

9% lihtc application narrative



Project Name: The Crossing

Project Address: 3601, 3701, 3733, 3789 Walnut Street and 1420 38th Street Denver CO 80205-3307

Introduction:

Medici Communities is thrilled to submit our application for an allocation of 9% Federal low-income housing tax credits. This project represents the culmination of years of effort and planning on the part of a wide variety of community stakeholders. Located at the intersection of three of Denver's oldest neighborhoods (Five Points, Cole, and Elyria Swansea), this project represents an opportunity to link the diversity of households in these neighborhoods together with the rest of the city through RTD's new east rail line.

The Urban Land Conservancy identified this site in 2008 and acquired it out of foreclosure in 2011, utilizing Denver's TOD loan fund to finance the acquisition. Located directly across from the 38th and Blake light rail station, ULC saw this one and a half acre site as a long term opportunity to preserve affordable housing options for residents of one of Denver's rapidly gentrifying neighborhoods.

At the beginning, however, this project presented challenges to development. It housed two abandoned structures, both havens for criminal activity and nuisance. They discovered an old underground storage tank on the site. Working with Colorado's Division of Oil and Public Safety, ULC was able to have the tank removed at no cost. Separately, both buildings were abated and demolished. Thanks to these efforts, the site is now ready for immediate development.

Throughout ULC's nearly 5 year planning process the overriding theme has been on the potential of this site to connect a diversity of people and geographies to one of the largest public transportation investments in our country. The project was envisioned to be a mix of uses serving a mix of incomes. From these conversations arose the name of the project: the Crossing.

The Crossing will be the second project developed by a partnership between the Urban Land Institute and Medici Communities. In 2013 the two firms collaborated to develop the Evans Station Lofts, an affordable 50 unit mixed use project at the Evans / Santa Fe light rail station. Through a competitive RFP process ULC interviewed developers, in the end selecting Medici Communities to develop this site into the project proposed within this application. While Medici will develop, own and operate the planned project, ULC will own the site in perpetuity, making it available to the project through a long term land lease.



Project Overview

The Crossing will be a 111 unit mixed use, mixed income project providing 75 affordable units and 36 market rate units of well-designed housing. 87 of the units will be one bedroom; 24 will be two bedroom. Units will range in size from 513 SF up to 936 SF, and offer a range of design and pricing options for potential residents. The project will contain a separate ground level commercial condo that will host community, office, and retail uses. Among the partners we're working with are the Urban Land Conservancy, who plan to office at this location, and the Denver Library District, who are exploring the idea of opening a smaller local branch at this site (see attached letter of interest.) We're also working with several retail developers to build out a portion of the ground floor for restaurant and retail use. All of the uses within the commercial condo will be owned and operated separately from the residential project.

The RTD East Rail Line to DIA is under construction now, and will be complete by 2016, before our project will be ready for occupancy. Residents of our project will enjoy immediate rail service right out of their front door. DIA can be accessed in less than 30 minutes, and Denver's Union Station is one stop away, providing connections throughout the rest of RTD's system. Residents of this project will have access to a number of excellent public transportation options

in addition to light rail. RTD provides bus service along Marion, 38th Walnut and Downing Streets, providing access to locations in every direction. A pedestrian bridge under construction a few blocks south of the site will provide access to the Platte River trail and Brighton Boulevard. Several of the surface roads leading back south into the City, including Larimer (one block east of the site), provide dedicated bike lanes. Residents of this project will have many opportunities to access employment and other services without the need for a private automobile, which enhances the ability of this affordable housing project to help people reduce living expenses and save more of their income.



The easy, affordable transit options offered at this location will attract residents from a very broad market area. During lease up of our recently completed Evans Station Lofts project, for example, no tenants came from the project's primary market area. We believe that good access to a variety of public transportation options significantly broadens the geographic boundaries of the project's market area.

This is a very visible site. To create the kind of signature building the City wants, the architecture will have to live up to the challenge. We are very capable and committed to producing the type of project that is needed, at a cost that can be supported. It isn't all about spending; it is about attention to detail. The building design and layout is targeted for smaller families that are interested in living in a dense urban setting adjacent to multimodal transportation options, shopping, community facilities, schools, parks and trails. The unit amenities include air conditioning, washer & dryer, dishwasher, garbage disposal, & energy star

refrigerator. The building is five stories in height, elevator serviced with controlled access. The ground level will contain the leasing office, community room, exercise facility and computer/business center. A separately owned retail and commercial space will be located in the ground floor. Apartments will be comprised of a mix of one and two bedroom units. Each unit will contain laundry hookups. A community deck will be located on the fifth floor of the building, providing mountain and city views in a gathering space for tenants.

