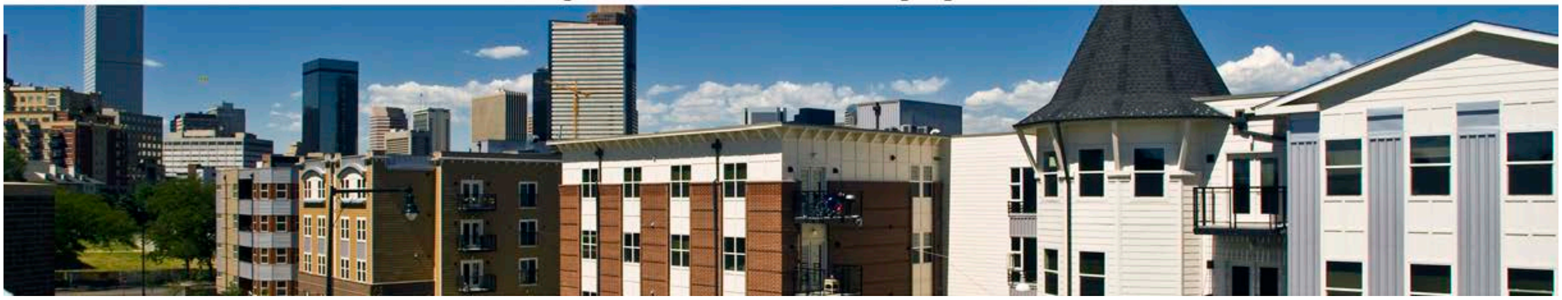
pab lihtc application narrative



Project Name: AHP - Aspen Affordable Housing

Project Address:. 488 Castle Creek Road Aspen, CO 81611

1. **One Pager – see attached**

2. **Describe the bond financing structure and include the following:**

   a. **Total amount of bonds with a breakout of construction period bonds vs. permanent bonds.**

      $6.8 million in construction bonds / $0 in permanent bonds

   b. **Bond issuer (please specify whether you are seeking a CHFA bond-financed loan, a CHFA conduit bond issue only, or bonds from another municipal source).**

      CHFA bond financed loan

   c. **Lender and bond sale structure (public sale/ private placement, takeout, securitization, etc.).**

      Private placement with the construction lender

   d. **Portion of bonds that will be tax-exempt (i.e., will the bonds have a “taxable tail”), if applicable.**

      100% tax exempt

3. **Identify which, if any of the priorities in Section 2 of the Qualified Allocation Plan (QAP):**

- **Projects serving Homeless Persons as defined in Section 5.B 5**

  NA

- **Projects serving persons with special needs as defined in Section 5.B 5**

  NA

- **Projects in Counties with populations of less than 175,000**

  488 Castle Creek Road is located in Aspen, CO which is the county seat of Pitkin County. The population of Pitkin County is 17,787 (2015 census). The population

of Aspen is 6,871 or roughly two thirds of the total population of the Pitkin County. As a community heavily reliant on tourism, the population of Aspen swells to in excess of 20,000 during high seasons. Communities based on a tourism economy are heavily dependent on a workforce that typically earns below the area median income. As a result, an affordable housing stock is a key component to supplying a stable workforce and community. Solutions to this issue are challenging given the high cost of both land and construction in a mountain environment such as Aspen.

The City of Aspen has experienced skyrocketing real estate prices due to extremely high demand for luxury second homes and other such luxury accommodations. Since the 1980's, the aging traditional, eclectic and de-facto workforce housing structures in Aspen, Colorado have been bought up and redeveloped into such large, luxury facilities – which are often used for only a few weeks each year. This process often turns once vitality-filled neighborhoods with loads of year-round residents into lights-out ghost-neighborhoods, and with that, population displacement also typically occurs.

For many years in Aspen, those who worked hard and endured the long winters could find a place to live in the community where they went to work each day. Those days are pretty much gone, and the impacts of continued luxury redevelopment today contribute to increasing traffic and congestion on Colorado's state highway 82 - the only year-round access to Aspen - which causes impacts to wildlife migration and of course increased carbon emissions in a place which is seemingly otherwise a pristine haven in the central Rockies. Reliable housing for local workforce is extremely difficult to find and often causes difficulty for local businesses when hiring new employees. The local newspapers in Aspen often run stories about such challenging circumstances, and it is not uncommon for commuters to have to drive daily from Newcastle or Rifle, CO - distances of 50 and nearly 70 miles each way, and with lengthy traffic delays in and out of Aspen itself.

In 2012, the City of Aspen commissioned a study which concluded that low levels of job growth along with retirement and further gentrification of de-facto workforce housing added up to a workforce housing shortfall of over 650 housing units by 2022. Since 2012, this gap remains 75% unfulfilled.

4. **Identify which, if any, of the guiding principles in Section 2 of the QAP the project meets and how it meets them:**

- **To support rental housing projects serving the lowest income tenants for the longest period of time**
  AHP, through a public / private partnership with the City of Aspen, is endeavoring to address a wide range of income levels that are applicable to the area. This is being accomplished by developing 488 Castle Creek with 100% of its units set aside for 60% or less of AMI for a 30 year period (15 year initial compliance period plus a 15 year extended use period). Within the 60% AMI set aside, Aspen Pitkin County Housing Authority Category 1 (approximately 50% AMI) and low Category 2 (50% - 60% AMI) will be served. Given the cost of living and thus wages paid in Aspen, there is not substantial evidence that formally setting aside housing for less than 50% AMI is warranted.

- **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**
  NA – not in a QCT

- **To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas**
  Awarding Colorado LIHTC's to a project in Aspen addresses this goal by distributing the state credit into a western slope community. If awarded the requested allocation of state credits, it would only be the second competitive award in Pitkin County since 1999. It would also provide an award to a western slope community that is not located on the I-70 corridor which is important in that as one moves further from the interstate, construction costs trend higher adding another barrier to the development of affordable housing.

- **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit**
  Through its public private partnership structure, AHP will include the Aspen Pitkin County Housing Authority as a special limited partner thus creating a blend of for-profit and nonprofit efforts.

- **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**

  While the project is not allocating specific set asides for specific population groups, it will be an ideal development for senior housing given its close proximity to the Aspen Valley Hospital.

- **To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail**
  488 Castle Creek is within 400 feet of both a RFTA bus stop, which operates as a no cost public transportation option to Roaring Fork Valley residents, and a multi modal trail system that runs throughout the City of Aspen as well as provides connectivity to communities down valley.

- **To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing**
  By purchasing the 488 Castle Creek Road site in the open market, the City of Aspen has preserved a site for the development of affordable housing that would undoubtedly have been developed into some form of market rate housing.

- **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**
  The amount of state LIHTC credit that the AHP project is requesting is in line with the historic average per unit award and not based on our cost basis despite the fact that the cost of developing the project is approximately twice that of the average project due to the high cost of construction in Aspen. Additionally, despite the fact that state credit is undersubscribed, we are not requesting additional credits as our project can be funded as proposed in our LOI. We are requesting that our 4% credit request <u>not</u> be limited by the HUD subsidy standard as the HUD per unit costs are not in line with land cost and construction realities of the Aspen market.

- **To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval.**
  The AHP project is the culmination of 3 years of planning by both the City of Aspen affordable housing staff and the private side of AHP to bring housing to Aspen which is located in Pitkin County, a county with a population of 17,787. This process included two extensive public outreach processes that led to a rezoning of a site that would have likely been developed into market rate housing to a very specific Affordable Housing PD designation.

  This effort was led by the private side of AHP which is comprised of SCG Development Partners / Stratford Capital Group which is a national tax credit syndicator and LIHTC developer and Aspen Housing Partners, LLC which is led by Jason Bradshaw, a local developer with a background in affordable housing as well as other types of real estate development.

  The guiding principle in assembling the capital structure is to balance the need for both federal and state LIHTC with the substantial financial contribution of the City of Aspen (~$5.0 million or 43% of the total cost plus a $10.00 per year ground lease on a site that cost the City of Aspen $5.4 million).

  The 488 Castle Creek site is ideal in that it is 400 feet from existing public transportation, a multi-modal trail system that runs through the City of Aspen, adjacent to both market rate and existing deed restricted housing as well as Aspen Valley Hospital.

5. **Describe how the project meets the criteria for approval in Section 2 of the QAP:**
   a. **Market conditions:**
      The City of Aspen and Pitkin County are both in dire need of affordable housing. This is evidenced by the study commission by the City of Aspen that indicates a need for in excess of 650 affordable units in the City of Aspen between 2013 and 2022. This is substantial in that it equates to roughly 10% of the population.

b. **Readiness-to-proceed:**

The AHP project is the culmination of 3 years of planning by both the City of Aspen affordable housing staff and the private side of AHP which has included two extensive public outreach processes that led to a rezoning of the site to a very specific Affordable Housing PD designation. The City of Aspen has approved a budget amount for its anticipated subsidy.

c. **Overall financial feasibility and viability:**

Sources	
Federal Tax Credit Equity	4,643,000
State Tax Credit Equity*	1,412,000
First Mortgage Loan	1,302,000
DOLA Grant	360,000
City of Aspen Contribution	5,862,494
Total	13,579,494
Uses	
Construction Costs	9,288,234
Impact/Tap Fees	500,000
A&E Engineering	495,088
Financing Fees/Costs	300,090
Legal Fees (All)	240,000
Other Third Party/Soft Costs	810,193
Reserves	180,168
Interest Expense	330,080
Developer Fee	1,435,642
Total	13,579,494

- The guiding principle in assembling the capital structure is to balance the need for both federal and state LIHTC with the substantial financial contribution of the City of Aspen.
- . We are requesting that the HUD subsidy limitation not be placed on the 4% credit award due to the high cost of construction and the substantial City of Aspen contribution.
- Every attempt has been made to minimize construction costs including the exploration of modular construction.
- The Aspen Pitkin County Housing Authority will be made a Special Limited Partner which will allow the project to be exempt from ad valorem tax thus allowing for debt proceeds to be maximized.
- The City of Aspen contribution is an approved budget item.

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

The principals of SCG Development Partners, LLC and Colony Development, LLC have developed in excess of 4,000 affordable housing units with total costs of approximately $50 million. Triumph Management is an experienced management company focused on managing affordable projects with 8,456 units under management including 75 properties of which 20 are LIHTC.

e. **Cost reasonableness:**

Construction and land costs are high in Aspen as a result of its remote location and desired resort environment. Every attempt has been made to minimize construction costs including the exploration of modular construction. Additionally, the City of Aspen is providing the site which cost $5.4 million on a long term ground lease basis for $10.00 per year.

f. **Proximity to existing tax credit developments:**
   The project site is adjacent to both market rate and existing deed restricted housing

g. **Site suitability:**
   The 488 Castle Creek site is ideal in that it is 400 yards from existing public transportation, a multi-modal trail system that runs through the City of Aspen, adjacent to both market rate and existing deed restricted housing as well as Aspen Valley Hospital. The site is less than a 15 minute walk to the Aspen Public School District campus and is less than 400 yards from a bus stop to access the Aspen Public School District bus system.

6. **Provide the following information as applicable:**
   h. **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):**
   AHP is not requesting a waiver of any of the underwriting criteria above. We are requesting that the HUD subsidy limitation is not placed on the 4% credit award due to the high cost of construction and the substantial City of Aspen contribution.

7. **Address any issues raised by the market analyst in the market study:**

NONE

8. **Address any issues raised in the environmental report(s) submitted with your application, including how the issues will be mitigated, if applicable:**

The Phase I report for 488 Castle Creek Road does not require and additional actions to be taken to mitigate any environmental issues.

9. **Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:**

Housing development and construction costs in Aspen, CO are among the highest in the state of Colorado. Given that the site is located in a mountain resort community that is somewhat isolated, the project will be affected by high construction costs as a result of both high prices that can be charged by local contractors as a result of a limited supply as well as the premium one would pay to relocate contractors from other less expensive markets within the state. Additionally, the site is severely sloped on two sides. To address the high cost of construction in this market, we have investigated constructing a portion of the project with an offsite modular method. We have attempted to deal with the extensive slope issue be designing a building that utilizes the slope building units where there might normally be retaining walls thus increasing the unit to cost yield of the project.

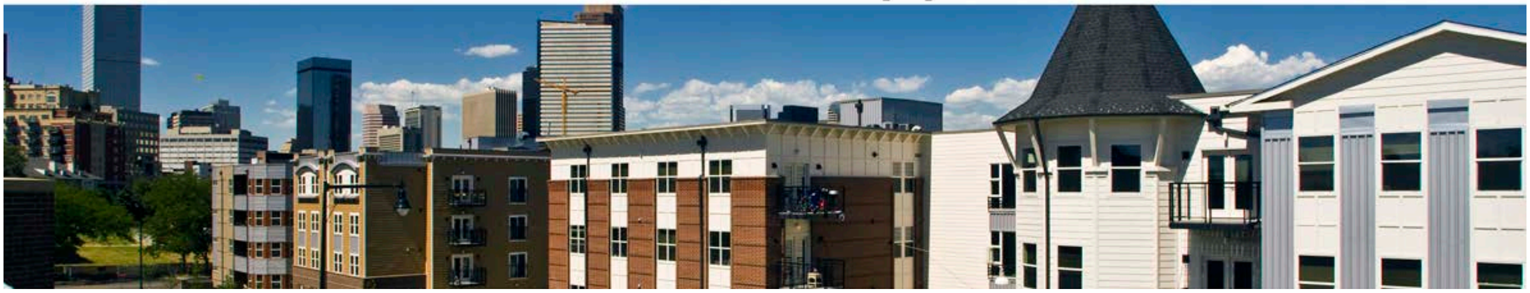
10. **In your own words, describe the outreach to the community that you have done and describe local opposition and/ or support for the project (including financial support):**

As part of the development process, the project has undergone two significant public outreach processes. The first was completed in 2015 by the City of Aspen affordable housing staff to gather feedback from the community as to initial development plans for the site. This process included 4 public meetings as well as 2 City Council Work Sessions (which are open to the public). With that feedback, an RFP was issued to seek a private developer, which is AHP. After being named developer, AHP, in coordination with the City of Aspen affordable housing staff conducted a more in depth public outreach process that lasted 5 months and included 6 public meetings (3 in January 2016 and 3 in March 2016) at which architectural renderings, interior floorplans, zoning considerations, financing alternatives and City of Aspen subsidy requirements were presented to the community. The community outreach meetings were followed by City Council Work Sessions where results were discussed in a public forum. While there was some community opposition that was mainly limited to adjacent property owners, the process mainly indicated community wide support.

11. **For acquisition/rehab or rehab projects, provide a detailed narrative that describes the rehab plan and tenant relocation plan (if applicable); addresses 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).**

NA

9% lihtc application narrative



Project Name: Deanza Vista Redevelopment

Project Address: 10001 Poncha Springs Lane, Poncha Springs, Co 81242

In addition, the narrative should address the following:

1. **One page Executive Summary: Provide a description of the project as proposed; detailed type of construction (including foundation type, framing, roofing, building skin, circulation, stairs, etc.); population being served; bedroom mix; location; amenities; services, if provided; description of energy efficiencies; type of financing; local, state, and federal subsidies; etc. Also, what, if anything has changed since previous application (if applicable).**

   The proposed redevelopment and expansion of Deanza Vista will significantly upgrade the existing 30 affordable units at the site and provide for the development of 6 one bedroom apartments (3 fully accessible) to serve a severe need for residents of Chaffee County. The development will serve families, seniors and persons with disabilities with incomes at 40-60% AMI. The bedroom mix will be 6 one bedroom, one bath (3 fully accessible), 6 two bedroom, one bath (6 fully accessible) 18 two bedroom, one and one half bath, and 6 three bedroom, one and one half bath. The development is located at the junction of US Highway 50 West and US Highway 285 in Chaffee County giving the development excellent access to employment opportunities located throughout Chaffee County. The development is located 5 miles west of Salida, but many of the major employers of the area are located between Deanza Vista and Salida along US Highway 50 including Walmart, most of the areas hotels, service stations, food services and financial institutions. Monach Ski area is located sixteen miles to the west and Deanza Vista is the closest affordable housing provider to that employer.

   The existing structures are frame construction with stucco/aluminum siding with a monolithic slab on grade foundation. The existing roof is a 15 year old asphalt shingled roof scheduled for replacement as part of this project. The new roof will be a 50 year asphalt shingle roof. Exterior entrance doors and sliding glass doors will be replaced with new energy efficient doors. Attic will have spray foam insulation added to underside of roof to improve energy efficiency. Heating, evaporative coolers, plumbing, hot water systems and electrical systems will be upgraded with high efficiency systems. All appliances (stove, refrigerator and dishwashers) will be replaced with energy star appliances. New structure will have design and improvements to match that of existing structures. All units have walk up exterior access with exception of 3 new one bedroom units located on the second floor of new building. Those units will be served by exterior stairs. Landscape and irrigation systems will be upgraded to a more water efficient design to help in preserving the Towns limited water supply. Interior improvements will include replacement of floors, cabinets, doors and window coverings to improve the aesthetics of the property to insure long term market viability.

Long term financing is being requested from CHFA at a rate 4.75% with a 30 year term. The Town of Poncha Springs is waiving a portion of the water tap fee and Chaffee County is waiving a portion of building permits fees and UAACOG will assist with marketing during the proejects first year of operation in an effort to assist in the development of affordable housing. The developer will waive the maximum allowed amount based on project underwriting of its development fee and is providing substantial developer equity.

2. **Identify which, if any of the priorities in Section 2 of the Qualified Allocation Plan (QAP):**
    - **Projects in Counties with populations of less than 175,000**

Chaffee County has a population 18,658

3. Identify which, if any, of the guiding principles in Section 2 of the QAP the project meets and how it meets them:

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

- Deanza Vista Redevelopment Is located in Poncha Springs, a small community outside Salida in Chaffee County. The project is an expansion of an existing LIHTC development providing 6 new one bedroom units (3 of which are fully accessible) and the renovation of 6 two bedroom (all fully accessible), 18 two bedroom, bath and one half and 6 three bedroom bath and one half units. All units proposed within the development meet an urgent need for affordable housing in a small rural community.

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

  Sleeping Indian LLC is a small development company that has developed 13 small LIHTC developments in small rural communities with project size as small as 8 units and the largest at 45 units. These developments have been in markets that traditional LIHTC developers have not been willing to serve due to size and location.

- **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**

  Deanza Vista Redevelopment will serve families, seniors and persons with disabilities. We currently have 5 individuals /families that participate in the Housing Choice Voucher program. Currently, we have 5 occupants with disabilities, 5 seniors and 20 families with incomes at 30-60% of area median income.

- **To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing**

  Deanza Vista is a development that has completed its initial 15 year compliance period and is in need of renovation. Replacement of major systems like the roof, heating, plumbing, hot water, cabinets and flooring will insure that the property remains a quality affordable housing option. The development has played a major role in the provision of affordable housing in Chaffee County and the addition of the 6 new one bedroom accessible units will meet the needs of an unserved population in the County.

