

# 9% lihtc application narrative



Project Name: Mariposa Phase VII B 9% (Townhomes and part of Tower)

Project Address: 1040 Osage, 1041 Navajo and NWC of 9<sup>th</sup> and Mariposa, Denver, CO

The Narrative provides an opportunity for the applicant to describe the characteristics of the project and why the applicant believes it should be selected above others for an award of credit. The applicant should document the project's strengths and address its weaknesses. It must include a description of the project as proposed; detailed type of construction; population being served; bedroom mix; location; amenities; services, if provided; description of energy efficiencies; type of financing; local, state, and federal subsidies; etc.

## **Project Overview**

The Housing Authority of the City and County of Denver, Colorado ("DHA") received a FY 2010 HOPE VI Revitalization grant award of \$22 million for the South Lincoln Homes HOPE VI Revitalization Plan for the development of a total of 457 units of mixed income housing and mixed uses. Mariposa Phase VII B is the 29-unit portion of the seventh phase of that redevelopment. The first phase (non-HOPE VI) is 1099 Osage (aka Tapiz at Mariposa), a completed 100-unit age-restricted and deeply-subsidized apartment project. The second phase, 10th and Navajo, is a 93-unit mixed-income property that was completed in July and September 2013. The third phase, at 10th and Navajo, is an 87-unit mixed-income property that came online in February 2014, while the fourth phase is a 77-unit mixed-income development should completed in December 2014. Its fifth phase includes six residences that are under construction by Habitat for Humanity, which will be homeownership units, while phase six is a 94-unit mixed-income project that is under construction. Community stakeholders re-branded "South Lincoln Homes" into "Mariposa" in 2010 to celebrate the planned revitalization.

Overall, the 17.5-acre South Lincoln Redevelopment will transition a 15-acre public housing site and adjacent 2.5-acres of vacant and underutilized land, into a mixed-use, mixed-income transit oriented community. The site is anchored by a light rail station, 10<sup>th</sup> & Osage, that provides a direct link to existing and future Regional Transportation District of Denver (RTD) FasTracks lines. Already, this development is seen as a national model for transit oriented development (TOD), exemplifying a new approach to urban infill development within the city of Denver and was named one of America's top neighborhoods by Urban Planners Association in 2015.

## **Mariposa Phase VII B Development Description**

Mariposa Phase VII B is a new construction project which will include 21 family units in 4 townhome buildings and 8 senior units in two floors of the partner tower. The eight senior units will be in the free-standing, mixed-use rental apartment complex located in a seven-story elevator building with a metal and fiber cement panel exterior, varied façade and flat roof. The 21 family units will be in four two- or three-story townhome structures with brick, hardiboard and metal exteriors, varied façades and flat or pitched roofs. The age-restricted units within the elevator building will have entrances located off of double-loaded interior hallways, while the non-age-restricted townhome dwellings will have semi-private exterior entrances. Parking will be in a surface parking lot adjacent to the buildings. The buildings will face the common and parking areas. The elevator building will contain approximately 2,305 square feet of ground-floor commercial space, while the four townhome structures will be separated, with three located on the southern site at 9<sup>th</sup> Avenue and Mariposa Street, and the fourth situated adjacent to the elevator building within the north site at 10th Avenue and Navajo Street.

This continued development within Mariposa will further enhance the commercial promenade leading from the 10<sup>th</sup> & Osage light rail station to the Santa Fe Arts District, five blocks to the east. The buildings will activate the street with pedestrian activity and provide more 'eyes on the street' which will encourage more use of the 10th & Osage light rail station and the nearby 15-acre La Alma/Lincoln Park. The one and two- bedroom units will average 704 and 951 respectively with the three bedrooms averaging 1,290 square feet and the four bedrooms 1,621 sq ft.

Each Family Unit will have:

- Mini-Blinds
- Self-Cleaning Stove/Oven
- Carpet
- Refrigerator
- Disposal
- Coat closet and storage closet
- Patio/Balcony
- In unit washer and dryer
- Central Air Conditioning

The eight senior units in the tower will have

- Mini-Blinds
- Self-Cleaning Stove/Oven

- Carpet – bedrooms
- LVT – Luxury Vinyl Plank at Living/Kitchen/Baths.
- Refrigerator
- Disposal
- Central Air Conditioning

The unit breakdown for the project will be as follows:

<b>Unit Size</b>	<b>Av SF</b>	<b># Units</b>	<b>Total SF</b>
1 br	704	7	4928
2 br	951	1	951
3 br	1290	16	20640
4 br	1621	5	8105
<b>Total</b>		<b>29</b>	<b>34,624</b>

Adult education classes, computer classes and job search assistance are also available at the Neighborhood Networks Center, which is located in Tapiz at Mariposa, the first phase of the redevelopment project.

