

9% lihtc application narrative



Project Name: **Villa Park Assisted Living**

Project Address: **801 Utica Street, Denver, Colorado 80204**

The Narrative provides an opportunity for the applicant to describe the characteristics of the project and why the applicant believes it should be selected above others for an award of credit. The applicant should document the project's strengths and address its weaknesses. It must include a description of the project as proposed; detailed type of construction; population being served; bedroom mix; location; amenities; services, if provided; description of energy efficiencies; type of financing; local, state, and federal subsidies; etc.

Villa Park Assisted Living Community is designed to help meet the desperate need in the Denver metro area for that population which is most frail, most at risk, and most vulnerable; seniors eligible for Medicaid. Villa Park will provide options for low income people who need supportive services as well as quality affordable housing. This community is a planned five-story 50 unit Medicaid Based Assisted Living Community designed in the spirit of the " Green House Concept ." "The proposed design of the subject, in which each of the five floors functions as an independent house or neighborhood, is representative of a new generation of assisted living design. Whereas earlier assisted living models included long double-loaded corridors with rooms along the corridors and large common spaces which all residents used, the planned subject will include 10 residents per floor, each of which will include its own great room, full-service kitchen with island, and dining area. Over the last twenty to thirty years of assisted living development and operations, the industry has learned that residents function better in smaller, more residentially-sized environments where they can interact with a smaller community of other residents and staff members. Villa Park will provide this type of smaller-scale, neighborhood environment for its resident"(1).

- **Project Description**

Villa Park Assisted Living is a planned five-story, 50-unit assisted living property that will include 46 income restricted units, and four market-rate units. The property will be licensed by the Colorado Department of Public Health as an Assisted Living

Residence and will be certified by the Colorado Department of Health Care Policy and Financing as an Alternative Care Facility to accept Medicaid reimbursement for income and need qualified residents. Villa Park will have no minimum age qualification.

All of the units will be 325 square foot private studios with private bathrooms. There will be 15,500 square feet in residential units and no less than 14,000 square feet in common spaces, circulation, office, other staff spaces, and storage. Of the 50 units, five will be targeted to those at 30% or less of Area Median Income (AMI), five will be targeted at 40% AMI, 36 will be targeted at 60% AMI, and four will be market rate. Rents at 30%, 40% and 60% AMI will be \$402 per month

- **Type of Construction**

- The building will be fully fire sprinkled consisting of five-stories plus basement. The first story will be structural concrete and with the second through fifth story to be in framed construction.
- The roof will be flat with mansards and a heat reflective white membrane surface. The flat roof will be built to allow for solar panels.
- The exterior of the building will be clad in a combination of a painted direct applied cement-based panel, such as Hardy Panel, and integral color cement panel product, such as Swiss Pearl, applied in a Rain Screen application.
- All units will be accessible to an internal common area and serviced by two elevators and 2 sets of stairs.
- The windows will be double paned Low E vinyl residential window units.
- Ten 325 square foot Suites with a large common area and activity area on each floor, each unit will have 9-foot ceilings.
- Within the units, flooring will consist of carpeting in the bedrooms and vinyl plank in the entry and bathroom.
- The kitchenette and bathrooms will include good quality fixtures, laminate countertops, and wood cabinets. The kitchenette will be equipped with appliances including a mini-refrigerator and microwave.
- Packaged Thermal Air Conditioner (PTAC) units controlled by wall thermostats will provide suite heating and cooling.
- Common area will have HVAC provided through individual split systems. Each common area will have a full kitchen accessible to the resident on each floor.
- The basement will have a full commercial kitchen, wellness and fitness center, along with the resident manager and laundry and housekeeping.

- **Population Being Served**

Villa Park will serve low income people in need of affordable housing and assisted living services. It is anticipated that the 46 income restricted units will be occupied by

Medicaid eligible residents. Although there is no age restriction we expect that the majority of the units will be occupied by seniors aged of 65 and above.

- **Unit Mix**

<u>Type</u>	<u>30% AMI</u>	<u>40% AMI</u>	<u>60% AMI</u>	<u>Market Rate</u>	<u>Total</u>
Studio	5	5	36	4	50

- **Project Amenities**

Common Amenities

Villa Park Assisted Living is designed as a “house” or “neighborhood” model, with 10 resident units per floor. Each floor will effectively function as a 10-resident “house”, each of which will include:

- Great room, with living space and dining space to accommodate a dining table for 10 residents and staff; the great room will also have small sitting spaces for private conversation
- Full-service kitchen with island for residents to assist in food preparation
- Library and TV room with fireplace and living room furniture

Elsewhere within the building will be:

- A computer/Skype room designed specifically for resident contact with family
- Staff space, storage, laundry, and housekeeping
- Central Kitchen

Exterior Common Amenities

Common amenities located on the exterior of the building will include:

- Fenced landscaped patio, with chairs, tables and barbecue
- Garden area with raised bed planters
- Designated smoking area
- Dog walk
- Landscaped path to Lakewood Creek connecting to the City of Denver Bike Path
- Lakewood Creek Beach, a sandy area on Lakewood Creek, a quiet area for meditation and serenity

