

9% lihtc application narrative



Project Name: Lamar Station Crossing Phase II

Project Address: 6190 West 13th Avenue, Lakewood, CO 80214

Characteristics of the project and why it should be selected above others for an award of credit.

Metro West Housing Solutions' (MWHS) Lamar Station Crossing, Phase II will complete the LEED ND Silver certified campus of our extremely successful transit-oriented development (TOD) that opened in January 2014 as the first TOD with housing along the West Rail Line. Since the first phase opened it has remained fully occupied with a waiting list of hundreds of households. MWHS was able to transform a former contaminated industrial site into a model of TOD which has been admired locally, regionally and nationally.

As a result of this tremendous success, MWHS receives constant inquiry on when the second phase will be built. The registered neighborhood organization, the Two Creeks Neighborhood Organization, once skeptical of mixed-income development in their midst, is now pushing for completion of the campus. As you will see in the attached letter, the organization fully supports MWHS' work in the neighborhood and will welcome this new development. The organization cites in particular how well MWHS followed through on its promise to build a community that is an asset to the neighborhood, stating, "Lamar Station Crossing has been a welcome addition to the Two Creeks Neighborhood."

Since the development of the first phase, the City of Lakewood has undertaken several initiatives that have and will continue to improve quality of life for our residents. A roundabout was added at 14th and Lamar, a sidewalk extended from Colfax Avenue to Lamar Station, and new lighting is being installed to make walking, biking, and driving in the area easier and safer. In addition, a large public art piece was installed in the roundabout, adding to the 40 West Arts District's growing appeal. The stoplight currently located at Colfax and Kendall is being moved a block west to Lamar to allow for better access within the area for cars, bicyclists, and

pedestrians. In the coming months there will be a neighborhood-wide branding of the area as part of the 40West Arts District, thus bringing more business and economic vitality to the area.

There is now an urban farm at Mountair Park, just East of Lamar Station Crossing. Lamar Station Crossing's on-site Resident Services Coordinator is part of the farm's advisory committee. Lamar Station Crossing residents have participated in the farm and LSC has purchased community shares in order for our residents to have access to fresh, healthy food options now while an on-site community garden is being planned.

Among the myriad reasons for selecting this development, these are particularly relevant:

- The first phase of Lamar Station Crossing stands out as a model for TOD. It has received awards too numerous to mention and has served to inform other developers, both affordable and market, on how to develop an outstanding community.
- The development costs for second phase will be very efficient as a result of combining it with the first phase for a campus feel. Much of the work that was required in order to build the first phase will now also serve the second phase (e.g., water/fire line loop, water detention pond).
- The second phase will add a more immediate connection to Dry Gulch and to the Head Start that is directly across the gulch. The design encompasses that part of the site and steps down to three stories to begin to meet the neighborhood's lower density character to the south.
- The amenities for the second phase will complement the first phase to enhance the quality of life for residents of both buildings.
- MWHS has a strong track record of high quality developments that are built on time and within budget.
- MWHS' management of tax credits properties is well respected by the neighborhood, the police department, regulatory agencies, lenders and investors. In particular, MWHS has proven ability to lease up and maintain high occupancy in this primary market area.

Lamar Station Crossing, Phase II will achieve many community goals and keep development costs at very reasonable levels. MWHS will produce another apartment community that will stand as an example and be an asset for decades to come.

Project's strengths and potential weaknesses.

The strengths of this project include:

- TOD – Site is located 1 block from the West Line's Lamar Station, which offers bus and light rail service
- Access to employment centers - downtown Denver and the Federal Center are within 15 minutes by car or train of the site. Additionally, the site is only 2 blocks from Colfax Avenue, which has numerous employment opportunities and a recently formed business improvement district (BID).
- Proximity to all levels of education
 - Head Start adjacent to the development
 - Public elementary school 3 blocks from development
 - Near a private K-8 school and multiple public middle and high schools
 - Higher educational facilities - Rocky Mountain College of Art + Design 4 blocks north; Red Rocks Community College, Community College of Denver, Metropolitan State College of Denver, University of Colorado Denver and Colorado Christian University within 15 minutes of the site by train or car.
- Documented strong need for rental housing in area as shown in market study – the submarket for this site has vacancy near record lows (3.6% for first quarter of 2015). The Apartment Association of Metro Denver's *Denver Metro Apartment Vacancy and Rent* report for first quarter 2015 shows vacancy in the Lakewood North area at 2.2%. The market study also notes that vacancy at the LIHTC properties used for comparables is 0.3% and all have lengthy waitlists.
- The existence of and success of Lamar Station Crossing provides significant marketing benefits, including market awareness, name and brand recognition, and a proven track record. There is a waiting list of approximately 270 for the first phase building.
- Highly sustainable – see description of energy efficiencies.
- Strong partnership with 40West Arts District, which has provided programs, including an artist in residence, and many residents in the first phase building.

