

9% lihtc application narrative



Sheridan Station Apartments

Project Basics

Sheridan Station Apartments will consist of sixty-three (63) affordable workforce housing units in a four and a half story, wood framed over podium, and dual elevator served building. The project will be the first phase of a Transit Oriented Development (“TOD”) located adjacent to the RTD Sheridan Light Rail Station in Denver.

The co-applicants for the project are NEWSED Community Development Corporation (“NEWSED”) and Mile High Development (“MHD”). Together, NEWSED and MHD are forming a joint venture with Koelbel and Company to form the “Development Team”. The land is currently owned by Urban Land Conservancy (“ULC”) and will be sold to the development team for the sole purpose of developing affordable housing.



The site for this project currently exists as a vacant lot located at the corner of West 11th Avenue and Ames St. The property is bordered by RTD’s Sheridan Station Parking Garage to the east, Dry Gulch and RTD’s Sheridan Station to the north, Jody Apartments to the west, and a single family residence to the south.

Due to the workforce nature of the project, the unit mix will consist of 40 one-bedroom units, 20 two-bedroom units, and 3 three-bedroom units. Building amenities will include a 1,200 square foot community room with kitchenette and entertainment center, bike storage, fitness center, internet café, and garden courtyard area for the use of all residents. To maximize efficiency and



utilize the existing grade change of the site, forty-eight at-grade parking spaces will be provided in a two level garage located beneath four stories of residential units.

Unit amenities include a full kitchen with dishwasher, range, refrigerator, disposal, storage closet, in-unit washers and dryers, cable and internet wiring, and an outdoor balcony. Additionally, each unit has individual heating and cooling control with packaged terminal air conditioners.

As stated above, this urban infill location will be the first phase in the Sheridan Station TOD, revitalizing the surrounding area. In addition to the RTD rail stop and bus connections, the property sits adjacent to the Dry Gulch Bike Trail which connects with the South Platte Trail that heads into downtown. In addition, Sloan's Lake Park along with a major grocery anchored (King Soopers and Target) shopping center is located one mile to the north.

The proposed project has been envisioned for many years. NEWSED purchased the Jody Apartments, located on the adjacent land to the west in 2007 (ULC owns the land), with plans for future development. The purpose of this acquisition was to locate affordable TOD housing at the future light rail station, as at the time RTD had plans for the West Line but had not yet started construction. In 2011 NEWSED and ULC had the project selected as a charrette study for the Housing Colorado annual housing conference. A plan for the wider four acre station area emerged and NEWSED and ULC worked with RTD to revise the parking garage plans to better accommodate denser station area housing. The Sheridan Station Residences project represents Phase 1 of this station area redevelopment.



Neighborhood ECO Passes

Each of the 63 units will be given a Neighborhood ECO pass for use on the RTD public transit system. This represents a unique opportunity in the Denver area for residents to live a car-free lifestyle.

A 2012 report by the Center for Neighborhood Technology and the Center for Housing Policy examined the combined costs of housing and transportation in the largest 25 metropolitan areas in the country. What they found was that from 2000 to 2010 the combined cost of housing and transportation increased by 44% while the average household income in these regions increased by only 25%. In Denver, housing and transportation increased 33% while income increased only 16%. Transportation accounted for 13% of the 33% increase. In 2010 the combined cost burden of housing and transportation on moderate-income households (households between 50% and 100% of AMI) was 56% with transportation accounting for 27% of that burden. Discussions about affordability cannot ignore transportation.

Affordable housing can help relieve the housing burden on moderate to low income households but only ***well located*** housing can decrease the transportation burden.

At Sheridan Station Apartments, we have taken it one step further. By including NECO passes with the rent we allow the residents to substantially decrease the monthly burden of housing and transportation costs. With easy access via light rail to the state's largest employment center Sheridan Station Apartments provides an opportunity for residents to substantially decrease the transportation cost burden on their monthly paychecks.

Sheridan Station Area Plan

In anticipation of RTD's new West rail line, the Denver Community Planning and Development adopted the Sheridan Station Area Plan in 2009. Together with the ongoing redevelopment of West Colfax to the north, the goal of the plan was to create strong pedestrian connections while enhancing the existing neighborhoods and increasing the number of people living near the light rail station.

Improved sidewalks will tie the light rail station with Main Street development on Colfax Avenue four blocks to the north. Development of new housing along Sheridan Boulevard and Lakewood Gulch (including this proposed project) will allow more people to live near the light rail connecting them to jobs in downtown Denver, the Tech Center, and Lakewood's Federal Center. The increased population base will support a variety of new neighborhood retail services near the station and on Colfax Avenue including food stores, dry cleaners, hardware stores, restaurants and child care centers.