- **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**

  The developer has maximize all sources of financing for the project including deferring the maximum amount of developer fee underwriting allows, a significant amount of local contribution, maximized debt based on project underwriting and major investment of developer equity to minimize use of LIHTC's.

- **To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval.**

  The proposed redevelopment of Deanza Vista is requesting a modest allocation to allow for the expansion of housing opportunities in Chaffee County while preserving and improving the quality of housing conditions for the developments existing residents. By expanding the available units on the existing Deanza Vista site you are minimizing the use of credits by taking advantage of existing land and improvements at the existing development. There is no need to pay costs associated with new infrastructure and club house. This frees up LIHTC's for allocation to other projects throughout the state.

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

   a. **Market conditions:**

      The market study indicated a 1.4% vacancy rate in the PMA with only three vacancies total, indicating there is a notable demand for rental housing in general, and most units in the pipeline are for sale units. The subject's in-unit features, project amenities and condition exceed or conform to the market standard and will enable the project to remain competitive over the long term. The project will have no difficulty attaining its required market share based on these factors, the project is currently 100% occupied with wait list. Surveyed LIHTC developments in the area also were 100% occupied with wait list, indicating the PMA's need for newer multi-family housing affordable housing.

The property will not have a lease up period in that all current residents are qualified to remain. Should units need to be released the study indicates a lease-up rate of 10 units per month and a total lease up in 4 months, without concessions. Once occupancy is stabilized the development should remain 95% occupied with projected rent increases of 2% per year. While the development proposed rents are at the maximum per AMI level the property rents are 20-53% below surveyed class B market rate apartment rents.

b. Readiness-to-proceed:

The developer could begin construction shortly after award of the credits. We enjoy an existing long term relationship with our construction lender and equity investor. Renovation could begin on the existing units upon issuance of a building permit. Existing plans will make it possible to begin renovation immediately after partnership and construction loan closing. We have firm bids from area vendors for major systems renovation i.e. roof replacement, floor coverings, cabinets, sliding door replacement, plumbing , heating and evaporative cooler replacement. New construction plans and bid package can be initiated after award of credits and project placed out to bid within 90 days of credit award. Zoning is in place for new construction and Town of Poncha Springs states that the review process for new construction would be approximately 30 days.

c. Overall financial feasibility and viability:

Deanza Vista has been in operation for 15 years and has met the financial obligations of the project without issue. The new proposal is underwritten in the same manor as the original project with a 1.2 Debt Coverage Ration and PUPA expenses based on historical operating history. While the project debt service will increase, those costs will be absorbed by rent generated through the development of the new one bedroom units. The projects projected rents do not reflect the residents who have Housing Choice Vouchers that create additional project revenues. Overall the project is conservatively underwritten and with upgrades will remain financially viable well into the future.

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

Sleeping Indian LLC has designed/developed/managed 13 LIHTC developments in rural Colorado. The development team, developer, lender, investor, architect, attorney and CPA have participated and worked together on multiple projects. All developments were completed on time and on budget. Seven of the projects have completed their 15 year compliance period. There have been no compliance findings or other negative issues on the projects.

e. **Cost reasonableness:**

Development costs and requested tax credit allocation are all well within CHFA cost and credit allocation ranges. The requested amount of credits is modest in comparison with recently awarded projects.

f. **Proximity to existing tax credit developments**:

Deanza Vista is located in Poncha Springs which is 5 miles outside Salida and is the only LIHTC development in town. River Bend is a 30 development between Poncha Springs and Salida. Both projects are and have been fully occupied with wait lists. There is a 50 unit LIHTC development being constructed in Buena Vista 30 miles to the north of Poncha Springs. None of the projects provides one bedroom units. Failure to upgrade Deanza Vista will put it at a competitive disadvantage to the new project being built in Buena Vista and could result in low income families having to commute from Buena Vista for employment opportunities located in Poncha Springs and Salida.

g. **Site suitability:**

Deanza Vista is located in Poncha Springs just west of Salida on a 3.7 acre site that has provided affordable housing to the community for the last 15 years. It is in close proximity to services like shopping, post office and other government services. It is within close commute (5 miles), to Salida the employment hub of the County and has served as work force housing since construction. The development has maintained near 100% occupancy since its opening. The site has ample green space and parking and is located in an established residential area. The majority of the residents have lived there for 5+ years with seven of the residents living there for 10+ years.

5. **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):**

      NA

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

      NA

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

   The only issues raised in the market study were the project location and walk score. However, Prior and associates felt that due to current market conditions in Chaffee County and the fact that the existing 30 units are fully occupied with a wait list that the project would have little difficulty meeting projected rents and maintaining a high level of occupancy. The walk score is a reflection of a small rural community. The site does have access to essential services i.e. government services, post office, convenience store. Major shopping, schools and employment will have to be accessed by car, however, due to its central location the development is well positioned to continue its role in housing for the areas work force, seniors and persons with disabilities.

7. Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:

No issues were raised other than the area having a high incidence of radon gas. The existing project was developed prior to current standards and the renovation will include a radon emission system for the new units as well as the existing homes.

8. Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:

   The development budget for the proposed project was developed by HGF Architects with a goal of developing the 7 new one bedroom units and rehabilitation of the existing 30 units in the most cost effective manner possible while at the same time delivering a quality product for our residents that will assure their wellbeing and allow us to have a product that is competitive in the Chaffee County market place. Costs for the new development are based on current costs conditions based on an architects opinion of value. We used some of that expertise to develop the budget on the renovation as well, but major systems budgets, i.e. roof replacement, floor coverings, cabinets, plumbing, heating and evaporative cooler replacements are based on hard bids from area vendors.

9. 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):

   Sleeping Indian LLC, as managing general partner of Deanza Vista Apartments has played a significant role in providing affordable housing in Chaffee County for the past 15 years. We have an established relationship with the Town of Poncha Springs, Chaffee County, Chaffee County Department of Social Services and the Upper Arkansas Area Council of Goverments (administrator of Housing Choice Voucher Program), Salvation Army (provider of emergency rental assistance payment program) and various non-profits and religious organizations that serve the affordable housing community. In addition, to reaching out to these organizations and Deanza Vista residents, we conducted a public hearing to obtain input on what we could do in our project to assist in a significant shortage of affordable housing opportunities in Chaffee County. We have received financial assistance in the form of water tap fee reductions, building permit fee reductions and technical support in our efforts to redesign our landscape so that it is more water efficient.

10. 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).

    HGF Architects conducted a survey of Deanza Vista and recommended that the property undertake extensive renovation to insure the long term viability of the development and to maintain the properties position in the market place. Their recommendations included roof front entrance door and sliding glass door replacement, upgrades to inefficient heat, plumbing, hot water heating and electrical systems to more energy efficient system. They also recommended replacements of interior doors, floors and cabinetry to modernize units to meet current market conditions. The develop will be coordinating with the Town of Poncha Springs to upgrade the existing landscaping aesthetically and significantly improve the irrigation systems water efficiency. Deanza Vista is the Towns largest water user and improving our irrigation system will assist in reducing the demand on the community's limited water supply.

    Deanza Vista has replaced back flow preventers in our irrigation system, replaced carpet in two units and replaced damaged concrete flatwork and trees over the past two years. Total cost was approximately $ 25,000 and was paid from project cash flow. The developments replacement reserve has been maintained and will be used in the financing of the proposed redevelopment.

    The proposed renovation is due to age and obsolescence that needs to be addressed to maintain the properties place in the market place. There are no safety issues in that we maintain the property so that it meets the needs of our residents. The only design flaw is within the landscape and irrigation systems. While the project was developed according to the standards set forth by the community at the time of the development, it became clear very quickly that the Town did not have the water resources to maintain the expansive lawns on the property given the soil conditions of the area.

Relocation will be limited in that we will vacate through attrition enough units to allow for renovation of 2 to 5 units and then rotating residents as units are completed. We employed this technique on the redevelopment of Villa Andrea and North Park I and II without major issues. Developer will assist residents with temporary relocation. While the upgrades are significant they are not time consuming in that they are replacement of existing components that can be installed quickly.

CMPR has conducted the necessary research on the ten year rule and have opined that the project is eligible for acquisition credits. Opinion was included in application.

The development received an allocation of LIHTC's when initially developed. There were no other state or federal funds involved in the development.

Sleeping Indian LLC will serve as developer, general partner, design builder and property manager as they have on previous LIHTC developments completed in Colorado. Bank of the San Juans (previously Canon National Bank) will provide construction lending, Alliant Capital will serve as equity investor and Limited Partner. HGF Architects will assist with project design, cost estimating and construction oversight, CMPR will provide legal and CTH will complete cost certifications and annual audit and tax returns. This team has been in place on previously completed LIHTC developments.

You may also provide additional documentation that supports your narrative by attaching it to the narrative and uploading it to ProCorem. Each supporting document should briefly describe what is contained in the attachment.

Example 1: Additional documentation to support the Market Conditions Criteria could be labeled to as follows: *Attachment Market Conditions* or *Market Conditions.pdf*, etc.

Example 2: Soft funds documentation to support that amount of soft funds listed in the Application can be secured could be labeled as follows: *Attachment Overall Financial Feasibility and Viability* or *Overall Financial Feasibility and Viability.pdf*, etc.

Project Name: **DMA Plaza**
Project Address: **300 Remington St., Fort Collins, CO 80524**

Executive Summary

Project Description: DMA Plaza Apartments is an existing 11-story, 126-unit apartment building that was built in 1973/1974 by the Fort Collins Downtown Merchants' Association (DMA) to provide affordable housing for the merchants' employees when they retired. DMA Apartments has successfully managed the property as a HUD 236 for 40 years. DMA proposes to do a major renovation of the property, but does not intend to increase rent for the very low income current and future residents

Type of Construction: Poured concrete foundation and slab on grade; reinforced concrete and steel composite frame; poured in place structural reinforced 6" concrete slab for each floor; curtain wall exterior, with non bearing panels containing asbestos and very low R value; roof is membrane type. All common and living spaces are fire sprinkled; building is served by 2 elevators; Concrete stairways at each end of building.

Population Served: The project will serve seniors ages 62 and over.

Location: Fort Collins Downtown

Amenities: Energy Star appliances, AC, Community Room, fitness room, wireless internet, & outdoor gardens

Services: DMA Plaza Apartments has hired a social/service coordinator to coordinate activities and assist residents to access a full range of community service

Description of energy efficiencies: energy-conserving appliances, new large operable (low heat gain) windows, drapes and blinds, replacement of exterior building system with a more insulating product, new baseboard heaters and controls in the bedrooms, water conserving fixtures, new HVAC to the units

Type of financing: 4% federal and state tax credit equity, PAB construction loan, CHFA Permanent loan, City of Fort Collins and Colorado Division of Housing Grants and applicant contribution of the $10,250,000 value of land and building

Changes since previous application: Construction Cost increase of about 1.5% and scope of renovation is unchanged.

Bond Financing Structure

a. Construction Period Bonds = $16,500,000
   Permanent Period Bonds = $2,800,000
b. We are seeking a CHFA conduit bond issue.
c. Private placement through ANB Bank.
d. 100% of the bonds will be tax exempt with no taxable tail. The bond need is sized at 55% of Aggregate Basis.

Project Description

DMA Plaza Apartments is an existing 11-story, 126-units, rectangular apartment building that was built in 1973/1974 by the Fort Collins Downtown Merchants' Association (DMA) to provide affordable housing for the merchants' employees when they retired. DMA Apartments has successfully managed the property as a HUD 236 for 40 years.

Currently, DMA Plaza includes 83 studio units, 42 1-BR units, and one 2-BR unit. Sixty-five parking spaces serve DMA Plaza Apartment residents, visitors and staff. The total gross building area is 71,455 square feet, of which approximately 16,785 gross square feet is in combined resident support/circulation/office/mechanical areas throughout the building and 54,670 square feet is in residential units. There are two main accessible entrances at the east and west sides of the building and two additional emergency exits at the north and south sides of the building. Two elevators serve all 11 stories. Typical 1-BR units (42 units) are approximately 484 square feet each, 11 of which are accessible. Typical studio units (83 units) are approximately 418 square feet each. The common space, located on the ground floor, includes a community room and a laundry room.

The HUD 236 loan was paid off in 2014 and the property is free and clear of debt and any restrictions. The Board of Directors desires to keep this project as a low-income property if the needed funding can be secured.

Renovation Construction

The renovation is going to be costly because of the need to abate asbestos in the exterior walls, the interior dry walls, and popcorn ceilings. That means the construction must include new exterior walls and completely gutting the interior. The positive side is that because of the concrete and steel structure, this renovation will allow this property to be in service for another 50 years and, with needed funding, the Board will dedicate this property as low income seniors in perpetuity.

The scope of the rehabilitation will include every apartment and will expand some of the common area. Every apartment will receive an upgraded kitchen with energy-conserving appliances and granite countertops, new doors, new flooring, new large operable (low heat gain) windows, drapes and blinds, replacement of exterior building system with more insulated product, new baseboard heaters and controls in the bedrooms, water-conserving fixtures, new HVAC to the units (which will now deliver cooled air), and updated bathrooms with roll-in showers. The two-bedroom unit on the first floor will be converted to expand the resident laundry space and provide a new multifunction room with an accessible restroom for visiting clinics, conference use and other resident uses. A first-floor studio unit will be converted to a fitness room for resident use. The HVAC, electrical service and fire suppression systems will be substantially upgraded to improve safety and quality of life. There will be significant asbestos abatement (in the floors, the walls, and ceiling tiles) as well. Once the rehabilitation is completed, there will be 124 residential apartments. One two-bedroom unit and one studio will be converted to expand common area on the ground floor. One of the other studio unit on the ground floor will be converted to a one bedroom unit.

Population Being Served

The AMI Mix described below includes 54 units at 30% and 40% AMI, 44% of the total 124 units. In addition, the 42 60% AMI units are all tenant based Section 8 units that are occupied almost entirely by residents at or below 40% AMI. With the Section 8 units included the project would serve 96 households at or below 40% AMI. This is consistent with the current unit mix which includes 77 units serving residents at 30% AMI and 16 units with residents at 40% AMI keeping in mind that twenty units are being held vacant in anticipation of the renovation. To our knowledge the non-assisted units would be the most affordable tax credit units in Colorado.

Location

The DMA Plaza is located within the center of Fort Collins Old Town, providing easy access to many amenities for its residents. Within one block of the property are a Safeway (with pharmacy) and Wells Fargo Bank, small businesses to the north, and a great variety of dining establishments, bars, and services along S. College Ave. Old Town Square, a few blocks north of DMA Plaza, also features multiple shopping venues and restaurants Other major shopping in Fort Collins is located in the southern section of Fort Collins, accessed by bus Route 18, with a stop at the north end of the property. Colorado State University (CSU) is located roughly one mile southwest of the subject and is accessible by the MAX line which has stops two blocks away from the property. The University offers those over the age of 50 the opportunity to audit classes to learn more about a broad range of topics, including history, the great outdoors, environmental issues, science, health, and much more. No prerequisites or degrees are required, and online classes are offered. Library Park, two blocks northeast of DMA Plaza, offers space for recreational activities and social gatherings. At the center of this park, the Poudre River Public Library offers more than check-out items with educational and entertaining activities scheduled throughout the week. The Fort Collins Museum of Art, located two blocks northwest of the subject, offers a unique series of art exhibitions, community events, publications, and educational events. The Lincoln Center for Performing Arts is located on S. Meldrum St., less than half a mile away and offers diverse performances in theatre, dance, visual arts, and children's programming.

Unit and Exterior Common Amenities

The "Before and After Renovation" chart in the Market Study describes significant improvements to the unit and common area amenities including kitchens, bathrooms, exterior wall, HVAC, flooring, community, laundry, and fitness rooms and the seating area at the north end of the property and the xeriscaped gardens around the building

Services
DMA Plaza Apartments has hired a social/service coordinator to coordinate activities and assist residents to access a full range of community service

Energy Efficiencies
The scope of the rehabilitation will include every apartment and will expand some of the common area. Every apartment will receive an upgraded kitchen with energy-conserving appliances and granite countertops, new doors, new flooring, new large operable (low heat gain) windows, drapes and blinds, replacement of exterior building system with a more insulating product, new baseboard heaters and controls in the bedrooms, water conserving fixtures, new HVAC to the units (which will now deliver cooled air), and updated bathrooms with roll-in showers. The HVAC, electrical service and fire suppression systems will be substantially upgraded to improve safety and energy efficiency

Financing
The extensively renovated DMA Plaza Apartments will be owned by a yet-to-be formed LLLP with DMA Plaza, Inc. or a related entity as general partner. The renovation and permanent debt financing tax exempt mortgage bonds. We anticipate that the limited partner will purchase both the state and federal tax credits.

Local State and Federal Support
It is anticipated that financial support will be received from the City of Fort Collins and the Colorado Division of Housing. The project expects to continue to serve a significant number of residents with tenant based Section 8 vouchers. The Fort Collins Housing Authority may participate as a special limited partner.

Guiding Principles
To support rental housing projects serving the lowest income tenants for the longest period of time
As stated above to our knowledge the non-assisted units would be the most affordable tax credit units in Colorado DMA Plaza has been serving low income for 43 years and as part of this application is making a formal commitment to maintain affordability for the maximum period of 40 years. The mission of the sponsor is to maintain the affordability forever.

To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit
DMA Plaza, Inc has successfully managed a very affordable senior housing project for 44 years. The project is strongly supported by the Fort Collins Community. DMA Plaza Inc. is the type of sponsor that would greatly benefit from the tax credit program in order to accomplish the severely needed renovation of the property so that it can continue to be a valuable resource for the community.

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
DMA Plaza provides affordable housing for seniors.

To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail
The SITE IS accessed by bus Route 18, with a stop at the north end of the property and by the MAX line which has stops two blocks away from the property.

To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing
The property has a critical need for renovation and although there are no plans to convert to market there are no existing restrictions that would prevent it.

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
The 4% federal and state credits are essential to make this project feasible even with even with the contribution by the sponsor of the existing property that is valued at more than $10,000,000.

Identify which housing priority in Section 2 of the QAP the project qualifies for:
Although not directly affected by the flooding the project is in Larimer County which was impacted by a natural disaster.

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

a. **Market conditions:**
   Senior affordable housing is in great demand in the Fort Collins area and numbers are not meeting that demand. The City of Fort Collins Affordable Housing Strategic Plan reports that, in Colorado, there are only 25 available units available per 100 households earning less than 30 percent AMI. One of the five strategies established in the Strategic Plan is to preserve the long-term affordability and physical condition of the existing stock of affordable housing.