We are committed to quality construction materials and practices. We will use systems and materials that are high quality and provide a long term life cycle. The proper materials add to the quality of life for the residents and controls repair and replacement costs over time.

We are very familiar with green building practices and are at the forefront in understanding and implementing the Green Communities standards. We incorporate what we believe to be the best and most effective elements into the design and construction. These include, but are not limited to, infill location, high density, construction waste management, energy star rated appliances, finger-jointed framing materials, efficient lighting, low v.o.c. paint and adhesive, high life cycle exterior materials.

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

Affordability: This mixed income project will provide 75 units of housing affordable to households earning between 50% and 60% of AMI for 38 years. We have a preliminary agreement with the Denver Housing Authority to provide up to 30 project based vouchers, which would allow this project to serve a substantial number of households earning less than 30% AMI (see attached DHA letter). We are in ongoing conversations with DHA to fully vet the timing and related impacts related to the introduction of a project based voucher contract.

New Construction: This project will create 75 units of affordable housing in a rapidly gentrifying area. But for the foresight of the Urban Land Conservancy to purchase this

site in 2011, it would not have been financially feasible to develop this site into affordable housing.

Credit Amount: The proposed project has requested less than \$17,000 per unit in annual credit, which is less than the average per unit credit ask in the current competitive round. This efficiency has been made possible in part through the inclusion of market rate units into the project.

Proximity to Public Transportation: The project is located immediately adjacent to the 38th and Blake light rail station, which is under construction and will open before this proposed project. It is not possible to locate a project any closer to this station that we are. In addition to light rail service, bus routes run along each of the four roads adjacent to the site, providing bus service in every direction.

2. Identify which housing priority in Section 2 of the QAP the project qualifies for: N/A
3. Describe how the project meets the criteria for approval in Section 2 of the QAP:
 - a. Market conditions: The need for affordable housing in this area is great. There are effectively no vacancies within the LIHTC projects surveyed on our PMA, with all projects maintaining a substantial waiting list. There is pent-up demand for affordable housing in this market area. The project's affordable rents represent a 33% savings over surveyed Class B market rate projects, providing a significant value to prospective residents. While the capture rate for this project is above CHFA thresholds, there are several extenuating circumstances discussed in our market study that substantiate strong market demand for these units. Our market study recommended no changes to the project, and suggested that it would lease up in six months with no need for concessions.
 - b. Readiness-to-proceed: The site is zoned for multi-family and it is a use by right. We expect to spend the next 2 to 4 months working with the architects and the City to develop the best possible plan and then approximately 4 months in permitting. Construction would commence in the first quarter of 2016.

- c. Overall financial feasibility and viability: The proposed affordable rent levels are achievable in the market. Based on the underwriting criteria used by many investors, the market rate units have been underwritten at a discount to other market rate projects in this PMA. As such, we believe that these rents will support the proposed debt load. A grant from the City of Denver is included as a source of funding; we believe that this project addresses many of the housing goals the City wishes to support.
- d. Experience and track record of the development and management team: Medici Communities has been deeply involved in the development, finance and operations of affordable housing for over 15 years. We have been involved in all aspects of the development process, including complete development, construction management, and financing consulting for the LIHTC program in Colorado. Our team of professionals has been involved in every element of project development and management. We focus on and specialize in public/private partnership projects such as this. We have consulted with other non-profits and housing authorities. We have built and overseen the construction of multiple projects throughout the State. In terms of property management, we plan to contact with Echelon property Management Company to operate the project. Echelon currently operates all of the projects in our portfolio, and has an excellent track record of compliance and efficiency.
- e. Cost reasonableness: Medici's strong background in construction will produce a very high quality project at a very competitive price. The proposed project will benefit from an efficient building design and parking configuration. The result is a project that will cost less than \$200,000 per unit to develop, which is below the average total development cost for 9% deals in the last competitive round.
- f. Proximity to existing tax credit developments: There are several existing tax credit projects in the PMA. Many of these are older and smaller tax credit projects. The nearest proposed 9% tax credit project is the Renaissance Downtown Lofts, located about 18 blocks southwest of our site. That project will serve homeless and special needs tenants.
- g. Shopping: There are a number of small local markets within walking distance of the project. The nearest supermarket, Safeway, is located 18 blocks south of the project at 20th and Washington St. A number of restaurants, taverns, and other

local shops are within walking distance of the project, with many more opening all the time.

