

# 4 percent PAB LIHTC application narrative



Project Name: **30Pearl Apartments**

Project Address: **30<sup>th</sup> and Pearl St. Boulder, CO 80301**



Building 2B

## 1. Executive Summary

Boulder Housing Partners (BHP), the Housing Authority of the City of Boulder, is pleased to present this application for 30Pearl Apartments. BHP is seeking Federal Low-Income Housing Tax Credits and State Tax Credits to help create 120 new units of deeply affordable housing for families including 10 units for permanent supportive housing (PSH) and 20 units designated for special needs populations (households with developmental disabilities) which will be subsidized by a project-based voucher contract. In addition to building new affordable housing at unprecedented scale in the City, this development opportunity represents a rare chance to take advantage of an expiring financial resource in the form of a preserved QCT designation, and exhibits a very strong local commitment through funding support, land dedication from the City of Boulder and entitlement approvals. **BHP and the City are dedicated to closing this deal by November 2019 to ensure we preserve the QCT. This basis boost is worth approximately \$4.2 million (all things equal) in LIHTC equity and represents an essential aspect of the financing along with the state LIHTC equity.**

Our application is compelling for this highly competitive 2019 application round. In short, the 30Pearl project meets local and CHFA goals for new affordable housing development. As mentioned, we are in an expiring QCT, making us eligible for a basis boost in credits. Additionally, we are in an opportunity zone which may produce additional financing for the deal with an elevated cost per tax credit. The City of Boulder is a committed partner and has dedicated the land, guaranteed significant gap financing, provided upfront pre-development funding for entitlements, and agreed to an accelerated timeline for Form Based Code review and permitting in order to close in November 2019. Further, 25% of the project will serve special needs populations with permanent supportive housing for households exiting homelessness and households with intellectual or developmental disabilities. BHP has committed 30 vouchers to support these special needs units so that deep affordability is available. Last, the City of Boulder requires that these units be affordable in perpetuity, so the investment of tax credits will be maintained forever.

## 30PEARL

The 4.6-acre site is in the Boulder Junction area on the northeast corner of 30<sup>th</sup> and Pearl Street. The site is bordered by multi-family residential and a Hyatt hotel to the east, commercial to the north, a new office development and the Google offices to the south and southwest, and commercial to the west. The site is within walking distance from several locational amenities and rapid transit and is also conveniently located next to the Goose Creek multi-use bike path that connects the site to neighborhood parks, schools, and other amenities.

The units will all have air conditioning, ample storage, a pantry, and energy star appliances, including dishwashers and in-unit washer/dryers. The site will have security features including on-site management, controlled building access, and security cameras. In addition, community rooms, play areas, and a rooftop deck are planned for the buildings. The location of the property is ideal; it is next to a planned City park, regional and local bus transportation service, bike and multi-modal paths, and walking distance to commercial nodes providing all types of services including grocery stores, a Target, a YMCA recreation center, banks and coffee shops.



Building 4B

The site is currently owned by the City of Boulder. The project will contain three buildings—two adjacent buildings containing 80 units and the third with 40 units. Buildings 2A/2B are four-story, wood framed multi-family apartment buildings containing a total of 80 residential units. The cast-in-place garage beneath each residential building serves as the foundation for each building. The façade is comprised of brick veneer and single skinned metal panels along with fibrex windows and aluminum storefront that includes high performance glazing. Four-stop elevators are provided to supplement the two stair cores for vertical circulation in each building. The buildings also meet the livability standards which require minimum floor areas, appropriately designed kitchens with ample amount of cabinets, storage closets, durable countertops, and Energy Star appliances. The units also include window treatments that provide both privacy and natural light, laundry equipment within the units, and air conditioning for all units. Building 4B is a three-story wood framed multi-family apartment building containing 40 residential units and a 1,500 sf shelled retail component on the first floor. The foundation is comprised of grade beams, drilled piers, and a slab on grade. The façade is comprised of brick veneer and single skinned metal panels along with fibrex windows and aluminum storefront that includes high performance glazing. Interiors will match building 2A and all will meet the City of Boulder’s energy code criteria for 30% better performance than the baseline energy code utilizing various system enhancements such as continuous and high density batt insulation at the exterior envelope, high performance glazing, high efficiency water heaters, and R-50 roof insulation. The buildings will also self-certify to Enterprise Green 2015 standards.

## 30PEARL

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, which will benefit all households at the site. 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. Current possible resident services include health and wellness programs, parenting classes, food donations from local food rescue organizations, and general independent living referrals to other service organizations.

In addition, BHP will serve special populations at 30Pearl and intends to partner with two local and well-established non-profits to support these residents in housing independence and success. We will dedicate 10 units to Permanent Supportive Housing (PSH) units for individuals exiting homelessness. BHP will continue its strong partnership with the Boulder Shelter for the Homeless (BSH) to provide referrals and case management work to assist the PSH households in their transition from homelessness. BHP will further dedicate 20 units to households with developmental disabilities in an Independent Living Community (ILC). We will partner with the non-profit Ramble On Pearl (Boulder Treasures) to provide on-going services to assist the ILC residents with success in this community. BHP will also build and provide no-cost retail and commercial space to Ramble to run a vocational job training program for residents of the ILC program. Attached to this application are executed MOUs with both the BSH and Ramble for participation at the site. Also attached is the BHP Board resolution that affirms the project basing of 30 vouchers at 30Pearl to support these special populations.

30Pearl's financing is expected to come from donated land from the City, equity generated by the sale of both federal LIHTC and state LIHTC, bond proceeds, a substantial commitment from the City of Boulder, Boulder County Worthy Cause funding, and deferred developer fee.



Building 2A

## 2. Bond Financing Structure

- The total amount of bonds is approximately \$28 million in construction period paid down to approximately \$13.3 million for permanent
- The bond issuer will be Boulder Housing Partners
- The bonds are anticipated to be a direct private placement
- We anticipate the entire bond amount to be tax exempt

### 3. Priorities in Section 2 of the Qualified Allocation Plan

This project will serve 10 homeless households and 20 special needs households and will provide the relevant services for each. This set-aside to both homeless and special needs populations in a mixed income development represents BHP's commitment to serving well-identified needs in the community while providing for more general affordable housing to all populations.

### 4. Guiding Principles in Section 2 of the QAP

- To support rental housing projects serving the lowest income tenants for the longest period:  
30Pearl will provide deeply affordable housing to households with incomes ranging between 30% and 60% of the area median income including 30 units at 30% AMI, eight (8) units at 40% AMI, 27 units at 50% AMI, and 55 units at 60% AMI. The City of Boulder also requires projects receiving local funding to be *permanently affordable*. For CHFA, BHP will elect the maximum period of extended use to 40 years.
- 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. In addition, the City of Boulder sees about 60,000 in-commuters for work each day and in the major employment center of Boulder County, affordable housing directly addresses major regional transportation and equity issues.
- 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, and all developer fees are re-invested into the mission of affordable housing preservation and development.
- 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:  
30Pearl will provide much-needed affordable housing to families and individuals including 10 units designated for individuals exiting homelessness and 20 units designated for residents with special needs. 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:  
30Pearl is located adjacent (521 feet or 0.1 miles) to a RTD rapid transit center which serves eight local and regional bus routes at regular intervals throughout the week. Additionally, 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:  
30Pearl will construct 120 new units on an undeveloped site in a desirable area of Boulder.
- 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 approximately \$838,000 of annual State LIHTC. This efficient amount is \$162,000 less than the max allowable State tax credit allocation and represents approximately \$6,980 in annual State LIHTC per unit. BHP has made every reasonable attempt to leverage a variety of other sources to help pay for the development including a substantial local commitment in funding, land contribution, and voucher support.

- 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 for the affordable housing will contain 120 units, which is carefully contemplated and part of a larger mixed-income site. These 120 new deeply affordable units also represents a rare opportunity to develop at scale in the city with a development targeting a variety of tenants.

## 5. Project Criteria for Approval in Section 2 of the QAP

### a. Market Conditions:

30Pearl's location is in a highly-desirable, master-planned community which is being developed with other high quality projects. Its public transportation options and numerous employment, shopping, and recreational opportunities will all assist in attracting tenants and allow it to perform well in the future. The 40%, 50%, and 60% AMI LIHTC rents, while at their maximums, have discounts of at least 38% compared to the surveyed weighted average Class B market-rate rents, providing a great value to potential renters. Residents of the 30 units serviced by project-based vouchers will be able to pay 30% of their income and receive housing with services. The project's units not designated for special needs or homeless need a combined capture rate of 18.6% including a 4.9% capture rate for the 40% AMI units, 17.1% for the 50% AMI units and 19.5% for the 60% units. The 30% units serving homeless and special needs tenants have a 15.2% capture rate as proposed with the rental assistance. The surveyed LIHTC and subsidized projects exhibit a 2.8% vacancy with waitlists between 20 and 1,349 households.

### b. Readiness-to-Proceed:

- *Site Control:* BHP has the option to **purchase the Project for \$100** through an option with the City of Boulder (the current owner). This document is included in the submission to CHFA.
- *Zoning:* The zoning for the site is Mixed-Use 4 using a Form Based Code initiative and the proposed unit mix, design, and programming are allowed. The entitlement process includes an agreed upon timeline with the City of Boulder with approval anticipated in April 2019 and permits by October 2019.
- *Environmental:* BHP commissioned Farmer Environmental Group to perform a Phase I Environmental Site Assessment ("Phase I ESA") for the site, the effective date of which is December 18, 2018. The findings from the Phase I ESA discovered a historical REC that is being addressed through a VCUP NAD application with CDPHE and a limited Phase II ESA. The approval and no action determination is anticipated to occur by March 2019.
- *Schematic Design:* The schematic design process has been completed and we anticipate construction documents in May of 2019.
- *Cost Estimates:* Milender White, the general contractor for the Project, has provided both summary and details for the hard cost estimates on the Project based on the full schematic design package provided by the design team. This estimate is dated January 27, 2019 and includes specific CSI details that reflect the needs of the property.

### c. Overall Financial Feasibility and Viability:

Development in the area can be expensive due to the high demand for construction labor and materials. However, we believe the construction and development of the Project is financially feasible if awarded an allocation of 4% LIHTC and State LIHTC. It is particularly important to note that **the project has a preserved QCT, worth about \$4.2 million (all things equal) that will expire should this project not receive funding this round.** Both BHP and the City of Boulder are committed to closing by November of 2019 in order to take advantage of this valuable resource. From a local funding standpoint, BHP is bringing 30 project-based vouchers to the project, the city is providing about \$83,333 per unit in funding, the city is dedicating the land to the project, and we anticipate about \$800,000 from Boulder County Worthy Cause dollars. The city has no additional

funding at this time and the State LIHTC equity is essential to the deal. In addition to federal and state LIHTC equity, we are assuming a reasonable permanent mortgage with a conservative interest rate that is currently underwritten to a 1.20 DSCR and trends to 1.41x over 15 years.

d. *Experience and Track Record of the Development and Management Team:*

30Pearl 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, the \$32 million RAD conversion project for 279 units of public housing, the \$13 million Palo Park Community, and is currently preparing for the construction of 41 units at Canopy in Boulder. The project team, including the project architect, civil engineer, accountant, tax credit attorney, general contractor/cost estimator, and development consultant, has extensive experience with affordable housing and housing development in the City of Boulder. Please see the project team's résumés for detailed information.

BHP has three other active tax credit awards (Canyon Pointe, Glen Willow and Canopy@Red Oak Park). We have selected the same debt and equity partners for all three projects and anticipate closing all three by June 2019.

For staffing, Jessica Kenney, BHP Project Manager, will lead on due diligence for all three awards with support from Melissa McGinley, BHP Assistant Project Manager. Laura Sheinbaum will oversee the three tax credit projects and lead on 30Pearl with consulting assistance from Ryan Jones with RCH Consulting. The entire BHP team has deep tax credit experience and capacity to provide all necessary support for these projects moving forward in 2019.

e. *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 high demand for subcontractors in the area. The Project's size and scale are appropriate for the area, complement the overall master-planned community, and the project is using as much information at hand to make the costs as efficient as possible. Please see attached analysis provided by our General Contractor regarding the costs associated with 30Pearl compared to projects outside of the City of Boulder's specific entitlement process and design requirements. Finally, it is worth noting the City is donating the land for this affordable piece of the Project.

f. *Proximity to Existing Tax Credit Developments:*

30Pearl is located in the Transit Village master-planned community, which includes the SPARKwest LIHTC development (placed in service in 2018 and fully occupied) and the Ciclo development, a 38 unit LIHTC project serving 100% at 60% AMI levels, to be completed in Q1 2020 (and to be owned by BHP). Including the anticipated projects and the existing LIHTC projects in Boulder, 30Pearl's capture rate is 18.6% and affordable housing vacancy rates are at 2.8%, demonstrating a very strong demand and need for a variety of affordable housing. The PMA is projected to add 692 renter households over the next two years; there are 1,527 units in the pipeline, but only 139 non-subsidized family LIHTC units that will compete directly with the subject. We are confident we can lease-up at a pace of at least 20 units per month.

g. *Site Suitability:* The 30Pearl site is in the Transit Village Area Plan. The 160-acre area is in the geographic center of the community and close to the Twenty Ninth Street Mall, Target, Whole

Foods, King Soopers, and other commercial and entertainment destinations. The Goose Creek Greenway provides excellent off-street bicycle and pedestrian access to and through the site. Valmont Park, Mapleton Ballfields, Boulder Indoor Soccer facilities, and the East Boulder office and industrial area are easily accessible through the Greenway. Established residential neighborhoods are located north of the area. In addition, new development at the Rêve Development is across the street to the south, Google's new campus is located to the southeast and the RTD Regional Transit Center is located adjacent to the site to the east.

