

# 9% lihtc application narrative



**Project Name:** Lakota Ridge Senior Housing

**Project Address:** 775 Castle Valley Ranch, Blvd. New Castle, Colorado

Located in New Castle, Colorado, the Lakota Ridge Senior Housing development will consist of eight buildings, one for the resident community center and seven free-standing 2-3 story apartment buildings with 50 one-bedroom and two-bedroom units. The property will serve seniors aged 55 and over with mixed incomes up to 60% of the Area Median.

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

The *Lakota Ridge Senior Housing* project meets several of the guiding principles in the QAP. The development will serve the lowest income tenants, ensure that housing credits are distributed across the state, and will meet the needs of a vulnerable population, seniors.

According to the Leading Age Center for Applied Research, a growing number of elderly households are burdened by housing costs. Older adults are more likely than their younger counterparts to spend more than 30 percent of their income on their home. Having fixed rents below the FMR will ***serve the lowest income tenants for the longest period of time.*** The development pro forma outlines a budget that will allow the units to sustain themselves beyond year 15.

*Lakota Ridge Senior Housing* will be a 50-unit, 55 and up development in New Castle, Colorado, serving seniors with mixed incomes up to 60% of the Area Median. The project, with 40 1-bedroom/1-bath units and 10 2-bedroom/1-bath units is designed with the senior population in mind. There will be 5 units set aside for 30% AMI, 5 units for those who earn less than 40% AMI, 10 units for those earning less than 50% AMI, and 30 units for those who earn up to 60%. In creating this mix, CRHDC will be able to serve very low income populations while maintaining the affordability of the project in

perpetuity, so that seniors can continue to benefit from the development of the units for years to come.

***The project will serve a diverse population with supportive service needs.*** While older adults have an overwhelming desire to age in New Castle and the surrounding area, low- and modest-income seniors face the dual challenge of finding affordable housing that can also accommodate their changing needs and support their health and quality of life as they grow older.

The proposed development houses seniors and works to serve this population with supportive services designed to preserve seniors' autonomy and independence. The development is accessible and designed with seniors in mind. Studies show that accessible housing designed for seniors results in a lower likelihood of nursing home entry and less functional decline overall (Urban Institute 2012). Avoiding nursing home entry is important in that it is generally least the least preferred housing option for seniors and can be very costly to individuals and the public. Many seniors at the existing senior housing development, New Castle Senior Housing, are active members in community. Several residents volunteer as readers at the local elementary school and community center. This type of community engagement helps senior residents to age in place.

The Lakota Ridge Senior Housing Development and its community center will serve as a hub for service delivery and extending into surrounding neighborhoods to help even more seniors in the community. Rural elders need to voice their concerns and be active participants in the life of their community. We believe the Lakota Ridge Development can be a critical platform for seniors to be engaged in their community and will help its residents maintain their health, daily functioning, and quality of life.

As the property manager, CRHDC will partner extensively with the Garfield County Department of Human Services to offer the Senior Nutrition Program, community Health Fairs, Meals on Wheels and the Roaring Fork Transit Authority Traveler Transportation Program. This program makes it not only easy to get around town, but also allows seniors to go to and from other cities in the Roaring Fork Valley. The project will also have an on-site staff member who is accessible to the residents should any challenges or issues occur.

This project also meets the principle of ***“providing for the distribution of housing credits across the state.”*** There are no LIHTC financed senior properties within in the PMA.

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

The proposed development is in Garfield County in western Colorado. The US Census reports that Garfield County had a population of 56,389 in 2010, which is far less than the priority target of 175,000 outlined in Section 2 of the QAP. The county's population is approximately 68% white and 28% Latino. The county covers about 3,000 square miles, of which approximately 60% is federal public lands, and only approximately 19 persons reside per square mile in the county.

Garfield County consists of 6 municipalities; Glenwood Springs, Rifle, Carbondale, Silt, New Castle and Parachute, as well as Battlement Mesa, an unincorporated residential community. New Castle is a quaint town situated in a narrow valley with views of mountain peaks.

The rural nature of the community is important because seniors who live in rural areas face additional challenges because they often lack access to services, recreation and shopping. The unique attribute of the Lakota Ridge Senior Housing is that it is actually very close to shopping, grocery and has available transit. As noted in the market study, "Given the rural nature of the immediate surroundings, it is unusual to find such close-in accessibility to basic needed services such a grocery store, doctor's offices, and recreational facilities."

