase II ESA through Terracon Environmental, the effective date of which is April 30, 2015. This Phase II ESA tested ground water and soils on the site for possible contaminants. The study did not find any recognized environmental conditions. Therefore, we are comfortable with the environmental conditions at the site going forward.

Schematic Drawings: Sprocket Design Build, the project architect, has provided a current site plan, schematic drawings, floor plans, and elevations for High Line Canal Apartments.

Cost Estimates: Sprocket Design Build, the anticipated project general contractor, has provided both summary and details for the hard cost estimates on High Line Canal Apartments. This estimate is dated April 29, 2015.

- **Overall financial feasibility and viability:**

Development of any kind in Aurora can be expensive due to their exacting quality standards and extensive development/permitting fees. However, High Line Canal Apartments is financially feasible if awarded an allocation of 9% LIHTC. In addition federal LIHTC equity, we are assuming a reasonable CHFA-sponsored 9% permanent loan, a Colorado Division of Housing loan, and we are deferring a reasonable amount of the developer fee. Gardner Capital, the equity syndicator and the consultant, RCH Jones has run the project through their audited tax credit financial models. This extensive up-front underwriting has shown that as conceived, there are minimal risk points.

- **Experience and track record of the development and management team:**

Gardner Capital Development: The 48-member team at Gardner includes experienced real estate developers, construction management professionals, analysts, accountants, attorneys as well as investment management and due diligence managers. This important business segment provides all the necessary support from the very early stages of a development to construction completion and stabilization. Gardner Development strives to support the communities in which they operate by working closely with the local officials to ensure all goals are met. In addition the organization teams up with local and national housing organizations to study and sponsor legislation geared at improving and streamlining tax credit programs. As of December 31, 2014, Gardner has developed 36 LIHTC projects consisting of over 1,450 units.

Scott Puffer: As the Senior Vice President of Development, Scott Puffer joined Gardner Capital from his previous position of Vice President for The Michaels Organization. Mr. Puffer has experience with a broad range of housing including senior, affordable, supportive, and for sale products. In addition, he has led master planning efforts for large-scale communities. Mr. Puffer is a graduate of John Carroll University with a Masters of Real Estate Development from Clemson University.

Ross Management Group: Ross Management Group will provide property management services for the property. Formed in 1986, they specialize in management of affordable, market rate, and service-oriented housing communities. They have deep experience with managing Colorado LIHTC properties and are well-versed in all types of compliance issues.

Sprocket Design Build: Serving as the project architect and cost estimator, Sprocket is one of a very few, vertically integrated firms in the country, whose work encompasses all phases of project planning and execution. Since inception, Sprocket has designed and/or built over 165 projects tackling various urban and suburban land-use problems of various scales. Project types range from restaurant, retail, and office to multi-family projects. In addition to Gardner, Sprocket is also currently working with Metro West

Metro West Housing Solutions with whom Sprocket has revitalized an existing 7 story office building that has sat dormant for the past 30 years into 55 multi-family units and paired it with a new 100 unit multi-family apartment building.

Bill Moore, the founder and president of Sprocket is a Licensed Architect, Denver Building Contractor, and NCARB member. A graduate of University of North Carolina at Charlotte and the University of Colorado, Bill, has worked in architecture, construction and development firms throughout the US. He is currently a regular instructor at the College of Architecture and Planning at the University of Colorado.

RCH Jones Consulting: As president of RCH Jones Consulting, Ryan Hibbard Jones has been in the affordable housing industry since 2003—first as a project manager for various affordable housing developments across the US (including three years as a lead project manager for Boulder Housing Partners in Colorado) and then as a senior underwriter for two LIHTC equity syndication firms where he closed over \$130 million in LIHTC equity across the nation. In addition to serving on the CHFA Tax Credit Advisory Group, Ryan has closed four LIHTC projects in Colorado and has underwritten dozens more. He received an MBA from the University of Colorado focusing on real estate finance and development in 2008.

- **Cost reasonableness:**

The project costs for High Line Canal Apartments reflect the most current in hard cost information, realistic underwriting in order to dial in certain soft costs (i.e. construction period interest) and a modest total developer fee that could have been higher. Construction costs in Colorado have been going up, by most accounts, by ½ a percent, monthly. In order to account for this volatile commodities and labor market, we have obtained up-to-date cost estimates and have included a 5.0% hard cost contingency. Considering the exacting design requirements within the City of Aurora along with the high development fee and permitting costs, we believe we have been efficient with our underwriting. In conversation with the State Division of Housing and with our attorneys, we plan on using the potential DOH funding source for the land acquisition at closing.