**6. 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.

**7. Issues Raised by the Market Analyst**

None

**8. Issues Raised in the Environmental Reports**

BHP commissioned Farmer Environmental Group to perform a Phase I ESA for the site. The findings from the Phase I ESA discovered a historical REC that is being addressed through a VCUP NAD application with CDPHE and a limited Phase II ESA.

**9. Unusual Features that are Driving Costs Upward and Opportunities to Realize Cost Containment**

The cost of construction in the City of Boulder can be higher than most other areas in Colorado. The construction costs for the 30Pearl tax credit project, which is also the City's first Form Based Code project, are largely driven by stringent energy code, required livability standards, and the City's carefully contemplated design excellence standards. We work diligently to mitigate these costs by working closely with our design team and General Contractor to keep construction costs at a reasonable amount given the information on hand.

We balance our need to be cost sensitive with the necessity to build quality buildings that will not require significant capital infusion in the next fifteen years. This balancing act to produce high quality, safe affordable housing requires extensive gap financing and our enthusiasm to find unique solutions in every BHP tax credit development. The 30Pearl project benefits from City of Boulder resources including the dedication of the land, substantial local financing, and predevelopment funds.

**10. Outreach to the Community**

BHP has worked with the City of Boulder to develop this site, which included public process with City Council and a published hearing on January 24, 2019. Located in Boulder Junction, an area within the Transit Village Area Plan, 30Pearl will follow a design excellence initiative known as Form Based Code (FBC). FBC is an approach to entitlement to address design quality and development review issues articulated by the community during Planning Board and City Council meetings. The creation of the FBC regulations involved extensive outreach to the community and coordination with review boards. To our knowledge, there has been no direct communication to BHP against the Project.



Building 2B



Aerial View from SW



# 4 percent PAB LIHTC application narrative



**Project Name:** 48<sup>th</sup> & Race Affordable Family Development

**Project Address:** 4800 Race Street, Denver, CO 80216

**Summary:** 48<sup>th</sup> and Race Sponsor, LLC, a joint venture between Columbia Ventures, LLC and New Columbia Residential, LLC (the Sponsors) are pursuing a 4% Federal LIHTC and State AHTC allocation to fund a new 150-unit family community at 48<sup>th</sup> and Race Street along the north side of the I-70 corridor in the Elyria-Swansea neighborhoods. The apartment homes will be constructed as a part of a four-story building with a vibrant courtyard and curated common amenity space. The site is located on part of a six-acre parcel that was acquired by Urban Land Conservancy (ULC) and granted site control via a 99-year ground lease with ULC in order to ensure long-term affordability through the duration of the lease. ULC and the Sponsors have been through an intensive long-term process to seek community input to ensure the physical outcome is directly responsive to this community in transition. Please see Attachment 1 to the Narrative for more information on this community input process. The 48<sup>th</sup> & Race Affordable Family Development (the Project) will also house the new headquarters of long-time neighborhood anchor, Clínica Tepeyac, a Federally Qualified Health Clinic (FQHC), as well as approximately 7,000 square feet of neighborhood-based retail. Both the clinic and commercial space will be financed with New Markets Tax Credits (NMTC) and are not part of the LIHTC financing.

**Construction:** Construction is anticipated to begin in the first quarter of 2020. Foundations are anticipated to be concrete spread footings over engineered fill. Level 1 floors are anticipated to be 5" reinforced concrete slab on grade. The floor assemblies of levels 2-4 are anticipated to be 18" open web wood floor joists with T & G OSB floor sheathing and 1 1/4" Gypcrete topping over an acoustical underlayment with a vinyl plank floor finish. The Level 2 floor is to be supported by a glu-lam post and beam structure. The roof structure is anticipated to be structurally sloped to drain with an integral parapet. The roof covering is to be a TPO membrane over a gypsum cover board, continuous rigid insulation and OSB roof sheathing. The building is arranged around an inviting central courtyard, which will serve as the heart of the community for residents and their families, per the needs expressed by locals in the community engagement meetings held by Sponsors. Surface parking will be provided on a parking lot immediately north-west of the project (part of the 6-acre site the Sponsors control). The ground floor amenity and commercial spaces will be enclosed with storefront glass, creating a pedestrian-friendly, permeable interface. The building architecture, which features a saw-tooth roof design, is contextual to the neighborhood's industrial roots while its contemporary materiality aligns well with future development plans for the area, creating a sense of place through its retail and outdoor common areas, as well as connecting the neighborhood to the public infrastructure amenities offered by the future RTD train station and the National Western Stock Show (NWSS) redevelopment immediately to the west. Like the NWSS, the building and master planned development will include buildings with massing that is greater than adjacent single-family residential housing stock, but with a transitional height and density between the two.

**Population and Bedroom Mix:** The population being served by this Project are families who are at 30%, 50%, and 80% of Area Median Income (AMI). The bedroom mix provided by the Project will be 45 units at 30% AMI, 30 units at 50% AMI, and 75 units at 80% AMI. There will be 8 studios, 67 one-bedroom units, 46 two-bedroom units, and 29 three-bedroom units with the bedroom mix spread uniformly across the income bands. The mix was developed in partnership with the neighborhood to deliver the largest number of deeply affordable units reflecting the income of existing neighborhood

residents being displaced by rapid rent growth. The Project balances the neighborhood's requests with the need to create a financially viable project by leveraging the benefits of income averaging, thus the inclusion of a number of 80% AMI units. The Project will seek to give priority to Elyria-Swansea residents wishing to live here via the City's proposed neighborhood preference program, and the Sponsors are exploring creating a preference for residents living with disabilities, in partnership with Colorado Division of Housing (CDOH). Both are described in greater detail below.

**Location and Services:** Located at 48<sup>th</sup> and Race on a parcel included in a six-acre master site purchased by the Urban Land Conservancy in April 2015, the area is undergoing a period of major public investment and development. Please see more details about the site and services below.

**Amenities:** Each unit will have air conditioning, blinds, carpet, a ceiling fan, interior storage closet, refrigerator, stove/oven, dishwasher, garbage disposal, microwave and in-unit washer/dryer. Indoor common amenities will include a fitness center (for exclusive use by residents), a business center equipped with computers, as well as a clubhouse/community room where residents can plan events. The courtyard will include playground equipment, as well as green recreational areas with picnic/BBQ area. A hardscaped amphitheater-style sitting area will be provided in the North East section of the building, opening the courtyard with the plaza and paseo areas that will connect this first phase with future phases. Security will be provided through controlled access entries with intercoms and surveillance cameras.

**Energy Efficiency:** The project's design was well thought through in order to keep energy consumption and costs down. Lighting throughout the project will be LED. Clothes washers, dishwashers and refrigerators will be Energy Star-rated. Energy costs for residents are also being kept low by providing domestic hot water through the use of a gas-fired water plant serving the entire building.

**Financing:** The Project anticipates funds from the Colorado Department of Housing (CDOH) in the amount of \$1,000,000 and Office of Economic Development (OED) funds in the amount of \$3,750,000. If CHFA is selected as the lender for the Project, the Project may be able to take advantage of its Capital Magnet Fund (CMF) in the form of a second mortgage of \$650,000 and grant funds of \$100,000.

## **2. Describe the bond financing structure:**

**Total amount of bonds with a breakout of construction period bonds vs. permanent bonds:** The total amount of bonds is anticipated to be \$24,100,000.

**Bond issuer:** CHFA is the anticipated bond issuer

**Lender and bond sale structure:** If CHFA is selected as the project lender, the bonds will be publicly sold. If another lender is selected, it is possible the bonds will be privately placed or publicly sold, depending on the lender and lending product type.

**Portion of bonds that will be tax-exempt and taxable:** The portion of bonds that will be tax-exempt are \$17,600,000 and the taxable portion is \$6,500,000.

**3. Identify which, if any of the priorities in Section 2 of the Qualified Allocation Plan (QAP) serve Homeless Persons, serve persons with special needs, or in Counties with populations less than 175,000:** The Project does not currently serve any of the priorities from this section. However, since the Project is intended to take a step toward mitigating resident displacement, the Sponsors will be looking to adopt a program through which Elyria-Swansea residents will receive preference in applying for a home. Additionally, Columbia Ventures is exploring partnering with the CDOH on its new Housing Trust Fund housing preference for persons with disabilities. In this new initiative, CDOH is offering National Housing Trust Funds capital funds to projects that are willing to create a preference for 25% of project units for residents living with disabilities and supported by off-site third-party service providers. The project is uniquely positioned to buttress such a preference policy given the on-site suite of services provided by Clínica Tepeyac. Neighborhood meetings also made clear the community's desire to serve its existing population of people with disabilities. Columbia Ventures has begun conversations with the Mental Health Center of Denver (MHCD) and Denver Housing Authority (DHA) about the possibility of partnering with one or both of these agencies both for rental and services referrals for 25% (38) of the units. A letter of understanding is included as a part of the application submission by and between the Sponsors and the MHCD.

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

- **Support rental housing projects serving the lowest income tenants for the longest period of time:** The Project serves residents at AMIs ranging from 30% to 80% and will commit to the longest period of compliance. In accordance with ULC option to lease, which provides site control for Phase I, the project will have to remain affordable for at least 99 years. An additional 99-year automatic renewal of the lease essentially guarantees that these units will remain affordable in perpetuity.
- **Support projects in a QCT, the development of which contributes to a concerted community revitalization plan:** The Project is in a QCT and fits into the scope of the Elyria-Swansea neighborhood revitalization plan. This neighborhood plan specifically calls for more units of affordable housing to provide living and retail opportunities to residents. Pertinent pages from this plan are attached to the Scoring section of the application. Clínica Tepeyac will be moving into a 29,500 square foot space on the ground level and first floor of the Project allowing them to increase their service capacity more than threefold, serving residents of the project as well as the neighborhood as a whole with a suite of services that includes the entire spectrum on human health and wellness. An additional 7,150 square foot space will be available for neighborhood focused retail intended to provide much needed walkable services that have been displaced by ongoing public infrastructure projects within the immediate vicinity of the site. The Clínica Tepeyac space and the retail space will be funded in part through NMTC and are not part of the LIHTC financing. While NMTC financing is highly competitive, Clínica Tepeyac has attracted much attention from the tax credit providers, with over 17 interested Community Development Entities (CDEs). Please see letters of interest from CDEs attached to the investor equity LOI.
- **To provide opportunities to a verity of qualified Sponsors of affordable housing, both for-profit and nonprofit:** Columbia Ventures and New Columbia Residential are for-profit Sponsors that work in conjunction with nonprofits, like ULC and Clínica Tepeyac, to provide the highest quality affordable housing units.
- **To distribute housing credits to assist a diversity of populations in need of affordable housing:** The population of the Elyria-Swansea neighborhood, especially right next to the existing National Western Stock Show complex, has a lower income population with few deed restricted affordable units to serve the population, and lower population density in general. Current and future economic development pressures are rapidly ravaging the existing stock of naturally occurring affordable housing. This makes the timing, scale, income targeting and commitment to permanent affordability attributes of this project particularly responsive and important to the long-term wholistic success of the neighborhood. Part of the revitalization plan is to draw more population to this area. 48<sup>th</sup> and Race will preserve affordable housing units and retail facilities affordable to existing populations and those seeking amenity rich affordable housing within the Denver City limits more generally. This Project, by providing 150 affordable units in an area that is actively redeveloping and hoping to attract residents, assists a particular underserved population that deserves attention in the metro Denver area.
- **To provide opportunities for affordable housing within a half-mile walk distance of public transportation:** The N Line commuter rail, scheduled to open in late 2019, will have a station less than two blocks from the proposed site. The delivery of the station is scheduled for late 2019, well before the project is completed. All 150 units will be in easy walking distance to this light-rail station, which will connect residents to all other areas served by the RTD light rail system, including downtown and central Denver, south Denver and the south metro communities, Aurora, Westminster and other north metro communities. Currently, the site is one block from two RTD bus routes: the 48 and the 44, which connect this neighborhood to downtown Denver, Lakewood, the west Denver and Park Hill neighborhoods, and Commerce City.
- **To support new construction of affordable rental housing projects:** The Project provides 150 new units of permanent (i.e. for 198 years) affordable rental housing.
- **To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project:** The Project is requesting less than the maximum amount of State LIHTC and, on a per-unit basis, an amount that is at or below the average of other requests.