The selected site is *within a mile* of the grocery store, pharmacy, and dining options. Within two miles of the site, there are subdivisions, open space, shopping, and Main Street. Residents can also access the local government offices, medical care and recreation centers within two miles of the property. The Senior Services Director for Garfield County noted that the site is very accessible for seniors and, in the warm months, seniors can walk to the grocery store. The walkability coupled with the extensive travel services offered by the County's Human Services Department mean that residents can have access to all amenities in the Garfield County without a vehicle.

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

**a. Market conditions:**

A large majority of older Americans, including both homeowners and renters, report a preference for remaining as long as possible in their current home and community as they age—to "age in place"— according to a nationally

representative survey of the 50+ population (AARP 2006). By 2030, the proportion of Americans age 65 or older will increase from its present 13 percent to nearly 20 percent (Vincent and Velkoff 2010). Many Boomers are on the verge of retirement and others are “house bound” in homes that are inadequate but would not generate sufficient sales proceeds to support living elsewhere.

The scarcity of affordable private-market units relative to the demand for them makes subsidized rental housing all the more important, especially for the older population. Within the PMA, There are no LIHTC funded senior rental developments, nor are there any near the boundaries of the PMA and no senior apartments have been built within the past 10 years.

According to the Market Study completed by Community Strategies Institute, capture rates for this property are relatively low and are well within the guidelines outlined in the QAP. The capture rate is 10% overall. The 40% AMI capture rate is 2%, the 50% AMI capture rate is 9%, and the 60% AMI capture rate is 19%. The property will meet demand in the PMA for new affordable senior rental housing. Vacancies at comparable properties are 0%, and while the latest Colorado Division of Housing rent survey for Glenwood Springs shows a vacancy rate of 2.4% for Glenwood Springs.

It is important to note that this project will also have an allocation of eight Project Based Vouchers from the Garfield County Housing Authority. This subsidy allows the renter to pay 30% of his or her income for rent while the subsidy pays the difference. The allocation of eight vouchers is demonstration of the Housing Authority’s strong support of the development and also enables the property to provide more units to the lowest income tenants. As stated in the market analysis, serving renter households at 55-62 years of age will provide rentals for an underserved population who do not qualify for other subsidized senior rentals in the PMA. Overall, the market analysis indicates that the development will be very competitive.

**b. Readiness-to-proceed:**

It is anticipated that if LIHTC are awarded this round that the sponsor could start construction of this development in Spring 2016. Thus far, soft funding is awarded on a rolling basis, some of which has already been committed to the development, the site has been acquired, the Phase I environmental is complete, and an architect and CMGC are under contract and are actively engaged in site planning.

Tierra del Sol and CRHDC have done other LIHTC developments and both entities are familiar with all of the steps that lead up to the development and successful lease-up of a tax credit project of this size.

CRHDC began working closely with the Town of New Castle on this development over two years ago. The site, which was selected by the Town, has the required zoning and CRHDC is working with the Town to resolve any outstanding issues.

**c. Overall financial feasibility and viability:**

The project will be funded with a LIHTC, Solar ITC Equity, CDOH funding, and a portion of the developer fee deferred. The project also will have eight Project Based Vouchers from the Garfield County Housing Authority and will be able to benefit from a partnership with the Housing Authority, which will allow for a reduced tax burden.

Cost per square foot is in the range of the properties selected the LIHTC in recent years and construction estimates reflect the reasonableness of these projected costs.

It is important to note when assessing the Per Unit Per Annum costs that CRHDC pays the cost of utilities for its senior residents. This projected number will be offset in part by the energy created by the solar array planned for the development. The solar array currently operating at the Alta Vista de la Montana development in Delta owned by CRHDC provides anywhere from 50-100% of the electrical costs each month.