   According to the Highland Group's report Need and Opportunities in Housing and Care: Next 25 Years, a significant unmet demand for more age-qualified affordable rentals exists. The demand for age-qualified, affordable rentals is reflected in the amount of cost-burdened seniors in Fort Collins. HUD's Comprehensive Housing Affordability Strategy (CHAS) data reports that there are approximately 2,474 cost-burdened elderly households earning less than 80% AMI. These numbers will grow and, the City's Strategic Plan reports, Larimer

County will see a large growth in its senior population over the next 15 years, doubling 2030.
Most importantly the property has been at near 100% occupancy with a waiting list since completion more than 40 years ago. Given the highly desirable location and the planned substantial physical improvements there is no reason not to expect this to continue.

b. **Readiness-to-proceed:**
The schematic plans are completed and the contractor has done an in-depth analysis of construction cost. Zoning is in place. A sufficient number of units are being vacated so that internal temporary relocation renovation could be accomplished and renovation could start shortly after approval of the tax credits.

c. **Overall financial feasibility and viability:**
Project is feasible based on realistic estimates of rents, expenses, development costs and financing

d. **Experience and track record of the development and management team:**
Mike Sollenberger, the President of the Board of Directors of DMA Plaza, Inc. and an experienced developer of affordable housing, will lead a very experienced development team. As evidenced by the attached resumes the architect, contractor, attorney and financial consultant have relevant experience in the design, construction and financing of renovation projects.

e. **Cost reasonableness:**
The land and building are in effect being contributed. The projected total development cost per unit net of the value of the existing land and building is $170,800 which is a reasonable cost for a project that should easily last fifty years and provide very affordable housing for seniors during that time.

f. **Proximity to existing tax credit developments:**
One other senior project in PMA: Oakridge Crossing, a planned, 110-unit, senior tax credit-funded apartment property, located approximately 4.5 miles south of the subject in southeastern Fort Collins.

g. **Site suitability:**
The Market Analyst gave the highest rating for the Project Location; See the Location Section above

h. **Provide the following information as applicable:**
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 initial debt coverage ratio is slightly higher than 1.30 in order to maintain adequate coverage throughout the 15-year compliance period. The PUPA is below the CHFA minimum and is based on historical operations.

2. **Address any issues raised by the market analyst in the market study submitted with your application:**
   The Market Analyst sees very strong demand for the very affordable units at DMA Plaza and notes that the project is an irreplaceable asset “in the heart of downtown Fort Collins, could not be replaced given current zoning restrictions and construction costs”.

3. **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 none.

4. **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 City of Fort Collins has supported DMA Plaza since it was completed including the possibility of funding for the renovation. The original sponsor, the Downtown Merchants Association, is itself a community / neighborhood organization**.**

5. **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).**

   Rehab plan
   The planned renovation has been described above. Although not required for the Preliminary Application for acquisition/rehab projects architectural schematics have been prepared that present in more detail the renovation plans (Item 14).

   Relocation plan
   There will be no permanent relocation. We will accomplish the renovation process two floors at a time. Vacancies have not been filled, and we are nearly at the needed twenty-four vacancies through natural tenant attrition. When the renovation begins, all remaining tenants on the top two floors, ten and eleven, will be moved to vacant units on lower floors, at no cost to the tenants, and with assistance provided. Once the top two floors are completed, they will be fully furnished as guest suites, complete with furniture, linens and kitchenware. Tenants from the next two floors, eight and nine, and so on will then have their belongings packed and moved to a secure local storage facility, insure and bonded, with assistance in the packing process.

A 10 year opinion is provided; the only significant capital expenditures over the last two years is for the elevator improvements now in progress

Project Name: Emerson Street Apartments

Project Address: 1358 Emerson Street Denver CO 80218

Executive Summary: The Emerson Apartments, located at 14th Avenue and Emerson Street, will provide exceptional homes for twenty low income families in Denver. The site is in the Capitol Hill neighborhood of Central Denver, a half mile from the central business, shopping, and social districts that provide all major and minor services and employment opportunities. Directly across the street is Morey Middle School. Besides providing educational and athletic programs, the school promotes after-school and recreational classes for children and adults.

The site is comprised of three lots with access to all utilities and an alley. The current building sits on one and one-half of the lots and contains twelve two-bedroom units. The building is structurally unsound. Soils tests, an engineering study, and a general contractor statement conclude that the building needs to be demolished. A “Certificate of Non-Historic Status” was obtained July 31, 2016. An architect was procured, his plans are “logged in” and construction can start immediately following LLLP closing.

The new Emerson Apartments will consist of twenty rental units (two one-bedroom, twelve two-bedroom, and six three-bedroom) in an accessible five-story building that covers the entire three lots. There will be two offices, a community room with kitchen, secure parking, and unit and building amenities appropriate for family housing.

Project-based vouchers have been utilized for the Emerson tenants through a Mod-Rehab Section 8 contract since 1996. The subsidy allows very low-income households to live at the Emerson. To replace the Section 8 subsidy, an application for RAD2 Project-Based Rental Assistance was submitted to HUD. The PBRA was approved for this project, ensuring that twelve of the twenty apartments, the two-bedroom, two-bath units, will remain affordable to very and extremely low-income families. The one- and three-bedroom units will be unsubsidized and set aside for households with incomes below 60% of AMI.

The neighborhood of the proposed Emerson Apartments is considered “Middle Income,” an upward shift since the last census. In mutual support of the housing priorities of the City of Denver and CHFA, the Del Norte Board of Directors, through the development of the Emerson Apartments, is seeking to both preserve (especially in gentrifying areas) affordable housing as well as create affordable housing for low income families.

Bond Financing Structure

a. Construction Period Bonds = $4,500,000
   Permanent Period Bonds = $2,610,000
b. We are seeking a CHFA conduit bond issue.
c. Private placement through ANB Bank.
d. 100% of the bonds will be tax exempt with no taxable tail. The bond need is sized at 56% of Aggregate Basis.

Guiding Principles

- Serve the lowest income tenants for the longest time:

  Del Norte has a successful history of serving the lowest income tenants at the Emerson Apartments by using Project-based vouchers through a Mod-Rehab Section 8 contract since 1996. A HAP contract is renewed yearly for the twelve two-bedroom units and it is administered by CHFA. It has been our experience at the Emerson, and portfolio-wide, that households using Section 8 vouchers have very low incomes, typically at 30% AMI.

  An application to transfer the Section 8 subsidy to RAD2 Project-Based Rental Assistance was submitted and approved by HUD in January 2018. RAD2 will allow 30% and 40% AMI tenants to continue to live at the Emerson. The subsidy on the twelve two-bedroom units will transfer once the new property is built. RAD2 uses contracts that are written for twenty years and are not subject to annual renewal through Congressional Budget Appropriation. The remaining eight units of the newly built, twenty-unit property will be home to households below 60% AMI.

- Distribute housing credits across the state, including larger urban areas:
  The Emerson Apartments is in the most populated neighborhood - Capitol Hill - of the most populated city - Denver - in the State. The location of the Emerson is the best amenity the development offers. For those families desiring the most an urban environment offers, the Emerson will provide those opportunities.

- Make opportunities to qualified nonprofit sponsors of affordable housing:
  Del Norte Neighborhood Development Corporation has been an approved 501(c)3 Colorado nonprofit since 1978. Del Norte will be the General Partner in the Emerson Apartments LLLP, and will manage all aspects of the redevelopment and operation of the Emerson Apartments.

  Del Norte's mission is to create and preserve housing and other opportunities for underserved households, including those that are low and moderate income, Spanish-speaking, and those with special needs. The redevelopment and re-syndication of the Emerson Apartments, which will result in the preservation of twelve and the addition of eight homes, aligns with the organization's mission.

  Del Norte is recognized by the City and the State as a Community Housing Development Organization (CHDO). As such, developer fees are used to support community programs. These include: homeownership counseling, closing cost and down payment assistance, foreclosure prevention and mitigation, single family and multifamily rehabilitation, housing development, and community preservation.

- Assist a diversity of populations, including families:
  After studies and tests - partially funded by the Enterprise Foundation - concluded that the current building needed to be razed, Del Norte began the redevelopment opportunity as is always has: getting input from the community and its leadership. At a meeting held on September 16, 2016 with the Capitol Hill United Neighborhoods (CHUN), Marvin Kelly, Del Norte Executive Director, received the following recommendations: a small project, family housing, no studios, limited one-bedrooms with as many three-bedroom units as possible. The group was unanimous, 23 – 0, in support of this plan.

  This meeting with neighbors guided us to develop a property that truly provides for families by including six three-bedroom units. Each unit features full kitchens with pantries, EnergyStar appliances, including dishwashers and microwaves, dining areas, coat and storage closets. There are several family friendly amenities on site, including a large laundry room, a community room, and a secure bike/stroller area. There will also be a large rooftop deck for entertaining, barbeques, and a place to garden.

  The family-friendly environment includes reducing asthma inducing allergens by utilizing cleanable hard surfaces everywhere. There is no carpet in the building, only plank style flooring. Air conditioning units, kitchen and baths with vents to the outside, cleanable window treatments, use of low and no VOC glues, compounds, and materials, and a no smoking policy are included in the design and management of the Apartments.

The proximity to Morey Middle School, across the street, provides support to families beyond normal educational and athletic courses. Morey provides after school educational and fitness classes including English as a Second Language, Spanish, Zumba, yoga, and allows the community to swim in its pool. Morey provides classes such as knitting and art, as well. The school provides a free lunch for children and at reduced cost for adults during the summer. Tenants at the Emerson will qualify for these services.

- Promote opportunities within a half-mile of public transportation:

  The location of the Emerson Apartments provides multiple access points to transit for its residents:

  - Colfax has several busses that travel on it; it is the busiest RTD route. A stop one block away can get travelers on the 15, 15L, 16, and 16L every fifteen minutes allowing travel from past Tower Road in Aurora, through Union Station, to the Federal Center.
  - Bus 12 stops one block away, traveling every fifteen minutes from Englewood to Northglenn.
  - The 10 is bus with a stop two blocks away with departures every fifteen minutes traveling from Airport Road in Aurora, to the Federal Center.

- Support new construction or acq/rehab at risk of converting to market rate housing:

  While the Emerson will be new construction, it will also be a preservation project. Del Norte will be preserving affordability by retaining the current income targeting through a LIHTC LURA and the RAD2 program.

  According to Geocode, the census tract of the Emerson Apartments is "Middle Income." This newly HUD-defined group of households has incomes of 100 – 120% AMI, higher than "Moderate Income." Building affordable housing in areas that are not low income, nor moderate income, avoids concentration of poverty, promotes racial and economic equity, and allows for housing choice in an area of high opportunity.

  The choice site, with proximity to downtown and tremendous access to assets and opportunity, is quickly becoming gentrified. Affordable housing is lacking, and according to the Market Study, there are no new affordable developments in the pipeline.

- Reserve only the amount of credit that CHFA determines to be necessary:

  We are requesting an award large enough to fill the gap after computing what the City and the State may provide, the cost of buying the land with no profit, obtaining competitively bid construction prices, and deferring about half of the developer fee. The credit request per low income unit is similar to what we have requested in previous years of working with CHFA.

Criteria for Approval

- Market Conditions:

The demand for affordable housing in Denver is at a well discussed, well documented critical level. The vacancy rate in the PMA has been below 3% for years, and it is not much higher in the rest of the city. According to the Market Study, the capture rate of the proposed Apartments is 7%. The proposed rents of the units is considered reasonable and achievable in the PMA.

- Readiness-to-proceed:

  The Emerson Apartments are ready to be built and occupied. Del Norte owns the site which has the proper zoning for the construction plans. A "Certificate of Non-Historic Designation" has been received will allow for demolition. The Phase 1 has determined no environmental remediation is needed. Soils tests have concluded. The Architect and General Contractor have been procured. Along with engineer input, including a Green Charrette hosted by Group 14, the architects have produced 100% construction drawings. The General Contractor has included all costs in the estimate required of all engineers. The drawings have been accepted and have been "logged in" to the City of Denver. We will be ready to start construction immediately after Partnership closing.

  Besides being shovel ready, there are other aspects of this development that have been completed:

  - The tenants who reside at the Emerson were given a bi-lingual General Information Notice, to begin the relocation process. Del Norte, Silva-Markham Partners (management company), and the tenants are educated to their respective rights and roles under the Universal Relocation Act.

  - We met with HUD and CHFA staff to begin the transfer of the Mod-Rehab Section 8 subsidy to RAD2. The RAD2 application was submitted and accepted for PBRA for up to twelve units. A contract will be written as soon as the Rent Comparability Study is completed and accepted, which should be about February 15, 2018.

  - The application to Denver Housing Authority to become the Class B Limited Partner was submitted. It will be considered after an award of LIHTC is made.

  - We received early, solid commitments from equity providers and construction lenders that we have partnered with successfully in the recent past.

- Overall financial feasibility and viability:

  The projected operating expenses are achievable, the budget includes all required reserves, the DCR is within limits, and the 7% vacancy rate is conservative, as twelve of the units, 60% of them, will be subsidized.

  The building will be reasonable to operate and therefore, sustainable. Utility costs will be low as energy and water saving features and EnergyStar appliances and fixtures, guided by the Enterprise Green Community standards, are incorporated.

  The RAD2 Project Based Rental Assistance subsidy has been approved. The vouchers at least 110% of FMR, RAD2 contracts are for twenty years and are not subject to annual Congressional appropriation. Also, RAD2 has a sixty-day vacancy pay guarantee.

An application was submitted to DHA requesting they become the Class B Limited Partner (SLP). We expect this will result in property tax abatement. The application will be considered upon award of LIHTC. DHA is the SLP in several Del Norte Partnerships.

Del Norte and its teams have a successful record of developing projects that meet deadlines of closings, construction, lease up, and compliance. Del Norte has never defaulted on a LIHTC project.

- Experience and track record of the development and management team:

  Del Norte Neighborhood Development Corporation has substantial multifamily rental housing development experience. A very long list of complex developments, both rental and for-sale, for special-needs and for low-income populations is included under the Development Team resume. We have a successful history of using CHFA products.

  Del Norte's first project utilizing LIHTC was in 1993, the Tallmadge-Boyer Block, which produced twenty-eight units of affordable housing. Del Norte's largest project – at ninety-eight units – was the mixed-use, mixed income Mercantile Block in downtown Denver. Both projects have performed well and continue to preserve affordable housing in now gentrified areas.

  The Juan Diego apartments, a 9% LIHTC project, was completed in 2009 within the time frame and on budget despite the political opposition of housing chronically homeless persons with HIV/AIDS and having Washington Mutual Bank, the construction lender, go bankrupt. The Veterans Apartments also finished on time and on budget, despite having extreme investor conditions, including a requirement to use the investor's expensive products, an equity rate of $0.64, use of Davis–Bacon wages and compliance, and having to secure project-based subsidy from the Veterans Administration. Del Norte's most recent 9% LIHTC project, the Avondale Apartments, finished on-time and on-budget. The mixed-use development is home to eighty families and has 10,000 square feet of commercial space.

  Silva-Markham Partners (SMP) has managed properties for Del Norte for two months and will provide management services for the Emerson. SMP provides management services for a diverse clientele, a clear majority who are very low-income, homeless, and have special needs - some of the state's most vulnerable and difficult to house. Properties operate with several types of subsidies that make compliance requirements demanding.

- Cost reasonableness:

  There are specific costs related to developing in an urban area. Regarding the Emerson, these costs include higher general conditions related to the limited laydown area, and utility requirements in an infill site. The development boom in Denver is driving costs up for many reasons. These include time lost due to City building, zoning, and inspection department backlog; shortage of materials and equipment; and shortage of skilled and unskilled labor.

The RAD subsidy requires the use of Davis-Bacon wages. Although the high wages in Denver don't affect the actual pay rates, the compliance and paperwork requirements (which the GC is familiar with) cause the overhead to increase.

This building has a design that allows it to be built to the maximum space allowed by code; it is compact and efficient. The beautiful exterior façade, sympathetic to and accepted by neighbors, will remain affordable and relevant in a Middle-income neighborhood for forty years.

- Proximity to existing tax credit developments:

  According to the Market Study, there are seven LIHTC apartments for families in the PMA. All but one of these properties are set-aside for designated household types (homeless, single parent, HIV) and have a service component. Also, the surveyed LIHTC properties in the PMA had 0% vacancies, most with no waitlists, implying a pent-up demand for affordable units. In the pipeline, there is one LIHTC project for homeless and no others in the PMA. Finally, the Market Study makes note that the three-bedroom units at the Emerson will be the only non-subsidized LIHTC units in the PMA.

- Site suitability:

  The location in the Middle-Income neighborhood provides the bright prospects for the people who will live at the Emerson. Within one quarter mile there are thousands of employment opportunities. Jobs are available in every line of work at every level and pay grade.

  As expected because of the Emerson's location in Denver's densest neighborhood and its proximity to Downtown, the Market Study listed the walk score as 89: "Very Walkable"; a transit score of 75: "Excellent Transit"; and a bike score of 91: "Biker's Paradise." This Transit Oriented site is perfect for very low-income persons who cannot or do not want to own a car.

  Along with several small and specialty food stores, there is a Whole Foods within a quarter mile and a King Soopers within a half-mile. Cheesman Park and Civic Center parks are one-half mile away. City Park, Zoo, and Museums are less than one mile away.

  Besides the school across the street, Auraria Campus, home of CU-Denver, Metropolitan State University, and the Community College of Denver, is just over one mile east.

Justification for waiver

No waiver is requested.

Market study

According to the market study completed by Prior and Associates on January 31, 2018 the PMA of the Emerson Apartments has an overall vacancy rate of 2.4%, demonstrating a market area of extreme pent-up demand for affordable housing. The Prior study states the Emerson Apartment's capture rate is 7% and notes the existing Class B family LIHTC projects in the PMA have a 0% vacancy rates and waitlists were not being used.

Regarding absorption, Prior concluded that the Emerson Apartments should fill the twenty units in one month, without concessions. Further, the study confirms that after lease-up, the Emerson should have an average stabilized annual occupancy rate of at least 95%, and average yearly rent increases of 1.5%.

The summary had a long list of Strengths and one Weakness: The unit sizes were smaller than others in the PMA. The Study states, "…the subject's other characteristics will offset any negative impact and will allow the project to compete effectively." The Market Study recommended no changes to the development.

Environmental report

A Phase 1, conducted by Pinyon Environmental on May 4, 2017, found no issues. Regarding toxins during demolition, in 1989, when Del Norte acquired the Emerson, the building was gutted. Drywall was removed to the studs. A new roof, new windows, and all new mechanical systems were installed. Because of that substantial rehabilitation, although LBP and asbestos will be tested before demolition, hazard levels higher than the *di minimus* are not expected.

