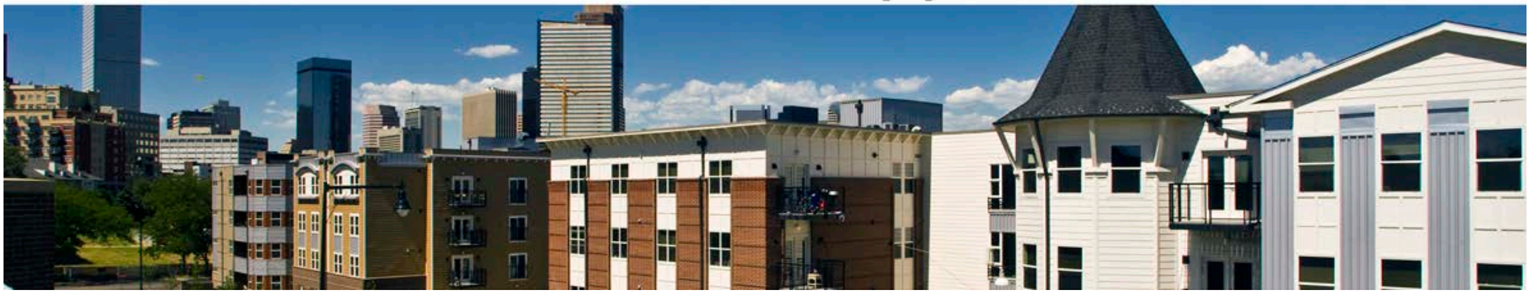
9% lihtc application narrative



Project Name: The Manors I and II

Project Address: 721 Blake Avenue (Manor I) and 661 Bennett Avenue (Manor II), Glenwood Springs, CO 81601

Description of the project as proposed; detailed type of construction; population being served; description of energy efficiencies; type of financing; local, state, and federal subsidies; etc.

The Manors in Glenwood Springs, CO is an existing Project Based Section 8 Senior community serving residents age 62 and older. The property consists of two six-story buildings located at 661 Bennett Street and 721 Blake Street- in the heart of downtown Glenwood Springs. Located just steps from the Colorado River, each floor enjoys spectacular views. The apartments are conveniently located just one block from downtown shops, restaurants and the famous Glenwood Hot Springs pool.

Residents benefit from onsite management and maintenance, as well as a Resident Services Coordinator. The community offers monthly resident activities and has an active Resident Council. Amenities also include community activity space at each building, and outdoor sitting areas. The community offers central laundry facilities.

Steele Properties LLC, the proposed Developer for the project, is submitting an application to CHFA for competitive 9% Low Income Housing Tax Credits to support a needed rehabilitation of this vital elderly community on behalf of the Applicant and proposed Owner, Steele Manors LIHTC LLC.

As indicated in the attached PCA, the property is in need of significant repair including systems, cosmetic, and life-safety upgrades. The proposed scope of work addresses the following immediate needs:

- Parking lot and sidewalk repairs.
- Replacement of unit doors to meet HUD REAC requirements.
- Common area flooring repairs.
- Replacement of plumbing fixtures with water conserving units, replacement of tub surrounds.
- Replacement of existing smoke and carbon monoxide detectors with hard-wired devices, backed up by battery. The scope also includes installation of needed fire

suppression systems through Manor I and Manor II. The Glenwood Springs Fire Department routinely requests upgrades be made to the existing systems to provide greater safety for the elderly residents and for fire rescue personnel who may enter the building in case of a fire. The scope includes installation of a fire sprinkler system throughout to satisfy this life-safety need. The scope also includes new fire extinguishers and new building fire alarms.

- Replacement of appliances and lighting with energy efficient alternatives, including upgrading common laundry facilities.
- The elevators currently servicing Manor I and Manor II are at the end of their useful life and will need to be completely retrofitted in the near future. This expense along with all other needed repairs can cripple a property like The Manors I and II. Support for this repair is greatly needed.
- Minor drainage repairs are needed to address potential structural failures.
- Cosmetic upgrades are needed throughout.

The proposed rehabilitation will result in an about $3.7 million hard cost investment to provide needed repairs and improvements to benefit the senior community who call Manors "home."