There is also soft funding built into the development. CRHDC, the Colorado Division of Housing, and the Town of New Castle are all contributing some form of equity. Letters from each of these sources are attached to this application. Additional project-related soft costs have been covered by grants from NeighborWorks and Enterprise Community Partners

**d. Experience and track record of the development and management team:**

Tierra Del Sol, Sponsor

Tierra del Sol Housing Corporation is a private, non-profit community based organization, incorporated in April 1973 and 1980 in New Mexico and in Texas, respectively. Tierra del Sol is also authorized to do business in the State of Arizona and is recognized regionally and nationally. Most of Tierra del Sol services are currently focused in southern New Mexico and west Texas counties along the U. S. and Mexico border.

The organization's accomplishments to date include 5,500 completed units of affordable housing and related infrastructure of water, sewer and community

facilities for low-income households. Tierra del Sol also provides technical assistance and community education and training.

### **CRHDC, Developer**

CRHDC is a statewide, private non-profit organization providing affordable housing opportunities for low and moderate income individuals in the state of Colorado. Created in 1971, CRHDC has been strengthening communities throughout Colorado by serving the needs of the disadvantaged, underserved, or uninformed. What began as serving the affordable housing needs of migrant farm workers and agricultural communities has expanded to a comprehensive array of programs and services designed toward sustainable growth in assets, knowledge and stability for both rural and urban communities.

CRHDC has a long history of promoting safe and affordable housing for agricultural and migrant workers in rural areas throughout Colorado. CRHDC has been developing farm worker rental housing for the past 44 years and for the past 20 years contracting with USDA to provide technical assistance to local governments and/or nonprofits in developing and sponsoring farm worker housing in Colorado and other Western States.

In 1996, CRHDC developed 20 units of affordable family rental housing in Hayden, Colorado utilizing the Low Income Housing Tax Credit Program. This development was also funded by Colorado Division of Housing, Federal Home Loan Bank of Topeka, and a bridge loan through Mercy Loan Fund. In 2012, CRHDC developed 41 rental units in Delta, Colorado for families working in the tri-county areas which include Delta, Mesa, and Montrose. The design included green building and energy features such as solar panels to reduce energy consumption. The development was featured in Affordable Housing Financing Magazine and selected as the “Best Rural Project” in the nation by its readers in 2012. Financing included USDA, LIHTC, TCAP, U.S. Treasury, Re-Start Colorado, NeighborWorks America, and Rural Community Assistance Corporation (RCAC). CRHDC also partnered with Lutheran Support Service working with Burmese Refugees and re-settled refugees in the Delta area to live in the apartments and provide a work force for the growers in the tri-county area. CRHDC’s development team is currently working on the Sol Naciente farmworker housing in Fort Morgan.

### **Collaboration:**

Over the past 30 years and CRHDC and Tierra del Sol Housing Development Corporation (TDS) have been collaborating and partnering in delivering and developing affordable housing opportunities and services to low-moderate income families in the Western and Central Regions of the country. The services and programs we provide collaboratively include agriculture rental housing, self-help

housing, acquisition rehab, senior housing, technical assistance and emergency rental and utilities assistance. This strong alliance expands to the national level, where both organizations participate with national organizations to influence Congress in maintaining funding levels critical for Federal and State agencies to manage and maintain housing programs in their respective regions and states. The following information represents some of the collaboration and partnerships that CRHDC and TDS have accomplished:

- Overland Trail Apartments in Sterling, CO. TDS provided CRHDC with technical assistance and advanced their allocation of NSP-II funds to acquire and rehab the 48 unit rental project
- CRHDC and Tierra del Sol participated in a national consortium that included 10 states and applied for NSP-II HUD national funding. The consortium received the second largest allocation of funding; \$137 million. CRHDC received \$12.5 million and Tierra del Sol \$6 million
- CRHDC is the lead agency for managing and implementing emergency rental and utilities assistance to agriculture workers funded through the U.S. Department of Labor. Tierra del Sol is one of the consortium members for this grant program.
- CRHDC and Tierra del Sol are consortium members in the USDA-Rural Development Technical Assistance Program Western Region and CRHDC is the lead agency for managing and implementing the Technical Assistance to nonprofits and housing authorities in the sponsorship and development of Agricultural Rental Housing.
- Tierra del Sol and CRHDC are partners in the USDA-Rural Development Technical Assistance Program Central Region and Tierra del Sol is the lead agency for managing and implementing Technical Assistance to nonprofits and housing authorities seeking the sponsorship and development of Agricultural Rental Housing.
- Tierra del Sol and CRHDC are consortium members for the HUD SHOP (Self Help Opportunity Program). Tierra del Sol is the lead agency for this grant that supports nonprofits in the acquisition and development of land/lots for construction of owner built housing.(Self Help/Sweat Equity)
- In the Alta Vista de la Montana development in Delta, CO. Tierra del Sol partnered with CRHDC to create Southwest Development Corporation to meet some of the legal requirements from the Tax Credit Investor

The collaboration with Tierra del Sol continues at many levels and its success is evident by the outcomes and successes over the past 30 years.