- **To reserve credits for as many rental housing units as possible:** For the amount of credits being requested, the Sponsors is able to maximize the benefit to the portfolio of available, high-quality, affordable units.

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

**Market conditions:** The surveyed existing Class B LIHTC units were built between 2005 and 2013 and are in above average condition. These units were 1.1% vacant, which is lower than the overall surveyed mean, and two property managers have maintained waitlists with 600 applicants or a three- to five-year wait before applicants are placed in a unit. The surveyed Class B market-rate units were built between 2005 and 2016 and are in above average condition. These units were 1.6% vacant and did not have waitlists. A surveyed Class B LIHTC property in the PMA with similar amenities to the subject opened in 2015 and leased 14 units per month, without concessions, demonstrating ample demand for low-income housing. Since 2013, the PMA has absorbed an average of 125,142 square feet of office space per year and 25,468 square feet of retail space annually since the start of 2015. The new businesses are increasing the PMA's labor force, which will bolster demand for rental housing. The subject's condition, common amenities, in-unit features will place it at or near the top of the PMA's LIHTC rental market. According to CoStar, since the start of 2017, the PMA has absorbed 557 rental units annually and did not experience a significant increase in vacancy rates, suggesting that the renter household growth rate is understated and demand for rental housing will remain very strong. Overall, the subject sets the top of its rent class with regards to quality, common amenities and in-unit features. According to the market study performed by Prior and Associates the project is expected to lease approximately 15 units per month and reach stabilized occupancy in ten months, without concessions. After it completes lease-up, the subject will have an average stabilized occupancy rate of 97%, an average annual turnover rate of 20% and average yearly rent increases of approximately 1.5%.

**Proximity to Existing Tax Credit Projects:** The PMA has 19 existing LIHTC projects containing 1,447 income-restricted units. Of these, three are deeply-subsidized projects with 356 units. The subject's LIHTC units will compete with the 14 family LIHTC properties, which have a total of 946 non-deeply subsidized units. Only 83 of those units are set aside for residents making 30% of AMI or less. The proposed project will offer 45 units at 30% of AMI, more than any other project in the PMA. The closest existing tax credit project is Globeville Townhomes, located approximately 1.1 miles northwest of the subject. This property offers 40%, 50% and market rate units and has historically maintained an occupancy rate at or near 100%. The manager here maintains a waitlist, which takes between three to five years before an applicant is placed in a unit.

**Readiness-to-proceed:** The Project is currently zoned properly for multifamily housing. The site has been purchased by ULC and is under control of the Sponsors through an option to lease with extension options. The project's financing, development, and required approval timeline will allow the Project to close by Q1 of 2020. The commercial portion of the Project has received strong interest from NMTC financing partners and is anticipated to also be able to close by the end of 2019.

**Overall financial feasibility and viability:** The cost containment realized by the expertise of the development team helps support strong financial feasibility, and the deep affordability allows more soft funding to be brought to the project. The underwriting assumptions are reasonable and conservative and are based on recent Denver project experience as well as current indicative terms from investors and funders. The documents provided by Shopworks as part of the LIHTC application are to the level of 100% Conceptual Design. As part of the conceptual design process the architect has designed the building form, appearance and configuration that conforms with the planning and zoning requirements of the City of Denver as well as all applicable building codes. In addition, Shopworks has identified unknown risks and challenges to the project and incorporated them into the project budget. This process included extensive coordination with the City of Denver to identify off site risk including sewer service, water service and required right of way improvements as well as overall master planning including phasing, fire access and parking strategies. With assistance from HKS Engineering the required scope of work has been identified in the drawings and coordinated with the general contractor to allow the proposed project budget to include all work required to construct the building.

**Experience and track record of the development and management team:** Columbia Ventures and Columbia Residential has been developing successful, high-quality, affordable and market rate rental housing properties for over 25 years. Noel Khalil, Co-Founder and Partner at Columbia Ventures and Columbia Residential, has been developing properties for over 25 years and brings his years of experience to the Project. The founders of Columbia Ventures and Residential, including Khalil, have developed over 26,000 residential units including almost 20,000 LIHTC units across multiple states. Columbia Ventures also has existing experience closing NMTC financed projects. The strength of the partnerships with ULC and with Clínica Tepeyac give the Project deep roots in the community and in the responsible stewardship of urban land use within Denver. With Shopworks Architecture guiding the architectural process, I-Kota as the general contractor and Harris Kocher Smith as Civil Engineer, the Sponsors have a team with broad experience in development and in Denver.

**Cost reasonableness:** The Project's costs are reasonable in consideration of the rise in construction pricing in the past three years. The higher unit count as well as cost-sharing with the commercially-funded project components allows the hard costs and overall unit costs to be at or lower than market rates for similar projects. Also, given that the land for this initial phase of development is secured through a ground lease, there are no upfront land costs burdening the project.

**Site suitability:** Part of the emphasis surrounding this project concerns the need to create new residential and commercial opportunities in a neighborhood that has historically experienced disinvestment, isolation, and lack of community amenities. Approximately two blocks from the site is RTD's proposed 48<sup>th</sup> and Brighton commuter rail station (N Line), which is expected to open in late 2019. The I-70 viaduct removal project is also underway in this neighborhood and has the potential to bring more connected community space, including parks and walkways, to residents. (Please see attached detail on the I-70 project and timeline.) There is currently a lack of fresh food options in this neighborhood, with the nearest grocery store located more than one mile from the site. Columbia Ventures and Clínica Tepeyac anticipate that a fresh food market (possibly GrowHaus, a non-profit fresh food distributor and educator currently located in the Elyria-Swansea neighborhood) will be one of the site's retail tenants, providing a much-needed resource for residents and neighbors. The site is adjacent to Elyria Park, which includes a skate park, softball field, basketball court, volleyball court, playground and the Johnson Recreation Center. In the fall of 2018 Johnson Recreation Center underwent a renovation to its weight room and community space and also contains a community gymnasium. Within .5 miles public transportation is provided via bus service and other neighborhood amenities include a post office, library and elementary school. The site is also within a mile of a convenience store, middle school, high school and grocery store. Recent City investment in the Johnson Recreation Center and Elyria Park next door to the site are part of a bigger plan to create a vibrant, active neighborhood. The Swansea Recreation Center, at 2946 East 29th Avenue, is 0.4 miles east of the subject, which has exercise rooms, a gymnasium, game room, multipurpose room and other amenities. By the time the development at 48<sup>th</sup> & Race is operational, recent bike lane, sidewalks enhanced streetscaping and public transit investments will connect the project residents to the amenities and job opportunities in the Cole and RiNo neighborhoods. The future RTD station at National Western will ensure transit within easy walking distance. Bike and pedestrian infrastructure enhancements currently under development will connect the site across York Street to Swansea Elementary and the future park that will be built above the lowered section of I-70. The four-acre park over I-70 will include a playground, splash park, sports field and small amphitheater, in addition to space for food trucks and community gatherings. With retail space and affordable medical care complementing the apartment homes, the area will be a great place to live, work, and raise a family. Additional recreational and community areas are part of the neighborhood plan as the National Western Stock Show and the I-70 corridor redevelopment begins. The National Western redevelopment is also expected to create an estimated 1,500 new local jobs in service and hospitality and enough daytime activity to support an increasingly diverse and rich number of commercial users including restaurants.

**6. Justification for waiver of any underwriting criteria:** None

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

The market study indicates that, although the neighborhood is less walkable and shows signs of being less affluent, this development's amenities as well as planned improvements to the neighborhood and connection to other

neighborhoods through the lowering of Interstate 70 will improve quality of life for residents. This market study is unusual in that it projects a very high in-migration rate to achieve unit absorption and stabilization. The Sponsors believe this is an appropriate evaluation factor, considering the relatively small amount of existing residential development in the neighborhood, which has a significant amount of industrial use and undeveloped areas. Furthermore, this high in-migration rate is supported both by our Market Analyst and Kim Dillinger at CHFA based on significant observed completed projects that have recently delivered within the Denver City limits. However, the Sponsors believe that their connection to the neighborhood and proposed neighborhood preference program will counter-balance the influx of residents from other areas, especially within the units with deeper affordability. The market study also mentions that the unit sizes are 20% smaller than comparable units in the area. However, the amenities served by the project, including access to Clinica Tepeyac, an anticipated fresh food provider, walkability to the light rail station, and the community -focused architectural design with an amphitheater and playground are anticipated to offset concerns for a smaller space.

Finally, while safety is also mentioned in the market study as a potential concern, the project is designed to provide safety and comfort for its residents. The courtyard amenities will be monitored by intercoms and video cameras and the growing walkability of the community with the connectivity provided by I-70's redevelopment and the redevelopment of the National Western Stock Show are anticipated to increase safety.

**8. Address any issues raised in the environmental report(s):** Although the surrounding neighborhood as a whole has received attention for its need for environmental remediation due to surrounding and former industrial uses, the Project Phase I and Phase II Environmental Assessments indicate that neither this parcel nor the areas immediately surrounding it have any Recognized Environmental Conditions (RECs).

**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:** The per-unit hard costs and per-unit total development costs are at or slightly below other affordable multifamily projects developed in the past year to two years. The Sponsors' expertise, coupled with a sophisticated local cost estimation team, allows the construction costs to be contained. This has been made possible through: the use of a glu-lam structure on the ground floor, as opposed to concrete podium; proration of soft and hard costs with the medical and retail components of the project; having no upfront land purchase costs; creating surface parking for this first phase of the project on an adjacent parcel (future market rate phases will build replacement structured parking when the adjacent parcel is developed). In addition, the mixed-use nature of the building allows for sharing of infrastructure expense between the residential and commercial condominium uses, decreasing the infrastructure cost burden on the residential portion and LIHTC financing.

**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):** The Project's program and design are a direct response to neighborhood resident needs serving as the primary anti-displacement tool in the context of a rapidly changing neighborhood by delivering much-needed new, safe and well-maintained affordable apartment homes for families, positioning a FQHC available to all neighborhood residents to help satisfy their healthcare needs, the inclusion of a central plaza designed to function as a neighborhood gathering hub, as well as other small commercial spaces available for neighborhood service providers, providing retail and commercial amenities largely unavailable in the neighborhood. ULC purchased the property in 2015 after being approached by the City of Denver with a desire for the site to be developed in a manner that would help mitigate displacement of local residents from the area. Public hearings were conducted before City Council in 2015 to approve a loan for land acquisition, and again in 2016 to approve rezoning of the property to facilitate the currently-proposed mixed-use development in accordance with the Elyria-Swansea Neighborhood Plan. In addition to these public hearings, ULC convened a group of community stakeholders to set forth design and use priorities for the site (e.g., inclusion of a neighborhood-serving health clinic with a pharmacy, targeting of a fresh food retailer, residential units provided at 30% of AMI or below). The current proposal meets or exceeds these community-driven objectives. Once the Sponsors were engaged as developer of the site, the Sponsors have spent substantial time refining their understanding of the wishes of the community of which the Project will call home. The project program presents a multi-faceted approach to meeting neighborhood needs Six community meetings were held

over a three-month period at the end of 2018 (161 total community participants attended) in order to welcome as many local shareholders as possible into the planning process. Please see the attached summaries of the meetings which have also been made available to the community on a website (48thandrace.com) dedicated to community communication. As part of the community engagement process, the developer presented several iterations of the affordability matrix to the neighborhood. As part of their feedback, the neighbors asked developer to maximize the number of studios and one-bedroom units at 30% and 50% of AMI to better serve the needs of community members. Additionally, the community provided feedback on general design direction, unit mix, affordability matrix, common areas, amenities and retail needs. Most recently, a public meeting was held on January 15, 2019 to solicit more feedback from the neighborhood. The Elyria-Swansea neighborhood is facing significant transition and change in the coming years with the redevelopment of the National Western Stock Show site and the redevelopment of I-70, as well as the addition of commuter rail. While not all residents are positive about the impacts these changes are having on the community and their families, there is consensus that permanent and deeply affordable housing is greatly needed, as are healthcare and retail opportunities. The Sponsors have worked hard to incorporate the suggestions received from local stakeholders into the design of the Project, increasing the number of three-bedroom units and aiming for more units at deeper affordability levels, while balancing financial feasibility.