Parks and Recreation: The St. Charles Park and Recreation Center is located one block east of the site. 5 blocks south is Curtis Park. The Platte River trail system can be accessed via the new 36th Street pedestrian bridge.

Education: The City of Denver School District operates several schools in the neighborhood, providing an excellent mix of options at every grade level. Mitchell Elementary, Harrington Elementary, Cole Arts and Science Academy, and Gilpin Montessori are four close by public elementary / middle schools. Manuel and Bruce Randolph are two area high schools. There are multiple smaller private schools and childcare providers throughout the area.

Public Transportation: Public transportation opportunities are excellent. The project is located at the 38th and Blake light rail station. A future extension of the Downing line north would bring the terminus of that line to the 38th and Blake Station. This project will be located at the intersection of these two light rail lines. Bus service is excellent as well. RTD provides bus service along Marion, 38th Walnut and Downing Streets, providing access to locations in every direction. A pedestrian bridge under construction a few blocks south of the site will provide access to the Platte River trail. Several of the surface roads leading back south into the City, including Larimer (one block east of the site), provide dedicated bike lanes.

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): N/A
 - b. Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis: N/A
5. Address any issues raised by the market analyst in the market study submitted with your application: The required capture rate exceeds CHFA's guidelines. Despite this, the

market study concluded that the project would enjoy sufficient demand in the market to lease up within 6 months. Factors cited include: very strong demand for the existing tax credit properties in the PMA; in-migration into this PMA, driven in part by the location of the project adjacent to light rail; understated renter household growth in this rapidly developing PMA; future inclusion of project based section 8 vouchers; and tax credit rents below comparable tax credit rents in the PMA.

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:

The ULC performed both a Phase I and Phase II study in 2011. Based on those reports a number of REC's were identified and subsequently addressed. Medici recently performed another Phase II report, which verified the completion of the work performed by the ULC. This Phase II also identified the presence of one final REC (coal ash) just beneath the surface of portions of the site. This material was deposited on the site years ago by the operators of trains on the adjacent railroads. This material is shallow in depth, only 12" on average. Our analyst has quantified the amount of material to be removed prior to construction and provided an estimated budget for the same, which has been included in our development budget

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):

The site is owned by the Urban Land Conservancy. As stated above, the ULC engaged in several years of community outreach and planning. The community meetings generated consensus around several design principals, including: density, connectivity, mixed use, shared spaces, and equity. ULC conducted a design charrette at the Colorado Housing NOW conference, which informed the program that was used to craft a request for proposals to the development community. Through this competitive RFP process the ULC selected Medici Communities to develop the parcel into the project proposed herein, which incorporates the results of the outreach conducted by ULC.

The project area is the focus of several City plans. Since 2008 there has been strong neighborhood support for a revitalization effort, led by the Denver Office of Economic Development and the Five Points Business District Office. This effort led to the development of the Welton Corridor Urban Redevelopment Plan in 2012 by the Denver Urban Renewal Authority. (Currently DURA is conducting a related blight study of this area, which includes this subject site.) The plan describes the vision and strategies for rebuilding retail along Welton and Downing streets. The plan encourages “Transit-Oriented Development along transit lines and near stations, in order to provide housing, services, and employment opportunities.” The site is also included in Denver’s 38th and Blake Station area plan. Of note in that plan is the goal of improving pedestrian circulation in and around the subject site in order to improve local access to the station. These improvements will have a converse benefit to our residents, providing them improved access to surrounding neighborhoods.

ULC obtained an EPA grant, which they used to obtain technical assistance for the development of a green infrastructure plan for the area. Medici will apply for a City of Denver grant contingent on an award of tax credits.

Medici and the Denver Housing Authority have been working collaboratively for the past two years to structure a partnership at this site that will complement and support broader neighborhood development plans. Most notable is the planned redevelopment of the DHA Platte Valley Homes project. In conjunction with that project, DHA can make available 30 project based vouchers for this project, which would serve to offset housing lost during the redevelopment process. In addition to this resource, DHA welcomes an opportunity to work with Medici on a property tax exemption.