Cost containment

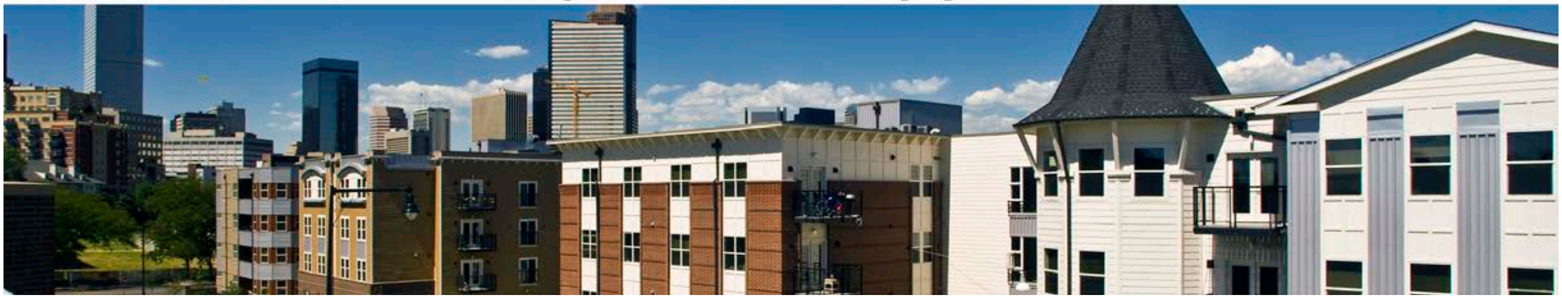
- Del Norte is selling the property to the Partnership for the amount owed, with no profit.
- The building will be built to the height and width the lot will allow under the current zoning to provide as much density as possible.
- The architect was awarded the job after being advertised for and undergoing procurement.
- Where possible, the construction divisions have been competitively bid.
- RAD2 will provide subsidy even as tenants are living elsewhere during rebuild.
- There is no underground development; there is no Radon mitigation system needed.

Outreach

Our first meeting with the local Registered Neighborhood Organization was held soon after we determined the building needed to be demolished. We were pleased when the neighborhood supported our request to keep the Emerson Apartments affordable, even though the neighborhood has become Middle Income. In September 2016, we received an email with a unanimous (23-0) vote to support Del Norte's plans.

A meeting was held with Councilman Wayne New shortly after the neighborhood meeting. A current Letter of Support from Councilman New is attached.

In May 2017, a meeting was held with Noah Tonk, Principal of Morey Middle School. He was happy the Emerson would be rebuilt and continue to provide affordable homes. He informed us of all the recreational, educational, and athletic programs the Emerson families could participate in. A schedule for construction deliveries on Emerson Street was agreed upon to avoid interference with school activities. We established a method of communication with the students, parents and faculty about construction progress.



Project Name: Legacy Senior Residences

Project Address: SW Corner of Copperleaf Blvd and Quincy Ave., Aurora, CO

Development Overview:

Cornerstone Associates, LLC is seeking Federal Low Income Housing Tax Credits for the new construction of the Legacy Senior Residences (Legacy). Legacy will be a ninety (90) unit affordable, senior-oriented development to be located at the southwest corner of Copper Leaf Blvd and Quincy Ave in Arapahoe County Colorado.

The City of Aurora is the third most populous city in the state of Colorado. As of 2010 the census population was 325,078. The estimated population in 2016 is 361,710. This rapid growth has largely lead to the development of single family homes in the community. This growth limits the housing options for seniors on a fixed income to find safe attainable housing in their community. Legacy will help to remedy this growing disparity by providing 90 units of affordable housing to eligible seniors at 60% of the Area Median Income.

Aurora residents can generally be described as middle to upper middle class with a median household income of $83,900 per year, However, not all families currently living in Aurora make the median income. At these income limits, seniors are having difficulties affording housing at the current market rents and are paying upwards of 50% of their income for housing.

Neighborhood Overview:

The Legacy Development will be located at the SW corner of Quincy Ave and Copperleaf Blvd. Copperleaf is a 795 acre development adjacent to E. Quincy Ave and the E-470 Corridor. The vision for Copperleaf is to create a high quality residential neighborhood with a diversity of housing types to fit the evolving needs of todays society and commercial services to serve its residents.

Housing Affordability:

The Legacy development will offer forty-six (46) one bedroom and forty-four (44) two bedroom units. Legacy's focus is to attract qualifying seniors with incomes at 60% of the area median income. One hundred percent (100%) of the development will be set aside for qualifying seniors at this income set-aside.

A higher demand for rental properties continues to increase rental rates both locally and throughout the Denver metro area. The current low vacancy rate and high quality of life in Aurora make the city attractive for rental apartments. General market conditions suggest that nationally there is a trend towards a higher ratio of rental housing.

The demographics of the community are changing and land identified for housing development is becoming increasingly limited. As the cost of land and development in the city increases, affordability becomes more of an issue. The generally accepted definition of housing affordability for a household is that no more than 30% of household income should be spent on housing (mortgage or rent). Looking at the median family income in Aurora today (2017- $83,900) and using this definition, this equates to a monthly payment of approximately $2,097. Although many residents can comfortably afford housing, a large percentage of seniors are struggling to find affordable housing. Legacy's goal is to provide quality housing to residents at or below the area median income.

Legacy will be 100% attainable with all homes at income and rent limits at or below the 60% income limits. Arapahoe County will see one of the highest percentage of increases in people over 65 in the coming years in the state of Colorado. Not only are the residents choosing to age in place, additional older adults are attracted to the area to be near family. Providing housing for our aging demographic and allowing them to stay in the community is important to the city.

Demand and Capture Rate Analysis – Table A	
Total Renter Households at Market Entry in the Primary Market Area	954
In-Migration of Households – 25%	239
Total Qualifying Households or Current Demand	1,193
Total Existing Senior LIHTC Units	77
Current Capture Rate (Existing Senior Unites divided by Qualifying Households)	6.5%
Under Construction / Planned Units (proposed project)	90
Total Existing and Under Construction/Planned Units	167
Proposed Capture Rate (Total Existing & Planned Units divided by Qualifying Households)	**14.0%**

The new construction of the Legacy will minimally reduce the current demand of affordable housing, as noted in the market conditions above, with a proposed capture rate of 14.0%.

DEVELOPMENT DESIGN AND AMENITIES

BUILDING DESIGN: The Legacy building is designed as a three story building with underground parking. The use of a three story floor plan was incorporated to fit on the size and dimensions of the parcel of ground (3.01 acres), which is a rectangular parcel. The unit density on the site allows for 30 units per acre. The developers are mindful of the scale of development while still providing adequate density to make efficient use of land.
The site has a grade/slope which allows for the incorporation of underground parking. Based on the footprint of the building, we are providing 69 stalls of underground parking and ample above ground parking, which meets and exceeds the minimum required by the County.

Legacy will provide (46) one bedroom units and (44) two bedroom units. There are (7) handicapped units: (4) one bedroom and (3) two bedroom units. Each handicapped unit will be constructed for the physically, visually and hearing impaired.

The building exterior will consist of a combination of brick and stone to compliment the use of either a hardy-board or stucco material. The final brick, stone and stucco design will be determined through the Plan Review process with the County. The intent with the exterior materials is to create a building theme that is contemporary, energy efficient and sensitive to the neighboring area.

BUILDING AMENITIES: Key components for tenant satisfaction and retention are the building amenities offered to all the residents. The first floor of the Legacy Senior Residences will contain the primary building entrance with secured access entry; the manager's office, a formal living room/library that hosts a computer station with free internet access; a dining room with serving kitchen; fully equipped multi-station fitness center. In addition to these common spaces is a separate elevator lobby with (2) elevators; a central interior mailroom. A veranda that will have patio seating with use of a grill; 69 underground parking stalls for rent, ample surface parking and green space for outdoor enjoyment.

1 Bedroom Household	2 Bedroom Household
Income Limit: $35,280	Income Limit: $40,320
Proposed Rent: $945*	Proposed Rent: $1,130*

UNIT AMENITIES: Each of the units will provide a significant array of standard amenities. In addition to the size of the units (approximately 736 sq ft for a one bedroom and 866 sq ft for a two bedroom) tenants will find the following standard amenities: Fully equipped kitchens with Energy Star Rated refrigerator, electric stove, built-in microwave oven, dishwasher and disposal; High efficiency gas furnace and water heater; Energy Star Rated electric washers and dryers in each unit; Water conserving faucets, shower heads and bathroom facilities; Wall to wall carpeting; Full windows coverings; Ceiling fans in each room; Cable and internet connections in the living room and bedrooms; Emergency call systems in the bedrooms and bathroom. In addition, all utilities are INCLUDED in the rent.*

Guiding Principles:

1. *Guiding principles met in Section 2 of the Qualified Allocation Plan:*

- To support rental housing projects serving the lowest income tenants for the longest period of time. All of the units planned for the Legacy Senior Residences are 100% affordable targeting seniors at low income (60%) households. ***Legacy has committed to an extended use period of 25 years beyond the required 15-year compliance period for a total of 40 years.***

- To Provide for a distribution of housing credits across the state. The development is located In Arapahoe County near the city limits of Aurora. The location in the southeast portion of the city is rapidly growing and has not had the history of affordable housing development as other portions of the city.

- To provide opportunities to a variety of qualified sponsors of affordable housing, both for profit and non-profit. The sponsors for the Legacy Senior Residences will consist of a joint venture between Cornerstone Associates, LLC and the Arapahoe County Housing Authority, a non-profit based housing authority that serves Arapahoe County. The support letter provided in the application from Arapahoe County indicates their level of interest in a joint venture upon successful award of the Legacy application.

- To distribute housing credits to assist in a diversity of populations in need of affordable housing. Legacy Senior Residences will provide an underserved market of affordable senior housing for residences in the unincorporated area of the town of Aurora.

- To support new construction of affordable rental housing projects. Legacy Senior Residences will provide high-quality new construction of affordable housing for seniors within the unincorporated area of the city of Aurora, a greatly underserved market in a rapidly growing urban area.

- 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. The Legacy Senior Residences qualifies and is applying for $814,654 in annual federal tax credits (4%) and is applying for $972,085 in Colorado State Credits and asking for a bond allocation of $11,000,000.

- To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval. The Legacy Senior Residences is requesting the above mentioned credits for the new construction of a 90-unit senior, independent living development.

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

a. ***Market conditions*****:** The need for affordable senior housing in the Aurora area is great. The market study illustrates substantial strength of demand. The proposed development will benefit from the pent up demand as evidenced by the extensive waiting lists at comparable properties within Arapahoe County.

The demand analysis illustrates an overall capture rate of 14.0%, based on residents age 62 or better.

Consistent with the set aside and the greater interests of the tenant population to be served, the rent structure of the Legacy Development is such that all rents (which include all utilities) at the Legacy will be well **below** fair market rents.

RENT COMPARISON MARKET (ADJUSTED)

Unit Type	Highest LIHTC Rents	Survey Min Rents	Survey Max Rents	Weighted Average	Advantage/Disadvantage
1 Bedroom	$945	$1,178	$1,471	$1,312	**-27.95%**
2 Bedroom	$1,130	$1,408	$1,793	$1,548	**-26.99%**

b. Readiness to Proceed:

Site Control: Cornerstone Associates, LLC and/or Assigns (Developer) currently has the site under contract.

Zoning/Permits: The site is currently zoned MU – mixed use. Multifamily construction is allowed under the current zoning with a density up to 30 units per acre per the Copperleaf Preliminary Development Plan. Therefore, pulling permits is administrative only and does not require a public process.

Environmental: The Phase I environmental was prepared January 17, 2018 and does not identify any environmental concerns.

Pre-application meeting with Arapahoe County Planning Dept.: A preliminary discussion regarding the development was had with Mr. Skinner. The developer will file for application review in February to begin the site plan review/approval process, which takes approximately 4 months of review.

c. ***Overall financial feasibility and viability:***

The proposed financing for Legacy Senior Residences is similar to that utilized for other developments within the state of Colorado. The Developer has extensive knowledge of the permit, review, utility tap fees and all other fees associated with development. The proposed development is applying for 4% Federal credits as well as State Credits and requesting a Bond Allocation of $11,000,000.

The applicant, in association with the Arapahoe County Housing Authority, will be applying for the use of CDBG/HOME funds from Division of Housing (DOH) in their 2018 round in the aggregate amount of $450,000. With the development expected to come in at a budget of just under $21,610,000, the total project is underwritten to a 1.15 DSCR in year 1 with an escalating DSCR, inclusive of the debt payments on the CDBG/HOME funds.

Legacy has strong overall financial capacity, as evidenced in the pro-forma. The financing arrangements for the Legacy Senior Residences will include the following:

CHFA Administered Bonds	$11,000,000
Federal Tax Credit Equity	$7,656,982
State Tax Credit Equity	$4,549,358
Permanent Debt	$7,775,000
DOH HOME Funds	$450,000*
Developer Equity/DDF	$1,178,091

*Developer/Managing GP has committed to provide back-up financing to the development in the event that development "soft money" financing is either obtained in part or not at all.

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

The Developer and the management team, Beacon Management, have successfully placed into service and are operating three properties within the state of Colorado, one of which is located in Fort Collins and two in Colorado Springs.

Rent Comparables Map – Overview

Comparable Properties				
Comp #	Comparable Name	Street Address	Rent Structure	Proximity from Subject (miles)
1	Shadow Tree Apartments	1800 Billings Street	LIHTC	2.76 miles
2	Residences at 6th Avenue Apartments	621 Potomac Street	LIHTC	8.11 miles
3	Innov Age Apartments	200 S. Ironton Street	LIHTC	8.93 miles
4	Advenir at Saddle Rock Apartments	22959 E. Smoky Hill Road	Market	2.53 miles
5	Green Leaf Stone Cliff Apartments	17886 E. Greenwood Drive	Market	3.00 miles
6	Aspen Ridge Apartments	18851 E. Baltic Place	Market	3.61 miles

In addition, the Developer owns and operates 22 properties across the Midwest. Our management team has a strong dedication to performance and accuracy with regard to compliance and all appropriate regulations and focus on the ongoing operations of each and every property.

The intent of the development team is to provide a high quality, secure and environmentally sensitive residential alternative that serves a broad socio-economic mix of residents and does so in a manner that is compatible with both the short and longer term market dynamics of the community of Aurora.

e. ***Cost reasonableness***: The total development cost (including reserves and all soft costs) is approximately $21,609,431. Hard costs are estimated per unit at $182,454. Hard Costs per square foot are estimated at $160.38.

f. Proximity to existing tax credit developments: The market study identified the proximity to existing tax credit developments as the nearest being Shadow Tree Apartments at 2.76 miles.

Comparable Properties, Proximity and Wait List (Table B)

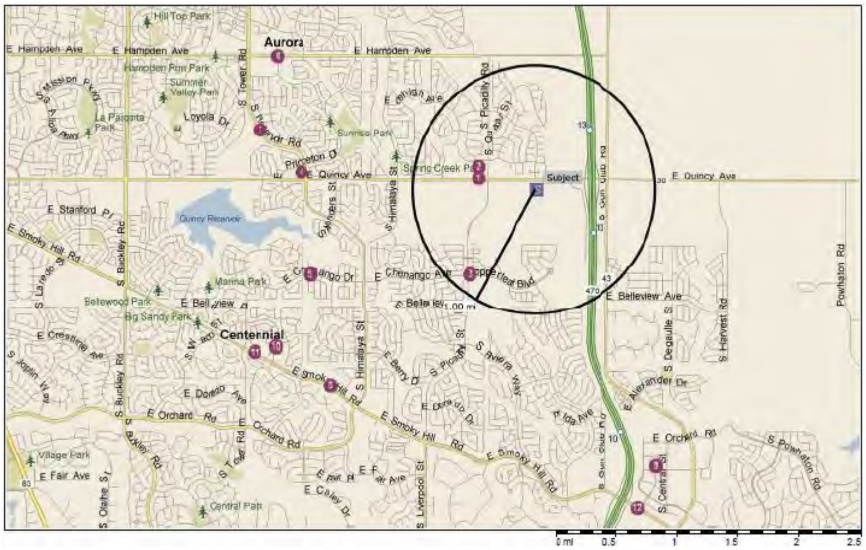
Comparable Properties	Address	Rent Structure	Rents	Utilities included in Rent	Proximity	Wait List
Legacy Senior Residences	SW corner of Quincy and Copperleaf Aurora, CO	90 LIHTC (60%) Units	$945-$1,130	All Utilities Paid (Except Phone, Cable & Internet)	N/A	N/A
Shadow Tree Apartments	1800 Billings St. Aurora, CO	118 LIHTC (60%) Units	$775-$925	Sewer & Trash	2.76 Miles	25 Households
Residences at 6th Avenue Apartments	621 Potomac St. Aurora, CO	68 LIHTC (60%) Units	$887-$1,218	Water, Sewer & Trash	8.11 Miles	None
Innov Age Apartments	200 S Ironton St. Aurora, CO	103 LIHTC (40%-60%) Units	$630 - $1,034	A/C, Heat, Electric, Hot Water, Water, Sewer & Trash	8.93 Miles	6 to 12 Months
Advenir at Saddle Rock Apartments	22959 E Smoky Hill Rd. Aurora, CO	320 Market Rate	$1,066 - $2,157	A/C, Heat, Water Heating, Electric	2.53 Miles	None
Green Leaf Stone Cliff Apartments	17886 E Greenwood Dr. Aurora, CO	394 Market Rate	$1,075 - $1,830	Sewer, Trash	3 Miles	None

g. ***Site Suitability:***

The site itself is relatively flat with minimal site work required. The proposed design will make use of the elevation/grade change on the site to incorporate underground parking. All utilities are available to the site.

Locational Amenities & Map

The map and table below illustrate the location amenities in relation to the Subject's site.



Distance From Local Services			
Map #	**Name**	**Service**	**Distance**
1	7-Eleven	Gas Station	0.45 miles
2	Walmart	Grocery/Pharmacy	0.49 miles
3	Bus Stop	Transportation	0.87 miles
4	Rite Aid	Pharmacy	1.86 miles
5	The Porch Church	Place of Worship	1.92 miles
6	US Bank	Bank	2.25 miles
7	Horizon Park	Recreation	2.30 miles
8	NextCare Urgent Care	Healthcare	2.38 miles
9	Southlands Town Center	Retail	2.42 miles
10	Smoky Hill Library	Library	2.44 miles
11	Post Office	Mail Service	2.61 miles
12	SCL Health Community Hospital	Healthcare	2.67 miles
13	Aurora Center of Active Adults	Senior Center	8.94 miles

Location Amenities: Please refer to illustration identifying the distance from locational amenities and services.

Density: The site is approximately 3.01 acres. A 90-unit development equates to 29.9 units per acre.

Area Development: The Copperleaf Development is a new development located just under 1 mile east of I-470 off Quincy.

There are several businesses available for the future residents to patron, which include grocery, pharmacy, gas station and a bus stop for transportation, all under 1 mile from the site.

Though the site is in the unincorporated part of Aurora, there are several new housing developments, as the growth pattern in Aurora is going east, which includes the area of Copperleaf and adjacent land around the development.

