

9% lihtc application narrative



Project Name: **Roaring Fork Apartments**

Project Address: 111 Emma Road, Basalt, Colorado, 81621

Project Description:

RealAmerica Development has worked relentlessly over the past three years to bring much needed affordable housing to the Roaring Fork Valley – one of the most affluent regions in Colorado as well as one of the most populous and economically vital areas of the Colorado Western Slope. The Valley is defined by the valley of the Roaring Fork River and its tributaries, including the Crystal and Frying Pan rivers. It includes the communities of Aspen, Snowmass Village, Basalt, Carbondale, and Glenwood Springs. Mount Sopris and the Roaring Fork River serve as symbols of the Roaring Fork Valley. This area is well known for its world-class ski resorts, gold medal fly fishing, gorgeous views and ... expensive real estate. Tucked in the mountains, this haven has become the part-time residence of many wealthy people and attracts hundreds of thousands of visitors, but is also known as “home” to 49,961 people who work here, protect the citizens and visitors, go to school, sell insurance, run restaurants, bag groceries, cut



the grass, drive the bus, run the schools, work at the hospital, and simply live here. It is impossible to visit the area for more than a couple of days and not read about the housing problems in the area’s newspapers, hear complaints on the bus, or speak to local business owners about the difficulties they have running their businesses without enough employees. The typical working person can’t afford to live anywhere close to the businesses and employment options that make what should be a wonderful place to live, livable. The owner of RealAmerica, learned of this housing crisis first-hand, after purchasing a condo to escape to and enjoy time with her family away from her busy job as an affordable housing developer in

Indiana. What started out as an escape ten years ago has turned into a mission to make a change and a difference in the community she now has friends and strong connections to. RealAmerica's area of expertise is in the development, construction, management and ownership of affordable housing using Section 42 Low Income Housing Tax Credits. Why not bring this knowledge, experience, and network of relationships that can get a project done to an area in such need of affordable housing?

Inflated land and housing prices are, and have been, at a point where year-round residents cannot afford to live in the Valley near their jobs. This imbalance eased slightly during the recession, but has heated up again with no end in sight. A recent report from the County Assessor's office found that property values in the Basalt area for single-family houses soared 28% in the past two years while townhouses and condominiums soared 38% in that time! The average home price in Basalt was already \$583,000 in 2013. These are certainly not affordable to most people living and working in the Valley as it would take an annual income of approximately \$150,000 to afford an average house in the area, if you can find an average house in the area for sale. The situation has gotten so bad that potential employees are refusing to accept jobs in the Valley because they can't find affordable housing. The Aspen and Snowmass Village post offices cite the lack of affordable housing as the main reason they are unable to fill nine positions which is causing customer service issues. Basalt police officers and essential public works personnel, while required to live within the Basalt Area, have no choice but to violate this one requirement that would help keep the community safer because they cannot afford to live in Basalt in a free market home. The Town owns a couple of houses for use by employees but not nearly enough to cover their employees. Other businesses are in the same dire situation with employees living too far away to make sense of the commute time and the cost of the gas to get to their low-paying jobs. A study recently completed by Economic and Planning Systems, Inc. for the Town of Basalt found a shortfall of 200 affordable housing units in their community alone.

Even as property values are increasing, low income residents are losing their homes. A 35 unit mobile home park in Basalt was recently removed by the Town. The site has been partially removed from the floodplain with a plan of turning it into a park, hotel, and high-end condos. The trailers were on the river in an area prone to flooding which was not a good situation for the families, but with a 99.6% apartment occupancy in the Valley and housing prices out of reach for these residents, they have had no place to go and many have had to leave the area. Roaring Fork Apartments would allow some of them to return to Basalt.