**Additional Documentation (Attachments):**

1. Community Meeting Information and Summary
2. Construction Interest
3. Support Letters for Residential
4. Support Letters for Commercial
5. Project and Neighborhood Timelines
6. Income Averaging Statement
7. Site Suitability Map
8. Letter of Recommendation from Georgia HFA
9. MHCD MOU
10. Displacement by Numbers
11. Central I-70 Redevelopment Information

# 4 percent PAB LIHTC application narrative



Project Name: 7401 Broadway

Project Address: 7401 Broadway St. Denver, CO 80221



## Executive Summary

7401 Broadway is a first-of-its-kind project in Adams County. It is the first time the County has given land for the purpose of building affordable housing. It is Unison Housing Partners' (Unison) first opportunity to adaptively reuse an existing office building. It is also Adams County Housing Authority's first project under their new name Unison Housing Partners. Adams County vacated the office building in the fall of 2017 when their new human services building opened. Before the building shut down, Unison partnered with the County to participate in the Housing Colorado charrette. That fall, professional volunteers and stakeholders shaped the vision for the site that included a set aside of units for Youth aging out of the Foster Care system. Unison is working with the County's Children and Family Services (CFS) to form a partnership in order to provide the services and housing these youth aged 18-25 need. The youth will have access to specific services from CFS while the entire project will have access to general services provided by Unison's community organizer.



The site is in unincorporated Adams County just north of I-36 near the I-25 interchange. The 4.7 acre project will convert the 46,000sf office building into 44 units as well as construct 72 new walk-up units behind it, for a total of 116 affordable units. The reused office building (Tower) has two elevators and a majority of One-Bedroom units and the new walk-ups have more Two- and Three-Bedroom units. All residents will have access to bike storage, a dog park, and the courtyard in between the walk-ups that includes a tot lot, BBQ area, and raised bed gardens. Residents will also have access the variety of indoor amenities in the Tower that include a roof top patio, fitness room, computer bar, and multipurpose rooms.

<b>Unit type</b>	<b>Total #</b>	<b>30% w/PBV</b>	<b>40%</b>	<b>50%</b>	<b>70%</b>
1 bed/1 bath	64	8	4	20	32
2 bed/1 bath	36	0	0	18	18
3 bed/2 bath	16	0	0	8	8
Total Units	116	8	4	46	58

<b>Walk-Ups</b>		<b>Total #</b>	<b>Tower</b>		<b>Total #</b>
1 Bed/1 bath	24		1 Bed/1 bath	40	
2-Bed/1 bath	32		2 Bed/1 bath	4	
3-Bed/2 bath	16		3-Bed/2 bath	0	
Total Units	72		Total Units	44	

The Tower utilizes the existing core and shell of the office building along with the two elevators and two stair cores. The new exterior will consist of fiber cement panels with metal accents. The Walk-ups are three-story wood frame on cement slabs. Each unit has a covered entrance and most have a deck/patio. The buildings have staggered setbacks, varied elevations, and flat roofs. There are 180 surface parking spaces for an overall parking ratio of 1.55 spaces/unit.

With Group 14’s assistance, the project will meet or exceed Enterprise Green Community standards. The project utilizes LED lighting, low-flow plumbing fixtures, and Energy-Star rated appliances. Each unit is heated with an Aquatherm system with central air conditioning.

The project will use equity from Federal 4% LITHC and the State Tax Credit, soft funding from the State and County, along with Owner equity and deferred developer fee. The County has already made a significant contribution by providing the land and building at no cost. Unison will defer 43% of its developer fee (paid back in year 11) and loan the project up to \$1.8m to cover the gap. Several lending institutions and syndicators have expressed interest, and Unison anticipates using a conventional tax-exempt loan backed by private activity bonds for the permanent financing.

7401 Broadway is uniquely competitive and funding is urgently needed for the following reasons:

1. **The County’s first land contribution for affordable housing.** The County is closely following this project to determine if donating land is a viable option to expedite the creation of critically-needed affordable housing in the County.
2. **To minimize the vacant office building’s impact on a residential neighborhood.** The existing office building has been vacant for over a year now. Vacant buildings have a

negative impact on a community over time. For the sake of the community, it is important to begin construction as soon as possible.

3. **Partnership with Children and Family Services for long-overdue housing for Youth.** 20% of the Youth that age out of the foster care system become instantly homeless. One out of two experience homelessness at some point within four years after leaving the system.



### **Bond Financing Structure**

- a. Total amount of bonds:
  - Total: \$26,000,000
  - Construction Period Bonds: \$13,500,000
  - Permanent Bonds: \$12,500,000
- b. Bond issuer:
  - Bonds will be issued by the Housing Authority of Adams County, d/b/a Unison Housing Partners as a conduit issuer.
- c. Lender and bond sale structure:
  - Anticipated to be private placement
- d. Portion of the bonds that will be tax-exempt:
  - 100% of the bonds will be tax-exempt

### **Guiding Principles**

- **Preference given to rental housing projects serving the lowest-income tenants for the longest period.** Unison commits to maintain 100% of the units at or below 70% AMI for the longest extended-use period of 40 years. Half of the units are restricted to households making at or below 50% AMI. Unison will lease the ground to the tax credit partnership for 65 years ensuring an even longer affordability period. The eight PBV's will have an initial term of 20 years.
- **Preference given to projects in a QCT.** This project is in a QCT and contributes to meeting the affordable housing needs identified in the County's 2018 Balanced Housing Plan.
- **Distribute housing Tax Credits across the state.** If awarded, 7401 Broadway will be the 4<sup>th</sup> State Tax Credit (STC) award in all of Adams County. The closest STC award to this project is Vistas at

Panorama Pointe, which is a senior project that was awarded tax credits in 2016.

- **Provide opportunities to a variety of qualified Applicants of affordable housing.** As a local Housing Authority, Unison has successfully completed several LIHTC projects and is currently under construction on Crossing Pointe North, a 9% project that was awarded tax credits in 2017. If awarded, this will be Unison's first State Tax Credit project.
- **Distribute housing Tax Credits to assist a diversity of populations in need of affordable housing.** The variety of building types and bedroom sizes will serve a wide spectrum of households in need of affordable housing that include individuals, seniors, disabled, and families. The project will also set aside 12 units for Youth aging out of foster care.
- **Provide opportunities for affordable housing within a half-mile walk of public transportation.** The site has a bus stop adjacent to the property and the RTD 8 line connects the site to downtown and Orchard Town Center with a direct 30 minute bus ride. The site is a half mile from the hard surface bicycle trail network that provides connectivity to lightrail stations.
- **Support new construction of affordable rental housing projects as well as acquisition/rehabilitation.** This project provides much needed new affordable housing while adaptively reusing a vacant office building. While multifamily housing is a better use for the site, reusing the office building is good way to add housing in an environmentally friendly way.
- **Reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project.** Unison's development team has worked hard to minimize the request of limited State Tax Credits. In light of the County's land contribution, the gap funding and Unison's own equity contribution, the STC request has been carefully considered and is the amount needed to make this project a reality.

### Criteria for Approval

#### a. Market Conditions

A preliminary market study showed that the PMA is saturated with 60% AMI units, but underserved for all other AMI levels. Income averaging allows the project to meet more diverse levels of household incomes. This results in an overall capture rate of 6.7% with modest immigration (10.0% without any immigration). Current vacancy rates in the PMA of 2.8% overall and 1.2% at existing LIHTC properties in the PMA show strong demand for more affordable rental housing. This will be the first new multifamily housing developed in the PMA since 2005 and the second Class B property overall.

#### b. Readiness-to-proceed

The County Commissioners strongly support this project and have committed resources and top planning staff to expedite the rezoning process, which started last August. The PUD rezoning process requires approval from the Planning Commission and the Board of County Commissioners (BOCC). The Planning Commission approved the rezoning request on January 24, 2019 and the BOCC will vote on February 19, 2019. Upon an affirmative vote from the BOCC, the site will have the necessary zoning for the project. Unison expects the BOCC to approve the rezoning based on two previous study sessions with the Board and the Board's willingness to contribute the land specifically for this project. From that time, it will take

approximately eight months to finalize the plans and be permit-ready. This makes a 1<sup>st</sup> quarter construction start date very feasible, which has been confirmed by both the design team and the general contractor.

c. **Overall financial feasibility and viability**

The development team has worked with both the design team and general contractor's cost estimating team to dial in the hard costs. Even with those efforts, a 5% escalation is included to make sure the project is viable a year from now. Both the County and Unison are making substantial investments towards the financial viability of this project with the County's contribution of land (appraised at \$2.3m) and HOME funds, and Unison's contribution of significant owner equity and deferred developer fee (up to \$1.8m and 1.68m respectively). Overall the project meets CHFA's underwriting criteria with a starting DCR of 1.15 that grows to 1.35 in year 15 along with a deferred developer fee that is paid back in year 11. The \$5,038 PUPA is slightly on the higher side due to Unison's property management employee compensation and the owner paying all utilities except electric.

d. **Experience and track record of the Development and Management team**

Unison has an over 40 year history of providing a wide range of affordable housing options to the residents of Adams County and will serve as Property Manager. The Housing Authority owns and solely operates over 1,600 units of affordable housing and is in partnership with the private and public sectors for an additional 1,560 units. Unison has extensive experience with management and compliance of LIHTC properties in Adams County, including compliance for other soft funding sources. To date, Unison has never received an 8823 nor asked for additional credits.

Unison's current development team has recently completed two non-competitive acquisition/rehab projects (Village of Yorkshire and Aztec Villa) and one competitive new-construction project (Alto). All three delivered LIHTC units as scheduled. Crossing Pointe North is Unison's current 9% LIHTC project under construction and is currently 40% complete, on schedule, and within budget.

Unison has put together another strong team with extensive multifamily experience. Unison has procured **Van Tilburg, Banvard & Soderbergh** (VTBS) for architectural services and **JHL Constructors** as the General Contractor for predevelopment services. VTBS has successfully designed and completed 35 LIHTC projects for 27 different agencies in Colorado and California. JHL Constructors has completed 25 projects in Adams County, and built over ten LIHTC projects in Colorado since 2012. During the past year, the team has effectively worked with the County to rezone the site.

e. **Cost reasonableness**

While adaptively reusing the office building results in some higher costs from fitting residential units into an office floor plate, those costs are offset by the savings of not having to demolish the entire building and do significant earth work necessary to regrade the site. VTBS has also provided an efficient 3-story walk-up design that utilizes two building configurations and stacked units. The parking reduction granted by the County allows all parking to remain on the surface. JHL has vetted key costs with sub-contractors to provide the most accurate cost estimate at this

stage of the project. The current estimate includes a 5% cost escalation to make sure the budget is viable a year from now.

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

There are currently three non-competitive LIHTC properties in the PMA. All but one of the comparable projects in the PMA were built before 1990. Some have undergone substantial rehab in the past 5 years. This is the first multifamily new construction project in the PMA since 2005. LIHTC properties in the PMA are fully leased with a 1.2% vacancy. Most of those units are set at the 60% AMI level which should have minimal impact from this project. Currently this is the only LIHTC project in the area's pipeline.

**g. Site suitability**

The site is a part of a residential neighborhood and adjacent to Mapleton's newly renovated Global Campus, a major K-12 school campus. The County's Comprehensive Plan designates the future land use of the site and surrounding area as 'Urban Residential', which allows for multifamily housing. It has quick access to two major highways (I-36 and I-25). With an RTD bus stop at the property, residents can reach two major employment centers (downtown and Orchard Town Center) in approximately 30 minutes. The site is a little over a ½ mile from the Twin Lakes Park paved bike trail and just under ¾ mile from the Clear Creek paved bike trail. Major retail that includes grocery and a clinic is within a 5-8 minute drive to the north and west of the project. Both a Phase 1 ESA and a Geotechnical report have confirmed that there are no environmental and floodplain issues.

**Justification for waiver of any underwriting criteria**

7401 Broadway can meet all of CHFA's minimum underwriting criteria and does not require any waivers.

**Market Study Issues**

The market study found that 7401 Broadway generally sets the top of its rent class in the PMA. However, the study did find that the location and unit sizes are slightly inferior (4 out of 5) to surveyed comparable projects. While the location is not the most walkable, it does have good access to public transportation, bicycle trails, and highways. It is also an ideal location for families with children in that it is across the street from a new state-of-art educational campus. Secondly, the unit sizes are 2-3% smaller than other units in the PMA, however this is consistent with current trends. The project also provides ample indoor and outdoor community spaces. Finally, the market study mentioned that the 70% AMI max rents might compete with market rate rents in the PMA. While the study pointed out that the 70% AMI rents are higher than the Class C market-rents in the PMA, they are 9-14% lower than Class B market-rents just outside the PMA. Given the pent up demand and the lack of a 70% AMI precedent in the PMA, Unison agrees with the market study that the max 70% AMI rents are attainable.

**Environment Report Issues**

The Phase I ESA report did not identify any RECs or CRECs. Additional investigation is not needed at this time.

**Cost Issues and Containment Opportunities**

Water and sewer taps fees, provided by the City of Thornton, are costly at approximately \$17,200/unit. However, they have agreed to credit \$147,000 to the project for the existing

commercial water and sewer service. Site work and storm water infrastructure are also significant costs. The soils report recommends 10' over excavation and a large portion of the storm water detention is underground due to the grade and surface parking requirement. Land costs are eliminated by the County's land contribution, which mitigates these cost impacts. Unison will lease the land at a nominal amount and loan the building sale proceeds back to the partnership. The County has also allowed a parking reduction that will maximize housing and minimize parking costs.