- **Unit Amenities**

- Wood /simulated floors

- Blinds
 - Central air-conditioning or individually controlled units
 - 9' ceilings
 - Ceiling fans
 - Locked medicine cabinet
 - Handicapped accessibility
 - Mini-refrigerator and microwave
 - Cable TV connections/phone
 - Roll-in-Shower
 - Furnishings include bed, linens, nightstand, lamp, sofa, and small table and chairs(1)
- **Services**

Because the planned subject property will be a licensed assisted living residence, an extensive package of services will be available to all residents. Services to be included in the monthly meal fees and service fees are:

- 3 meals per day and snacks
 - 24-hours supervision and oversight
 - Medication administration
 - Personal laundry and linens
 - Housecleaning of units and common areas
 - Bathing assistance
 - Activities programming daily
 - Transportation for medically-related appointments (1)
- **Energy Efficiencies**

A LEED certified consultant will be used to assist with this portion of the project to guarantee the building envelope, HVAC system, and lighting will be designed to maximize energy performance through the integration of:

- Increased building-envelope insulation to minimize energy loss
- Specification of Energy-Star rated appliances and energy-efficient heating systems including the use of roof top solar
- High-performing low-E windows
- Compact fluorescent recessed lighting and occupancy sensor switches
- HVAC System: Individual PTAC units chosen for energy efficiency

The development's unit design will utilize water-conserving features, which will translate into direct utility savings for our residents and lower infrastructure cost

associated with storm water management and water treatment facilities for the City of Denver. Water-conserving elements include:

- Toilets – dual-flush toilets and pressure –assisted toilets
- Showerheads – low flow
- Kitchen & bathroom faucets – low flow with aerators

In order to reduce the quantity of indoor contaminants, low-VOC (volatile organic compounds) paints, adhesives and carpet systems will be specified.

- **Sustainability**

The building will be designed and constructed to comply with “Green Communities” criteria. Numerous green materials and features will be incorporated in the project and the units. The location in close proximity to light rail and thus speaks to the sustainability of the project. Other energy efficient features will include:

- Low-E Energy-Star qualified windows and doors
- High “R-Value” insulation for an energy efficient building envelop with high R-value reducing energy usage/cost.
- 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
- Low water landscaping plan
- Energy-Star rated appliances reducing energy usage/costs.
- High efficiency heating and cooling systems reducing energy usage/costs.
- Low E vinyl thermal pane windows.
- Construction waste management.
- Sustainable product selection such as low VOC paint and recycled components in carpets and other products.
- Indoor air quality to meet national healthy homes standards such as low-no formaldehyde products, green label carpets, pad and adhesives, Energy-Star bathroom/ kitchen fans exhausted to outside with a humidistat sensor-preventing mold, radon mitigation, integrated pest management, vapor barrier and foundation drains to prevent water infiltration and mold, carbon monoxide detectors and power-vented combustion equipment.
- Healthy Living in-home maintenance, supplies and repair, property management and finish products will be installed that are durable and easy to clean/maintain. A tenant manual detailing maintenance, operation, cleaning and care will be provided.
- With a no smoking management policy.

- **Project Financing**

First Mortgage	\$ 2,550,000
City of Denver	\$ 100,000
Deferred Developer Fee	\$ 300,825
Tax Credit Equity	<u>\$ 7,057,186</u>
Total	\$10,008,011

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:

- To support rental housing projects serving the lowest income tenants for the longest period of time

Villa Park will serve primarily Medicaid eligible residents whose income may not exceed \$25,564 (46 of the 50 units) and make the maximum commitment of affordability (40 years).

- To support projects in a QCT, the development of which contributes to a concerted community revitalization plan as defined in Section 5.A 4, Primary Selection Criteria

The project is in a QCT and will contribute to community revitalization by providing employment opportunities and job creation of at least 20 new jobs, most of which are health care related.

- To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas

Villa Park is located in the Denver Metro Area. There has not been a reservation of credits for an assisted living project since 1998, in the entire Denver MSA.

- To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit

Villa Park is a joint effort and partnership of an experienced for profit tax credit housing developer and an equally experienced non-profit owner and operator of affordable independent senior and assisted living housing. Eaton Senior Communities, a non-profit, will not only manage the community but will share in the long term ownership of Villa Park.

- 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

This community will provide affordable housing for elderly couples, senior citizens and non-seniors. Designed as an assisted living, it is anticipated that all of the residents will be in need of supportive services. It is expected that the majority of the residents will be 65 or older.

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

Perry Station, which is served by the W light rail line, is located approximately .5 miles to the northeast of the subject site. A bus stop serving route 9 is less than .25 miles from the site. (1)

Because this is an assisted living community the residents will not be allowed to have automobiles. But transportation will be arranged for the residents for all medical care and certain other activities.