Sheridan Station has excellent potential for future development because of the strong existing neighborhood base in the surrounding areas, the recreational and green space opportunities of Dry Gulch, beautiful views to the mountains and downtown, the desirability of parcels close to the light rail station for redevelopment, and easy access from both Sheridan Boulevard and Colfax Avenue. The City of Lakewood has also



planned and rezoned to the west of the station area to allow for transit related uses and higher density with the potential to spur development around the station. This proposed housing development sits right at the apex of this area plan and has the ability to serve as a catalyst triggering redevelopment in the surrounding vicinity.

Sustainability

The building will be constructed to comply with “Green Communities” criteria. Numerous green materials and features will be incorporated in the project and the units. The location adjacent to the Sheridan Boulevard transit corridor speaks to the sustainability of the project, and will limit the resident’s use of the automobile for much of their transportation needs. Other energy efficient features will include:

- Low-E Energy star qualified windows and doors
- High “R-Value” insulation
- Energy Star rated appliances
- All fans will be energy Star-qualified
- LED Emergency exit Sign
- Low flow fixtures
- Energy efficient common area lighting
- Flat roof with white EPDM
- Smoke Free
- Native and Xeriscape landscaping

Guiding Principles

Sheridan Station Apartments will provide twenty 60% AMI units, twenty-six 50% AMI units, ten 40% AMI units, and seven 30% AMI units and will restrict that housing/income level for 40 years.

The project meets CHFA's guiding principle of providing affordable housing near transit; the location of the project is less than ¼ mile to the Sheridan Station light rail stop and bus stop. Along with this adjacent access, the development team is also proposing to provide an RTD EcoPass for each resident.



The project is also only asking for an amount of credit that is absolutely necessary to finance the project. There are a variety of other sources of funds that are being used to leverage the CHFA investment and provide a large number of units in a PMA with little to no vacancy.

Market Conditions

The Market Study that is part of this application, provided by Integra Realty Resources, indicates that there is strong demand for this workforce/senior product in the Primary Market Area in all income levels. The Capture Rate of 10.7% is extremely low which bodes well for the timely lease-up of the project. The PMA has had a minimal amount of new apartment construction. Currently there are no LIHTC rental units under construction with only one LIHTC property proposed in the PMA. Finally, per the market study, we believe that we can easily achieve our anticipated rents.

Readiness to Proceed

NEWSED Community Development Corporation and Mile High Development have executed an option agreement with ULC, thus providing the development team with full control of the land parcel.

The site is zoned C-MX-8 which allows affordable rental housing as a use by right. The proposed building is 5 stories, which will be less than the height restriction of 110 feet.

The Phase 1 Environmental assessment has been completed and there are no areas of environmental concern at the site.

Shopworks Architecture has completed design development drawings, as indicated by the site plan, elevations and floor plans in the application. The development team has been working with Taylor Kohrs to price the drawings as they have been developed.

Based on this input, and our recent pricing for the University Station Apartments and Yale Workforce Housing, the development team is comfortable with the pricing as indicated in our cost projections in the application.

Financial Feasibility

Based upon the developers' recent experience on the Yale Street and University Station Projects, several sources of potential funding for the project have been identified, and preliminary discussions have been held with potential participants, including a commercial bank and several tax credit investment firms. Based on these discussions and a detailed review of our financial projections as presented in the application, we believe the combined sources outlined in the table below are sufficient to meet the project's expected costs.

NEWSED has secured two significant grants that will be used for the development and that will add to the financial feasibility of the project. An SCI grant (Sustainable Communities Initiatives) in the amount of \$200,000 was provided by DRCOG for project design. This grant allowed the developers to achieve 50% DD drawings prior to this application. A second \$150,000 grant was provided to NEWSED by Wells Fargo Bank to assist with construction costs for the project. These funds are being held in a NEWSED bank account until the start of construction. Finally, another bonus was provided by the City and County of Denver as they deployed \$350,000 of CDBG funds toward the regional drainage system built by RTD and this system relieves the Sheridan Station Residences from substantially all further storm detention requirements.