Population and Unit Mix

Our proposed Roaring Fork Apartments will help alleviate some of this pressure by providing 56 affordable apartments at a range of income limits from 30% AMI to approximately 80% AMI. We are proposing the following unit mix:

	<i>1 Bedroom</i>	<i>2 Bedroom</i>	<i>Total</i>
<i>30% AMI</i>	<i>5</i>	<i>1</i>	<i>6</i>
<i>50% AMI</i>	<i>10</i>	<i>1</i>	<i>11</i>
<i>60% AMI</i>	<i>21</i>	<i>6</i>	<i>27</i>
<i>Market Rate (Category 3)</i>	<i>9</i>	<i>3</i>	<i>12</i>
<i>Total</i>	<i>45</i>	<i>11</i>	<i>56</i>

In addition to participating in the Low Income Housing Tax Credit program, Roaring Fork Apartments will also follow the Basalt Community Housing Guidelines. (See file 9 Roaring Fork Community Housing.) These guidelines will limit the maximum rent on the market rate units (what are locally called Category 3 units) to \$1,350 and \$1,440 for 1 and 2 bedroom units, respectively. These rents will be below the estimated market driven rents of \$1,475 and \$1,725 for the same units. The great thing about including this category of rents and incomes is that we can accommodate local employees such as school administrators, higher level police and fire fighters, and hospital workers who exceed the typical 60% income limitation making the apartments meet a broader need for affordable housing.

While the apartments will not be restricted to seniors, we think the project will attract seniors and non-seniors alike due to the elevator access and its superior location both in the Town of Basalt and the Valley in general.

Project Location

We were approached in 2011 by a local business owner who was concerned about an abandoned hotel project next to his restaurant that had become an eyesore in the community. A victim of the 2008 economic crisis, construction of the boutique hotel on this ideal site was halted, wrapped in construction fencing with weeds growing out of control, and a construction trailer that had sat lifeless on the site for several years. The adjacent building owner had become familiar with the works of RealAmerica through a network of friends and acquaintances in the community and reached out with the thought that the site was ideal for an affordable housing development.

Besides cleaning up and revitalizing a prime building site, affordable housing would bring customers and workers to the area businesses, making this a win-win for all involved. The location at 111 Emma Road is in the Town of

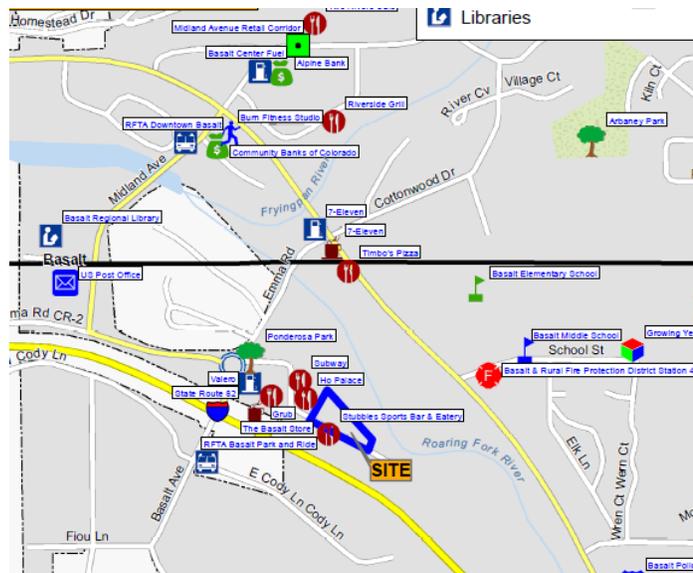


Basalt limits, but located just across the county line from most of Basalt in Pitkin County. The site is located along the Frying Pan River but not in a floodplain. A direct-line bus stop is 300 feet out the front door. The foundation that was in place for the hotel, as well as the building design for the hotel, was easily transformed into an affordable apartment development that looked just like the originally approved project, making local building approval very easy. It was an



excellent match and Town and County officials welcomed us with open arms to address their affordable housing crisis. In a half-mile radius, residents can walk to the heart of downtown Basalt, restaurants, shops, medical offices, Town Hall, a regional library, elementary school, parks, and many employers.