Potential weaknesses of this project:

- While the market study is generally quite favorable, it did point to some potential weaknesses.

- *Low visibility from 13th Avenue and from the light rail.* The market study also points out that since the two phases will be operated together the low visibility should not be a factor.
- *Less convenient vehicular access.* Being situated on a secondary street has added some level of pedestrian safety and has not deterred applicants or interest in the first phase of development.
- *Light industrial and yard storage uses currently near the property.* The property is in a mixed use area. There is, however, strong interest in redevelopment and several market residential properties are in planning. The current uses are likely to change over the next several years. Again, these uses have had no negative effect on the first phase.
- *Low parking ratio and lack of covered parking.* The first phase has a parking ratio of 1.04:1, but the number of parking permits in use is lower, with a ratio of 0.84:1. The second phase will have a 0.89:1 ratio, which our current operations demonstrate is more than adequate. None of the parking at the site is covered and that has not hampered demand.
- The market study did not address this as a potential weakness, but MWHS is aware that there are two other LIHTC developments in planning in the PMA. With the strong track record and substantial waiting list for Lamar Station Crossing, it is clear that there is abundant demand for as much affordable housing as can be produced. The location of this development as part of the Lamar Station Crossing makes it highly desirable, both by being off a major street and well-situated in the neighborhood. Having the light rail has changed the expectations for marketing and market area. Only 26% of the residents at Lamar Station Crossing came from the PMA – the other 74% migrated from other places. As the market study clearly described, the need for affordable housing in this area is very strong – among the 10 tax credit properties surveyed, there were only 2 vacant units of the 522 total units. And all of the properties have lengthy waiting lists. The case can easily be made that all three of these developments could be built and there would still be a shortage of affordable housing in the area.
- Again, this was not in the market study, but no in-unit washers and dryers are planned whereas they are available in the first phase building. The experience in the first phase has been that the washers/dryers have many operational issues that frustrate both the residents and the staff. In order to address those problems, we have decided to include laundry rooms on each floor in the second phase, all operated by a professional laundry leasing company.

Description of the project as proposed

Detailed type of construction:

- The building will be three stories and of wood frame construction.
- The foundation of the building will consist of slab on grade concrete supported by spread footings.
- The roof will be flat with parapets and sheathed in a heat-reflective white TPO roofing material.
- Packaged Thermal Air Conditioner (PTAC) units, controlled by wall thermostats, will provide unit heating and cooling.
- Domestic hot water will be provided by central, high-efficiency hot water tanks.
- Rooftop makeup air units will provide heating and cooling to the corridors as well as introducing outside air and pressurizing the hallways. This will reduce odor problems and increase ventilation.
- The building will be fully fire sprinkled and will meet NFPA 13R standards.
- The exterior building skin will consist of a combination of masonry, cementitious lap siding (such as Hardy plank), factory finished metal siding, and a rain screen material (such as Swiss Pearl).
- All units will be accessible via an internal corridor and served by one elevator and 2 sets of stairs, one interior and one exterior.
- The windows will be double-paned vinyl in the residential units and aluminum storefront at the main entrance.
- The units will have 8½ and 9-foot ceilings, ceiling fans, air conditioning and walk-in closets.
- Within the units flooring will consist of wood grain luxury vinyl tile (LVT) in the living rooms, dining areas, kitchens and bathrooms. The bedrooms will be carpeted.
- Corridor and common area will be carpeted using carpet tile.
- Unit finishes will include good to high quality plumbing and electrical fixtures. Plumbing fixtures will be as water efficient as practical and light fixtures will use LED light bulbs in most cases. Laminate countertops and wood cabinets will be used in the kitchens and bathrooms. Kitchens will be equipped with black and stainless steel appliances, including a frost-free refrigerator, electric range, dishwasher, range hood and disposal.

Population being served: Families are the primary target. Based on our resident population at Lamar Station Crossing, which has about 15% seniors, we anticipate numerous seniors will also choose to live at this new development. We also expect to continue to have strong interest from the artists in the local area.

Bedroom mix:

Size	# Units
0BR/1BA	3
1BR/1BA	34
2BR/1BA	23
3BR/2BA	5

Location: 6190 West 13th Avenue, which is between Harlan and Lamar Streets in Lakewood. This is in the Two Creeks Neighborhood, one of the lowest income neighborhoods in Jefferson County.