The property provides 76 total units. Manor I provides 30 one-bedroom units of 666 square feet. Manor II provides 46 one-bedroom units of 500 square feet.

We request CHFA’s support, which is needed in order to preserve this important affordable housing resource serving Glenwood Springs’ finest senior community with very limited means.

The structure proposed herein provides the needed repairs for the community to continue operations, extends the affordability period, and reduces the income targeting for long term affordability. Preservation of The Manors I and II is well within CHFA’s Guiding Principles and is essential in order to ensure that the community continues to serve seniors with limited means in this expensive tourist mountain town for years to come.

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:

   - The Manors I and II serve the area’s lowest income seniors. The Manors II HAP Contract expires in 2018. As a result of this LIHTC transaction, both HAP Contracts associated with the property will be extended 20 years. Also, the applicant has committed to a 25-year extended affordable use period, in addition to the initial 15-year LIHTC compliance period as a part of this application.

Under the current Project Based Section 8 affordability requirements, units are restricted to households earning 80% AMI and below. Participation in the LIHTC program will increase the community's affordability by reducing the income limits as follows:

- 31 1 BR units will be restricted for households earning 60% AMI and less
- 45 1 BR units will be restricted for households earning 50% AMI and less

However, it is important to note that under the Project Based Section 8 Program, residents pay only 30% of their income in rent. The vast majority of residents at The Manors I and II earn and pay far below 50% AMI. In fact, the average resident-paid rent across the community is $269 per month – well below the $825 and $688 60% and 50% limits. The Project Based Section 8 program allows extremely low income households to obtain quality housing where the resident pays only what he or she can afford, and the property receives subsidy for the remainder of the rent necessary for debt service and ongoing property operations to ensure it is properly maintained and financially viable for years to come.

- In recent years, the majority of Low Income Housing Tax Credit activity has been invested in the Denver-Metro area and Front Range areas. This needed rehabilitation of The Manors I and II will help extend CHFA's impact to other regions in the state while also helping to preserve one of the region's most beloved senior housing resources.

- CHFA's investment in The Manors I and II will preserve and improve an important housing resource specifically serving senior and disabled residents.

- Manors I is located .2 miles from a Ride Glenwood Springs public bus stop. Manors II is located .4 miles from the stop. The local RGS bus line provides access to the Roaring Fork Transportation Authority (RFTA) regional bus, Greyhound lines, Amtrak lines, and the West Glenwood Park n' Ride.

- The Manors I and II is an existing affordable housing community in significant need of renovation, including life-safety upgrades.

- We are confident that the project only utilizes the amount of credit necessary for the financial feasibility of the acquisition and rehabilitation to meet the immediate physical needs and energy efficiency upgrades needed in order to continue operations. In addition to Low Income Housing Tax Credit equity, the developer has structured a transaction that leverages a number of other resources that will contribute to the overall borrowing capacity to help fund the needed redevelopment.

  As indicated in the attached support letter from the Garfield County Housing Authority, the agency is very supportive of improving the housing resource and has committed to entering into a Special Limited Partnership so that the project may benefit from property tax exemption. Property taxes for Manors I and II are projected to equal $26,965 per year. We anticipate a $5,700 per year fee in lieu of taxes, which amounts to a net savings of $21,625 per year for property expenses. This significant contribution from the Housing Authority amounts to $385,800 in additional borrowing capacity for the project using the submitted FHA terms.

The fact that we have structured the development utilizing FHA 221(d)(4) financing is also a significant factor necessary to the project feasibility. If we were to utilize conventional debt, considering current market rates and terms (5.55%, 35 year amort., $300/unit R4R, 1.2 DSCR) our borrowing capacity would be limited to $3,850,000 (this figure includes property tax exemption). The favorable terms of FHA financing have increased borrowing capacity for the project by about $650,000.