Basalt is located in the center of the Roaring Fork Valley which provides easy access up valley to Aspen and Snowmass Village or down valley to Carbondale and Glenwood Springs. The Roaring Fork Transportation Authority runs public buses along Highway 82 twenty four hours a day with very convenient service intervals. While the bus stop is outside our front door, we have committed to extending the path to our parking lot and the Town and County have committed to building a new underpass under Hwy. 82 at this stop so users can safely cross the highway to access direct-line service in either direction.



Construction Type and Amenities

Our proposed building will fit in nicely with the town's architecture and matches almost identically to the hotel originally designed and approved for the site. It will be a newly constructed, single, 4-story apartment building with balconies and modern conveniences desired in the market today. While adding balconies for our residents to enjoy that the hotel did not

have, we attempted to follow the original building design and have been working with the Town to ensure the architectural style is compatible with the Town of Basalt and the mountain living they are striving to maintain.

The existing foundation in place on the site is in great condition and will be reused for this project. A structural engineer has inspected the foundation and found it to be in good condition and authorized use for our intended purpose. (Please see file 20 Roaring Fork Property Condition Assessment). Further, parking lots containing 116 spaces are in place, requiring no reworking of the site plan.

Unit amenities will include:

- Refrigerator
- Washer/Dryer in every unit
- Exterior Storage
- Oven/Stove
- Cable TV Hook-Ups
- Double Sinks
- Disposal
- Mini Blinds
- Ceiling Fan
- Dishwasher
- Patio/Balcony

Community amenities will include:

- Mountain Resort Architecture
- On-Site Management
- Lobby with Fireplace
- On-Site Parking
- Elevator
- Adjacent Trailhead and River Access
- Terrace
- Security Cameras
- Ski Lockers
- Secured Building Access
- Indoor Storage Lockers
- Bike Racks
- Fitness Center

Green amenities will include:

- Silver rating in the ICC 700-2012 National Green Building Standard
- Enterprise Green Building plus 38 points
- Increased energy efficiency by not having A/C in an area where it is rarely needed
- Recirculating hot water system
- Transit oriented development
- Gas heat
- Greyfield site with existing foundation
- Native vegetation
- Energy Star rated windows, ceiling fans, lighting, refrigerator, and dishwasher
- Insulated hot water pipes
- Purchase of wind credits from local utility
- Low flow water fixtures
- Management will train residents in the proper use of the green building features

Financing

The following financing sources will be used:

<i>First Mortgage</i>	<i>\$5,700,000</i>
<i>Tax Credit Equity</i>	<i>\$8,426,576</i>
<i>Deferred Developer Fee</i>	<i>\$600,007</i>
TOTAL	\$14,726,583

We have excellent relationships with the selected bank and syndicator, and we are confident we can get closed on financing quickly to be under construction before the end of the year. Building plans have been submitted and are near completion of review, and our Team has met several times with local building officials, utility departments and the Fire Chief to ensure the plans meet their requirements and are ready to go. Our READINESS TO PROCEED couldn't be better...

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:
 - a. To support rental housing projects serving the lowest income tenants for the longest period of time
Roaring Fork Apartments will serve tenants at 30%, 50%, and 60% of AMI as well as market rate tenants. Seventeen units (30% of the total units) will be below 50% AMI with 7 of these below 30% AMI. All income restrictions will be in place for 40 years. No other tax credit property in the Primary Market Area offers one bedroom 30% AMI apartments and only 2 two bedroom apartments are offered at this income level.
 - b. To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas
Basalt has never received an allocation of tax credits. Heading up valley to Aspen and Snowmass Village, only two 9% projects have been funded with the most recent more than fifteen years ago. Heading down valley to Carbondale and Glenwood Springs, only three 9% projects have been funded and only one has been placed in service in the past fifteen years.
 - c. To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit
RealAmerica Development, LLC is a for-profit, WBE entity formed 20 years ago for the purpose of developing and constructing affordable housing. We have developed and maintain ownership and management of 1,700 units, and provide consulting, development, construction and management services to non-profit entities with special needs populations. We have several hundred units in our portfolio that are owned by not for profits that we developed and manage on their behalf.