Amenities:

- Lounge/seating area
- BBQ/picnic area
- Playground designed for older children
- Laundry rooms on each floor
- Bicycle storage on-site
- Off-street parking
- Trash chutes and recycling on each floor
- Free wireless internet for residents
- Community gardens adjacent to property
- Paved pedestrian and bike pathway connecting from 11th Avenue to 13th Avenue
- Access to all amenities of Lamar Station Crossing first phase (fitness center, community room with fireplace and television, classroom, community kitchen, etc.)

Services:

Lamar Station Crossing, Phase II will have access to the first phase on-site resource center staffed with a part-time Resident Services Coordinator, allowing residents to conveniently access services in the place where they live. The Coordinator works with residents on multiple levels: helping identify resident goals/needs, developing strategies to link residents with services, and bringing together information and resources for easy resident access. Information and services provided to residents include emergency needs, computer skills classes, job search assistance, career planning, community cultural activities and much more. The coordinator is available to meet with residents individually as well as to host a variety of classes and children's enrichment activities on-site. In addition, MWHS partners with Colorado Housing Assistance Corporation (CHAC) to assist residents interested in becoming first time homebuyers; runs a very successful community gardens program; hosts cooking and nutrition classes; provides recreation center passes and free tickets to community events in partnership with ArtReach; and coordinates asset building opportunities through its Financial Fitne\$\$ classes and micro-loan programs. MWHS has provided exceptional resident services to residents since 1974. This comprehensive program of services improves the marketability of housing and even during declines in the rental market residents choose to stay at MWHS properties because of the support, resources and community provided. For more information on services please see the website at www.mwhsolutions.org/path-program.html.

Description of energy efficiencies:

MWHS' thorough integrated design approach to energy-efficiency focuses on the site, building, and individual apartment scales to maximize overall sustainability. Features are chosen based upon cost-effectiveness and payback for residents and the agency with the goals of reducing monetary costs and enhancing quality of life. The first phase building achieved LEED Gold certification and despite large apartments with many appliances including in-unit washers and dryers, which we have never installed before, the bills were still low and met predictions developed during design. Bills averaged \$55/month with the most prevalent unit type, one-bedroom apartments, averaging \$33/month. The Phase II building will be designed to LEED Gold standards but will not

pursue formal certification and is enrolled in Xcel's Energy Design Assistance (EDA) Program.

As the only LEED ND Stage 2 certified project in Colorado, minimizing the whole campus' carbon footprint and energy use was emphasized. By constructing this building on a previously developed infill site, the project is saving energy. No infrastructure or services will need to be expanded and maintained for this development. The site's exceptional proximity to light rail and bus service further minimizes energy as residents will be able to access jobs, schools, and amenities without relying on the automobile. The low level of car ownership exhibited on the site to-date, 92 cars for 110 apartments, is proof that residents are opting into Lamar Station Crossing because of its multi-modal transit proximity.

The building is oriented perfectly to take advantage of the sun. Its east/west axis takes advantage of the sun to naturally heat the building during the cold season and orients perfectly for solar photovoltaic (PV). As part of our ongoing commitment to energy efficiency and environmentally sustainable development, we will be adding approximately 50 KW of solar PV to this building. This is not only good for the environment but it will help to keep the electrical bills of the residents down.

The building envelope is carefully designed to include insulation and low-e windows to minimize energy costs. The building's orientation allows for extensive daylighting, which when combined with an aggressive lighting schedule and highly efficient fixtures and bulbs will greatly reduce overall lighting costs. The Green Communities checklist provides further details.

Type of financing; local, state, and federal subsidies; etc.

- HOME funds from Jefferson County
- HOME or other funds from Colorado Division of Housing
- EDA grant from Xcel Energy toward energy modeling
- Equity from Metro West Housing Solutions (including land and cash)
- Tax credit equity
- Mortgage
- Private foundations are being solicited for human services programs support
- Funding to help cover environmental cleanup is being sought

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

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

This property will make 7 of the units available for tenants at or below 30% of AMI, another 14 at 40% of AMI, and 16 at 50% of AMI (a total of 57% of units available to very low income households). There will also be 14 units at 60% AMI, giving the development a score of 80 points for Low Income Targeting. MWHS' practice is to hold the 30% units for households who do not have Section 8 or other subsidy, thus assuring that households who are truly in need will have access to those units. This property will agree to an additional 25 year commitment for the tax credit requirements - a total 40-year affordability period giving the highest possible score of 38 points for the application.

- b. To support projects in a QCT, the development of which contributes to a concerted community revitalization plan**

N/A

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

This development is in a large urban area.

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

The project sponsor is a public housing authority.