### **Community Outreach**

Over the past year, the development team has met with the local sheriff, library, school, and the County's Neighborhood Liaison. Unison has presented to the BOCC in two study sessions and hosted a neighborhood meeting. The support from the County and local stakeholders had been positive. This project addresses the housing needs identified in the County's 2018 Balanced Housing Plan. Affordable, safe, and quality housing was an overwhelming theme brought up during these meetings as the team heard numerous times how families in the community are doubled up with children sleeping on couches.

A partnership with the County's Children and Family Services (CFS) provides an opportunity to meet a critical need for Youth experience housing instability. One out of two Youth that age out of the system experience homelessness. CFS strongly supports this project and its 12 units set aside for Youth aging out of the Forster Care System (see the support letter from CFS).

On Jan. 24, 2019, Unison held a public meeting to present the project and solicit comments on the potential State Tax Credit and State HOME funds allocation. Since there were no attendees, there are no comments from that meeting.

### **For Acquisition Projects**

While this not a typical acquisition/rehab project, a 10-year opinion is given and found that the current project meets the 10-year rule. No federal funds are currently in the building. A capital needs assessment was not done since it is an office building that will be taken down to the core and shell and all MEP systems will be replaced.

# 4 percent PAB LIHTC application narrative



Project Name: The Atrium at Austin Bluffs

Project Address: 4921 Templeton Gap Road Colorado Springs CO

## **Project Update**

Greccio Housing is pleased to submit our application for an allocation of 4% Federal and State low-income housing tax credits. The Atrium at Austin Bluffs had previously been submitted in the last competitive 9% round. Based on feedback we received from CHFA staff during the post-application review, we have included several modifications to further improve this project.

Notable changes include the following:

- The El Paso County Housing Authority has agreed to provide a \$575,000 1% loan, which will help offset the loss of the 9% LIHTC equity
- The project was redesigned in order to improve efficiencies. Construction costs decreased by \$150,000 as a result of these changes.
- Greccio has furthered relationships with area service providers in order to provide a wide array of resident services and transportation options for residents

What hasn't changed is Greccio's commitment to affordability: the project will serve the same AMI mix as the previous 9% project, which includes a set-aside of over 20% of the units below 40% AMI, with over 10% serving households at 30% AMI.

All of this can be made possible without the need for 9% credits by taking advantage of scaled down costs, low-cost debt and, of course, the State housing credit program. We are excited to be able to present this project for consideration. We believe that it will serve as a positive example of the benefits the State credit program can bring to Colorado Springs.

## **Executive Summary**

For the past 29 years Greccio Housing has been the largest private not for profit provider of affordable rental housing in the Colorado Springs area. Greccio's long track record of leadership is recognized throughout the community and led directly to the City's decision to donate this parcel of land for the project. The City has a provision that applies a "1 logical user" in order to donate a city asset for a community purpose. Greccio met this test because of its active pursuit of new projects, success with both independent and collaborative functioning, established property management and supportive resident resources, ongoing compliance with funding covenants and requirements, and readiness to proceed with a LIHTC application.

The proposed project will involve the new construction of 54 units of housing in a three-story building. The project will be affordable to persons earning from 30% to 60% of AMI, with 20% of the units affordable at or below 40% of AMI. Units will be a mix of one (80%) and two (20%) bedroom unit types.

This \$13.4M project will be financed through federal tax credits (39%), State tax credits (28%), a loan (16%), a County HOME / CDBG loan (4%), a City HOME / CDBG grant (4%), a State HOME / CDBG grant (6%) and deferred development fee (3%). Not included in these sources is the value of the land donation.

The project will have an interior hallway serviced by two elevators. Apartment units will offer in-unit laundries, storage, and durable but attractive finishes. The wood framed building will have a pitched roof, post-tensioned slab foundation, water wise landscaping appropriate to the climate, air conditioning and energy efficient furnaces. The exterior of the building has been designed to complement the existing established neighborhood aesthetic. Exterior materials will include a mixture of brick, stucco, and lap siding.

Common areas have been thoughtfully incorporated into the project in several different locations and on each floor, for maximum access and social connectivity. The main entry opens into the central common area of the facility. Here, residents will have access to the site manager, a large area that can be enclosed for family or private functions, a 'Grab-n-Go' library, exterior patio, and exercise room. Two roof-top decks and large windows in community areas provide light and openness to enjoy the views and exposure to sunlight. A separate office and Wellness Center have been included for residents and for services provided by our third-party service provider partners.



## **Bond Matters**

- The project will require bonds to be issued in the amount of \$8,950,000 during the construction period (i.e. the construction loan amount). Approximately \$7.4M of this amount must be from PAB cap in order to satisfy the 50% test (i.e. 55% of aggregate basis)
- The project proposes to use CHFA's Simple Loan program to finance the perm loan. As a taxable product, no permanent bonds are needed for this loan.
- We anticipate that CHFA will be the issuer. Colorado Springs is willing to assign a portion of its bond cap to support this project.

## **Section 2 Qualified Allocation Plan Priorities**

This project does not address the priorities listed in Section 2 of the QAP

## **Section 2 Qualified Action Plan Criteria for Approval**

- Market conditions: Our market study recommended no changes to the planned project and indicated that the project should lease up in 2 months due to the high demand for this product in the market. Surveyed LIHTC properties in and adjacent to the PMA had no vacancies, and maintained waiting lists with 145 – 400 applicants. A recently completed LIHTC project in the PMA is effectively leasing units as quickly as it can deliver them to market. The overall average vacancy rate in the PMA for affordable properties is 0%, which indicates pent-up demand for affordable rental units. In addition to existing demand, the population of income qualified seniors in the PMA is growing by 235 households per year. The need for quality rental housing for seniors in this area is severe.
- Readiness-to-proceed: The site is zoned to allow for the size of project contemplated in this application. The City requires the issuance of a conditional use permit in conjunction with site development plan approval, both of which are granted by the Planning and Zoning Commission. The development team held a Land Development Technical Committee Meeting with city referral agencies and staff indicated that the project was an appropriate use for this site. Site development plan approval can be easily obtained within the timeframe needed to reach carryover.
- Overall financial feasibility and viability: Greccio Housing is an experienced provider of affordable rental housing in this market area. The proposed operating budget is based on good comparable costs in its portfolio, and the corresponding debt load appropriate for the projected NOI. The City of Colorado Springs and the State Division of Housing have funding available for this project, and the County Housing Authority has conditionally approved funds for the project. The City and Greccio have entered into a \$1 purchase agreement that effectively donates the land to Greccio for this specific project.
- Experience and track record of the development and management team: Greccio Housing has served the Colorado Springs community since 1990. In that time, it has developed or acquired and manages over 500 units of affordable housing throughout

the Colorado Springs area. Greccio also provides property management services to all of its properties, using a centrally-located team-based maintenance approach to increase efficiency and responsiveness for its scattered-site properties. Greccio has a knowledgeable compliance team experienced with every major affordable housing program. This will be the second tax credit project for Greccio. 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 affordable housing in Colorado through the LIHTC program.

- Cost reasonableness: The proposed project will be located on a flat site with immediate access to public roads and utilities. No major site work expenses are associated with this project. The site itself is free (\$1) and will be donated to Greccio by the City of Colorado Springs pursuant to the terms of the attached donation agreement. Tap fees in the City of Colorado Springs are some of the lowest in the State and will save the project significant amounts of money. A local multifamily builder active in this market provided the construction cost estimate based on recent comparable projects. Due to design modifications made after our first LIHTC submittal, we were able to reduce costs by \$150,000.
- Proximity to existing tax credit developments: Our PMA contains ten LIHTC properties containing 921 income-restricted units. Of these, 3 are senior properties, and two of those are assisted living facilities. There is another large senior property under construction now in the PMA. The closest LIHTC senior project, Traditions at Colorado Springs, is 0.8 miles from our planned project. Units at this project are coming online in phases as construction of individual buildings completes. To date, 77 units have been completed and made ready for occupancy, with the first units coming online in October 2018. As of December 2018 all 77 completed units have been leased, at an average absorption rate of 39 units per month.
- Site suitability: This is an infill location in an established neighborhood. The site sits in a small neighborhood commercial center surrounded by nicer single-family homes. As such, it's in an ideal transitional area between these commercial and residential uses. The site is undeveloped, flat, and adjacent to existing roadways. Utilities are adjacent to the site. A regional storm-water collection system will connect to the site, saving the expense of developing an on-site water quality and detention facility.

### **Underwriting Waivers**

- This project requests no waivers from CHFA's underwriting criteria.

### **Market Study Overview**

Our market study indicates a severe need for affordable senior housing in this area, which is consistent with the City's identification of this as an issue of significant community concern (and the basis for its donation of this site for the development of this project.). There are no vacancies within LIHTC properties in the PMA or adjacent areas. Within the LIHTC sector, surveyed comparable LIHTC properties maintain waiting lists of 165 – 400 persons. In addition

to existing demand, the population of income qualified seniors in the PMA is growing by 235 households per year.

The study noted that our project had slightly higher rents than comparable senior LIHTC properties. However, the study was conducted concurrent to the release of the 2018 AMI figures, and comparable properties had yet to implement annual rent increases related to these new AMI levels. Furthermore, no other comparable properties offer owner paid utilities. The associated utility allowance deductions account for the balance of the rent differential.

When we applied for credits in the June 9% round, a large LIHTC project was under construction in the PMA. In the intervening months that project was begun to lease units as individual buildings are completed. In the months of October and November this project leased 100% of the units made available for rent, averaging 39 leases per month. This robust level of absorption is indicative of strong pent up demand for LIHTC units in the PMA.

### **Environmental Report Overview**

The environmental reports provided with our application confirmed that the site is free from any environmental concerns; the site is clean and ready to develop

### **Cost Containment**

There are no unusual features driving up costs on this project. Unique to this project are several features which decrease costs:

- The City of Colorado Springs will donate the land for this project at no cost
- Tap fees in the City of Colorado Springs are some of the lowest in the State
- The surrounding neighborhood features a master planned storm water system, no on-site detention or water quality will be needed for our project.

### **Neighborhood Outreach**

This project originated when the City reached out to Greccio to gauge its interest in developing this parcel of unused City owned land. It was the City itself that recognized a need affordable senior housing. This location, in a pleasant residential section of the city near to services and amenities, seemed to be an ideal area for this purpose. Working with the City, Greccio evaluated the site and came to the shared conclusion that a senior housing project would be a good fit for this neighborhood. In May of 2018 the City and Greccio entered into a donation agreement for this site in order that it be developed into the project described in this application.

In addition to the collaboration between Greccio and the City, efforts to reach out to the local neighborhood organizations have begun. While broader public meetings are specifically called for as part of the Development Plan Review Process, Greccio has visited immediate business neighbors, reached out to the adjacent homeowner's association, and has an in-office meeting with a neighbor with questions about the specifics to the project and regulatory oversight. The site is zoned appropriately for the proposed use and will not require City Council review or

approval. Nonetheless, we are sensitive to the surrounding homeowners and businesses, and are committed to development of a project compatible with the aesthetics of the neighborhood.

Greccio has been cultivating relationships with the City's major senior service providers to better understand the needs of low and moderate income seniors in the City. Included as attachments to this application are letters of support from Silver Key Senior Services and Vera Care. These agencies are prepared to partner with Greccio at this project to provide the services needed to help our residents live independently. To facilitate this partnership, our plans for the project include office and activity space for these providers to use in the delivery of services to our residents.

Finally, Greccio has been actively working in the community to establish as many transportation alternatives as possible, which is a factor for almost all residents. For independence, access, and social and entertainment needs, the ability to move throughout the community is critical. Our response to the transportation needs of resident will include the following:

- 30% more parking spaces that required by City code for seniors (43 vs. 33 required),
- Qualified residents will have access to various 'door-to-door' transportation, including Rocky Mountain Health Care, Envida, Silver Key, Mountain Metro Mobility, and Greccio's Resident Resource team. Additionally, the annual Senior Information and Assistance Directory, published by the Pikes Peak Area Council of Governments, includes no less than 14 resources for seniors in the geographic area for transportation needs.
- Collaboration with the City to ensure that the bus line extension down Austin Bluffs Parkway includes a stop at our intersection. (See market study for details)
- Transportation through Greccio's grant-funded Resource Center, when urgent transportation needs are otherwise unmet.

# 4 percent PAB LIHTC application narrative



**PROJECT NAME: Capitol Square Apartments**

**PROJECT ADDRESS: 1275 Sherman Street, Denver, CO**

## Executive Summary

The Capitol Square Apartments is a proposed 6 story, 103-unit affordable housing development located just one block from the State Capitol at the corner of 13<sup>th</sup> Avenue & Sherman Street, Denver, CO. The site is part of the eastern half of the block bounded by 12<sup>th</sup> Avenue on the south, Sherman Street on the east and 13<sup>th</sup> Avenue on the north. The site is currently owned by the Colorado State Land Board (CSLB). The proposed development will require the demolition of two vacant warehouse structures and an office structure that are currently boarded up and have not been in productive use for many years. The balance of the block will continue to be used as a daily and monthly parking lot facility serving the Capitol Hill neighborhood and the nearby State Capitol.