### **Set Asides and Residents Served**

<b>Unit Type</b>	<b>50% AMI</b>	<b>60% AMI</b>	<b>Sub total</b>	<b>% of TOTAL</b>
1BR	0	7	7	24%
2BR		1	1	4%
3BR	11	5	16	55%
4BR	2	3	5	17%
sub total	13	16	29	
% of TOTAL	45%	55%		

The senior units (8) in the tower will be covered by an ACC contract and will serve seniors at or below 30% of AMI. Eleven of the family units will be project based voucher units serving families at or below 30% of AMI. The remaining units will be LIHTC units at 50 and 60% AMI.

## **Relocation**

As part of this phase of the redevelopment, 46 households were relocated. They had the first option of relocating to Mariposa Phases I, II and III. Those who did not choose to relocate to Mariposa Phase I, II or III were given other relocation options including moving to a vacant DHA unit within the La Alma/Lincoln Park neighborhood, moving to another DHA Public Housing unit, or given a Section 8 voucher. Each household was assigned a case manager and a relocation specialist who worked with them one on one to determine their housing choice for their household size. The project is bound by the Uniform Relocation Act of 1970. Qualifying residents were given first right of refusal to move into the revitalized Mariposa units if they were temporarily displaced from the site. We have covered these relocation costs outside of the partnership as the relocation occurred a year and half before closing the partnership so the cost is not included in the LIHTC budget.

## **Site control**

At closing of the partnership, DHA will execute a ground lease for the land to the LLLP. The ground lease term will be not less than 99 years. The annual ground lease fee will be determined by an appraisal during financial underwriting.

## **Green Component of the Development**

The comprehensive Mariposa redevelopment, including Mariposa Phase VII B, is focused on delivering exceptional environmental efficiency and energy performance. The development will reduce energy costs, generate resident and PHA energy savings, and reduce overall energy consumption. Additionally, the project will enhance many aspects of public health for our residents, including increased access to fresh fruits and vegetables through community gardens; improved non-vehicular access routes through enhanced bicycle, pedestrian and mass transit connectivity; and improved access to community amenities available throughout the redevelopment.

The buildings will achieve reductions in energy consumption that will come from enhancements to the lighting/electrical systems, building envelope, daylighting features, enhanced windows, HVAC and plumbing systems. More specifically, enhancements will be delivered by the following objectives:

- Energy Star appliances, LED and florescent lighting, electrical controls on lighting
- Efficient building envelopes to include high performance windows and other strategies

- Plumbing systems utilizing low flow fixtures.
- Smart HVAC systems that reduce energy reliance and increase tenant comfort.
- Solar

DHA has a proven track record of green building, including energy saving rehabilitations and several LEED accredited new construction buildings. The project will comply with Enterprise Green Communities Criteria and will implement several of the optional Enterprise Green Communities Criteria including:

- Smart site location (orienting the building to use passive solar heating/cooling),
- Compact development (density will be greater than 50 dwelling units/acre for the project site)
- Walkable neighborhoods (three connections will exist from the development to sidewalks in the neighborhood)
- Water conserving appliances and fixtures
- Energy efficiencies; the project will employ PV panels as a renewable energy source to provide a portion of the project's estimated electrical demand
- Construction waste management
- Recycled material content
- Reduction of heat-island effect

### **Surrounding Community**

The site is located just southwest of Downtown Denver in the La Alma/Lincoln Park neighborhood, a stable, well-functioning community, where services and community infrastructure already exist. The proposed development site benefits from nearby public facilities, shopping, cultural opportunities and easy access to the entire metropolitan area. It is immediately adjacent to Lincoln Park, newly renovated La Alma swimming pool, and the 10th & Osage light rail station. Parks and recreational areas within 0.5 miles include Lincoln Park, Sunken Gardens Park, La Alma Recreation Center, Platte River bike path, and the Cherry Creek bike path. Public facilities within one mile include the Byers Library, West High School, Greenlee Elementary, Del Pueblo Elementary, Denver Health and Hospital's main campus, and Community Challenge Charter School. Cultural facilities within one mile include the Denver

Civic Theater, Phoenix Theater, Museo de las Americas, Aztlan Theatre, and Academia Internacional de Arte.

A major grocery store (King Soopers) includes a full service pharmacy and is within 0.75 miles and open 24 hours. There are eight (8) banks located within one mile of the site. Employment opportunities exist at Denver Health, Auraria Higher Education Campus, and numerous retail locations in Downtown Denver. The heart of downtown is 1.5 miles away and easily accessible by light rail, bus and bicycle. Bus service is available through RTD on the 9 route, within 0.25 miles of the site and routes 16, 30 and 36 within 0.5 miles of the site.

