

9% lihtc application narrative



Project Name: The Reserves at Steamboat Springs

Project Address: Northwest corner of Elk River Road and Elk River Plaza – Steamboat Springs, Colorado 80487

Introduction:

The Reserves at Steamboat Springs is an exciting opportunity to bring much needed affordable housing to the underserved and growing community of Steamboat Springs Colorado. Overland Property Group (OPG) and Yampa Valley Housing Authority are proud to partner on this proposed development. Both OPG and the Yampa Valley Housing Authority (YVHA) bring unique strengths to the table, forming a very strong development and ownership team that can overcome the difficult task of developing affordable housing in the northwest region of the Colorado Rocky Mountains.

The Reserves at Steamboat Springs is a proposed 48-unit affordable multifamily development of two (24 units) and three (24 units) bedroom units located on the west side of Steamboat Springs on the east side of Elk River Road, just north of Elk River Plaza. The Yampa Valley Housing Authority has owned the development site since 2006. The original intent of the YVHA was to develop affordable housing. The recession of 2008 caused YVHA to not only temporarily abandon the idea of constructing affordable housing, but also to convert the properties debt into a lease purchase option in 2013 in order to mitigate the economic hardship it was creating. The benefits of developing this property will be twofold: It will create affordable housing for a community in need. It will eliminate the financial hardship on the Yampa Valley Housing Authority and allow it to stand financially on its own and carry through with its mission of providing affordable housing to the community.

Located in Routt County with a population of 23,509, and 49 percent of renting households paying 30 percent or more of their income for housing the need for affordable housing is great. The Reserves at Steamboat Springs will be the first 9% LIHTC development in Routt County and only the second LIHTC development. Mountain Village (26 LIHTC units at

50%) is 4% bond development allocated credits in 1996. In addition to being the first LIHTC development in over 19 years, The Reserves at Steamboat Springs will include the only units in the PMA available in both the 40% and 60% AMI brackets. This project is a great opportunity to expand the housing stock for these income brackets along with adding needed units in the 50% area. It is important to note that The Reserves at Steamboat Springs will add housing stock to a rural population area while keeping the capture rate well under 20 percent.

This project has also received support from both the City of Steamboat Springs and Routt County who have combined to contribute \$400,000 to the development. The strong local support is understandable considering the lack of multi-family developments in Steamboat Springs in the last 20 years despite significant demand. Developing in the City of Steamboat Springs requires a quality product paired with energy and building efficiency, which the Reserves at Steamboat Springs is uniquely positioned to do. This proposed project is a great opportunity to expand housing options in an underserved area.

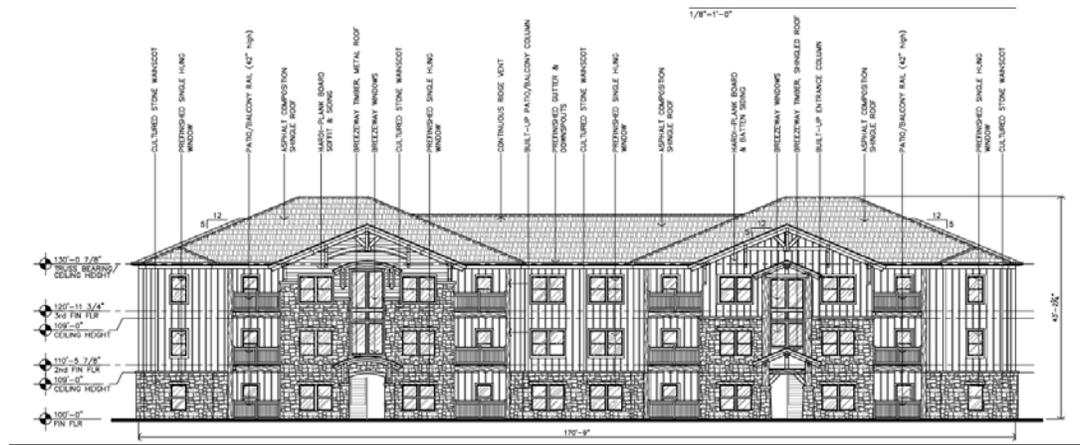


General Description of the Project

-Project Design

- a. The Reserves at Steamboat Springs will be composed of a clubhouse and two apartment buildings with a three-story, multi family apartment complex with 48 units of two and three-bedroom apartments and a one-story clubhouse. The buildings will be constructed in the northwest side of Steamboat Springs.

The units will be split 50/50 between two and three bedroom floor plans of 985 and 1,194 square feet respectively. These units will be provided with 101 parking spaces. The total building size is 63,190 square feet including all units and common spaces.



- Site and Site Plan

- a. The building site is located on Elk River Road, just north of Elk River Plaza. The parcel on which the development will be built is 10.76 acres in an irregular shape. The site is under an option contract and located adjacent to all utilities. The site is sloped limiting the development to approximately four of the 10.76 available acres.

The buildings will be arranged to fit the topography of the site with one of the apartment buildings located in the southwest corner of the parcel facing south toward the second apartment building and club house, both of which face west.