The market analyst has made an assumption that the demand within the area is extremely great and has estimated the 90 unit development will lease up to 100% occupancy within a 1 to 2 month period.

3. **Justification for Waivers or Financial Need**: Applicant is not requesting any waivers from CHFA.

4. **Address any issues raised by the market analyst in the market study submitted with your application**: There are no issues raised by the Market Analyst. The report does not identify any weaknesses.

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 are no issues raised by the Phase I environmental report.

5. **Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:** 1) As with most communities in Colorado, land costs in Arapahoe County are higher than in the more rural parts of Colorado. 2) The building was redesigned as a three story development to better fit within the Copperleaf Development Plan. 3) The maximum density is 30 units/acre. The development has maximized the density to a total of 90 units to make efficient use of the land. 4) The building was designed to incorporate underground parking in order to take advantage of the grade/slope of the parcel and be able to meet the parking requirements for the development. 5) The building is designed to provide more articulation on the roof lines; more articulation of the building to break up the exterior to be more visually appealing and conform with the surrounding architecture of the development and meet architectural design requirements. 6) The use of stone/brick for the majority of the exterior also adds cost to the overall budget. Any area of cost containment throughout the bid and construction process, without compromising the quality of materials and construction, will be utilized. 7) Building review, permit and tap fees are higher in Arapahoe County than in more rural areas of the state.

6. **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 Developer, Cornerstone Associates, hosted a public hearing at the Aurora Municipal Building to provide an opportunity for community members to provide input about the project on January 30, 2018 from 6:30-7:30 pm. No one attended the Public Meeting. The developer has also scheduled a second public meeting for Tuesday, February 6, 2018 during the day at the Aurora Municipal Building to provide a meeting during the day for the residents in and around the area to be able to attend a meeting during the day hours.

The Developer has met with Bill Skinner, Senior Planner for Arapahoe County regarding the proposed development, discussing the entire Copperleaf Development plan, how this is an approved use and conforms with the density requirements. It was suggested that the applicant begin the pre-application process to get started with review of plans and the final subdivision of the 3.01 acres. The application will begin the review process in February 2018. It is estimated to take approx. 4-6 months and each review can run concurrently with the building permit approval process.

In addition, we are submitting an application/request for a reduction in Local Government Barriers to Affordable Housing. The County has recognized in its Consolidated Plan the benefit of reducing local government barriers for construction of affordable units, including consideration of the following strategies:

- Tax incentives, i.e. rebate of 100% of sales and use tax for materials used for construction of affordable housing
- Waive or defer fees on affordable housing
- “Fast Track” permitting – to accelerate approval or waiver of process for affordable units
- Rezone specific lands to allow higher density
- Flexible design standards (i.e. Reduced parking, reduced street width, flexible sidewalk standards, combining utilities

The approval or one or several of these items will be considered the County “contribution” to the development, as the use of CDBG/HOME funds are not available, at the present time, per Linda Haley.

The Developer has met with Linda Haley, Division Manager of Housing and Community Development, Senior Resources, together with Liana Escott and Jeremy Fink (Community Development Administrators) regarding the proposed development and the request for community support. Ms. Haley and Ms. Escott provided detail regarding the fiscal budget of County and lack of available funds to provide monetary support. However, the discussion of a reduction in barriers was the avenue to pursue with the County in order to provide necessary support for the development.

Discussion was also had regarding the pursuance of HOME funds from DOH and the requirement of the support was a necessity for the HOME application to receive consideration of funding.

Ms. Haley also runs the Arapahoe County Housing Authority and entered in to discussions with regard to a joint venture with Cornerstone on the development, should the project receive an award. Ms. Haley, Ms. Escott and Mr. Fink were fully supportive of the development and working with the developers to see the project come to fruition. A support letter was provided on behalf of the development and their level of interest.

Strengths of the Project:

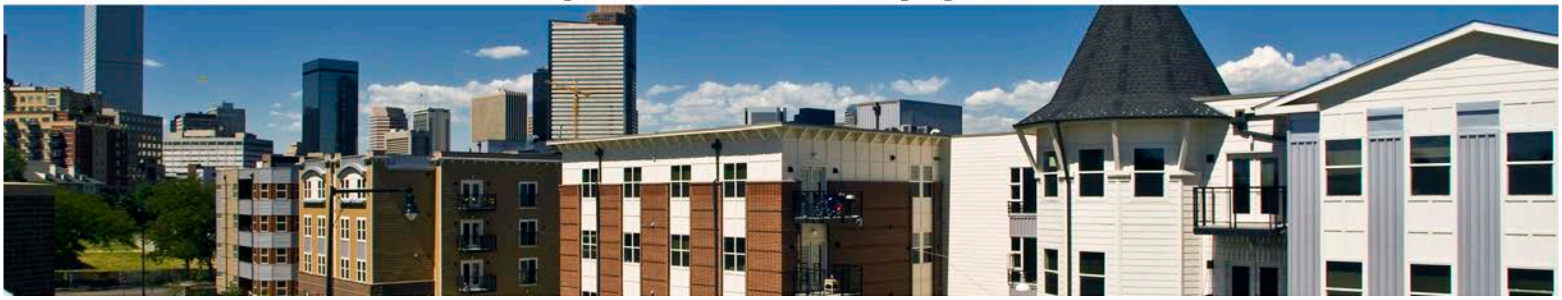
- **Of the 1,471 affordable and market rate units surveyed, an overall vacancy for these units is 1.9%**
- **With the current wait lists from Comp 1 and Comp 3 and properly marketing and pre-leasing, the development should be absorbed in to the market within one to two months**
- **The demand for senior rental units in Aurora is expected to come from natural population growth**
- **The demographics provide support that there is a strong senior renter population within the Primary Market Area and supports current and future demand for housing**
- **The Annual Demand Estimate calculates an annual capture rate of 14.0 percent.**
- **Existing affordable housing projects will not be adversely affected by the construction of the Legacy Senior Residences.**

Cornerstone Associates, LLC has a strong, positive track record in the development and management of affordable housing and is dedicated to creating and sustaining communities through innovative partnerships and entrepreneurial housing programs. Cornerstone Associates, LLC mission is providing attainable housing for seniors and families. Cornerstone all strives to further CHFA's guidelines of fostering for-profit and nonprofit ventures and a distribution of credits throughout the state.

Respectfully,

Bobbi Jo Lucas,
President

pab lihtc application narrative



Project Name: Olin Hotel Apartments

Project Address: 1420 Logan Street Denver CO 80203

Executive Summary

During the 1970's Denver lost many of its older hotels to redevelopment as the city grew and modernized. A group of concerned citizens recognized that these hotels represented a significant source of affordable rental housing, particularly for low-income seniors. To preserve this housing stock they formed the Ecumenical Housing Corporation, later changing its name to Senior Housing Options (SHO). In 1981 SHO acquired its first asset, the Olin Hotel, which had originally been developed at the turn of the 20th century as an upscale all-suite hotel (today called extended stay hotels). Using a HUD loan and section 8 contract the property was renovated and opened to the public as an affordable senior housing project. SHO has since gone on to acquire more hotels and other property, including a large portfolio of owned and managed assisted living.

The project is located in the heart of Denver's Capitol Hill neighborhood at the intersection of Colfax and Logan streets, providing residents easy access to the central business district, public transportation, and an array of area amenities. The location is ideal for residents who cannot afford or are unable to drive a car. Functional sidewalks and excellent bus service allows residents to live independently and enjoy easy access to essential services.

Given the age of the property there are many areas which require renovation in order to continue to best serve our residents well into the 21st century. As described in more detail at the end of this narrative, the proposed renovations will address three major areas within the project:

- Complete renovation of the interior of all apartment units
- Reconfiguration and renovation of common areas and offices to improve functionality of the space for both residents and staff
- Addition of 5 new units by reconnecting the unused 5th floor back into the project

This $19.6M project will be financed through federal and state tax credits (44%), a PAB loan (13%), a City HOME / CDBG loan (5%), a State HOME / CDBG loan (3%), and deferred development fee (2%). In addition, Senior Housing Options, the current owner of the building, will finance the majority of the purchase price of the building. In total, 33% of the project's funding will be generate through this source of funding.

HUD will also play a significant role in helping us recapitalize this property. In 2002s the property went through a mark to market restructure. The result of this transaction was to subordinate approximately $3.0M of HUD debt. Today, this subordinate debt is repayable from 85% of available cash flow. Pursuant to the guidance provided in HUD Notice H2012-10, SHO is applying to HUD for debt relief concurrent with our application to CHFA. HUD requires that the tax credit application process and the HUD debt relief application run concurrently in order for HUD to make a proper evaluation of the preservation plan to be conducted. SHO has retained Hessel Aluise & Neun, to assist in discussions with HUD as the project evaluation moves forward. Based on our review of the eligibility criteria contained in the HUD notice, prior history with HUD, as well as our conversations with HUD staff, we are confident that the property will successfully qualify for debt relief. This debt relief will involve the assignment and resubordination of the HUD held notes to an affiliate of SHO and will allow us to reinvest more of the tax credit proceeds back into the project by way of a greater renovation program.

Bond Structure

- We request a total bond allocation of $10.2MM (55% of aggregate basis). Of this $7.7MM will be construction period only bonds. The remaining $2.5MM will be used during construction and then convert to permanent bonds.
- We request that CHFA act as conduit bond issuer.
- The bonds sale will be structured as a private placement with Wells Fargo
- There will be no tax exempt tail; the $10.2M bond issue funds all construction period costs.

Area Overview

Denver's Capitol Hill neighborhood contains several of the State's most densely populated census tracts. The area is dominated by multifamily housing laid out in a traditional city grid connected by sidewalks. Several commercial corridors and retail centers run through the area, providing most day to day amenities within walking distance. Colfax Avenue, ½ block north of the site, also provides frequent bus service to points east and west. RTD's new civic center transit hub at Colfax and Lincoln is 3 blocks to the west and provides access to many major bus routes throughout the metro area, as well as the 16th street mall shuttle. This combination of walkability and public transportation make this an ideal location for the majority of residents in project who are unable to drive.

Project Strength's / Weaknesses

The Olin Hotel Apartments serve a very vulnerable population and represent an invaluable resource in our community. Subsidized housing for elderly and disabled low-income persons is in critically short supply, and it is essential to preserve what housing is left. The City's Housing Plan identifies the preservation of subsidized housing as one of its top goals.

The recapitalization of this project will generate significant renovation proceeds through the combination of HUD's forgiveness of old subordinated debt and through the significant seller carry back note being provided by the sponsor. Additionally, because this project is a City priority, we are eligible to receive a significant grant from the office of economic development.

This renovation project is unique in that it provides an opportunity to also create five new units. These units, to be located on the top floor, will also be subsidized through an allocation of project based vouchers made available through the Denver Housing Authority. (See attached letter for details.)

Section 2 Priorities:
Our proposed project does not address the three priorities listed in Section 2 of the QAP

Section 2 Guiding Principles:

- The project serves a very low income population; the majority of our residents earn less than 30% of AMI.
- The project will commit to a 38 year LURA; as a non-profit sponsor, Senior Housing Options, Inc. intends to operate the facility as affordable housing in perpetuity.
- The proposed project will serve senior citizens and the disabled.
- The proposed project is well within ½ mile of public transportation.
- The proposed project is over 100 years old and is urgently in need of renovation

Section 2 Criteria for Approval

a. Market conditions: As a 100% section 8 project, no market study was required for this application. The need for our units is significant, and we maintain a lengthy waiting list for interested applicants. Generally speaking, there is a metro area wide shortage of section 8 housing.

b. Readiness-to-proceed: The project has been in operation of over 100 years, and has been operated in its current form since 1981. The proposed renovations do not constitute a change of use, and will not require planning & zoning review or approvals. Building permits can be pulled upon submittal of drawings for the applicable item (i.e. only portions of the work will require permits). In terms of financing, the team is ready to apply to the City and State as soon as an award of credits is received. An application for HUD's approval of debt forgiveness is also underway and should be granted around the same time as the tax credit award.

c. Overall financial feasibility and viability: Senior Housing Options has operated this project since 1981. As such, we have budgeted for operations with a high degree of accuracy. The debt load supportable by the proposed project's NOI is accurately sized. The City and State have HOME and CDBG funding available now. The seller carry back note and resubordinated HUD notes will be available. The sponsor will defer a portion of its developer fee. We feel confident that our projections are accurate.

d. Experience and track record of the development and management team: Senior Housing Options, the project sponsor, has been in business for 36 years. In that time it has developed or acquired, between apartments and assisted living rooms, 336 units of housing throughout the State. SHO provides property management services to the all of its properties. Additionally, SHO provides third party property management services to 98 units in four locations. While SHO has no tax credit properties currently in its portfolio, its compliance record within the Section 8, USDA, and Medicaid programs is very strong. To assist in the development of the proposed project, we have hired Medici Consulting Group to act as a fee developer. Medici has a strong track record of successfully developing housing in Colorado through the LIHTC program. SHO will also engage a third party compliance firm to assist staff in conducting initial tenant income certifications. The director of property operations for SHO has received a LIHTC compliance training certificate from CHFA.

e. Cost reasonableness: The proposed project will result in renovations to most all areas within the facility, in addition to the reconnection of five new 5th floor apartments to the rest of the existing facility. Nothing unusual is driving costs up in this project.

f. Proximity to existing tax credit developments: There are several existing tax credit projects in this area. As a 100 subsidized project, however, this project will not directly compete with unsubsidized LIHTC projects.

g. Site suitability: The project has successfully operated at this location for over 30 years. Amenities in the immediate area are numerous:

Shopping: The Colfax corridor, ½ block north of the site, contains a number of shops and restaurants. The central business district can be accessed through the 16th street mall shuttle 3 blocks away. Any number of stores and services are available in the core of the City.

Hospitals: Downtown Denver's main cluster of hospitals and clinics is located within one mile of the site near the intersection of 17th and Franklin. Medicare recipients can obtain every reasonably available service at any one of these facilities.

Support Services: Senior Support Services, located at 18th and Emerson less than one mile from the site, provides a day center for seniors that provides meals, food, and clothing banks. They also assist in benefits acquisition. Metro Caring is at 17th and Downing, one mile from the site, and provides access to free and low cost fresh foods.

Parks & Recreation: Many of Denver's premier civic and cultural institutions are within easy walking distance of this site. Civic Center Park is 3 blocks away, and features nicely manicured grounds and special events throughout the year. The Denver Art Museum is 6 blocks away. The History Colorado museum is 8 blocks away. The main branch of the Denver Public Library is 7 blocks away.

Underwriting Waivers

Because of the high ratio of expenses to income, the debt service coverage ratio declines rapidly over the first 15 years, causing us to underwrite a year one DSCR in excess of 1.30 in order to keep the year 15 coverage ratio above 1.15.

Market Study

N/A, as a 100% Section 8 property no market study was required.

Environmental

Our Phase I Report revealed the presence of two recognized environmental conditions. It was noted that an adjacent parking lot was at one time in the past operated as a gas station. No record exists at the State that verifies removal of the underground tanks used by the station. An inspection of the project's boiler room noted the presence of two abandoned pipes in the wall that could possibly have previously been connected to an external oil tank to supply fuel to a previous boiler. No records exist with the State regarding this matter one way or the other.

The Phase I make no additional recommendations in response to these two REC's. The Colorado Department of Public Health and Environment mandates no affirmative obligation to address these two REC's. In other words, we are free to continue to operate the property as we have been for the past 35 years. With regard to the proposed transaction, our planned scope of work involves no new construction; the renovation of the property will not disturb soils. Additional testing would provide no information that would require an alteration of our planned renovations. Therefore, no action required in conjunction with the proposed transaction relative to these two REC's.

Cost Containment

There are no unique issues driving up costs at this project. The scope of work is fairly typical for older renovation projects and involves primarily improvements to interior finishes, the building envelop, and cooling.

Community Support

The City of Denver has identified the preservation of Section 8 housing as one of its top housing priorities, and the project is consistent with their housing and consolidated plans, as shown in the attached letters of support. Within the local community, the project has for many years been supported by a number of community and religious organizations. Community of Grace church supports eligible residents each Saturday with hot lunches delivered to their door; in November they throw a huge Thanksgiving lunch for the Olin family. Trinity Methodist throws a Christmas party every December for the Olin community and goes above and beyond to provide each resident with a thoughtful gift. Most Precious Blood Catholic Parish provide 40 eligible residents with a sack lunch every Sunday, throws an Easter lunch, and has a family-to-family gift giving program for Sunday lunch participants.

Renovation Plan

- Complete renovation of 106 existing apartments to include all interior finishes, bathrooms, kitchens, windows, doors and various EGC upgrades to lighting, ventilation, fixtures and appliances.
- Reconfiguration and renovation of common areas and offices. This will include a new entry lobby designed to provide one large gathering area for resident's that is adjacent to the main entry, relocated management offices, mail, and elevator. Two large existing common area rooms in the interior of the project will be reprogrammed to include a health and wellness room, exercise area, TV lounge, and large common dining and gathering area. A new alley loaded maintenance and storage area will be created to allow for more efficient back of house operations.
- The property's 5^{th} floor, unused since the 1970's, will be renovated and reconnected back into the facility. This will create 5 new one bedroom apartments, bringing the total unit count to 111.
- Other improvements will include a new roof, elevator modernization, accessibility improvements, security enhancements (cameras, access controls, etc.), common area air conditioning, improvements to the landscaping in the courtyard and tree lawn / sidewalk, and common area furnishings.
- The reconfiguration of the main lobby area will allow for management staff to be adjacent to the main entry. This will eliminate the need to maintain a separate day-time security position, which will reduce operating costs and allow the project to leverage more debt.
- Note that the units do not currently contain dishwashers. The kitchen areas within these small efficiencies and one bedroom units are not large enough to accommodate a dishwasher. Funding could be made available for the addition of dishwashers during the renovation, but we simply cannot fit them into the kitchen space, nor is there a way to enlarge the kitchen.

Relocation Plan

Included in the application materials is a detailed relocation plan. In short, the planned renovations will not require residents to permanently relocate. We anticipate holding units vacant in the months prior to closing so that space is available for residents to be temporarily relocated within the building during the short period of time when their unit is being renovated. Costs for the same are included in the budget.

Other Notes for Renovation Projects:

- The 10 year rule has been met; the current owner has owned the property for 36 years.

- In the past 2 years the only major capital improvement has been to replace the furnace and hot water heating plants with a new high efficiency system funded largely by a grant made available through Energy Outreach Colorado.

- The project contains no design flaws or obsolesce issues that cannot be easily addressed with the proposed renovation.
- The property has no safety issues. In terms of fire safety, it is alarmed and sprinkled and contains two elevators and multiple staircases for emergency egress.
- Other than the passage of time, there are no significant events that have led to the current need for rehabilitation.