- 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

Despite the additional requirements for assisted living the requested credit is no more than would be the case with an independent living development.

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

Projects serving persons with special needs as defined in Section 5.B 5. Villa Park will not be age restricted, but it is anticipated that a significant majority of the residents will be 65 and older

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

- a. **Market conditions:**

The following excerpt from the Market Study documents the strong demand for affordable assisted living in the market area.

1. **There is extremely strong demand in the market area for low-income assisted living units, as demonstrated by our estimate of demand for 500 additional Medicaid units. This is due primarily to the very limited inventory of good-quality facilities that will accept Medicaid residents.**

2. The subject's physical proximity to the three adjacent low-income apartment buildings housing a total of 188 residents (Casa Dorada, Casa de Rosal, and Juanita Nolasco) will most likely make the subject the preferred assisted living choice when/if those residents need assisted living. Many will likely ask to be placed on a priority waitlist when the building begins construction.
3. Eaton Senior Communities (ESC), the expected management entity for the subject, reports a typical waitlist at its nearby assisted living of about 28 potential Medicaid residents and indicates it would be more than happy to have a new option to which to refer prospects in need.

The projected capture rate for 2015 is 9.1% and declines to 8.5% for 2020.

b. Readiness-to-proceed:

With the zoning in place and an experienced development and management team there is no reason to expect that the requirements for Carryover will not be easily met within 8 - 12 months of the reservation of credits. Also there will be no issues with the seller because the site is currently owned by an entity affiliated with the developer.

c. Overall financial feasibility and viability:

The projected development and operating costs and financing assumptions are reasonable and are based on the experience of the developer and the manager. The financial viability of the project is enhanced by the attractiveness of the site and the favorable acquisition price.

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

The developer has a proven track record of successfully completing six tax credit projects in Colorado including the aforementioned Casa Dorada and Casa de Rosal. ESC has owned and managed the Assisted Living at Eaton Senior Communities 66 unit affordable assisted living facility since 1988. Assisted Living at Eaton Senior Communities was a pilot project funded by CHFA and has been recognized for strong fiscal management and most importantly for providing quality services to residents. Other members of the development team including the general contractor (BC Builders), the architect (Wayne D. Anderson), consultant (Daniel G. Morgan & Associates)the attorney (William Cummings) and auditor, Cohn Reznick;all have experience with tax credit projects in Colorado.

e. Cost reasonableness:

The developer and contractor have worked together on several tax credit projects and are confident that the projected construction costs are reasonable. Also the acquisition price per unit is considerably below average for tax credit projects in Colorado.

f. Proximity to existing tax credit developments:

There are two tax credit assisted living developments in the primary market area. The Granville, a 9% project with 113 tax credit units, was completed in 1997. Homestead at Lakewood, a 4% project with 15 tax credit units was completed in 1999. Both of these projects currently 100% occupied and maintain waiting lists.

g. Site suitability:

As indicated in the Market Study the proposed site received the highest rating for project location. As listed in the Market Study the following are positive location factors:

1. There are three low-income senior apartment properties located immediately adjacent to the subject site (Casa Dorada, Casa de Rosal, and Juanita Nolasco) with a total of 188 low-income senior apartments. Residents of those properties will provide a strong source of prospective residents for the planned subject, as many of them will require assisted living services in the future.
2. Finding caregivers, housekeepers, and other staff members can be challenging for assisted living properties. Because the subject site is surrounded by fairly dense low-income residential neighborhoods, and is well served by public transit, including light rail, the subject should have access to a strong labor pool.
3. The proximity of the Lakewood Gulch Trail and Martinez Park are unique local amenities that will provide residents of the subject with an opportunity to enjoy the outdoors near the planned property.

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):

No waivers requested

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

Not applicable, the site is in a QCT

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

Villa Park received the highest marks from the market analyst in all of the listed categories:

- **Market Demand**
- **Project Location**
- **Proposed Unit Mix**
- **Proposed Unit Sizes**
- **Proposed Rents**
- **Overall Marketability – as proposed**

The Market Study states that “We have not identified any significant weaknesses” “. The only change to the project recommended by the market analyst was that “the developer considers a slightly modified design in which one of the houses has an expanded commercial kitchen in which the preparation of entrees and portioning of other foods for the individual house kitchens can be completed more cost effectively”.

Our plan to address this recommendation is to add a commercial kitchen.

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:

There were no issues – “no further action recommended”

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):

As one of the developers of the two nearby senior independent living tax credit projects, and the developer of a the adjacent 4 bedroom family project; Michael Lavery has been involved in the community for over 15 years. The project has been reviewed with the City Council representative, Paul Lopez and Mr. Lavery reports that Council Person Paul Lopez was enthusiastic about the proposed community and “..... thinks this is a great project.... and hopes it will receive some tax credits.”

The developer has also reached out to the Granville and Assisted Living at Eaton Senior Communities, both of which having waiting lists, and believes that Villa Park will support their effort to meet the desperate need for quality new Medicaid based assisted living.

(1) Excerpts from Market Study