The project will include units at AMI levels of 30%, 40%, 50%, 60%, 70% and 80% using the new income averaging rules and achieving the required AMI average below 60% AMI in the building.

Unit Mix			
Income Level	1-BR	2-BR	Total
30%	6	1	7
40%	6	1	7
50%	16	6	22
60%	23	11	34
70%	13	7	20
80%	9	4	13
<b>Total Units</b>	<b>73</b>	<b>30</b>	<b>103</b>

1 - Unit Mix and AMI Levels

It's anticipated that the project will apply to CHFA for Construction and Permanent Financing as well as a HOF loan in an amount of \$500,000. Additional financing sources will include the City and County of Denver (\$1.545 million) and the Division of Housing of the State of Colorado (\$1 million in HOME Funds).

The six story (Type 3 construction) wood framed building will be built on top of a two-level parking podium with one level of parking at grade and one level below.

Taking advantage of the grade change on westbound 13<sup>th</sup> Avenue, the sloping site allows for a tuck-under parking entrance at the lower level for 47 spaces along the northern property line. The remaining 30 spaces are provided by entering the building off Sherman Street at grade, for a total of 77 spaces, meeting the .75/unit parking requirement under the City and County of Denver's C-MX-8 zoning classification. The building design will feature an exterior skin of a combination of brick, fiber cementitious panels, metal screens, with storefront glazing at the ground level, and other accent materials as indicated in the images throughout the narrative.



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CAPITOL SQUARE APARTMENTS  
DENVER, CO #2016-1146

MULTI-FAMILY: CORNER VIEW 13TH AND SHERMAN  
JANUARY 10, 2019

A4.0

*2 - Capitol Square Apartments 13<sup>th</sup> & Sherman Corner Rendering*

The Applicants/Co-Developers are Mile High Affordable Housing LLC (an affiliate of Mile High Development) and Brinshore Development, L.L.C. This will be Mile High’s seventh affordable development in Denver, and its second project partnering with Brinshore Development, a Chicago-based affordable housing developer that has completed more than 75 projects in a dozen states since 1994.

Mile High Development has been working with the Colorado State Land Board staff for several years to find a way to develop a portion of the parking lot site and preserve the maximum amount of parking income for CSLB while adding a productive use of the balance of the site. Utilizing the north end of the site and demolishing the dilapidated buildings accomplishes these two goals at once.



*3 - Existing Structures at 13th & Sherman*



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CAPITOL SQUARE APARTMENTS  
DENVER, CO #2019-1100

MULTI-FAMILY: CORNER VIEW 13TH AND SHERMAN  
JANUARY 11, 2019

A3.0

4- Capitol Square Apartments 13th & Sherman Rendering

Capitol Square Apartments will be designed by the Denver office of KTG Y Architects, a regional design firm that has designed multiple affordable, market rate and other commercial and residential/mixed use projects in Colorado. Alliance Construction Services will be the General Contractor. In addition to the Sheridan Station Apartments, starting construction in February 2019 at 10<sup>th</sup> & Ames on the Denver/Lakewood boundary at the Sheridan Station light rail station, Alliance has built fifteen affordable housing projects in Colorado.



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MILE HIGH DEVELOPMENT  
BRINSHORE

CAPITOL SQUARE APARTMENTS  
DENVER, CO #2019-1100

MULTI-FAMILY: SHERMAN VIEW 1  
JANUARY 11, 2019

A6.0



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MILE HIGH DEVELOPMENT  
BRINSHORE

CAPITOL SQUARE APARTMENTS  
DENVER, CO #2019-1100

MULTI-FAMILY: SHERMAN VIEW 1  
JANUARY 11, 2019

A5.0

5 – Sherman Street and State Capitol Rendering Views

## Financing Structure

Capitol Square Apartments anticipates that the bonds for this project will be issued by CHFA and will be publicly placed. The project will use a construction period bond amount of \$20,845,000 and a permanent bond amount of \$9,850,000. It is anticipated that all bonds will be tax exempt.

The table below outlines the expected sources and uses of funds:

Sources of Financing		Uses of Financing	
Perm Mortgage	9,850,000	Land and Buildings	367,835
CHFA HOF	500,000	Site Work	999,128
City of Denver OED	1,545,000	Construction	21,293,181
CDOH - HOME	1,000,000	Professional Fees	1,252,709
	-	Construction Interim Costs	2,113,558
	-	Permanent Financing	541,900
	-	Soft Costs	288,150
Deferred Developer Fee	1,203,136	Syndication Costs	7,100
Federal Tax Credit Equity	11,686,121	Developer Fees	3,196,627
State Tax Credit Equity	4,740,000	Project Reserves	464,069
<b>Total Sources</b>	<b>30,524,257</b>	<b>Total Uses</b>	<b>30,524,257</b>

6 - Source and Uses of Financing

## Guiding Principals

Capitol Square Apartments will address several important priorities articulated in the QAP, including:

1. Supporting affordable rental housing for an extended period. Capitol Square has selected the longest waiver period of 25 additional years. Also, Denver OED requires a 60-year affordability covenant so the project will remain affordable for the long term.
2. Supporting a project and community revitalization in a qualified Census Tract (QCT);
3. Providing a distribution of housing credits in a large, urban area;
4. Providing a unique affordable housing opportunity within a half mile walking distance of public transportation (Lincoln/Broadway transit corridor and Civic Center Station); and
5. Reserving only those credits necessary for the financial feasibility of the project.

## Readiness to Proceed

The Capitol Square site is ready to proceed immediately, as the buildings on the site have been vacant for some years and demolition will be an improvement to the area. Both a Phase 1 and Phase 2 environmental assessments (attached) have been performed and evaluated by Kumar & Associates. Soil and ground water testing have indicated that there are no environmental issues needing further mitigation. There is some ACM within the buildings that can readily be remediated and has been accounted for in our budget. The site is zoned CMX-8 in the City and County of Denver, which allows up to an 8-story building. Upon the receipt of a tax credit



allocation, the development team would be ready to proceed with the Concept planning phase of the City entitlement process within a few weeks of notification by CHFA. The balance of the Site Development Plan (SDP) entitlement process could be initiated immediately after the Concept level meetings, leading to a building permit and closing of the financing in approximately 10-12 months after notification by CHFA. Groundbreaking could occur in Spring 2020, with completion approximately 15 months later in late Summer 2021.

### **Financial Feasibility**

The development team has been able to achieve a financially viable project by utilizing the first floor and basement levels of the existing warehouse buildings for parking, loading, and services. By utilizing these already existing spaces, the need for new excavation and shoring has been greatly reduced, resulting in a much more financially feasible project. The ground floor contains a community room, fitness center and offices for the building management team to interact with tenants, potential tenants and visitors to the building. We have utilized the new Income Averaging (IA) rules to add a new financial option to our rent roll and to allow for more AMI levels to qualify. By keeping the building height above grade to 6 stories, we have been able to design the project to have a substantial wood framed structure (Type 3) versus using a costlier steel framed structure which would be required if we were to go to seven or eight stories of construction.

### **Developer Experience and Track Record**

Mile High Development and Brinshore Development bring a combined experience of over 65 years in the development business in Colorado and Illinois. Brinshore has developed over 75 affordable housing projects since its inception in 1994.

Mile High Development has developed over 50 projects in Colorado and California since its founding in 1979, including some well-known Denver landmarks such as the Wellington E. Webb Municipal Office Building, home to Denver City Government, the ART Hotel and Museum Residences as part of the Denver Art Museum expansion project, and the Colorado Center mixed use TOD project at I-25 and Colorado Blvd., as well as 5 affordable housing projects located in Denver (Yale Station Senior Apartments, Garden Court Apartments at Yale Station, University Station Apartments, and Ash Street Apartments) and Westminster (Eaton Street Apartments), nearing completion in April 2019, co-developed with Koelbel & Company.



7 - Sheridan Station Apartments Rendering

Mile High and Brinshore are co-developing the Sheridan Station Apartments, a 133 unit, 8 story LIHTC project at the Sheridan Station light rail station on the West Line, which will commence construction in February 2019.

Established in 1994, Brinshore Development, LLC is an innovative real estate company specializing in the development of residential

communities that foster conservation, collaboration and affordability. Brinshore has undertaken dozens of developments, from large-scale master planned communities to the restoration of meticulously preserved historic properties. The Brinshore portfolio today encompasses more than 6,500 residential units valued at more than \$1 billion.

### Proximity to Existing Tax Credit Projects

According to the CHFA 2018 lihtc project map, there have been a total of 16 LIHTC financed properties in the area surrounding the 13<sup>th</sup> and Sherman site since 1995. Of the sixteen properties there has been five new construction LIHTC financed properties and only one was allocated credits in the last decade. The St. Francis Apartments, located at 14<sup>th</sup> and Washington Street, was allocated credits in 2015. The remaining 11 LIHTC projects, were rehab/acquisition properties were developed from 1995 to 2008.

### Site Suitability

The site is ideally located near the Central Business District of Downtown Denver. Many residents in this Capitol Hill neighborhood walk to work in downtown Denver or take advantage of the Broadway/Lincoln transit corridor for high frequency bus service. It is only a short walk (3 blocks) to Civic Center Station and connection with regional buses, the Downtown Circulator Bus to Union Station, and the 16<sup>th</sup> Street Mall Shuttle.

#### Walk, Transit & Bike Score

Project	Walk Score (Out of 100)	Transit Score (Out of 100)	Bike Score (Out of 100)
Subject Site	92	85	96
Denver, CO Average	61	48	71

8 - Source: WalkScore, January 2019



9 - Civic Center Station

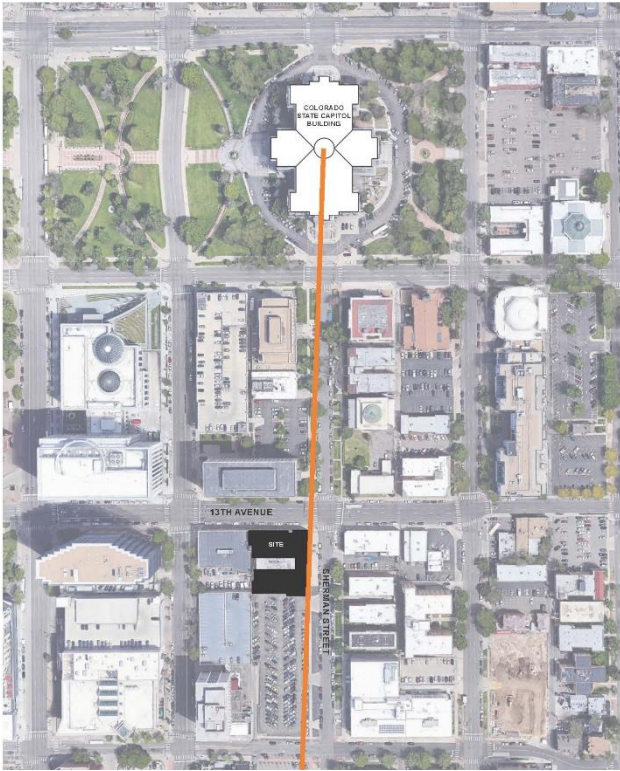
The site offers the best of both worlds of being located near all the above connections to downtown and major employment opportunities, surrounding cultural and entertainment attractions, and close to state and local government facilities as well as being in a real and walkable mature neighborhood environment.

## Market Conditions

Market conditions for an affordable housing project in the Capitol Hill sub-market are strong, as a large majority of the new apartment stock in the area is luxury apartments aimed at the millennial market, with few affordable housing options in the area. The site is zoned C-MX-8, which allows the proposed project to be constructed without zoning adjustments or other time consuming processes and is a testament to the project's readiness to proceed. The Novogradac market study indicates a strong demand in the AMI levels we are targeting, 30%, 40%, 50%, 60%, 70% and 80% with a capture rates of 4.8%, 13.5%, 12.5%, 14.0%, 0.6% percent and 0.4% respectively. The overall capture rate for the Capitol Square Apartments project is 12.0 percent.

Building in the urban environment is always challenging, but the development team has been able to contain the costs by utilizing the grade change to accommodate underground parking and keeping the height of the building to a 6 story, type 3 wood construction system, which greatly reduces the basic construction cost while allowing for a high quality building. While there are several tax credit developments in the area within several blocks of the site, this will

be the only recent addition to the affordable housing (LIHTC) stock in this close-in Capitol Hill neighborhood in some years.