Project Name: Red Oak Park Phase 2
Project Address: 2625 and 2637 Valmont Rd, Boulder CO 80304

<u>Project Summary:</u>
Boulder Housing Partners (BHP), the Housing Authority of the City of Boulder, is pleased to present this application for the second phase of our Red Oak Park Community. BHP is seeking Federal Low-Income Housing Tax Credits and State Tax Credits to create 41 new units of affordable rental housing. Red Oak Park 2, the Project, provides an opportunity to add much needed permanently affordable homes and amenity space to an already vibrant, sustainably built community for low-income individuals and families.

The Red Oak Park Community was designed to be completed in two phases. The first phase was completed in 2011 and consists of 59 units with a mixture of two, three and four-bedrooms and a community center. In 2012, BHP purchased the property adjacent to Red Oak Park to the west, 2625 Valmont, to expand the community and build more homes for families in need. Since 2012, we worked to acquire additional parcels to the west to further expand this community. Market forces prohibited these acquisitions, however, so we have determined that now is the best time to move forward with the Project presented in this application.

Red Oak Park 2 will be located on the front two vacant lots of 2637 Valmont and the adjacent property, 2625 Valmont. This second phase presents a unique opportunity for BHP to learn from phase one and responds to what residents would like modified or added to their community. The second phase will be 100% affordable and limited to residents with incomes ranging between 40% and 60% of AMI. Red Oak Park 2 will offer much needed relief to the affordable rental housing shortage in Boulder. Boulder's community will be profoundly impacted by the transformation of empty parcels of land into a thriving affordable community. With considerable funding already committed, community engagement started and ongoing, entitlement work with the City of Boulder well under way, BHP is ready to move Red Oak Park 2 forward quickly to help address this critical community need.

<u>Program:</u>
Red Oak Park 2 will include a mix of 11 one-bedroom units, 19 two-bedroom units, and 11 three-bedroom units, serving families with income ranges between 40% and 60% AMI. The Project is comprised of 8 duplex apartments and 25 stacked flat apartments designed to integrate into the existing Red Oak Park community. In addition to the residential buildings, the project will include rooftop amenity space, a leasing office, an open recreation field for soccer or other games, community gardens, and secured indoor storage for residents. Red Oak Park 2 residents will be able to utilize all common areas and amenities from the first phase including a playground and community center. The community has excellent access to public transportation, retail, and recreation. It is located next to the Goose Creek multi-modal path, is walking distance to 28th Street for shopping and service needs and is less than a mile from three large public parks: Elmer's Two-Mile Park, Columbine Park, and Parkside Park.

Building Unit and AMI Mix

Apartment Type	
Duplexes	**Stacked Flats**
	11 one-BR, 1 bath
8 two-BR, 1.5 baths	11 two-BR, 1.5 baths
	11 three-BR, 2 baths

AMI	1-BR	2-BR	3-BR	Total
60%	3	4	6	13
50%	5	10	5	20
40%	3	5	0	8
Total	11	19	11	41

Unit Amenities	Site Amenities
Carpet and Luxury Vinyl Tile floor coverings	Leasing Office
Energy Star Appliances: -Dishwasher, -Refrigerator/Freezer, -Electric Range with Fully-Vented Range Hood, -In-Unit Washer/Dryer -Laundry Room with Coin Operated W/D	**Common Spaces:** -Community Center, -Children's Playground, -Open field for soccer & other Recreational Sports, -Rooftop Gathering Space, -Community Garden with Raised Planting Beds
Ample In-unit Storage & Secure Additional Interior Storage	Community Wi-Fi
Private balconies	Short-term & long-term covered bike parking
Energy Efficient Heating and Air Conditioning	

Location

The 1.32-acre site is located east of Folsom Street and north of Valmont Road approximately two blocks west of 28th Street, which serves as a major north-south arterial street through the City of Boulder. The site is bounded by multi-family residential development to the north, east, and south and commercial retail to the west. The site is located immediately next to a small commercial node at the intersection of Folsom and Valmont which includes a 7-11 convenience store and several other small retail stores. The site is within walking distance from a Walgreens, dentistry office, gas station, gym, several restaurants and small grocery stores located at the intersection of Valmont and 28th Street, less than a half mile from the site. The site is also conveniently located next to the Goose Creek multi-use bike path that connects the site to neighborhood parks, schools, and an abundance of services near the intersection of 28th Street and Iris, less than three-fourths of a mile from the site.

Type of Construction

Phase 2 of Red Oak Park includes 8 buildings consisting of (4) 2-story duplexes, and (4) 3-story, stacked flat buildings. All residential buildings will be type VB wood-frame construction with R-2 occupancy and NFPA 13r sprinkler system. Each residence will be heated and cooled with a Mini Split System and an Electric Water Heater will be provided for each unit.

- **Foundation Type**: Drilled Pier Caisson, foundation walls, and slab on void form.
- **Framing**: Wood Framing
- **Roofing**: TPO Roof Membrane and Asphalt Shingle
- **Building Skin**: Hardie Panel Siding, Cementitious Lap Siding, and Modular Brick Masonry
- **Circulation**: Mini Split HVAC System
- **Stairs**: Steel Stairs with Steel Guardrail & Handrail

Sustainability

BHP is committed to energy efficiency with a goal of near net zero energy consumption. The City of Boulder recently adopted the most stringent energy code in the State asking all multifamily new construction projects to meet the Boulder Green Points Requirements and show a 14% improvement in energy efficiency over 2012 IECCC. The project will adhere to the requirements of 2011 Enterprise Green Communities and is anticipating achieving a minimum of 44 points.

Resident Services

BHP is dedicated to preserving or enhancing independence and quality of life for our residents not only through housing but through our Resident Services program. The mission of BHP's Resident Services program is to help our residents pursue successful, productive and dignified lives by mobilizing resources for supportive and service-enriched housing. BHP currently provides a robust service package to our existing residents at Red Oak Park and will expand existing services to all new residents of Red Oak Park 2. Current Resident Services include an after-school health and wellness program, Zumba exercise classes, a parenting class, food donations from local food rescue organizations, an "I Have a Dream" Foundation class of 24 BHP local elementary students, and Early Childhood programming.

Financing

This project will be funded with a combination of the equity generated from the sale of both State and Federal LIHTC, deferred developer fee, strong support from both City and County sources, and if necessary, additional gap funding from BHP.

Bond Financing Structure

- Total Tax-Exempt Bond Amount = $8,132,829
- Total Construction Period Bonds = $8,132,829 paid down to $3,367,971 in long term bonds.
- Bond Issuer = Boulder Housing Partners
- Bonds anticipated to be a direct private placement.
- 100% of the Bonds tax exempt. No taxable tail.

Project Timeline

May 2017	– Design Team selected (Coburn Architecture)
October 2017	– Community engagement begins with Red Oak Park resident survey – Construction Team selected (Palace Construction)
January 2018	– Open houses with neighborhood – Letter of Intent Submitted to CHFA – SD drawing complete and Site Review Amendment submitted to City – GC conceptual pricing completed
February 2018	– Submit Federal/State LIHTC Application
May 2018	– Anticipated selection of project lender and investor
December 2018	– Anticipated completion of City entitlement process
February 2019	– Anticipated partnership closing – Anticipated construction start
April 2020	– Anticipated construction completion

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:**
  Red Oak Park 2 will provide affordable rental housing to households with incomes between 40% to 60% of the Area Median Income. Due to the City of Boulder's previous funding contributions, a Permanently Affordable Rental Interim Covenant was placed on 2637 Valmont, Lots 1 and 4, requiring BHP to provide 20 units at or below 50% of AMI. This interim covenant will be replaced by a permanent covenant at the time of closing.
- **To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas:**
  The City of Boulder is the county seat and most populous city in Boulder County. The City has implemented growth management strategies which limit the ability of the town to build beyond a growth boundary and above a city-wide height limit. The ever-growing popularity of the town coupled with limited space to grow has created an extreme need for affordable rental housing in this mid-sized Colorado town.
- **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and non-profit:**
  The project sponsor is a public housing authority.
- **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:**
  Red Oak Park 2 will provide much-needed affordable housing to families and individuals. The diversity of the AMI and unit mix at the site will ensure that the needs of a wide variety of applicants are met.
- **To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail:**
  Red Oak Park 2 is located within 0.4 miles of public transportation (RTD's 205, BOLT, 208 and BOUND bus routes), allowing residents to connect to RTD's entire public transportation system. Residents of the new community will receive Eco Passes for a minimum of 3 years after completion.
- **To support new construction of affordable rental housing projects:**
  Red Oak Park 2 will construct 41 new units on an undeveloped site in a desirable area of Boulder. The project will be covenanted 100% permanently affordable in perpetuity.
- **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:**
  Boulder Housing Partners is asking for $519,529 of annual State tax credits. This amount is $222,655 less than the max allowable State tax credit allocation. Further, the Project is leveraging a variety of other sources to help pay for the development.
- **To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval:**
  The proposed development of this site is limited to 44 units due to zoning requirements for open space and parking. BHP's Resident Survey indicated a community desire for a large open space for older children to play and that parking was a concern. To accommodate

these issues, BHP proposes to build 41 units which ease parking and provides more green space.

- **Recognizing the unique challenges of developing housing for certain populations and in certain geographic areas, CHFA has identified the following priorities:**
  Projects serving Homeless Persons as defined in Section 5.B 5*.* Boulder Housing Partner's selection criteria will allow for up to five units to be set aside with a preference for individuals or families with a Permanently Supportive Housing voucher. These voucher holders will be referred from Boulder's Coordinated Entry System once they have received a voucher from BHP or another service provider.

Market Conditions

The following information is based on the market study completed by James Real Estate Services ("JRES") for this application and data from the Colorado Division of Housing:

Market Conditions Summary

The Boulder MSA generally experienced positive employment trends over much of the last 20 years prior to the recession in 2008. Overall job growth in the Boulder MSA during the 12 months ending in the third quarter of 2017 is up 3.1%. Total employment of 193,200 jobs as of third quarter, 2017 is well above the pre-recession high of 170,700 achieved in May of 2008. As of third quarter, 2017, the Boulder submarket has an overall multifamily vacancy rate of 3.0% and a 3.2% vacancy rate in apartment buildings containing 9-50 units. Vacancy rates and market rents by unit type in the Boulder submarket are:

- 2.7% and $1,554 for one-bedroom units,
- 3.1% and $1,410 for two-bedroom/one-bath units,
- 3.9% and $2,024 for two-bedroom/two-bath units, and
- 10.0% and $2,467 for three-bedroom/two bath units.

Marketability of Red Oak Park 2

The marketability of an affordable housing development at this site is strong because it is the second phase of an established and successful LIHTC development. It also has the advantage of offering one-bedroom floorplans; Phase I of the development only offers two-, three-, and four-bedroom units. The proposed project has a unit mix that should attract strong market demand as well as compliment the unit mix of the initial project phase. The overall capture rate of the development is 10.4%.

Market data supports strong demand across all unit types, as evidenced by the full occupancies at nearly all the peer group LIHTC units and a lack of vacant units at nearly all BHP affordable properties. Demand for affordable housing in Boulder has always been strong, and growth controls have limited the housing options in the area. It is likely that significant in-migration will occur in this area with more affordable units.

Readiness to Proceed

We anticipate a timely financial closing with construction starting shortly thereafter. This proposed development project meets and exceeds the readiness to proceed threshold requirements:

1. **Evidence of Site Control provided**

BHP has site control as evidenced by deeds for both 2637 Valmont, purchased in 1997, and 2625 Valmont, purchased in 2012.

2. **Evidence of current zoning status provided**
   The City of Boulder has provided zoning confirmation of the parcels. 2637 is zoned Residential High – 4 (RH-4) and 2625 is zone Business Community -1 (BC-1). The documentation is provided as part of this application in Section 16.
3. **Phase I Environmental completed**
   No recognized environmental conditions were found.
4. **Schematic Drawings completed**
5. **Cost estimate from third-party general contractor provided**

<u>Overall Financial Feasibility and Viability</u>

Initial support from City Council and the City Division of Housing makes BHP confident in its ability to assemble the funding identified as necessary to complete the project. Please see below for project specifics.

- The project financing assumes the use of 4% LIHTC, State Tax Credit, Private Activity Bonds, soft debt, BHP equity and deferred developer fee.
- BHP is requesting a cost limit basis waiver for federal tax credits to meet the construction cost needs of the project. With this waiver, BHP will be able to obtain additional equity to finance this project.
- While BHP recognizes that this cost per unit is high compared to the rest of the state, we believe this to be the result of factors beyond our control that we consider the Boulder premium. These factors include expensive local entitlement, permit, and utility/facility fees, stringent design standards, and long lead times. When we back out that premium, Red Oak Park 2 compares to cost of other Denver metro affordable projects.
- BHP is dedicating the land through a long-term land lease to the Project.
- The Project received $4,023,286 as a contribution from the City of Boulder as part of the overall financing of Red Oak Park Phase 1. Through the acceptance of this money, BHP agreed to develop 20 units of affordable housing on the front two parcels of 2637 Valmont, at or below, 50% of AMI.
- BHP anticipates filling the remaining funding gap with a combination of any of the following: Boulder County Worthy Cause Funds, additional City of Boulder funds, deferred Developer Fee and BHP equity.

<u>Experience and Track Record of the Development and Management Team</u>

Red Oak Park 2 will be developed and managed by Boulder Housing Partners. BHP has over 50 years of experience building and managing affordable housing developments, including experience successfully managing 581 apartments financed through the tax credit program. The Development Team has combined experience with the development of more than eight LIHTC projects, construction management, stabilized lease-up, and management of these projects throughout the City. BHP recently completed Project Renovate, our $32 million RAD conversion project for 279 units of public housing and is currently managing the construction of the $13 million Palo Park Community. The project consultant team, including the project's architect, civil engineer, accountant, tax credit attorney, and cost estimator, has extensive experience with affordable housing and housing development in the City of Boulder. Please see the project team's résumés for detailed information.

Cost Reasonableness

BHP strives to make per-unit costs competitive with any developer in the state. For this reason, BHP has been working with our selected General Contractor and Design Team to bring costs down. However, several factors have led to high construction costs, including the tight site design of the Project and high demand for subcontractors in the area. The Project's size and scale are appropriate for the area, complement the first phase of the award-winning development and act as a transition from the surrounding business and residential land uses.

BHP's per unit per annum (PUPA) costs are relatively high compared with other projects. BHP includes a per unit cost for resident services in our operating budget, which is standard for BHP properties. The operating budget was developed utilizing the first phase of Red Oak Park's actual per unit 2017 operating expenses.

As a Boulder developer, we must meet the needs of many stakeholders including the City, our residents and neighbors. Our ability to present a project that balances these needs is paramount to best steward CHFA's, the City's and BHP's resources. For these reasons, BHP strongly believes the costs for Red Oak Park 2 are reasonable and take advantage of the efficiencies in building adjacent to the first phase of the development.

Proximity to Existing Tax Credit Developments

Red Oak Park Phase 2 is located immediately adjacent to the LIHTC project Red Oak Park Phase 1, which was placed in service in 2011. Both phases are within five miles of seven other LIHTC projects developed and managed by BHP (Holiday, Foothills, Broadway West, Broadway East, Westview, 1175 Lee Hill, and Palo Park, which is currently under construction). In addition to BHP's Palo Park, there are three other LIHTC projects under construction in Boulder, S'PARK West, the Correll Apartments and Valmont Square. Including the anticipated projects and the existing LIHTC projects in Boulder, Red Oak Park 2's capture rate is 10.4%. JRES suggests that, despite a slightly high capture rate, there is strong demand for family/workforce housing in the subject's market area and they do not anticipate issues leasing the project.

Site Suitability

The project will be the second phase of the Red Oak Park Community which was awarded the 2012 Urban Land Institute Global Award for Excellence, the 2013 Green Build Star Award, and the 2012 NAHRO Award of Merit. Residents who live in the first phase love their homes and overall state the site is beautiful, peaceful and safe. This Project will only augment the site suitability for the overall community. The proposed Project conforms with zoning and land use designations and is compatible with surrounding uses.

Justification for waiver of any underwriting criteria

BHP requests a Cost Basis Limit waiver for Federal Tax Credits. Please see attached letter for more details.

Address any issues raised by the market analyst in the market study

The market study provides that Red Oak Park 2 should be successful due to its location, unit mix, and strong affordable unit demand in this area. There are, however, some issues that are identified below:

- **Unit sizes at the subject are slightly smaller than comparable floorplans at other peer group properties**. As demonstrated through our market study, Boulder has a strong unit demand across AMI levels and unit floor plan sizes. BHP maintains long interest lists for all of our properties. In November 2017, BHP opened an interest list for two weeks for a similar style project, Palo Park, and received 201 applications.
- **Several competing affordable housing properties are being developed within blocks of the subject property, with a few more completed in recent years, but many of those units are targeted exclusively at the 60% AMI level.** Red Oak Park 2 will offer a diverse AMI range, between 40%-60%. As demonstrated above, the project is in an excellent location for housing and there is a strong demand in Boulder for housing across AMI levels and unit floor plan sizes. The capture rate for 60% AMI units is 13.5% in Boulder. Additionally, BHP maintains a current waitlist of over 1,000 individuals and families. BHP does not anticipate any issue leasing up our 60% units.

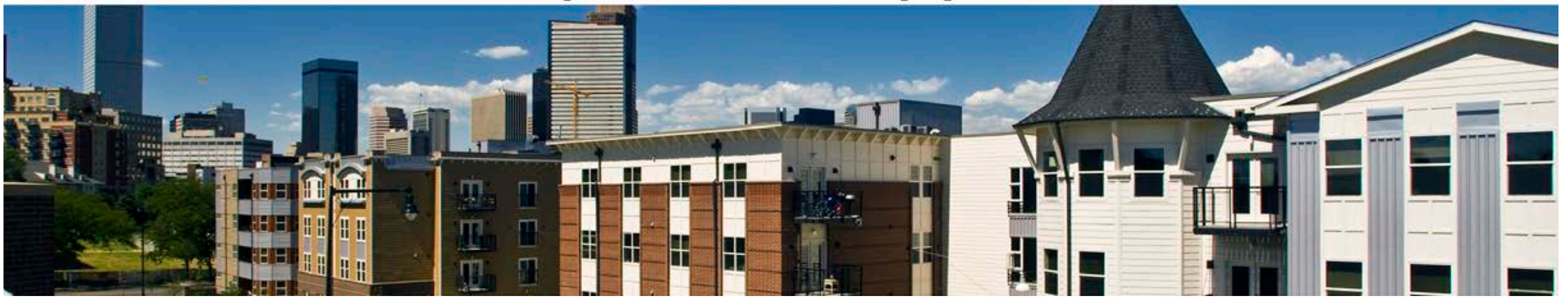
<u>Address any issues raised in the environmental report(s) submitted with your application, including how the issues will be mitigated, if applicable:</u>
The Phase I Environmental Assessment revealed no evidence of recognized environmental conditions.