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Sources of Funds	
CHFA Permanent Loan	\$ 2,400,000
NEWSED (Wells Fargo)	\$ 150,000
City of Denver	\$ 400,000
NEWSED (SCI Grant)	\$ 200,000
Federal Tax Credit Equity	\$ 12,309,548
Deferred Developer Fee	\$ 200,000
Total Sources	\$ 15,659,548

Uses of Funds	
Land & Buildings	\$ 500,000
Site Work	\$ 1,027,081
Construction	\$ 10,588,368
Construction Interim Costs	\$ 729,194
Professional Fees	\$ 959,775
Soft Costs	\$ 248,729
Developer Fees	\$ 1,182,000
Permanent Financing	\$ 97,000
Syndication Costs	\$ 67,400
Project Reserves	\$ 260,000
Total Uses	\$ 15,659,548

Developer Experience and Track Record

Mile High Development, NEWSED, and Koelbel and Company have formed a joint venture to develop the project. Mile High has a history of strong public private partnership development that includes the Wellington E. Webb Municipal Office Building in 2001/2002 , Lakewood City Commons in 2000, and the Denver Art Museum Expansion project.

NEWSED also has developed five multifamily housing projects (209 total units), all but one being tax credit projects. Two of these were developed in partnership with Henry Burgwyn. NEWSED has also developed more than 100 homes for sale to low income families and has developed several commercial projects, including two strip shopping centers.

Koelbel and Company has been developing in the Denver metro area for over 60 years and has experience in almost every type of real estate development. In conjunction with Mile High Development they completed two affordable housing projects, Apartments at Yale Station in 2011 and the recently completed University Station

Apartments in 2013. Koelbel and Company has also recently developed two additional affordable housing deals in Boulder totaling 130 units.

The project team plans to use Silva-Markham Partners to manage the lease-up phase of the project, as well as the ongoing property management duties.

The development and management team of Mile High Development, NEWSED Community Development Corporation and Silva-Markham Partners, each have a history of compliance with CHFA's affordable housing programs.

Cost Reasonableness

The total cost for Sheridan Station Apartments is projected to be comparable to the cost of the similar sized and currently under construction Garden Court at Yale Station. Garden Court consists of sixty-six units and was recently competitively bid in March, 2015, thus providing the most recent and relevant construction data.

Proximity to Existing Tax Credit Projects

As indicated in the market study, there are seven existing projects in the study area. Current vacancy for affordable units is 0% at six of the comparable properties with the remaining comparable at 2.0%. This indicates a serious need for affordable housing in this market area. The addition of 63 units to this PMA will meet pent up demand and not take renters away from current stock.

Site Suitability

The Site is located on the southwest corner of Ames Street and 11th Avenue. In coordination with ULC (owner of the land under the Jody Apartments on the adjacent parcel to the west), offsite improvements will be constructed on 11th Avenue and Ames Street along with new plaza connecting the site to RTD's Parking Garage and Sheridan Station. The plaza improvements will be constructed on RTD land and will not be included in the LIHTC basis. The RTD parking garage is open to the public at no charge.

The light rail provides easy access to Downtown Denver and the Auraria campus. Light rail station stops at Knox and Federal provide access to the recreational facilities in Sanchez and Rude Parks. As the light rail station has recently opened, it is likely that future development will occur in the immediate area providing additional amenities.

Edgewater Marketplace shopping center, housing King Soopers, Target, and other retailers is located seven blocks to the north. The subject site has a direct connection to the Dry Gulch open space with Mountair Park, and it's new Sprout City Farm, in Lakewood only five blocks away and Cowell Elementary School seven blocks to the east.

Bus service near the site is above average with nearby stops on both Sheridan Blvd and 10th Ave.

The subject property would be the first phase in the Sheridan Station TOD. There are abundant redevelopment opportunities adjacent to the site that could further increase residential density and support new retail uses.

Market Study Issues

The market analyst conclusions were all very positive regarding the success of the project. There were no issues or recommendations that required a response.

Environmental Issues

The Phase I assessment revealed no evidence of Recognized Environmental Conditions (RECs).

Community Outreach

NEWSED and ULC have had extensive engagement with the neighborhood associations representing the surrounding communities, including Villa Park and WECAN (West Colfax Association of Neighbors), both in Denver, and Two Creeks Neighborhood Association in Lakewood. NEWSED worked on the 20 Minute Neighborhood study, funded through a SCI grant (Sustainable Communities Initiatives) from DRCOG, and also through participating in a TAP study (Technical Assistance Panel) conducted by Urban Land Institute of the station area and surrounding neighborhoods. Newsed also held a well-attended public meeting for residents of the surrounding neighborhoods to gather comments on the architectural plans for the Sheridan Station Residences project.

The development team will continue to reach out to representatives of these neighboring groups to discuss the site plan, building design, and proposed occupancy. The City has provided a statement that the proposed project meets community housing needs and will be consistent with the City's 10th and Sheridan Station Area Plan and its Consolidated Plan. In addition, the development team has strong support from the City of Denver and the City of Lakewood and has been successful in the past of receiving loans for these projects.