10 - Proximity to State Capitol

One additional factor deserves to be mentioned, and that is the importance of the proximity of the site to the State Capitol. The legislators, lobbyists and staff that are frequently asked to support the affordable housing industry will walk or drive by this site on a regular basis during the 5 month legislative season and beyond and some may well park in the adjoining State Land Board parking lot. We can create interest in affordable housing with a creative use of sidewalk signage during construction and feature the completed building as an opportunity for legislators to see first-hand the positive impact of a high quality affordable housing community. Finally, the offices of the Colorado Division of Housing are directly across the street.

### Environmental Summary

Both a Phase 1 and Phase 2 environmental assessments have been performed and evaluated by Kumar & Associates, "... the conclusion is that the RECs identified in the Phase I ESA have not measurably impacted the target Property. Furthermore, the results of this Phase II ESA suggest that no additional environmental investigation of the target Property is necessary." Soil and ground water testing have indicated that there are no environmental issues needing further mitigation. There is some ACM within the buildings that can readily be remediated and has been accounted for in our budget. A respected environmental consultant will be contracted to provide remediation and air clearances.

### Community Outreach

The developer conducted the required Public Meeting on January 18<sup>th</sup>, and three members of CHUN, Capitol Hill United Neighbors, Inc., the largest and most influential Registered Neighborhood Organization (RNO) in Denver were invited and were in attendance. As a result of that meeting, the CHUN Board of Directors has written a letter of support for the Capitol Square Apartments which is included in this application.

# 4 percent PAB LIHTC application narrative



**Project Name:** Coffman

**Project Address:** 518 Coffman Street, Longmont, CO, 80501

**Executive Summary:** The Boulder County Housing Authority (BCHA) presents Coffman, a 73-unit affordable family project in the heart of downtown Longmont, Colorado. Coffman will include 12 30% AMI project-based vouchers provided by BCHA, three 40% AMI units, eight 50% AMI units, and 50 60% AMI units with 59 one-bedrooms, 10 2-bedrooms, and four 3-bedrooms. Coffman will be part of a vibrant, mixed-use building that will also include a structured parking garage serving Boulder County employees, an adjacent private office building, public parking, as well as parking for residents. A portion of the ground floor of the parking structure will also include 8,200 square feet of office space to be occupied by Boulder County.

The site includes three parcels, two of which are currently surface parking lots owned by Boulder County and the City of Longmont General Improvement District, as well as a small portion of RLET Properties, LLC's parcel, a private office building owner that will be rebuilding its office tower adjacent to Coffman. In order to maximize the density of this urban infill site while also meeting the parking needs of each party, a structured parking garage will be developed on the site and shared between Boulder County, the Longmont Downtown Development Authority, RLET and the tax credit partnership for Coffman's share of the parking lot. Dedicated spaces will be allotted to each party with variation during the day and overnight in order to maximize the use of the garage and minimize costs to the project. For more information on the shared parking agreement, please see the attachment to the narrative *Shared Parking Agreement Outline*. Two condominium units will be formed within the parking garage structure: the tax credit partnership will own the residential housing and residential portion of the parking structure and BCHA will own the non-residential parking and the commercial space. BCHA will then lease back a portion of the parking garage and commercial space to each respective entity through a 99-year lease.

The project is located in the heart of downtown Longmont, an ideal site for family affordable housing. Residents will be in walking distance to a wide range of services and amenities that are within half a mile, including an elementary school, a public library, a large city park, cafés and restaurants, several bus stops and a bulk food grocery store. Additionally, the project is located across the street from the Boulder County St. Vrain Hub building, a one stop shop for human services needs for Boulder County residents including access to food assistance, child-care assistance, case management, and employment assistance. In-unit amenities include Energy Star appliances, a full-size washer and dryer, walk-out patios on ground-level units and juliet balconies on upper floor units. Common area amenities include interior courtyards with

seating, integrated play features, barbeque areas as well as a community-room featuring a kitchen, gathering space, and television.

The Coffman project will consist of four-stories of wood-framing on a caisson foundation system. The parking structure will also consist of four-stories and be constructed using cast-in-place concrete, reducing the risk of long-term maintenance issues. The residential portion of the project will consist of two-wings of residential units separated by community courtyards meant to provide gathering and outdoor space for residents. The design includes balcony walkways that will provide for building circulation, while also giving residents a ‘front-porch’ off of their units. The design will feature brick masonry on the first floor along with a mix of Hardie siding and stucco on the upper floors to complement the surrounding architecture. The Coffman project will feature energy-star appliances, a high level of insulation, and has been designed as solar-ready should funding become available to add solar panels in the future.

In addition to 4% LIHTC and State tax credits, Coffman has received tremendous local support and financing commitments, including \$1,644,187 from Boulder County Worthy Cause, \$1,050,000 from the Boulder-Broomfield Regional HOME Consortium, \$500,000 from the City of Longmont and \$730,000 from the Colorado Division of Housing. BCHA has also committed \$800,000 to help fill the financing gap and reduce the State tax credit request.

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

- Construction period bonds: \$16,707,509
- Permanent period bonds: \$8,270,000
- Bond issuer: Boulder County Housing Authority
- Lender and bond sale structure: Private Placement
- Portion of bonds that will be tax-exempt: \$13,000,000 (78%), BCHA has the necessary bond cap, and taxable: \$3,707,509 (22%)

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

Coffman will not specifically target the populations outlined in Section 2 of the QAP. However, BCHA is providing 12 project-based vouchers to serve households at or below 30% AMI and intends to use its vouchers for the lowest-income households at-risk of homelessness. Given the site’s proximity to the St. Vrain Hub, BCHA believes that vulnerable residents living at Coffman will have tremendous opportunities for success given their nearness to services and support. Please see the narrative attachment *BCHA Resident Services Description* for more detail on the services BCHA provides to residents.

The building design incorporates accessibility features to support potential residents with disabilities, including 15 fully accessible units, well above building code requirements. BCHA will also continue to accept residents with Housing Choice Vouchers (HCV), VASH vouchers, and Family Self-Sufficient (FSS) vouchers.

**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:*

BCHA is committing 12 project-based vouchers to this project, which will serve tenants at or below 30% AMI.

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

Coffman is located in downtown Longmont, a city with a population of approximately 100,000. The site location provides residents with excellent access to the range of services and amenities Longmont has to offer.

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

BCHA is a strong housing authority sponsor with significant LIHTC experience and a mission to serve low-income communities across the County.

- *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*

Coffman will primarily serve families between 30% and 60% AMI. There will be 12 project-based vouchers for very low-income households at or below 30% AMI.

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

Coffman is located within a half mile of eight bus stops from eight bus lines with access to destinations throughout Longmont, Boulder and Denver. Additionally, residents at Coffman will be able to take advantage of the Ride Free Longmont Program, which provides local RTD trips within Longmont at no cost.

- *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 is a new construction project.

- *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*

BCHA's development and design team has worked to ensure the project is as cost-efficient as possible in order to limit the tax credit request. With the requested basis waiver and significant local contribution, BCHA was able to reduce the State tax credit request to \$930,000 annually.

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

This project will provide 73 units of affordable housing to help meet the need in Longmont. This is the maximum number of units possible on this infill site in downtown Longmont given the site constraints.

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

- a. **Market conditions:** The overall capture rate for the project is 16.5%; 2.4% for the 30% AMI units, 14.3% for the 40% AMI units, 16.1% for the 50% AMI units and 24.8% for the 60% AMI units. Coffman has a walkscore of 89, a very walkable site with access to a full range of daily amenities, employment opportunities and services. Longmont's multifamily vacancy rate in third quarter 2018 was 2.8% and the vacancy rates of the comparable properties in the PMA ranged from 0% to 4.3%. The highest at 4.3% is a property with only three-bedroom units. Four of the six comparables had vacancy rates of 2.1% or lower.

The market study notes that Coffman's unit mix, weighted more heavily toward one- and two-bedroom units, is more in line with the household composition of the PMA than the existing LIHTC inventory in Longmont. The PMA has demonstrated strong demand and absorption of LIHTC units. The market study also notes in-unit amenities that will increase its competitiveness, including in-unit washers and dryers and the full second bathroom in the two-bedroom units.

- b. **Readiness-to-proceed:** BCHA has been working collaboratively with the City of Longmont, the Longmont Downtown Development Association and RLET for over two years to assemble the land on a constrained urban infill site and design a project that is responsive to the community. The site is properly zoned and BCHA has worked hard to receive financing commitments from soft funders and has assembled a design and development team with significant LIHTC experience.

Pending approval, BCHA is ready to proceed with construction plans and site plan approval, which is an administrative process that takes approximately six weeks for initial review and four weeks for subsequent review, if needed. This timeline represents an expedited process that the City of Longmont provides for affordable housing projects.

BCHA has worked closely with City staff regarding the shared parking agreement for the project, which would be included as part of the administrative review. Given the unique peak demand times for the various users (residential, commercial, public parking, etc) BCHA and the project partners developed a shared parking plan meant to adequately accommodate all uses (please see attached Shared Parking Plan Outline). Based on the information provided by BCHA to City staff they believe the residential portion of the project may need access to between 10-20 additional day-time spaces than the 30 spaces currently outlined. BCHA has several options to achieve this, if ultimately deemed a requirement by the City, including leasing spaces from the LDDA through a right of first refusal for up to 20 additional day-time



spaces, or working with the project partners to reallocate shared day-time spaces to meet the residential parking demand.

Additionally, BCHA has invested heavily in the project by completing a design-development set of drawings for the tax credit application, rather than the more typical schematic-design set. This level of completeness gives BCHA significant confidence in our construction pricing while also positioning the project to move quickly into the construction documentation phase if awarded tax-credits. The project has benefited from close coordination between RNN Architects and Pinkard Construction over the past two years to ensure that construction costs are reasonable while also providing a thoughtful design.

- c. **Overall financial feasibility and viability:** The Coffman project will benefit from significant local financial contributions, including \$1,644,187 of Boulder County Worthy Cause funds, \$1,050,000 in Boulder County HOME funds, \$500,000 in City of Longmont funds, in addition to development fee waivers valued at \$175,000. The Colorado Division of Housing is supporting the project with \$730,000 in gap funding. BCHA is contributing \$800,000 in gap funding and requesting a basis waiver on the Federal credit, both of which enabled BCHA to reduce its State Tax Credit request to \$930,000 annually.

Additionally, BCHA has worked diligently over the past several years to accumulate enough PAB cap space to fully issue the debt that would be required for the project. Thus, if the project were to be awarded tax credits, BCHA would not need to request additional cap space from either CHFA or DOLA for the project to proceed.

Soft funds documentation to support the amount of soft funds listed in the Application can be found in the attachment *Evidence of Contact with Soft Funders*.

- d. **Experience and track record of the development and management team:** BCHA has provided affordable housing in Boulder County since 1975 and currently owns and manages 809 homes in 58 properties within seven cities and towns. BCHA has significant LIHTC development experience. BCHA's three most recent LIHTC deals, Aspinwall, Josephine Commons and Kestrel are operating well with high-occupancy rates and BCHA also received a 9% LIHTC award for the Tungsten Village project in Nederland in 2018. BCHA's team has experience in all facets of planning, financing, constructing, managing and maintaining affordable housing. The development lead for Coffman worked on all stages of BCHA's most recent LIHTC project, Kestrel, which was completed in 2017 and submitted its final application to CHFA in 2018. Collectively, the team has more than 80 years of experience in housing.
- e. **Cost reasonableness:** The project's construction and soft costs budgets have been developed using current, local data generated by Pinkard in close coordination with local subcontractors and informed by BCHA's recent development budgets. BCHA has worked diligently to design a project as cost-efficiently as possible, while also meeting the needs of the community and scale and character of the neighborhood. The need for a structured parking garage adds significant cost to the project, with the difference between a typical surface parking lot and the structured parking

garage required for the Coffman project adding approximately \$567,000 in costs. However, BCHA made significant investments in designing a very-efficient and cost effective parking garage to keep costs reasonable. BCHA specifically worked with Walker Parking consultants to ensure that the parking garage costs were closely managed. This resulted in a per space cost of the parking garage of approximately \$26,000 per space that is below similar projects in the region. BCHA is requesting a cost basis waiver with the application as a result of these increased costs. Please see the narrative attachment *Cost Basis Request Letter* for further detail.

- f. **Proximity to existing tax credit developments:** There are 21 existing tax credit projects in the PMA, six of which were analyzed as family affordable comparables in the market study. Of these six comparables, Coffman has the highest walkscore at 89, and tied for the highest transit score at 41. Coffman's proposed amenities are in line with comparable LIHTC projects in the PMA and its proposed in-unit amenities are strong. Coffman's unit sizes and rent per square foot are within the range of sizes and rents of the comparable projects.

The closest existing tax credit development is Village Place at Longmont, located at Coffman Street and 6<sup>th</sup> Street in the adjacent block. It received a LIHTC allocation in 2006 and is a senior housing building. Coffman Court is approximately half a mile south on Coffman Street, a family LIHTC project that received its credit reservation in 1994.