- Unit/Income Mix

Type	Percentage of AMI	Number of Units	Percentage of Total	Rent
2 Bedroom	40%	8	17%	\$604
2 Bedroom	50%	6	12%	\$781
2 Bedroom	60%	10	21%	\$873
3 Bedroom	40%	7	15%	\$700
3 Bedroom	50%	5	10%	\$905
3 Bedroom	60%	12	25%	\$1011

- Project and Unit Amenities

a. Unit Amenities

i. Each unit will come with a high-grade finish and amenities including knotty alder cabinets a fully energy efficient and kitchen with a self cleaning oven, refrigerator, dishwasher, microwave, garbage disposal, and washer/dryer. Additional amenities include carpeting in all bedrooms with vinyl plank flooring in bathrooms, living areas, bathrooms and the kitchen. The units also include a patio/balcony, 9ft ceilings, exterior storage, and walk-in closets. According to the market study “The Subject’s unit amenity package is considered superior to all of the LIHTC and market rate comparables as the majority do not offer exterior storage, walk-in closets, or in-unit washer/dryers.”

b. Community Amenities

ii. In order to create a strong community at the project Overland Property Group will offer many community amenities. These will include a clubhouse with a community room, leasing/management offices, warming kitchen, business center, and 24/7-workout facility. Additionally, there will be a picnic area, community gardens, basketball court, and playground for residents and their children.

- Services and Management

a. The development will partner with a variety of local not-for-profit organizations to offer services that will better and enrich the lives of the tenants.

- Strengths/Weaknesses

a. Strengths

- i. Strong Demand – Based on the market study we estimate that the project will be fully absorbed within three to four months, and will remain at less than three percent vacancy. All while keeping the overall capture rate at 18.3%.
- ii. Good Location - The Subject’s location is very good, as it located within close proximity to local amenities and employment, particularly, the project is less than 0.1 miles from a bus stop providing local and regional transportation.
- iii. Right Size – The two and three-bedroom units will target two to five person households which represent 63.9% of renting households in the PMA.
- iv. Right Price – The project’s proposed rents are achievable and demonstrate a 19.3% to 50.7% advantage over comparable market rate units.
- v. Underserved Market – The Subject will provide excellent quality affordable housing in a market area where there are no vacant LIHTC units, and property managers at affordable, comparable developments reported vacancies leased within one day. The Subject’s overall capture rate of 18.3 percent is good and indicative of strong demand
- vi. High Quality – The Subject will offer superior amenities, unit sizes, and construction quality when compared to the majority of surveyed comparables.

b. Weaknesses

- i. None noted by the market study.

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”
 - i. The Reserves at Steamboat Springs will be the only affordable housing available to citizens in the 40% and 60% average median income brackets but will also add needed affordable housing to the 50% income brackets. In addition, it will serve these populations for the longest time by committing to a 25 year extended use period..

- b. “To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas”
 - i. The rural mountain community of Steamboat Springs is in the far Northwest corner of Colorado which has never had a 9% LIHTC allocation and only one LIHTC community, a 4% development allocated 19 years ago. Expanding further, Northwest Colorado has only two tax credit allotments in over ten thousand square miles. Additionally the region has not received a LIHTC allocation in over 15 years. The proposed development is located in Routt County, which has a population of 23,509; significantly less than the 175,000 listed in the guiding principles.

- c. “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”
 - i. As noted above, the project will be the only affordable housing for citizens in the 40% and 60% average median income brackets and will add much needed affordable units to the 50% range. Citizens are limited by a lack of affordable housing options that moving out of the region to areas that are better served may be their only option.

- d. “To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail”
 - i. Steamboat Springs has an average walk score of 28, putting residents in the car dependent category. Fortunately, the project will be located less than 0.1 miles from a bus station providing free local service.

Additionally, this bus service provides reasonable regional transportation to Craig, Hayden, and Milner for \$6, \$5, and \$1.50 each way, respectively.

- e. “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”
 - i. Developing in the resort mountain area of Steamboat Springs is more expensive than in most other parts of the state. To address this we have sought additional funding from the state, county, and city to leverage our tax credit funds. We are requesting only the amount of credits necessary for the financial feasibility of the development.

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

A project in counties with populations less than 175,000 is the housing priority this development qualifies under. Routt County has a population of 23,509 as of the 2010 census so it more than meets the priority. Also, since the community has never had a 9% development and no LIHTC deal since the 4% bond allocation in 1996, leaving the community highly underserved.

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

- a. Market conditions: As noted above the project will be the only development to target 40% and 60% average median income brackets and add additional needed housing to the 50% average median income bracket. Additionally, the overall market vacancy in the PMA is 0.3%, with LIHTC properties reporting no vacancies and available units renting within 24 hours. Given this high demand the market study predicts the project to have a vacancy rate between zero and three percent and maintain a waiting list based on the market’s low vacancy rate and high demand.

Due to the low density of both population and LIHTC properties the project will increase the overall capture rate from 7.9% to 18.3%. This large increase is required in order to make the project financially viable. In order to keep the capture rate increase below 6% the project would be limited to 28 units, which would not be possible. This development will be the only apartments available to the desperately underserved 40% and 60% AMI brackets.