While there are details to be met out, we are comfortable not assuming prevailing wages for this project.

- **Proximity to existing tax credit developments:**

All existing LIHTC properties containing 964 income-restricted units in the PMA were built before 2007. Of these properties, two are age-restricted projects with 203 units and eight are family properties that have 761 units. The High Line Canal Apartments' LIHTC units, which will be restricted at 30%, 40% and 50% AMI, will compete with 90 of the existing family LIHTC units in the PMA that do not receive rental assistance and that have similar rent and income restrictions.

According to CHFA and the Aurora Planning and Development Services Department, High Line Canal Apartments and a 50 unit age-restricted project are the only proposed LIHTC projects in the PMA. However, the age-restricted project will not compete with High Line Canal Apartments due to its non-elderly tenant profile.

- **Site suitability:**

The site offers great visibility along East Alameda Parkway, and in addition to being adjacent to a bus stop, it is only 0.6 miles from the proposed Light Rail Station (the R-Line) to be built in 2016. The site is also within 2.5 miles of most locational amenities and is very close to schools. Finally, with direct access to the High Line Canal Trail and the DeLaney Community Farm Open Space, there are several opportunities for recreation.

Parking requirements under the flexible SIR zoning include a requirement of 33% of the spaces to be attached covered parking spaces with the rest on site. A total of 65 designated spaces for High Line Apartments are required, 22 of which will be covered. All parking will be free of charge and any covered parking will be first-come-first serve basis.

4. Provide the following information as applicable:

- **Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum):**

Not applicable.

- **Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:**

Not applicable. High Line Canal Apartments is located within a QCT.

5. Address any issues raised by the market analyst in the market study submitted with your application:

The following statements are the only indicated weaknesses of the High Line Canal Apartments:

The subject is 200 feet from a fire department that could generate noise. However, [the fire station] provides additional safety to the immediate area and will not negatively impact the subject.

The fire station in question is Aurora Fire Station #8. We agree with the Market Study in that this fire station proximity will serve more as a benefit than as a nuisance. However, we will look into a limited noise study if further warranted.

The subject's unit sizes are 2% to 14% smaller than the unit sizes of surveyed LIHTC and mixed income projects in the PMA, and 7% to 16% smaller than the overall PMA average.

Regardless of the slightly smaller unit sizes, High Line Canal Apartments would be the PMA's first LIHTC project since 2007, and "its excellent condition will attract and retain residents."

6. Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:

Gardner Capital Development commissioned Fred Corn & Associates to perform a Phase I Environmental Site Assessment (“ESA”) for the site, the effective date of which is March 26, 2015. This Phase I ESA discovered no Recognized Environmental Conditions on the site, but did find records of a dry cleaning facility(ies) up-grade from the site.

As a result of this information, we commissioned a limited Phase II ESA through Terracon Environmental, the effective date of which is April 30, 2015. This Phase II ESA tested ground water and soils on the site for possible contaminants. The study did not find any recognized environmental conditions. Therefore, we are comfortable with the environmental conditions at the site going forward.

7. In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):

The development of High Line Canal Apartments has garnered significant support from local stakeholders including DeLaney Community Farms, the Aurora Community Development Division, the City of Aurora Planning & Development Division, Colorado State Senator Morgan Carroll, and Colorado State Representative Su Ryden. While the site itself is not designated as an urban renewal area (though literally borders one) the Planning & Development staff at the City of Aurora are in “full support of the proposed High Line Canal Multi-Family use” and further state that “the project will help in implementing one of the goals outlined in the 2015-2019 Consolidated Community Development Plan, which is to ‘maintain and improve the existing supply of affordable housing to meet the needs of low and moderate income residents’.”

8. For acquisition/rehab or rehab projects, provide a detailed narrative that describes the proposed rehab plans and relocation plan (if applicable). Address the 10-year rule; capital expenditures over the past two years; previous related party relationships; past local, state, or federal resources invested in the project; obvious design flaws;

obsolescence issues; safety issues; and any significant events that have led to the current need for rehabilitation (i.e., fire, nature disaster).

Not applicable (new construction).

9. You may provide additional documentation that supports this narrative.

We are providing the following documentation to support this narrative:

- Support letter from the City of Aurora Community Development Division dated April 15, 2015
- Support letter from Colorado State Representative Su Ryden dated April 29, 2015
- Support letter from Colorado State Senator Morgan Carroll dated May 1, 2015
- Support letter from DeLaney Community Farm dated April 24, 2015
- Term sheet from the Colorado Division of Housing dated April 27, 2015 showing financial support for High Line Canal Apartments
- Support letters from the City of Aurora Planning and Development Services describing the re-zoning of the site.