Project Sources			**% of Total**			
Conventional Permanent Mortgage	**$**	**3,850,000**	**33.8%**	**$**	**50,658**	**per unit**
Federal LIHTC Proceeds (9%)	**$**	**7,270,171**	**63.9%**	**$**	**95,660**	**per unit**
Deferred Developer Fee	**$**	**255,240**	**2.2%**	**$**	**3,358**	**per unit**
Total Sources	**$**	**11,376,139**	**100.0%**	**$**	**149,686**	**per unit**

Project Uses			**% of Total**			
Land and Buildings	**$**	**4,800,000**	**40.3%**	**$**	**63,158**	**per unit**
Rehabilitation	**$**	**4,145,173**	**34.8%**	**$**	**54,542**	**per unit**
Professional Fees	**$**	**166,000**	**1.4%**	**$**	**2,184**	**per unit**
Construction Interim Costs	**$**	**437,805**	**3.7%**	**$**	**5,761**	**per unit**
Permanent Financing	**$**	**307,036**	**2.6%**	**$**	**4,040**	**per unit**
Soft Costs	**$**	**504,725**	**4.2%**	**$**	**6,641**	**per unit**
Syndication Costs	**$**	**-**	**0.0%**	**$**	**-**	**per unit**
Developer Fees	**$**	**1,220,489**	**10.2%**	**$**	**16,059**	**per unit**
Project Reserves	**$**	**327,878**	**2.8%**	**$**	**4,314**	**per unit**
Total Uses	**$**	**11,909,106**	**100.0%**	**$**	**156,699**	**per unit**
Funding Sources Excess/(Shortage)	**$**	**(532,967)**				

The Manors I and II is exactly the kind of project that HUD is most interested in financing. The proposed project is 100% Project Based Section 8 and would provide a new LIHTC allocation with planned rehabilitation to improve the project condition and remaining useful life. FHA partnership with a LIHTC investment is the perfect way to extend and improve The Manor’s future as an important affordable housing resource for seniors.

Finally, the Project Based Section 8 contract is a significant contribution to the viability of the project. Project Based Section 8 rental income provides for the ability to borrow a $4,500,000 new FHA first mortgage. If the property were restricted to current max tax credit rents (31 units at $825 and 45 units at $688), the loan would be limited to about $3,670,000 when utilizing projected expenses and FHA terms submitted with this application.

Project Sources			% of Total			
FHA 221(d)(4) Permanent Mortgage	$	3,670,000	32.7%	$	48,289	per unit
Federal LIHTC Proceeds (9%)	$	7,283,781	65.0%	$	95,839	per unit
Deferred Developer Fee	$	255,240	2.3%	$	3,358	per unit
Total Sources	$	11,209,021	100.0%	$	147,487	per unit

Project Uses			% of Total			
Land and Buildings	$	4,800,000	40.1%	$	63,158	per unit
Rehabilitation	$	4,145,173	34.6%	$	54,542	per unit
Professional Fees	$	166,000	1.4%	$	2,184	per unit
Construction Interim Costs	$	443,112	3.7%	$	5,830	per unit
Permanent Financing	$	374,249	3.1%	$	4,924	per unit
Soft Costs	$	504,820	4.2%	$	6,642	per unit
Syndication Costs	$	-	0.0%	$	-	per unit
Developer Fees	$	1,229,203	10.3%	$	16,174	per unit
Project Reserves	$	309,819	2.6%	$	4,077	per unit
Total Uses	$	11,972,376	100.0%	$	157,531	per unit
Funding Sources Excess/(Shortage)	$	(763,355)				

The Developer has looked at the development in a number of ways, including as a possible 4%/TEB transaction. Unfortunately, given the immediate rehabilitation needs and the current market, the development will not work as a 4% LIHTC project, which results in a $3.9 million gap. The Developer has explored additional soft funding opportunities, but the amount needed to make the 4% development work is too high.

Project Sources			**% of Total**			
Private Placement Tax Exempt Bonds	**$**	**3,830,000**	**47.8%**	**$**	**50,395**	**per unit**
Federal LIHTC Proceeds (4%)	**$**	**3,932,473**	**49.0%**	**$**	**51,743**	**per unit**
Deferred Developer Fee	**$**	**255,240**	**3.2%**	**$**	**3,358**	**per unit**
Total Sources	**$**	**8,017,713**	**100.0%**	**$**	**105,496**	**per unit**