The demographics of the PMA indicate strong demand now and in the future. Steamboat Springs has large income inequality, with the average median income \$78,800, but with 62.4% of renter households earning \$50,000 or less and 49.2% of renters paying greater than 30% of their income in rent. This shows that despite high median incomes there is still an unmet need for affordable housing in the area, especially for families. The project, which will target two to five person households, representing 63.9% of renter households, will help alleviate this need. Additionally, because of the relatively high AMI, and in agreement with the market study “the proposed rents at the maximum allowable level are achievable and demonstrate a significant rent advantage over the market rate comparables. “

Additionally the capture rates do not address and take into consideration in-migration. The market study noted that “based on in-depth interviews with property managers in the area, we believe that the Subject would attract tenants from the region and surrounding counties.” Many businesses, individuals, and community leaders have echoed that opinion. Given this information and the expansion of the PMA that it entails, we believe capture rates may be much lower than noted in the market study.

- b. Readiness-to-proceed: The development is in the final stages of the Steamboat Springs Conceptual Development Plan Review process. This process provides feedback and direction from the planning department, utility companies, fire department and various other city staff input. Through this process everything from the building design to construction materials is examined and checked. Since the development is close to completion of this process the projects readiness-to-proceed is very high. The development site is also correctly zoned as Commercial Services (CS), which allows for multifamily development through a conditional use permit that is currently being finalized.
- c. Overall financial feasibility and viability: With the combination of local support of \$400,000 from the City of Steamboat Springs and Routt County and federal tax credits the project exhibits strong financial viability as explained in the proforma. The developer also has a strong tract record in Colorado and the region with its other Section 42 properties averaging 99% occupancy across over 2,000 apartment units.
- d. Experience and track record of the development and management team: Since 2002, the developer has successfully developed, built, owned and operated over 44 properties across the Midwest and Colorado totaling more than 2,000 units and \$250 million. OPG’s Colorado property, The Tabor Grand Hotel Apartments

opened last year after a \$9 million renovation to much fanfare and excitement in the local community. The development team also includes the Yampa Valley Housing Authority, which owns and manages numerous projects in the City of Steamboat Springs. The Yampa Valley Housing Authority, along with Pillar Management will manage the property; (Pillar Management currently manages over thirty-four section 42-tax credit properties in the State of Colorado). The development team also consists of Dan Morgan and Associates who have successfully helped countless affordable housing projects receive funding. Partnered with a very experienced section 42 construction team of Jones Gillam Renz Architects and McPherson Contractors our experienced group is built for the challenges of building and developing affordable housing in mountain communities.

- e. Cost reasonableness: The Reserves at Steamboat Springs is a very high quality product for the community of Steamboat Springs with a very reasonable and efficient cost per unit for the City. Our efficient use of credits for a difficult to develop area is one of OPG's core strength's.
- f. Proximity to existing tax credit developments: The project is located 4.5 miles from Mountain Village Apartments which is the only other LIHTC property within twenty miles. This area is underserved with only 46 units within the primary market area, all of which serve only 50% AMI residents. All LIHTC developments within the PMA are currently at 100% occupancy, and the average turnaround time on these units is less than 24 hours.
- g. Site suitability: Located on the northwest side of Steamboat Springs, just west of downtown, the site provides easy access to regional highways. The currently vacant site is zoned Commercial Services which allows for multifamily developments. All utilities are available on the sites perimeter. Additionally the site provides easy access to most local services; all of which are located within a 0.5-mile walk of public transportation stops.
 - i. Services within 2 miles
 1. Bus stop - 0.1 miles
 2. Routt County Sheriff's Department – 0. 3 miles
 3. Bud Werner Memorial Library – 1.3 miles
 4. Natural Grocers – 1.8 miles
 5. Soda Creek Elementary – 1.6 miles
 - ii. Services within 4 miles
 1. Steamboat Springs Middle School – 2.1 miles
 2. Steamboat Springs High School – 2.2 miles

3. Wal-Mart – 3.4 miles
4. Yampa Valley Medical Center – 3.5 miles

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):
 - i. We are not requesting any waivers for this development.
- b. Justification of the financial need for CHFA’s DDA credit up to 130 percent of qualified basis:
 - i. The Reserves at Steamboat Springs is located in a rural region of Colorado and within a Difficult to Develop area. This difficulty in developing affordable housing is evidenced by only two developments in the PMA one of which was developed 15 years ago and the other 19 years ago. The community operating at basically 100% occupancy is also evidence of this difficult area to develop. Being such, we are requesting a basis boost of credits for the area.

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

- a. The market study was very strong and there were no noted issues in the study.

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:

- a. No issues were raised about the site in the environmental report.

7. In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):

- a. The local support experienced with this development has been truly unbelievable. The community realizes the desperate need for affordable housing and has demonstrated that in many ways, including countless letters of support from individuals, businesses and not-for-profit organizations. In addition the City of Steamboat Springs and Routt County has committed \$400,000 in hard money to the construction of this development in the support of affordable housing.