- d. 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

Roaring Fork Apartments will serve families, but with its elevator access and close proximity to downtown Basalt and public transportation, it will appeal to seniors as well. RealAmerica has experience and a proven track record of providing on-site services to meet the needs of the populations of our developments. We will conduct surveys and engage our residents to help us provide services such as credit counseling that will assist them in meeting homeownership goals; health screenings, including connections with home health care agencies or physical therapists; referrals to food pantries; nutrition classes; resume building and other employment assistance classes; smoking cessation; etc. Based on the needs, interests and composition of our residents, we will tailor an educational and community outreach set of programming on-site as we have done in our other communities.

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

The Roaring Fork Valley has exceptional public transportation for a rural area. The Roaring Fork Transportation Authority runs frequent buses along Highway 82 from Glenwood Springs to Aspen with side routes to other communities in the valley. The nearest bus stop is on Highway 82 less than 400 feet from our front door. The Town of Basalt has lined up \$4.55 million to construct a new underpass at Basalt Avenue to get pedestrians safely to both sides of Highway 82 for passengers head east or west in the valley. Construction is expected to be completed in May 2016, before we begin leasing.

- f. To support new construction of affordable rental housing projects

Roaring Fork Apartments will be new construction with energy efficient components and modern amenities desired in the market.

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

- a. Projects in Counties with populations of less than 175,000

Roaring Fork Apartments is located in Pitkin County which has a population of 17,148. It is on the border with Eagle County (county line is approximately one block north of the site) which has a population of 52,460.

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

- a. Market conditions:

The market conditions in Basalt and the rest of the Roaring Fork Valley can be summed up in two charts from the market study. The two charts that follow show that the market has 100% occupancy in all existing tax credit properties (99.4% occupancy for all apartments in PMA), long waiting lists and that 44% of

renters in the PMA are paying more than 30% of their income toward rent. More than 20% are paying in excess of 50% of their income toward rent.

Vacancies and Waiting List										
	Roaring Fork Apts.	Machebeuf Apts.	Glenwood Green Apts.	Villas de Santa Lucia	Aspen Country Inn	Maroon Creek Apts.	Truscott I Apts.	Truscott II Apts.	Smuggler Mountain Apts.	Total
Distance from Subject	-	25.3 Miles	24.0 Miles	12.1 Miles	16.1 Miles	15.9 Miles	16.6 Miles	16.6 Miles	18.8 Miles	-
Total Units	56	55	60	60	40	42	109	87	11	
Vacant Units	0	0	0	0	0	0	0	0	0	0
Percent Vacant	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Vacancies By Unit Type										
Studio	0	0	0	0	0	0	0	0	0	0
One-Br./1.0 Bath	0	0	0	0	0	0	0	0	0	0
Two-Br./1.0 Bath	0	0	0	0	0	0	0	0	0	0
Two-Br./1.5 Bath	0	0	0	0	0	0	0	0	0	0
Two-Br./2.0 Bath	0	0	0	0	0	0	0	0	0	0
Three-Br./1.5 Bath	0	0	0	0	0	0	0	0	0	0
Three-Br./2.0 Bath	0	0	0	0	0	0	0	0	0	0
Number on Waitlist	None	34 H.H.	220 H.H.	60 H.H.	35 H.H.	60 H.H.	35 H.H.	35 H.H.	35 H.H.	34-220 H.H.

H.H. – Households

Renters		
Percent Income To Rent	Number	Percent
Less than 10%	158	2.6%
10% – 14%	352	5.7%
15% – 19%	689	11.2%
20% – 24%	909	14.8%
25% – 29%	792	12.9%
30% – 34%	560	9.1%
35% – 39%	289	4.7%
40% – 49%	589	9.6%
50% & Higher	1,280	20.8%
Not Computed	543	8.8%
Total	6161	100%

Source: 2006-2010 American Community Survey; Urban Decision group; Vogt Santer Insights

b. Readiness-to-proceed:

Roaring Fork Apartments are ready to go! As mentioned previously, RealAmerica Development has been working to bring affordable housing to Basalt for several years and attempted to create a different financing method, other than tax credits, to provide affordable housing while preserving CHFA’s scarce resources. The concept was very similar to the tax credit program, except it created a housing certificate that could be sold to local developers to mitigate their affordable housing requirements. Strict affordable housing requirements placed on developers of various types – commercial, residential housing, offices, etc., has also caused issues in the Valley. The enforcement of these regulations has caused stagnation of promising developments due to the developer’s inability to comply with affordable housing requirements, either due to the financial burden placed on the project by adding affordable housing units to it or the developer’s inexperience and lack of knowledge to provide the housing units. We came up with the idea that we could create a “bank” of affordable housing units and sell the “certificates” of those units to developers to meet their requirements which would allow them to build their grocery store, for example, while providing us the equity necessary to build our housing project and maintain a mortgage that was

serviceable to the Category 1, 2 and 3 rent limits as outlined in the Basalt Community Housing Guidelines. The concept was well received and supported by the Town, with an ordinance passed, the certificate program officially created, and deemed a win-win-win-win for the Town to clean up an abandoned site, address a housing issue, assist developers who wanted to build in the community, provide housing to low income residents, and to us as the owner trying to develop and build affordable housing. In the end, and with a lot of time and effort expended to try to figure it out, our lender (and multiple lenders) could not overcome the lack of security in selling the credits in a timely fashion to pay down the debt, and our idea faltered. The Section 42 Tax Credit Program is successful because it pulls together the interests of the lender, equity investor and developer/owner at the same time to create the “secured” final outcome. Our concept left the lender vulnerable to the market and did not provide a “backstop” in the event credits did not sell, or sell fast enough, and put us in a very uncomfortable guarantee situation with capped rents on a deed restricted property. It, unfortunately, just didn’t work.

We then tried working with the Town and the County to find a solution to guarantee the construction loan or for these entities to purchase some of the apartments from funds they had already banked from Town and County community housing in lieu of fees but unfortunately, this plan also hit a roadblock. The County was unable to contribute funds to the project without having fee simple ownership of the apartments and doing the building as a condo with the County having ownership of some units didn’t work for our lender.

So, after two years of trying other ways to skin the proverbial cat, we are back to the proven method of financing affordable apartments that we have been doing for 20 years – LIHTC. We know banks and investors understand this program and can get behind it, and we are hopeful to bring our experience and passion for affordable housing to Colorado.

In the time we have been working on all of this, our option was set to expire so we purchased the property, rezoned it for affordable apartments, completed architectural plans and specs, and bid out construction. (Please see 11 Readiness to Proceed.) We purchased the property with the foundation in place so we will have minimal site work and can begin construction this fall without concern for typical weather related issues that slow or stop site work. Roaring Fork Apartments are ready to go this year!

c. Overall financial feasibility and viability:

We have purchased the site with an existing foundation that is in good condition. We have partnered with the syndicator and bank on multiple other LIHTC projects which gives us a high degree of confidence in our ability to finance and complete Roaring Fork Apartments as it is presented in this application. With a desirable location in an area that needs significantly more affordable housing

than we are able to provide, we are also confident that our project will remain viable throughout the affordability period.

- d. Experience and track record of the development and management team:
RealAmerica Development, LLC, is a WBE (Women Business Enterprise) certified company, created in 1995 for the purpose of developing and constructing apartment housing through the use of Rental Housing Tax Credits. We have developed 24 properties creating 1631 units using Section 42 and 1602 funds, and have served as the General Contractor on all of our developments. The owner, Ronda Shrewsbury Weybright, created RealAmerica Management and RealAmerica Design to oversee the day to day operations, compliance and management of the properties and design the projects based on our years of experience in knowing what our residents like and desire. She has been fortunate to bring together a team of well-regarded individuals in the industry to earn awards and the highest accolades from the Indiana Housing and Community Development Authority, investors, lenders, mayors and leaders in the communities where our properties are located. In many instances over the years, what started out as a NIMBY battle turned in to requests for multiple developments based on RealAmerica's commitment to doing what we say we will do and earning the support and trust of the community. Our portfolio enjoys a 96.3% occupancy rate; receives consistently high REAC scores from HUD (in the past 2 years we have had 8 REAC inspections. Seven had scores above 95. Only one was lower than that with an 89 which is a 15 year old property), has an excellent compliance tax record with IHCD, and is the leader in the State of Indiana for perfect pre-8609 inspections. A past winner of the Governor's Award for Excellence in the Rural Category for a 65-unit senior community that looks extremely similar to Roaring Fork. Current projects in Indiana include second phases in two communities at the requests of their mayors.