Project Uses			**% of Total**			
Land and Buildings	**$**	**4,800,000**	**40.2%**	**$**	**63,158**	**per unit**
Rehabilitation	**$**	**4,145,173**	**34.7%**	**$**	**54,542**	**per unit**
Professional Fees	**$**	**166,000**	**1.4%**	**$**	**2,184**	**per unit**
Construction Interim Costs	**$**	**478,792**	**4.0%**	**$**	**6,300**	**per unit**
Permanent Financing	**$**	**307,110**	**2.6%**	**$**	**4,041**	**per unit**
Soft Costs	**$**	**480,126**	**4.0%**	**$**	**6,317**	**per unit**
Syndication Costs	**$**	**-**	**0.0%**	**$**	**-**	**per unit**
Developer Fees	**$**	**1,222,464**	**10.2%**	**$**	**16,085**	**per unit**
Project Reserves	**$**	**333,547**	**2.8%**	**$**	**4,389**	**per unit**
Total Uses	**$**	**11,933,212**	**100.0%**	**$**	**157,016**	**per unit**
Funding Sources Excess/(Shortage)	**$**	**(3,915,499)**				

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

The proposed development meets CHFA's housing priorities of the current QAP as it is located in Garfield County, population of 57,300 (meeting the priority of funding projects in counties with populations of less than 175,000).

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

   a. Market conditions:

   Within the project's PMA, the total senior population increased by 6.1 percent annually from 2010 to 2014, and it is projected to continue to increase. Also, the total number of senior households within the PMA increased by 2.5 percent annually from 2010 to 2014, which is expected to increase. Of the 2,724 senior households identified in the PMA, 37% earn less than $30,000 per year – which is our targeted resident population. It is essential that The Manors I and II be preserved and improved to continue to provide an affordable housing opportunity for the growing senior population with limited means in the area.

   b. Readiness-to-proceed:

   Rezoning is not needed for the proposed renovation. Limited permitting will be required, but will be handled administratively. There are no environmental concerns related to the renovation scope.

   Site plans, floor plans, and elevations have been submitted with this application. A PCA is also provided identifying critical needs and applicable recommendations to continue ongoing operation of the properties as they exist today. The proposed rehab scope has also been submitted, identifying further needed improvements including bringing certain aspects, such as accessibility, up to all applicable codes. The development team is in place and ready to proceed upon award.

   The timing to close a 221(d)(4) is two months longer than conventional financing, but the cost benefit is well worth the time. We have an experienced and well-respected FHA lender on board (Wells Fargo) who is ready to move towards a 2/1/2016 or earlier closing immediately upon award.

   c. Overall financial feasibility and viability:

   The project utilizes only the amount of credit needed for the feasibility of the project, while meeting all underwriting criteria of the program. Funding commitments confirming pricing and rates have been submitted in this application. The Garfield County Housing Authority has committed to Special Limited

Partnership, which amounts to a $385,800 contribution to project costs. The Housing Authority commitment is attached to this application.

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

Steele Properties LLC is a highly experienced developer and owner of affordable housing across the country. Steele has developed over 4,500 units in fourteen states, including 28 tax credit developments. Steele's property management partner, Monroe Group, was founded in 1978 and manages a portfolio of 41 affordable, multifamily communities across the country. Steele and Monroe's resumes are included as attachments to this application.

e. Cost reasonableness:

As described above, the project has leveraged significantly higher loan proceeds through the applicable tax exemption and Project Based Section 8 rental income combined with HUD FHA 221(d)(4) financing. We have provided a PCA outlining critical immediate needs to continue current operations, as well as an overall scope including additional upgrades needed to improve the buildings to modern standards. The project will utilize only the amount of Federal Credit needed for the feasibility of the project, and includes a 21% deferred developer fee.

In general, renovating and preserving existing affordable housing stock is far more cost effective than new construction. The hard construction cost is $77 per square feet as compared to a standard $150-200 per sq. ft. for new construction. Though there is acquisition cost, the cost of existing buildings is generally lower than building from the ground up, and utilizes less tax credits as only the 4% applicable percentage applies to building acquisition.

f. Proximity to existing tax credit developments:

Below are the existing tax credit developments in the county. As you can see, The Manors received a minor renovation in 1988 with 4% LIHTC. The physical needs of the property have increased since that time significantly.