In addition, the narrative should address the following:

1. Identify which guiding principles in Section 2 of the Qualified Allocation Plan (QAP) the project meets and why it meets them:
  - Mariposa VII B provides rental housing to the lowest income tenants (seniors and families with incomes at or below 30% AMI) for the longest period of time.
  - Mariposa VII B is being developed in a QCT and is part of a concerted revitalization plan (the South Lincoln HOPE VI Revitalization Plan awarded by HUD)
  - Mariposa VII B is developing new affordable housing units.
  - Mariposa VII B is a transit oriented development within a ½ mile of both light rail and multiple bus service routes.
  
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:
  - a. Market conditions:  
The existing LIHTC projects in the PMA are highly occupied with waitlists, indicating pent-up demand for quality income-restricted units like the subject. Mariposa Phase II, III and IV leased up faster than anticipated and have significant waitlists. Mariposa Phase VI is under construction and will be completed at the end of 2015 and will lease up through the 1<sup>st</sup> quarter of 2016. This, along with the projected renter household increase in the PMA over the next

five years, suggests that the subject will be able to achieve its required capture rate.

b. Readiness-to-proceed:

This project is planning on closing within two months of hearing of the LIHTC award. DHA has submitted plans to the City of Denver for permits and expect to receive all permits by the beginning of September 2015.

c. Overall financial feasibility and viability:

This is the final phase of the HOPE VI set aside and there is \$670,423 available in credits to the project. DHA has a commitment of \$.99 from Enterprise who has worked with them on the past few Mariposa projects. This will generate \$6,637,190 in equity accompanied by \$148,485 in energy tax credits. Enterprise and Citibank are currently providing debt and equity on Mariposa Phases II, III, IV, and VI so they are well versed in the complexities of underwriting this redevelopment and are committed to Phase VII.

The City of Denver has been very supportive of the complete redevelopment, committing to \$4.6 million to all phases; however none of these funds are applicable to this particular phase. The city will also waive the building permit fees, amounting in significant savings to the project and an additional way to support the project.

In addition to deferring 17.5% of their developer fee and making a program loan of \$800,000 (\$500,000 for the commercial space), DHA is making a \$1,474,980 loan to the project from its capital grants funds. DHA has been working on this redevelopment for over seven years and has committed significant staff time and energy to making a successful project.

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

DHA is an experienced developer and has a strong development staff. They have shown consistent leadership in the development of affordable housing in the state of Colorado (see resumes of key staff under the applicant info/development team tab)

e. Cost reasonableness:

It is important to note that the costs submitted for this LIHTC application are at a Design Documentation level, meaning the plans are nearly ready for submittal to the City for permits. Far beyond just a concept or Schematic Design level, the costs are realistic and reflect the current state of the construction market,

including a sustained period of significant price increases across the board (for both labor and materials).

f. Proximity to existing tax credit developments:

The only other LIHTC projects near Mariposa VII B are earlier phases of the Mariposa Redevelopment, Mariposa Phases II, III, IV, VI. Mariposa Phase II was completed over summer and fall of 2013 and was leased completely in five months (20 units/month) while compiling a wait list of 500 households. Mariposa III began leasing units in February 2014 after completing construction and leased up in 6 months or 12 units per month. Mariposa IV leased quickly at the end of 2014 at 16 units leased per month. Mariposa VI is under construction and should be completed winter of 2015 and lease up during the 1<sup>st</sup> quarter of 2016. Mariposa VII B will not come on line until early 2017 which will allow for full absorption of all previous phases and provide time for demand to build up.

g. Site suitability:

The site is suitable in many ways - Mariposa Phase VII B is the part of the redevelopment of an existing public housing site as a mixed use, transit oriented development and features an emerging walkable and bike-able, pedestrian oriented community with easy access to amenities, jobs and services for a spectrum of households at various income levels.

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):  
Not applicable
- b. Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:

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

Noise is evident on the site from nearby rail lines. However, DHA plans to install high quality, double-paned windows to mitigate noise from passing trains.

The immediate neighborhood has an above average crime rate. The developments limited access entries and the continued redevelopment of the neighborhood will improve on-site safety.

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

Not Applicable

2. 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):

There is tremendous local support for this project. We have discussed the financial support of the city, state and private sector above but since this redevelopment has begun local support has only grown as local residents, city officials, other non-profits, and news outlets have seen the remarkable changes that this redevelopment have meant for the community. Residents have seen that DHA has followed through on its promise to hold community meetings to solicit feedback on upcoming phases and public amenities. Mariposa has been recognized locally and nationally as a model for mixed-income, mixed-use redevelopment developed to address the holistic health of residents, employees and visitors.