A copy of our resume can be found in Tab 10 Roaring Fork Resumes and a visit to our website at www.RealAmericaLLC.com will provide photos, maps and a few stories of our successes. We remain very active and busy in Indiana, but the owner's heart is drawing her to Colorado to make a difference and impact on affordable housing where it is so desperately needed.

- e. Cost reasonableness:
This part of Colorado has very high costs from site acquisition to construction labor and the shipment of goods. Our budget is based on 100% complete plans and actual bids. We have experience in new construction of very similar buildings and have applied local inflation and condition factors to our historical costs. We have engaged a local construction professional with a long history and great reputation in the Valley to be our site superintendent locally. He has worked with us in obtaining bids, and we are confident the costs are reasonable. Further, we negotiated the purchase of the property at a time when the market was down and the seller was in need of disposing of it. We have some efficiencies in cost with the existing foundation already in place and our ability to design around it,

as well as the parking lot needing minimal work. With the market rebounding and real estate once again soaring in the area, this site would be unattainable at the price negotiated two years ago.

f. Proximity to existing tax credit developments:

The Town of Basalt has never received an award of tax credits. The closest tax credit housing to Basalt are 166 units 16 miles up valley from Basalt in Aspen, with the newest placed in service in 2002. These units are 100% occupied.

Going down valley from Basalt, the nearest tax credit apartments are in Carbondale, 14 miles away. These are also 100% occupied.

g. Site suitability:

The site is excellent. The foundation is in place. It is an easy walk to downtown Basalt and the bus stop to get anywhere in the valley. The central valley location is very convenient for those needed to get up or down valley for employment or services. Visibility from Highway 82 is excellent but Emma Road and greenspace provides appropriate separation from the highway for safety and convenience. Shopping, banks, restaurants, a park and a variety of recreation are right outside our door.

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. The project meets underwriting criteria.

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

Roaring Fork Apartments is seeking a boost for financial feasibility. Land, impact fees, and construction costs in the Roaring Fork Valley are very high while incomes of those living in the valley are decreasing as the percentage of the workforce in low wage jobs increases. This is lowering affordable rents even while housing costs increase significantly due to the influence of vacation home buyers.

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

No issues were noted. The market study concluded that Roaring Fork Apartments' marketability was a "5" very good and "given the 100% occupancy rate and lengthy

waiting lists at all affordable comparable units in the market, we believe significant pent-up market demand exists for additional affordable rental housing.”

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:

No issues were noted.

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):

RealAmerica has been working to bring affordable housing to Basalt for several years. We have been working with the Town of Basalt and Pitkin County trying to find non-tax credit means to finance affordable apartments. We did this because we thought there was a way to provide affordable housing while meeting other community needs such as mitigation requirements, but that proved unsuccessful. Throughout this time we have worked closely with the Town and County and as noted in numerous newspaper articles, this project is well supported, desired and needed in the community. The Town of Basalt owns Lot H in the Basalt Commercial Park. They have allocated the parking for this lot to us to meet the parking needs of the project. As an affordable housing development, park fees and school fees are reduced as an incentive and assistance. The School Impact Fee were decreased by two thirds from \$3,344 per unit to \$1,193 per unit and the Parkland Dedication was decreased from \$179,048 to \$89,524. These lower amounts agreed to by the Town for our affordable apartments will save Roaring Fork Apartments \$209,980 in impact fees.

During this process we have rezoned our site specifically for affordable housing and received the full support of the Town for this rezoning.