You will also notice that The Manors I and II is the only Project Based Section 8 development in the area, meaning that the property can serve significantly lower income households than, and will not compete with, any other area LIHTC development. Lastly, The Manors I and II will be the only rehabilitation of existing housing in the area, and it is essential that CHFA invest in preserving existing affordable housing stock throughout the state.

Number	Name	Address	City	Zip	Elderly	Sec8	Type of Credit	InServiceDate
980023	Eagle's Nest (Rifle)	1041 W. 24th Street	Rifle	81650	FALSE	FALSE	Competitive 9%	10/1/2000
2011015	Glenwood Green Apartments	Wulfsohn Road and E. Meadows Drive	Glenwood Springs	81601	FALSE	FALSE	Competitive 9%	10/1/2013
910601	Machebeuf Apartments	111 Soccerfield Rd.	Glenwood Springs	81601	FALSE	FALSE	Competitive 9%	12/31/1992
940618	Villas de Santa Lucia	302 Meadowood Dr.	Carbondale	81623	FALSE	FALSE	Competitive 9%	7/1/1995
2002033	White River Village	800 South Whiteriver Avenue	Rifle	81650	FALSE	FALSE	Competitive 9%	12/30/2005

g. Site suitability:

Investing in the preservation of existing affordable rental developments is essential to ensuring that affordable housing remains safe, decent, and available throughout the state. As an existing affordable rental property, it is essential that The Manors I and II be preserved as a long-term affordable housing resource.

The existing development is located in an ideal, walkable location in downtown Glenwood Springs, as described above.

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):

The proposed project meets all of CHFA's minimum underwriting criteria.

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:

N/A

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 Phase I cites no Recognizable Environmental Conditions. Suspect ACM and LBP containing materials will not be disturbed during the renovation, and mitigation is not needed.

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):

   Per the attached letter, the Garfield County Housing Authority is supportive of the preservation of The Manors I and II and will provide a financial contribution in the form of Special Limited Partner. Local City Planning and Building Departments have been consulted and are familiar with and supportive of the renovation. The Glenwood Springs Fire Department has specifically asked us to improve the fire safety of the buildings. All local representatives have been notified of the renovation plans.

8. For acquisition/rehab or rehab projects, provide a detailed narrative that describes the proposed rehab plans and relocation plan (if applicable). Address the 10-year rule; capital expenditures over the past two years; previous related party relationships; past local, state, or federal resources invested in the project; obvious design flaws; obsolescence issues; safety issues; and any significant events that have led to the current need for rehabilitation (i.e., fire, nature disaster).

   Please see attached relocation plan.

   The Project is not required to meet the 10-year "look-back" requirements of Section 42(d)(2)(B) of the Internal Revenue Code in order for the Applicant to be eligible for low-income housing tax credits related to its acquisition of the Project. Section 42(d)(6) of the Code provides that the 10-year "look-back" requirement is inapplicable if the Project is a "federally-assisted building." Because the Project is assisted with a 100% Project-Based Section 8 Housing Assistance Payments Contract, the Project is a "federally-assisted building" as the Project is substantially assisted, financed, or operated under Section 8 of the United States Housing Act of 1937.

The project currently is owned by The Manors, a Limited Partnership ("Seller"), whose general partner is Jackson Group, Ltd. Jackson Group, Ltd. is owned 100% by Stuart Heller ("Heller"). Heller also is a 1/3 owner of Steele Properties Holdings LLC ("Steele Holdings"). Steele Holdings is the managing member of Steele Manors LIHTC MM LLC, the managing member of the Applicant. However, Heller owns (directly and indirectly) less than 50% of the capital and profits interests in the Seller and the Buyer, and, thus, the Project will be acquired by "purchase" upon a tax credit closing as set forth in Internal Revenue Code Section 42(d)(2)(B)(i). The acquisition price is supported by a certified appraisal.

The project has a Section 8 Housing Assistance Payments Contract. The project received an allocation of 4% Low Income Housing Tax Credits in 1988.

The rehabilitation of The Manors I and II is important because the buildings have not been updated since 1988. The unit kitchens and bathrooms are beginning to fail due to their age. Manor II has drainage issues that need attention that could cause structural failures. The elevator equipment is nearing the end of its useful life. Finally, the fire alarm and suppression equipment needs updated per the local Fire Marshal.