- e. 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**

This property will focus on families. As described above, we anticipate having numerous seniors at the development as well.

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

This property is within ¼ mile of a light rail stop and a bus stop. It is within ½ mile of a high-frequency bus corridor.

- g. **To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing**

This is a new construction property.

- h. **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**

The per unit credit amount for our development is 30% below the average per unit cost (17% below the average per affordable unit) for all of the 2014 new construction family tax credit awardees. The development costs will be held to this level because much of the work that was required in order to build the first phase will also serve or will lower the costs of the addition of the second phase. We are also planning a 3-story structure, which is a significant savings over other building types. Given the amount of owner equity and deferred developer fee already shown to be needed for the development to work as a 9% deal, the amount of credit requested is as low as feasible and would not work at all as a 4% deal.

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

Choosing Lamar Station Crossing Phase II would allow for many other developments since this tax credit request is only 2/3 of the limit allowed. The development will add 51 new tax credit units in a TOD site to complete a highly successful campus.

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

This development does not qualify for any of the 2015 housing priorities.

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

a. Market conditions:

- i. The quick lease-up and ongoing demand for the first phase demonstrates the need for a second phase. Lamar Station Crossing has remained fully leased with continual requests for apartments. The waitlist was just updated to remove inactive households and still has 270 households on it.
- ii. The PMA overall vacancy rate is 3.6% and rents are rapidly increasing, up 12% over the past year. The overall capture rate for the project is 9.2% with existing properties and rises to only 11.9% when including under construction and planned units. Even at the 60% level, with the Zephyr Line Apartments coming online all at that level (95 units) the capture rate is still below the CHFA expectations, coming in at just 21.1%. The in-migration being factored into the capture rate analysis is 30%, but for the first phase 74% of the households came from outside the PMA.
- iii. The market study used LIHTC comparables that are both within and beyond the primary market area. The vacancy rate for all of these is 0.3% and all have lengthy waiting lists.
- iv. In addition to the waiting lists for affordable apartment communities, MWHS has a waiting list of nearly 1,000 households for the Section 8 voucher program. For the households that do receive vouchers there is very little apartment stock available and numerous applicants have had to relinquish their vouchers because they could not find any rental units available. The demand for affordable homes is far outpacing the supply and has been for many years.

b. Readiness-to-proceed:

- i. The land is owned, free of debt, by MWHS.
- ii. The site is zoned through an ODP and under current city zoning for at least the 65 units of residential multifamily that are proposed.
- iii. We have met with the city staff for preplanning and will be ready to proceed to a formal site plan submission shortly after receiving an award of tax credits. This timing will allow for construction to begin within 1 year after the award of credits.
- iv. The same contractor and architect that worked on the first phase are on the team for this second phase and have capacity to fully engage in this development.

- v. Carryover will be met within the required timeframe since the land has been purchased and significant soft costs have already been expended.
- vi. The Owner Equity is covered by unrestricted funds and is in an account at FirstBank of Colorado.

c. Overall financial feasibility and viability:

- i. This development will not work as a 4% deal because the transaction costs would be prohibitive with the number of units that can be built on the site. Even with the potential addition of state credits, the development will not work as a 4%.
- ii. MWHS owns the land and will place that into the partnership through a land loan. MWHS has the funds available for its equity portion. The state and the county have both reviewed the plans and are open to requests for the amounts listed in the pro forma.
- iii. The development meets all of the CHFA requirements (debt service, operating reserves, etc.).

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

- i. MWHS has a 13-year track record in Tax Credit Development. MWHS currently owns and manages 12 tax credit communities in Lakewood and west Denver and all are performing well. MWHS is also in construction on a senior tax credit property that will open in late 2015.
- ii. The project team has extensive experience. In most cases, team consultants have worked with MWHS on multiple tax credit developments.
- iii. MWHS has a mix of projects serving both families and seniors, along with a mix of tax credit and non-tax credit developments.
- iv. MWHS' 2013 audit (the most recent available) shows nearly \$80,000,000 in Assets and over \$45,000,000 in Net Assets.

e. Project costs:

- i. MWHS is confident that the submitted estimate will compete well on a cost per sq. ft. and a cost per unit basis with other developments in the Denver Metro area. The pro forma shows that the per unit tax credit request is well below of the average cost of all 2014 developments that were awarded credits.
- ii. This will be the fourth new construction tax credit development MWHS has done with this general contractor, Calcon Constructors, Inc. They are consistent in cost-estimating practices and have a record of low change orders.