**e. Cost reasonableness:**

Construction costs reflect the extensive site work that needs to be done in order to grade the land appropriately for the development. There are also costs in the associated with the build-out of a public road and with the community design guidelines.

The property rents are competitive with other LIHTC and class B market rate properties in the PMA. Rents on a per square foot basis are lower than the three market rate comparables. All rents are at least 10% below competing market rate projects.

**f. Proximity to existing tax credit developments:**

Within the PMA, there are no LIHTC financed senior rental developments, nor are there any near the boundaries of the PMA. There are six senior rental developments that the property will compete with, which have been financed by HUD, USDA Rural Development, or private rental assistance for all units.

There are five LIHTC properties targeting families and the general population within Garfield County. The most comparable LIHTC property when considering age, design, and financing structure is the Glenwood Greens Apartments in Glenwood Springs. Two other LIHTC properties, Villas de Santa Lucia and Machebeuf, owned by Archdioceses Housing, are in good shape and are fairly attractive, but are over 20 years old.

**g. Site suitability:**

The selected site is an ideal location for such a development – close to services, and in an area with access to existing utilities keeping infrastructure improvements needed for the development to a minimum, particularly for a rural project. The physical location of the site is desirable. As stated in the market study, “the surrounding terrain and openness reflect all of the benefits that the Colorado Lifestyle offers.” The Town’s cooperation with site selection and in the site planning process illustrates strong community support. The fact that a pharmacy, grocery store, dining and other retail, are within a mile makes these important resources more accessible for tenants.

**4. Provide the following information as applicable:**

- a. 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):**

N/A

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

While we are not requesting a CHFA discretionary DDA boost, we do qualify for a basis boost since Garfield County is a HUD designated DDA. This boost is necessary and justified because New Castle is a very high cost area for construction. This is due to the fact that terrain is very uneven, contractors and subcontractors have add costs for travel and materials are less locally available and, therefore, more expensive.

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

There were no significant concerns outlined in the market study. CSI indicated that there should not be a problem getting the units leased-up.

**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:**

There were no issues indicated in the Phase I Environmental Report.

**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):**

CRHDC has been working with the Town of New Castle on this project actively since 2012. The Town initially approached CRHDC because of the high regard that they hold for the 24 unit New Castle Senior Housing that CRHDC developed, owns and operates. The manager and Town Council were eager to relay the challenges associated with seniors in their community finding viable housing options. In 2013, CRHDC was selected by the Housing Colorado Charrette team to participate in the design Charrette, an integrative design process that allowed members of the Town's administrative team to provide input. Since then, the development team has presented updates at the Town

Council meetings several times over the past year. The town has waived fees and worked closely with the development team to get this project to this point. In addition to outreach at the Town level, CRHDC has formed a relationship with the Garfield County Housing Authority, which has committed eight project based units and a partnership that will result in a lower tax burden for the property, both factors will help the project perform. From a supportive services standpoint, CRHDC has formed a close relationship with the Garfield County Department of Human Services, through the management of the existing New Castle Senior Housing. The Department of Human Services will be a key partner in ensuring that seniors on property have access to the services that they need to age in place. In addition, non-profit organizations that provide key services for seniors have been briefed on the new development and have submitted letters of support. There seems to be broad-based community support. Thus far, we have received no negative feedback from the community about the development.

- 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).**

N/A

## **Attachments**

The letters of support and letters of commitment are attached to this narrative.

Letters of support are attached from the following:

- Garfield County Housing Authority
- Garfield County Department of Human Services
- River Center Community Center
- New Castle Lions Club

Soft funds documentation:

- Colorado Division of Housing
- CRHDC
- Town of New Castle