<u>Community Outreach and Local Support:</u>
BHP is committed to thoughtful, transparent, and inclusive community engagement. Outreach and communication specific to this project began in the fall of 2017. Over the past several months, BHP has communicated with residents at the first phase of Red Oak Park to identify site design and amenities that they like the most as well as any design concerns that they might have. The Project generally received positive feedback and overall support. We intend to collaborate with the community throughout the predevelopment, development and construction processes. The Red Oak Park Neighborhood Survey was distributed October 10, 2017. Neighborhood Meetings were held on January 6 and 9, 2018

BHP addressed the following neighborhood design priorities:

1. Add parking on the north side of site to allow families to park closer to their units
2. Design a barrier between the busy street (Valmont) and the playground, to protect children
3. Add a space for older children to play
4. Slow traffic through site
5. Provide additional storage for units
6. Preserve views from Community Center
7. Create community gardens
8. Offer covered bike storage
9. Adjust unit layouts to use space more efficiently
10. Put a trash enclosure area on north side of the site to alleviate the heavy usage the existing north trash enclosure
11. Change the heating system to work more efficiently in very cold weather

pab lihtc application narrative



Project Name: Residences at Hoffman
Project Address: 1348/1324 Xanadu Street Aurora, CO 80011

Executive Summary

TWG Development (TWG) is excited for this opportunity to present an application to CHFA for 4% Non-Competitive Low Income Housing Tax Credits/Private Activity Bonds and Colorado LIHTC (LIHTC/PAB) for the Residences at Hoffman (the Project). Located on a 1.7-acre undeveloped lot in Aurora, just one-half mile to the south of the Anschutz Medical Campus (south of Colfax Ave.), this new construction, multifamily, transit-oriented development will provide 66 one-bedroom and 19 two-bedroom apartments (85 units, total) for seniors aged 55+ earning 60% of the AMI and below. Onsite amenities include a gym, an outdoor dog park, a leasing office, indoor bike storage, indoor storage, and a common area for events and activities. Each unit comes equipped with ample storage, a coat/linen closet and a laundry room.

The Project will include 76,601 GSF in a four story, elevator serviced, wood framed structure. There are 63 surface parking spaces (23 are covered, tucked under the first floor). The foundation design is a structural slab on grade. At level one adjacent to the tuck under parking the exterior wall be made of architectural block. An acoustical mat with gypcrete will minimize sound transfer between the units and is consistent with code required acoustic ratings. The building skin will utilize a variety of finish materials including masonry brick combined with stucco and fiber cement lap siding. All exterior walls will utilize batt insulation with a weather barrier on the exterior. The roof will be of pre-manufactured wood trusses insulated with batt and topped with a white TPO membrane. The project will align with the 2011 Enterprise Green Communities Criteria.

The area immediately surrounding the subject site encompasses the Fitzsimons Urban Renewal Area, which was established in 2001 to provide financing tools for redevelopment. Redevelopment projects have been approved or are under construction at key intersections along Colfax between Potomac and Peoria streets. Residences at Hoffman will be strategically located at the intersection of Xanadu Street and 13th Place, which is one block south of Colfax and one block west of Potomac, in a transition zone between commercial development and an established residential neighborhood.

New developments along Colfax, within less than 0.4-mile of the Project, include the recently opened $90 million Hyatt Regency Aurora-Denver Conference Center, the new $2 billion Rocky Mountain Regional VA Medical Center opening in the summer of 2018, and Forum Fitzsimons, Aurora's first transit-oriented, mixed-use development, containing 397 rental homes and 28,000 square feet of restaurant and retail space (currently under construction). The Residences at Hoffman will be an excellent addition to the area in that it will be able to provide stable, secure, affordable housing to seniors with retail, commercial, and medical-related amenities and services within walking distance.

In 2015 and 2016, an unrelated development company applied for credits with the intention of creating a 50-unit senior housing development (known as Colfax Gardens) on this site. At that time, revitalization efforts along Colfax were in the planning stages. Now, most of the projects are complete or nearing completion which makes this the ideal time to move forward with affordable senior housing. The previous development was targeted to seniors ages 62 years and older. TWG has lowered the age limit to 55 years to capture the working-class seniors at the nearby medical complexes. Seniors are remaining in the workforce now more than ever, and the proximity to high quality employers makes this an ideal site for them to make Residences at Hoffman their home.

Due to the Project's proximity to the VA Medical Center, TWG will prioritize housing for age-qualifying veterans. TWG has initiated contact with the VA Eastern Colorado Health Care System, The Fisher House Foundation, Senior Hub, Seniors' Resource Center, and the Denver VA Medical Center and intends to follow up with these entities to discuss housing and support service partnership opportunities once an award of credits is made. Moreover, should the financing work, TWG intends to prioritize up to three (3) one-bedroom units to any veterans undergoing long-term care at the VA Medical Center, even allowing for 6-month lease terms. The intent of this initiative is to provide housing for qualified senior veterans who struggle with reliable access to the VA Medical Center due to geographic challenges, environmental factors, a specific medical condition, or the nature or frequency of the care needed.

Residences at Hoffman will be financed with equity generated from the sale of 4% LIHTC, PABs, and Colorado LIHTC. Other funding is intended to be sourced from the City of Aurora, Arapahoe County, the Colorado Division of Housing, and deferred developer fee. A permanent loan in the amount of approximately $8 million is in first position. Leveraged soft funds represent about 10% of total project costs. The assumed local funding demonstrates a strong need and initial support for this Project.

<u>Bond Financing Structure</u>

TWG anticipates the need for approximately $16 million in total short-term bonds, about $12 million of which will be tax exempt. The total long-term tax-exempt bonds is approximately $8 million. TWG intends for CHFA to serve as the conduit issuer and that the bonds will be in a draw-down structure with private placement. The short terms bonds will have a taxable tail in the approximate amount of $4.5 million. 100% of the long-term bonds will be tax exempt.

<u>Qualified Allocation Plan (QAP) Section 2 Priorities</u>

The Project does not serve priority populations noted in Section 5.B 5 (i.e., homeless persons or persons with special needs), nor is it located in a County with a population of less than 175,000.

<u>QAP Section 2 Guiding Principles Specific to the Project</u>

To support rental housing projects serving the lowest income tenants for the longest period of time. The Project will provide affordable housing for a minimum of 35 years. While the units are currently income restricted at the highest 60% AMI level, TWG is interested in providing 5% of the units at 30% AMI, so long as soft funding sources and/or vouchers can fill the financing gap.

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 located within a 2018 QCT, the development of which contributes a community revitalization plan known as the Fitzsimons Urban Renewal Plan. Developed in 2001, the Plan intends to alleviate urban blight. It is aligned with the City of Aurora Comprehensive Plan, which encourages opportunities for revitalization, residential/commercial development, and public transportation enhancements.

To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit. Ten years ago, TWG Development was built on a foundation of providing quality affordable housing for families and seniors. Based in Indianapolis, Indiana, but actively expanding into Colorado, TWG Development brings over a decade of experience to the development, operations and finance of real estate transactions. The Project represents TWG Development's first LIHTC application in Colorado. However, key members of TWG's development team have experience closing LIHTC transactions in Colorado.

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. The Project will be restricted to seniors ages 55 and up. The market area, according to the market analyst, will provide needed senior housing to qualified households who lack comparable options. Both senior LIHTC projects in the PMA are fully occupied and five of the six family LIHTC properties maintain waitlists. Property managers at the senior LIHTC comparable properties reported there is strong demand for additional affordable senior housing. TWG researched the site's capture rates and market opportunity for family housing and found the metrics for demand to be significantly better for an age-restricted development rather than for low-income families.

To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail. The project qualifies as a TOD site as it is within 0.4-mile walk distance of the Regional Transportation District's (RTD) 15 bus line, which runs east to Denver every 15 minutes. The 15 line provides over 100 weekday trips and 90 on the weekends. The Project site is also within a 0.5-mile walk of RTD's 13th Avenue light rail station. RTD's newest light rail line, the R Line, brings light rail service through the heart of Aurora. The 10.5 miles of new light rail connects the existing track at Nine Mile Station up I-225 to the Peoria Station and south to the towns of Centennial and Lone Tree. The new R Line provides easy connections to the University of Colorado A Line and the H Line, making it easier than ever to get to the airport, the Denver Tech Center or downtown Denver. The R Line services the Projects site with 67 weekday trips and 38 trips on the weekends.

To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing. This Project will be new construction providing much needed quality affordable housing to seniors aged 55+ in the area.

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. TWG has garnered initial capital support and interest from city, county and state funders to help ensure that only the amount of credit necessary to ensure financial viability is requested. In addition, TWG is working to partner with the Aurora Housing Authority which would allow for exemption from sales and real estate taxes, as well as the possibility of waiving local building permit fees. TWG is requesting approximately $10,500 in annual state LIHTC credits per unit, which currently is the amount needed to finance the project.

To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval. TWG has created a balanced scenario that maximizes the allowable density of 85 units without sacrificing design or construction quality. All units are currently restricted at 60% AMI so that the maximum number of households allowed within the current zoning can be built while optimizing the available financing. Post-award, if financing allows for such a scenario, TWG will restrict a portion of the units to lower income households.

QAP Section 2 Criteria for Approval

Market conditions: The Property is located in the Aurora – Central Northwest submarket, which is bounded by Colfax Avenue to the north, I-225 to the east, Alameda Avenue to the south and the City and County of Denver line to the west. Rents for all bedroom types have steadily increased over the past four years in the Denver Metro area. The Project will offer a significant advantage over the current average rents, which have increased between 8-9% annually. As indicated in the market study, Arapahoe County is currently experiencing low vacancy rates for both the proposed unit types, indicating a need for additional housing.

Readiness-to-proceed: TWG will meet CHFA's threshold requirements of readiness-to-proceed. specifically:

- The site is zoned for the intended use and anticipates site administrative review approvals will be in place by the end of 2018;
- The Phase 1 Environmental indicated that no Recognized Environmental Conditions were discovered;
- Schematic drawings have been priced and the proposed building is financially viable to construct based on current assumptions; and
- Financing and funding commitments from the sources identified in this application would be secured by the end of 2018.

Overall financial feasibility and viability: The Project is financially feasible if awarded an allocation of 4% LIHTC and Colorado LIHTC. In addition to the federal and state equity, TWG is assuming a competitive private placement of the bonds, City of Aurora and Arapahoe County HOME loans, a matching Colorado Division of Housing loan, and deferral of a portion of the developer fee. TWG, the equity syndicators and the financial consultant, RCH Jones, has run the current project assumptions through their tax credit financial models. This extensive up-front underwriting has shown that as conceived, there are minimal risk points. The project maintains an estimated debt coverage ratio between 1.16 and 1.39 through the initial compliance period. Deferred developer fee is expected to be paid in full by the end of year 12. The collaboration between design, construction and management maximizes operating efficiencies without compromising resident comfort.

Experience and track record of the development and management team: TWG specializes in multi-family housing construction and light commercial construction. Currently, TWG Management manages over 3,000 units across multiple cities and states ranging from affordable developments to market rate sites. To date, TWG has developed over 700 market rate apartments and recently completed four mixed-use projects in urban settings in Indianapolis and Fishers, Indiana totaling over $97 million. TWG has three more mixed-use developments, valued at over $116 million, currently under construction in Des Moines, Iowa and Indianapolis. These developments include both new construction as well as historic renovations of existing buildings. TWG has active developments in Indiana, Michigan, Illinois, Missouri, Ohio, Georgia, Washington, Iowa and Wisconsin. TWG Construction has served as the general contractor for the majority our projects, while TWG Management has a proven maintenance and compliance track record.

To help enable The Residences at Hoffman provide the best outcome possible for the prospective residents, the surrounding Fitzsimons Urban Renewal Area residents, as well as the project's anticipated funders, TWG retained Ryan Hibbard Jones (RCH Jones Consulting) and Shannon Cox Baker (SCB Consulting) to provide strategic direction and financial advisory services to the project. Collectively, Hibbard Jones and Cox Baker have over 25 years of experience in the affordable housing industry having managed the development of various affordable housing communities across the US, particularly in Colorado.

Jeff Dawson, Founder and Managing Partner of Studio Architecture, the lead architect on the Project, has been involved in the development, design and construction of over 1,000,000 SF of development, 400 multi-family residences and over 500,000 SF of office, retail and institutional space over his 25-year career. Most of these projects have been in complex urban infill environments requiring a balanced approach to local community concerns and the unique demands of commercial and residential tenants. He combines real world project management experience with award winning design talent to deliver high quality, cost effective and sustainable development projects in today's challenging real estate market. In addition to being the architect of record for five recently-closed GHC LIHTC transactions in Colorado, Jeff is the architect of record for three LIHTC projects in Boulder, Colorado. Current Colorado clients include Boulder Housing Partners and Gardner Capital Development.

Cost reasonableness: The Project costs reflect current hard cost information based on initial assumptions, and have been reviewed by a third party. Construction costs in Colorado continue a significant upward trajectory largely due to the constrained labor and commodities markets. To account for the volatility, TWG has integrated various cost progression factors in the project budget. TWG will also use their proven processes to effectively select sub-contractors and fully vet details during the bidding process. Their pre-construction team is deeply involved from the beginning of a project to ensure projects are completed on time and on budget.

Proximity to existing tax credit developments The PMA has ten existing LIHTC properties containing 808 income restricted units. Of these, only one property is age-restricted with 103 units built in 2004 located approximately 2.4 miles from Residences at Hoffman. The remaining nine LIHTC properties are non-age-restricted with a total of 705 units. The capture rate of existing units is 1.4% and the required capture rate is 15.7% showing strong demand for the Project. Several of the existing tax credit developments reported wait lists in excess of one year. In addition, four developments have been allocated tax credits within the last three years, totaling 361 units. Of those, only 24 units are age-restricted. The expected absorption period of Residences at Hoffman is two to three months.

Site suitability: The site is suitable for the intended use for the following reasons:

- TWG has secured site control via a purchase option with the seller;
- The vacant site has no detectible slope, no known environmental hazards or Recognized Environmental Conditions, and no known wetlands or other physical attributes they may compromise or inhibit development;
- The site presents an opportunity to enhance current conditions and complement the surrounding redevelopment which is comprised of both commercial and residential uses or varying densities;
- The proposed use is congruent with the development goals outlined in the City of Aurora Comprehensive Plan and the Fitzsimons Urban Renewal Area Plan;
- The nearby 15 bus line (0.4-miles) and RTD's 13th Avenue light rail station (0.4-miles) provides excellent transportation along Colfax Avenue to downtown Denver and north/south along I-225; and
- Numerous locational amenities, particularly medical services (VA Hospital, University of Colorado Hospital, Children's Hospital), as well as retail options and job opportunities are within 0.5-mile walk distance and due to the site's proximity to the Anschutz Medical Campus.

Justification for waiver of any underwriting criteria

Not Applicable

Issues raised by the market analyst in the market study

According to the market study, there are no apparent weaknesses for the Project as conceived.

Issues raised in the environmental report(s)

No issues were raised in the Phase 1 site investigation report complied on January 22, 2018. The site appears to have never been developed, based on historical resources reviewed by the environmental consultant, SCS Engineers, and noted in the Phase 1 Report. Moreover, the surrounding properties appear to have been undeveloped prior to the 1950s. No RECs were identified in the January 2018 Phase 1 update, nor were they noted during a 2014 Phase 1 investigation.

Unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment

Several local requirements are driving up costs and are outside of TWG's control. Approximately $16,000 per unit in City of Aurora tap fees and impact fees, which is higher than most municipalities, are driving up costs. Additionally, the City's design criteria (i.e., obligating TWG to incorporate expensive exterior materials such as stone or brick and covered parking requirements) are resulting in a cost premium. TWG has pursued the following opportunities to achieve some measure of cost containment: initial value engineering of the design, detailed communication between the City planning officials and the TWG Construction and Management teams; and increasing the density to 85 units, which is by-right in the TOD zone, to provide economies of scale for construction.

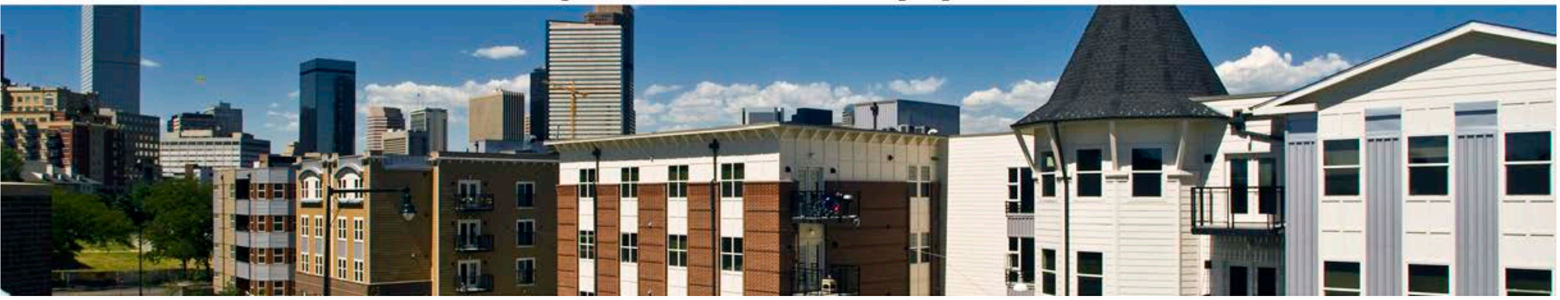
Community outreach and local opposition and/ or support for the project

To aid community awareness of and participation in the development process, TWG has initially reached out to the neighboring St. Pious Catholic Church, the VA Eastern Colorado Health Care System, The Fisher House Foundation, Senior Hub, Seniors' Resource Center, and the Denver VA Medical Center. Should credits be awarded to the Project, TWG will explore possible partnerships with these entities and other entities whose missions are aligned with the housing goals of the Residences at Hoffman. In addition to the advertised public meeting held on January 22, TWG will also facilitate community meeting(s) going forward. Finally, both the City of Aurora and Arapahoe County have encouraged TWG to apply for local funding.

TWG provides not only safe, sanitary and quality housing, but puts a heavy emphasis on providing its tenants with the services needed to succeed and prosper in the community as evidenced by their numerous existing partnerships with non-profit organizations.

Attached Supporting Documentation

- Proximity to TOD Bus and Light Rail Stations (Residences at Hoffman_22_EGC Slipsheet)
- Letter of Support for regarding possible housing authority partnership (Residences at Hoffman_09_Housing Authority Letter)



Project Name: **The Colburn**
Project Address: **980 Grant Street, Denver, CO 80203**

1. Executive Summary

The Colburn Hotel is an existing Single Room Occupancy (SRO) Housing Community located in the heart of Denver at high risk of converting to market rate. With an existing LURA that expired in 2017 and annually renewing Mod Rehab vouchers, it is critical that the property receive an investment of resources now to preserve the affordability and avoid large-scale displacement of a vulnerable tenant population. Gorman & Company is excited to have the opportunity to preserve this property along with our funding partners.