Proximity to existing tax credit developments:

- iii. This development is adjacent to the first phase of Lamar Station Crossing and is designed to complete the campus.
- iv. There are 9 other Tax Credit developments in the PMA. 4 of them are for seniors. One of the family developments is Section 8 subsidized. Two of the family developments were built in 1972 and had moderate rehab, both using 4% tax credits so are not comparable to this development.

f. Site suitability:

- i. This development will continue to provide new multi-family housing along the West Line light rail corridor. It is 1 block from the Lamar Street Station on 13th Avenue in Lakewood.
- ii. This location will be 15 minutes via light rail from downtown Denver, the Auraria campus, St. Anthony's Hospital, Red Rocks Community College, and the Federal Center. There is an elementary school 3 blocks away, a Head Start adjacent to the site, and the Rocky Mountain College of Art + Design and significant retail on Colfax Avenue are within 5 blocks.
- iii. The site is located in the heart of the 40West Arts District. The district received Creative District status with the State of Colorado which has raised the awareness level of this part of the metro area. New retail and creative businesses are opening in the area. The first phase has been fortunate in having several households move in who are part of 40West, bringing a nice cultural mix to the development.
- iv. Much of the work to prepare the site was completed during the first phase of construction. The street development and access to the site are in place. The north-south bike/pedestrian path and connecting bridge are complete. Portions of infrastructure are also complete, including the water detention pond and the water/fire line loop.
- v. Environmental remediation was completed at the first phase property and certified complete by the State of Colorado through its Voluntary Cleanup Program (VCUP). The second phase site is enrolled in VCUP and is utilizing U.S. Environmental Protection Agency funding to develop a VCUP plan.

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):**

No waivers from underwriting criteria are being requested. All CHFA required ratios and tests are met. Debt Coverage Ratios during the 15-year period are projected at 1.15:1 or higher.

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

This application includes a request for a DDA boost of about 2%. MWHS is committing \$1.05M (land and cash) of its own funds as well as deferring \$400,000 of the developer fee to make the development work with such a minor DDA boost.

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

The market study included 3 recommendations:

- *Adequate buffering and screening should be provided for sites adjacent to the east and west, which have less desirable office/warehouse and yard storage uses. These uses are somewhat screened with trees and shrubs, which will continue to grow and be more attractive. In addition, both sides have fences to separate the properties.*
- *The owner should ensure adequate budgeting for advertising, above that for properties along established traffic corridors. This recommendation will be implemented as needed.*
- *Market the property with a focus on the proximity to light rail with short commutes to employment centers and regional attractions, emphasize noise mitigation measures implemented in the design of the West Rail Line, and highlight the utility cost savings from the energy efficient building features. These recommendations will be included in our marketing plans.*

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:

Asbestos and petroleum-based hydrocarbons in soil were discovered during the first phase of construction in 2012 and 2013 and properly remediated. It is possible

additional Asbestos and petroleum-based hydrocarbons will be encountered during second phase construction. A State-approved Materials Management Plan for VCUP is being developed to address any hazardous materials found on-site. Depending on the level of contamination severity encountered, it will be either be properly capped beneath hardscape or landscaping to State standards or removed and transported to a designated landfill for disposal. MWHS will complete and pay for any and all cleanup, required by the VCUP process, outside of the scope and budget of the LIHTC Development. MWHS received a \$189,000 U.S. EPA brownfield cleanup grant for the first phase of Lamar Station Crossing and they have expressed interest in providing cleanup funding for the second phase if needed. MWHS will likely receive these funds for clean up but the cleanup is not dependent on the EPA grant.

7. **Describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):**

MWHS has reached out to and received support from the Two Creeks Neighborhood Organization for this second phase. The development has received support from the City of Lakewood and the Lakewood Police Department. Several local organizations, including 40West Arts District and HeadStart have also expressed their support. Please see letters of support attached to this application.

Jefferson County has committed to accepting an application for HOME funds for \$750,000. Colorado Division of Housing anticipates an application for \$510,000 of funding. The City of Lakewood has waived planning and permit fees. Xcel Energy has accepted the development into the Energy Design Assistance program. MWHS has been one of the highest performers in this program over the past several years.

We continue to maintain a transparent, open line of communication with neighborhood stakeholders by regularly hosting Two Creeks Neighborhood Organization meetings on-site to be available for any questions or concerns, keeping Lamar Station Crossing's webpage up-to-date, and utilizing social media to keep the public aware of what is happening at Lamar Station Crossing and the surrounding neighborhood. We also work closely with current Lamar Station Crossing residents to keep them apprised of status with the second phase by communicating via the property-based e-newsletter, in-person educational workshops or social events for residents, and anonymous resident

satisfaction surveys.

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

The following attachments are included as part of our narrative:

Letters of Support