The building currently includes 88 LIHTC/SRO units, four (4) non-LIHTC units and two (2) commercial spaces. If we are successful in this funding round, Gorman will acquire the property with a bridge loan by June 2018 and then re-syndicate it with 4% Federal and State of Colorado Low Income Housing Tax Credits (LIHTC). At the time of re-syndication we will retain the existing tenants, convert the SROs to efficiencies and modernize the units. Deep affordability for all residents will be preserved through a 15-year Project Based HAP contract. Rehabilitation will improve the property's livability and functionality for residents as well as extend the useful life of this critical asset.

Project Location

The Colburn is in Denver's Capitol Hill neighborhood, a TOD and service-rich location. Social services, grocery, pharmacy, retail stores, and a major hospital are within a half-mile radius. The site is within one mile of several major city parks and cultural landmarks including the Denver Art Museum and Denver Central Library.

Project Need and Urgency for Funding

The Project is critical to the housing infrastructure to the City of Denver and is under threat by the intense appetite by market rate investors to purchase existing properties in central locations. According to the City of Denver, affordability restrictions on over 2,000 units are set to expire in Denver over the next four years. Many similar properties have already been sold to market rate developers. Preservation of The Colburn is in alignment with priorities of our funding parties, as it currently provides affordable housing to a very-low-income population, at risk of homelessness. **The urgency for funding is absolute: without a reservation of State LIHTC, the property will not be financially feasible for preservation.** With the expiring regulatory restrictions, this project will undoubtedly flip to market rate if not preserved now.

Population Being Served

The existing tenant community represents some of the most vulnerable households in the City of Denver, with more than 90% of current residents falling below the 30% AMI level. Gorman will work with the Denver Housing Authority to establish a new resident admissions preference for homeless individuals. We will formalize service provision through the creation of a Resident Services Coordinator (RSC) position which has been included in our operating budget. The goal of the RCS position will be to help our residents pursue successful, productive, and dignified lives. The RSC will staff an on-site office, work with homeless referral agencies, create a network for case management services, and provide on-site programming. We will also formalize an on-site job training program, which has existed for years under the current ownership and hires residents as employees. Additional details are described in the attached Services Plan.

Unit Mix and Amenities

The final rehabilitated building will consist of 91 LIHTC efficiency units and one manager's unit. The efficiencies will include 23 units (25%) reserved at 30% AMI and 68 units at 60% AMI targeting. Eighty-eight of the efficiency units will receive Project Based Vouchers. The completed building will offer a centrally-located laundry facility, community room, fully-equipped community kitchen (with stove, oven, hood and disposal) and fitness room. Renovated units will include the addition of air conditioning and efficiency kitchens with a two-burner electric stove, sink and full sized refrigerator. This reconfiguration will allow each unit to include a private bathroom (many units currently utilize a shared bath). These new amenities will vastly increase the livability for the residents. *We are unable to feasibly add dishwashers, garbage disposals, ovens or ventilation hoods to the units given the age of the structure, type of the building, and size of units. We are requesting a waiver on these required amenities.*

Type of Construction

The building was originally constructed in 1925. It has concrete foundation walls, masonry framing with concrete floors, brick masonry exterior, and PVC roofing. The interior circulation consists of a central double-loaded corridor with two stairs and two elevators. Following a Property Condition Assessment of the building, we have identified a rehabilitation scope of $40,500/unit in hard costs for a total budget of $18.7MM. The rehabilitation scope will include:

- Conversion of all SRO to efficiency units; adding efficiency kitchens and private bathrooms;
- Replacement of flooring, light fixtures and plumbing fixtures;
- Addition of air conditioning to each unit; and
- New community amenity areas and improvement to existing common areas.

Project Financing

We will finance the project with Private Activity Bonds issued by CHFA, and Federal 4% and State LIHTC equity. We will utilize HUD FHA 223(f) to maximize our loan terms. We have also received funding support from the City of Denver, State of Colorado, and Denver Housing Authority (in the form of a 15-year Project Based voucher contract). We will also defer 25% of the developer fees and have received a commitment from DHA for property tax exemption for the LIHTC units.

Sources and uses are as follows:

USES		SOURCES	
ACQUISITION	$9,850,000	FEDERAL LIHTC EQUITY	$3,720,110
HARD COSTS	$3,725,995	STATE LIHTC EQUITY	$2,374,772
SOFT COSTS + FINANCING	$2,804,451	FIRST MORTGAGE	$7,470,000
DEVELOPER FEE	$984,500	STATE OF COLORADO	$1,000,000
DEVELOPER OVERHEAD	$805,500	CITY OF DENVER	$3,680,000
RESERVES	$498,906	DEFERRED DEVELOPER FEE	$424,097
TOTAL	**$18,669,352**	**TOTAL**	**$18,669,352**

2. Bond Financing Structure

a. Total amount of bonds with a breakout of construction period bonds vs. permanent bonds:
The total amount of tax exempt bonds will be $7,501,000 (or 55% of the aggregate development costs) to be issued during the construction period. To bridge any shortfall from 55% of our bonds to our total equity needs, we will utilize our soft funding sources.

b. Bond issuer: We will be seeking a CHFA conduit bond issuance.

c. Lender and bond sale structure: We will utilize a short-term escrow-backed tax exempt bond structure.

d. Portion of bonds that will be tax-exempt: 100% of the bonds will be tax exempt.

3. Identify which priorities in Section 2 of the QAP the project meets:

The current residents at The Colburn include both individuals who had previously been experiencing homelessness, in addition to those with special needs. The property currently operates within an informal referral network of Homeless Service Providers for housing that we will continue to work within and formalize following acquisition. Due to this unique tenant population, we have included a Resident Services Coordinator position in our Operating Budget. Please reference our Services Plan and letters of support from the Mental Health Centers of Denver and from Laradon Society of Exceptional Adults and Children.

4. Identify which the guiding principles in Section 2 of the QAP the project meets:

The Colburn preservation project meets the following Guiding Principles from the 2018 QAP:

- To support rental housing projects serving the lowest income tenants for the longest period of time. Preservation of The Colburn is a project that significantly embodies this guiding principle. We will preserve the existing tenant population, 90% of which fall below 30% AMI levels. Twenty-two (22) units, or 25% of the LIHTC units, will be restricted to residents earning 30% AMI under our new LURA. We are electing a 15 year + 15 year Extended Use Period.

- To provide for distribution of housing credits across the state, including larger urban areas. An award for The Colburn will allocate credits to a large and service-rich urban area.

- To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit. The proposed project includes Gorman as the qualified sponsor with extensive expertise in LIHTC housing and supportive services.

- To distribute housing credits to assist a diversity of populations in need of affordable housing, including homeless persons, and persons in need of supportive housing. An award to this project will prevent tenant displacement from the conversion to a market-rate property.

- To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail. The Colburn is a TOD Project. RTD's High Frequency Bus Route #0 (Broadway) stops within ¼ mile of the site and runs daily every 5-15 minutes from 5 am to midnight. There are many other local and regional lines accessible within ¼ mile.

- To support acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing. The Colburn is an acquisition/rehabilitation of an existing affordable housing project that is at great risk of converting to market rate housing if it is not preserved at this time. With expiring regulatory restrictions and an annually-renewed Mod Rehab HAP contract, it must be preserved now.

- To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project. We are only seeking the amount of federal and state credits needed to complete the project. We are also maximizing the leverage of as many additional sources as possible.

- To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval. We are requesting the minimum amount of credits required for feasibility, maximizing leverage, and preserving 88 units of existing affordable housing for very-low-income residents.

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

Market conditions: Denver is at a pivotal point where despite extremely low unemployment (2.2%), high workforce participation (90%+), and tremendous economic growth, housing costs are growing at such a rapid pace that incomes cannot keep up. The Colburn is an existing SRO property serving the very-low income and highly vulnerable populations. With historically high rates of occupancy and low turnover (7 in all of 2017), it serves a segment of the market that is difficult to serve in high numbers through new construction (due to limited land availability and high costs of land and construction).

Readiness-to-proceed: Gorman is under contract to acquire the property in June 2018, if a State LIHTC award is received. We have completed necessary due diligence including environmental assessments and a Property Condition Assessment. The current zoning permits the rehabilitation of the units. Upon acquisition of the property, Gorman will immediately move forward with DHA and HUD to convert the Section 8 Mod Rehab Vouchers to Section 8/HCV Project Based Vouchers, and move to the re-syndication. A building permit can be received within 4 months of turning our plans in for review. Gorman anticipates a tax credit closing in December 2018.

Overall financial feasibility and viability: Due to the expiring LURA on the property, The Colburn is being purchased at a price comparable to those recently sold that had expiring regulatory restrictions. *The purchase price is higher than the appraised 'as is restricted' value. Therefore* ***our acquisition credits are set at the as-is restricted value****, adjusted for land costs and removing the value of the commercial space.*

The fact that the purchase price is higher than the as-is-restricted valuation makes it impossible to acquire the property and continue to manage it with current operations in place, serving very-low-income residents (even if no rehabilitation is considered). Gorman's structure, with a new LURA, new 15-year HAP contract, and funding from local housing partners, presents a viable preservation financing structure. **The use of State LIHTC is critical to this equation – a 4% LIHTC alone could not accomplish the preservation of this project.**

Our model contemplates, and is feasible, a two part strategy: First to acquire the project with a Bridge Loan, followed by the second re-syndication step utilizing both Federal 4% and State LIHTC. We have accounted for holding costs in our feasibility analysis.

<u>Experience and track record of the development and management team</u>: The development project team has successful experience implementing projects throughout the City and State and will pull experience from similar acq/rehab and supportive service properties from within our team. We believe we are the best suited team for this project.

Gorman & Company will serve as **Developer** and **Architect** of Record on The Colburn project. **Gorman General Contractors, LLC,** an affiliate of Gorman & Company, will serve as **General Contractor.** As a "vertically integrated" development firm with in-house architecture and construction staff, Gorman has the capacity to produce affordable, multifamily development projects from concept to delivery. The Property Management will be led by **Ross Management.** We have a working relationship with Ross, as they are the property manager for our Terraza del Sol development in Denver.

- **Gorman & Company** has 33 years of experience in developing some of the nation's highest quality workforce housing and neighborhood revitalization projects, including three successfully operating Supportive Housing developments. We work closely with local governments and community groups to meet their development, planning, economic and social goals. With over 100 community revitalization projects in our portfolio, we have utilized the LIHTC program since 1987 along with financial tools, such as NMTC, TIF, and EB-5 to accomplish revitalization goals. Our team brings a broad range of development, construction and real life experience to the development process and applies those skills to solve problems and bring plans to reality. Of our 100+ projects, we have never had a foreclosure, never defaulted, and never had the general partner replaced by the investor. We are incredibly proud of our reputation and integrity.

- **Gorman & Company Architecture and Design** was formed in 1998 and has designed over 35 affordable multifamily developments in our markets. Gorman's architects have specialized in mixed use, mixed income and workforce housing; and the preservation of existing affordable housing.

- **Gorman General Contractors, LLC** (GGC) will serve as General Contractor. We can ensure high quality and timely construction by internalizing the construction function of this development. GGC has been serving this role over the last 15 years and has successfully completed a Workforce Housing project in the Town of Vail and will be constructing the Wintergreen Apartments project that will break ground in June 2018. GGC has constructed over 60 multifamily communities.

- **Ross Management** was formed in 1986 and specializes in the management of affordable, Tax Credit, Market-rate and service-enriched housing. Ross has extensive experience with management and compliance of LIHTC properties in Denver and the Metro Denver region, including compliance for other soft funding sources. The focus at Ross is to be thoughtful and respectful of their residents, and to treat the properties they manage as investments, helping owners and investors achieve their financial performance goals. Ross is staffed to handle all property management tasks and manage portfolios of various property types. Ross is proud that their staff is many times noted for their strong analytical, troubleshooting and communications skills, enabling them to deal successfully with complex issues and unforeseen obstacles.

Cost reasonableness: The total development cost of the project is $202,927 per unit, which includes the costs to acquire the property, interim holding costs, rehabilitation of the property, temporary relocation costs during our rolling rehabilitation, and unforeseen environmental remediation. The greatest driver of this cost is the acquisition of the property, which represents a near-market price due to the expiring affordability restrictions. Even with this in mind, the acquisition and rehabilitation of an existing property is much less costly than a new construction project of this nature, especially in this project's location. According to CHFA's BBC Cost Study, the average total cost to build one new unit of affordable housing is $258,000.

Proximity to existing tax credit developments: There are seven (7) tax credit properties in the Capitol Hill neighborhood in Denver. None are under construction, all have stabilized, and there is still an incredible shortage of housing units needed in this area.

Site suitability: The site of the Colburn is a highly desirable location that is TOD and offers a wide variety of services and amenities. This neighborhood offers access to services, jobs, health care, transportation and recreation.

6. Justification for waiver of any underwriting criteria:

Gorman plans to add electric stovetops, sinks, and full-site refrigerators to units that do not currently have any kitchens. We are seeking a waiver for the amenity requirements of dishwashers, garbage disposals, ovens, and vent hoods for the stove as the structure of the building and size of the units will not permit these in a cost effective way. The stoves will meet building code and a community kitchen will offer an oven, stove with vent, disposal and microwave. The new efficiency kitchens in each unit will be a significant upgrade for existing residents.

7. Address any issues raised by the market analyst in the market study:

A market study was not completed as this property is and will remain 100% LIHTC units and therefore the QAP indicates a study is not required. The Coburn Hotel has been reporting annual demographic and tenant data via the WCMS system. These are available through CHFA's filing system. As an SRO property, all units have been single-person households, many whom were previously experiencing homelessness.

8. Address any issues raised in the environmental report(s) submitted:

A Phase I Environmental Site Assessment was completed for the property, resulting in no Recognized Environmental Conditions (RECs). Testing for asbestos-containing materials (ACM) and lead-based paint (LBP) was also completed at the property. No asbestos was found, but LBP was discovered. The report noted that, due to the age of the structure, suspect asbestos-containing building materials (ACMs) may be uncovered during rehabilitation even though it was not found during invasive testing. To accommodate this possibility, and properly handle Lead Based Paint, a Materials Management Plan will be in place during construction to ensure proper worker safety, material handling, and disposal. The cost for potential remediation is included in the development budget.

9. Cost Containment:

The building has a high acquisition cost due to its location in Denver's Capitol Hill neighborhood, a highly desirable community just southeast of the Central Business District. Capitol Hill is the city's most densely populated neighborhood and was identified by the City of Denver as an area already undergoing gentrification. The unrestricted neighboring property, Colburn Apartments at 960 Grant Street, sold in October 2017 for $11.26 million, or $163,000 per unit. The Colburn will have an acquisition of $102,500 per unit by comparison. We know that building new units, of this nature and in this location, could cost well over $100,000 more per unit than our total development cost.

10. In your own words, describe you community outreach:

We have not performed community outreach with the residents of the property. Given the highly vulnerable population, we will complete outreach following our knowledge of a viable financing execution. We have gathered tenant survey information from the owners, which indicate desired amenities (which we are implementing). We will be retaining the current tenants.

We have talked to funding partners, City of Denver staff, and City Councilors and all have expressed sincere desire to see this property preserved.

11. For acquisition/rehab projects, describe the rehab plan:

Our scope of work for rehabilitation will include modernization of building features including the conversion of SRO units into efficiency units. This reconfiguration will allow each unit to include a private bathroom (many units currently utilize a shared bath) and also include the addition of efficiency kitchens in each unit. We will preserve as many of the original features of the architecture and design and replace flooring, fixtures and finishes as necessary. Community amenities will be added and improved, including a new common laundry room, fitness area and updated community rooms and common kitchen.

Relocation Plan: Gorman plans to complete all renovations at The Colburn with tenants-in-place. However, it is possible that the project may require temporary relocation in order to complete the renovation work. Temporary relocation may include day-passes to community spaces or overnight stays at hotels as needed. Given the vulnerability of the tenant population, this may mean additional service provision during the rehabilitation time frame. The renovation work within each unit is expected to take no longer than a week.

We have determined that no resident will be involuntarily displaced (i.e. permanently displaced). Although it is not anticipated, if a household is determined to be ineligible to receive a voucher and/or is subsequently determined to be permanently displaced by the project, s/he will be contacted directly concerning the relocation process. The individual circumstances will be reviewed to determine if the household is eligible for other assistance under the Uniform Relocation Act.

A relocation plan and budget is provided as a supporting document to this application.

<u>10-Year Rule</u>: The Colburn is a preservation project that is eligible for acquisition/rehabilitation credits and is exempt from the 10-year rule. The Colburn currently has federally subsided rental assistance through HUD's Mod Rehab SRO Program and as such is considered a "federally assisted building." The property has been owned and operated by a single family since 1992. In 2001, the owners, John and Nancy Riede, transferred the property to a related party, NBR LLC, and the property has not changed hands since that time. Colburn, LLC will acquire the property and hold until a re-syndication. A copy of the current HAP contract is included with this application.

<u>Recent Capital Expenditures</u>: Capital expenditures in the past two years include replacement of all cables on both elevators, new rooftop air conditioner/heater serving a portion of the building, replacement of concrete pad for dumpsters, and replacement of heat exchanger in the east hot water boiler.

<u>Project Resources</u>: The Colburn received an award of Low Income Housing Tax Credits from CHFA in 1992 and is receiving annually-renewing Mod Rehab Vouchers from DHA for the SRO units. We have identified a path with DHA to efficiently convert the Mod Rehab Vouchers to Section 8/HCV Project Base Vouchers on the property, with a minimum of a 15-year contract. Please refer to Denver Housing Authority's letter of support for this project. Receiving a State LIHTC reservation in this round will ensure that we are able to receive PBVs as it serves as a competitive process that is required to receive a PBV contract. We have also secured additional funding support from the City of Denver, State of Colorado and DHA.

<u>Need for Rehab</u>: While the building has been well-maintained, the SRO unit configuration has become obsolete. The proposed update to provide all units with a private bath and kitchen will ensure that all residents can enjoy these basic amenities and ensure long-term viability of the property. A Property Condition Assessment has been completed for the property, and has identified $14,250 in immediate needs, including asphalt repair and accessibility improvements. The report also identified items to include in the reserves which total $337,580, and include masonry and MEP improvements. All of these improvements will be completed with the planned renovation.

12. Additional Documentation that supports this narrative includes:

Please find the following included Additional Information:

1. Letter of Support from Councilman New
2. Letter of Support from Councilwoman Kniech
3. Letter of Service Referral from Laradon Society
4. Letter of Services Referral from MHCD
5. Services Plan
6. Soft funding support letters for City of Denver funds, Denver Housing Authority Vouchers and Property Tax Exemption, State of Colorado Funds, and Enterprise Community Loan Fund's Denver Regional TOD Fund