- g. **Site suitability:** Located in the heart of downtown Longmont, the project is less than half a mile from the public library, cafés and restaurants, a bulk food grocery store, and eight bus stops from eight different routes with destinations throughout Longmont and to Boulder and Denver. The property is three blocks north of the downtown post office and three blocks away from the Longmont municipal center that includes the police department. Residents will be able walk to Roosevelt Park, a large municipal park covering three city blocks and with many amenities that is just a block and a half north of the site. Columbine Elementary School is 0.6 miles from the site, Longmont High School is 1.4 miles, and Longmont United Hospital and health clinic is 2.1 miles from the site.

Additionally, the site is located on an identified TOD transit corridor in the City of Longmont's 2018 Enhanced Multi-Use Corridor Plan (see narrative attachment *Transit-Oriented Development for Coffman Plan*). The plan identifies Coffman Street as the location for a future BRT (bus-rapid transit) line that would serve Highway 119 connecting Longmont and Boulder. The proposed streetscape in front of the Coffman project would include new dedicated bus lanes, a bus stop, and raised bike lanes.

The Coffman site is also significant in that it represents a large investment from local governments providing resources for new affordable housing. Two of the parcels that will be used for the project are currently surface-parking lots owned by Boulder County and the Longmont GID, respectively. Both Boulder County and the City of Longmont have recognized that this is not the highest and best use of these publicly

owned assets and have been instrumental in leading the effort to create affordable housing on the properties.

**6. 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):

BCHA is requesting a cost basis waiver. Please see attached *Cost Basis Waiver Request*.

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

The market study notes that the common area amenities are slightly limited in comparison to other LIHTC projects in the PMA. However, the project's central location, high walkability and above average in-unit amenities, including washers and dryers, patio and juliet balconies, and the second bathroom in the two-bedroom units, will help the project's competitiveness.

**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 assessment conducted on all three parcels identified a single Recognized Environmental Condition (REC) related to the southern portion of the 500 Coffman Street parcel. The REC related to the lack of environmental information and the operation of an automotive service station on the south side of the property between 1930 to at least 1959. The service station operated on the far southern end of this property, which would not be included as part of the project, but BCHA still proceed with soil tests to confirm no environmental contamination exists.

BCHA conducted a Phase II assessment that consisted of coring two holes in the subject property's parking lot and taking soil and groundwater samples for testing. The cores were completed on the most southern portion of the lot that would be included in the Coffman project. The results indicated there is no presence of environmental contaminants in the subject soil samples.

**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:**

Coffman is being developed in an urban infill site in downtown Longmont and combining parcels currently owned by Longmont GID, Boulder County, and RLET Properties. In order to meet the parking needs of these entities while also maximizing the density of the site, a shared parking structure is needed. The cost of the LIHTC portion of the garage is \$777,947 which is a significant cost increase when compared to a surface parking lot. Without the parking garage, there would not be capacity on the site to develop enough units for a viable project. Additionally, the project has gained significant support as a result of the fact that it

is replacing large surface parking lots in the downtown core with a vibrant, mixed-use building.

BCHA is committing twelve project-based vouchers to Coffman in order to ensure very low-income families are able to reside in downtown Longmont in proximity to a range of services, amenities, and transit options. As a result, Davis Bacon wages are included in the development costs, which drives costs up by approximately 10%.

**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):**

BCHA has worked closely with the local community, the City of Longmont and the Longmont Downtown Development Authority for over two years to design a project that is responsive to the affordable housing needs of Longmont while also creating a true community asset. BCHA hosted two community meetings in 2018 to solicit feedback and input of the proposed project. As a result of these meetings, BCHA worked to incorporate additional brick on the first level facade of the building and also added new 3-bedroom units to provide units more suited to larger families.

BCHA has also provided project updates and information on its website ([www.bouldercountyhousing.org](http://www.bouldercountyhousing.org)) while allowing community members to sign-up for email lists related to the project. Support for the project has been strong, with the local community recognizing the benefit of new affordable housing along with a redevelopment of the 500 block of Coffman Street. To date, BCHA has not received any local opposition to the project.

# 4 percent PAB LIHTC application narrative



Project Name: **The Edge Apartments Phase II**

Project Address: **Boyd Lake Avenue and 15<sup>th</sup> Street, Loveland, CO 80538**

## **1. Executive summary**

The Loveland Housing Authority requests an allocation of 4% LIHTC and State LIHTC for the development and construction of the 69 unit, 100% affordable, multi-family project named “The Edge II.” The Edge II is the second phase of our very successful 70 unit “The Edge” project, and will provide much needed affordable work force housing to Northern Colorado. The Edge II will consist of studio and one, two, and three bedroom units, with 15 of the units serving very low 30% AMI income levels. The Edge II will share amenities with The Edge, which include: Clubhouse with programming, tot lot, playground and community gardens. This project will meet or exceed Enterprise Green Communities 2015 standards, which will facilitate the creation of quality affordable design and ensure long term sustainability.

The Edge II will consist of 4 buildings, each a 3 story walk-up, with architecture that matches The Edge. The buildings will be wood frame construction on spread foot foundations, with Hardy Board siding and partial stone veneer. The flat roofs will be protected with a membrane.

The Edge II units will be well appointed, with each including the following amenities:

- Patio/balconies
- Washer/dryers
- Individually-controlled heat and air conditioning
- Window coverings
- Full kitchens with self-cleaning oven/range, dishwasher, disposal, and refrigerator.

The site for The Edge II is adjacent to The Edge, which offers a superior location for residents due to its proximity to many employers and amenities, such as: Centerra Promenade Shops, Rocky Mountain Outlet Stores, local banks, Medical Center of the Rockies, McKee Hospital, Orthopedic Center of the Rockies, Loveland Sports Park, Mountain View High School, High Plains Elementary School, and numerous dining establishments, among many others. In addition, The Edge II will have a direct connection to the City of Loveland’s planned Recreation Trail extension, which will provide connectivity to the existing intra-city Recreation Trail. Access to COLT, the City of Loveland’s public transportation system, is available two blocks from the site on Eisenhower Avenue, and the site also provides convenient access to Interstate 25.

The Edge II has received a tremendous amount of support and has been awarded Affordable Housing designation from the City of Loveland, which is expected to result in fee waivers of approximately \$1,000,000. In addition, the Loveland Housing Authority intends to apply to the Colorado Division of Housing to request \$690,000, and the Loveland Housing Authority will provide approximately \$5,700,000 from reserves for the project.

Another strength of this project is the Loveland Housing Authority’s proven experience in the development and management of LIHTC housing. In the past fifteen years, the Loveland Housing Authority has developed over 500 LIHTC units in Loveland and the surrounding communities, and has earned an excellent reputation for design, construction, and management of Section 42 funded properties.

Assuming a tax credit award, the project will break ground in late Fall 2019.

**Unit Mix and Income Targeting**

Unit Type	AMI	Num. of Units	Unit Size (SF)	Rent
Studio	30%	2	478	\$393
Studio	40%	2	478	\$542
Studio	50%	5	478	\$691
Studio	60%	3	478	\$840
1-BR/1 -BA	30%	3	598	\$419
1-BR/1 -BA	40%	1	598	\$579
1-BR/1 -BA	50%	4	598	\$739
1-BR/1 -BA	60%	1	598	\$898
1-BR/1-BA	30%	3	620	\$419
1-BR/1-BA	40%	1	620	\$579
1-BR/1-BA	50%	3	620	\$739
1-BR/1-BA	60%	5	620	\$898
2-BR/1-BA	30%	6	860	\$501
2-BR/1-BA	40%	4	860	\$693
2-BR/1-BA	50%	13	860	\$884
2-BR/1-BA	60%	7	860	\$1,076
3-BR/2-BA	30%	1	1020	\$579
3-BR/2-BA	40%	2	1020	\$800
3-BR/2-BA	50%	2	1020	\$1,021
3-BR/2-BA	60%	1	1020	\$1,243



## 2. Bond Financing Structure

The bonds for this project will be issued by Loveland Housing Authority and will be privately placed with a lender. It is anticipated that Wells Fargo will hold the bonds during construction and Bank of Colorado will be the permanent bond holder after stabilization.

Construction Period Bond Amount = \$12,000,000

Permanent Bond Amount = \$3,500,000

All the bonds will be tax-exempt. There will not be a taxable tail.

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

The Edge II application does not meet any of the priorities addressed in the Qualified Action Plan:

- Projects serving Homeless Persons
- Projects serving Persons with Special Needs
- Projects in counties with populations of less than 175,000

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

### Market conditions

As identified in our Market Study we have a very strong market demand for this project, with a total existing capture rate of just 19%. Vacancies within our existing portfolio of housing are currently under 2%, which primarily represents the time required for unit turnover and new resident processing time. Our current wait list contains nearly 3000 households appropriate for this project. The unit mix at The Edge II was derived by analyzing our waiting list to determine what unit types were most needed.

### Proximity to existing tax credit developments

The Edge II project will be adjacent to the existing The Edge property, also owned and managed by the Loveland Housing Authority. The Edge II will leverage the successful programming and amenities provided at The Edge, and will expand on the proven success of the affordable housing project.

## **Project Readiness**

The Loveland Housing Authority is a very experienced developer that delivers on its commitment. The site is owned by the Loveland Housing Authority, has all required zoning and all off-site improvements are complete. The architectural design is complete through the Design and Development Phase. Once LIHTC credits are approved, The Loveland Housing Authority will be in position to begin vertical construction in the fall of 2019, with completion by late 2020.

## **Overall financial feasibility and viability**

As the second phase of The Edge project, The Edge II benefits from the experience of The Edge development. The design and costs have been reviewed and vetted to be as accurate as possible and appropriate value engineering opportunities have been taken, such as reduced unit sizes. The operating budget is based on historical operations, so no significant fluctuations are expected. There is proven demand with nearly 3000 appropriate households on the Housing Authority's wait list.

Recently the City of Loveland awarded the project Affordable Housing designation, which is expected to result in fee waivers of approximately \$1,000,000. In addition, the Loveland Housing Authority will apply to the Colorado Division of Housing for \$690,000. To ensure the viability of the project, the Housing Authority is prepared to commit the approximately \$5,700,000 required to cover the remaining funding gaps.

The Loveland Housing Authority has a proven track record and relationship with equity and debt providers and will be able to successfully close this transaction in a timely fashion.

## **Experience and track record of the development and management team**

The Loveland Housing Authority, which has an excellent track record of completing LIHTC projects on time and on budget, will be the developer of The Edge II project. The key development principals have a combined 40+ years of developing and managing tax credit financed developments. The Edge II will be the 16<sup>th</sup> successful LIHTC project developed by the Loveland Housing Authority, with all previous LIHTC projects except one being new construction projects.

The design firm of Oz Architecture and the General Contractor Pinkard Construction complete the same team assembled by the Loveland Housing Authority to successfully develop The Edge project. Both of these organizations have a vast amount of experience with multi-family LIHTC projects.

## **Project Costs**

Due to the intense building activity in Northern Colorado in particular and all along the front-range, construction costs have increased significantly over the past several years. The Loveland Housing Authority is working diligently with our General Contractor and architect to identify and incorporate appropriate cost savings measures. As reported by our partners, the primary driver in construction cost escalations are increased labor and material costs.

## **Site suitability**

The site for The Edge II is ideal for a LIHTC multi-family development. The site is owned by the Loveland Housing Authority, has all appropriate zoning, all off-site improvements are complete, and due to its proximity to The Edge it will be an expansion of the proven The Edge development. The is in close proximity to



numerous employment and service opportunities, is close to the City of Loveland's public transportation system, is easily accessible to Interstate 25, and will have adjoining access to the City of Loveland's planned recreation trail extension.

**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):**

Not Applicable.

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

Not Applicable.

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

No issues reported.

**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 reported.

**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:**

There are no unusual features increasing the cost of the development, with the exception of the need to adhere to the architectural guidelines set forth by the Metro District. Note: The project has been removed from the Metro District for funding purposes, and only the architectural guidelines apply to the project.

**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):**

The Edge II will be an expansion of The Edge, which is a very successful and highly regarded affordable housing community in Loveland. In large part due to the success of The Edge, the Loveland Housing Authority is receiving much support for a second Phase of the project.

The Edge II will benefit from the City of Loveland's affordable housing incentives which include forgiveness of all Sales and Use taxes related to the construction of the project, fast tracking for project review and

approval, and reduced site development standards to assist with project cost control. The City of Loveland's Affordable Housing designation is also expected to result in fee waivers of approximately \$1,000,000. Consistent with previous projects the Housing Authority will apply to the Colorado Division of Housing for \$690,000, and the Housing Authority will contribute approximately \$5,700,000 from reserves to the project.

Please also see the attached letters of support from the following:

- Mayor of Loveland – Jacki Marsh
- City Council Liaison – Leah Johnson
- Aspire 3D – Stephanie Slayton
- League of Women Voters – Marilyn Heller
- Salvation Army – Olga Duvall
- Disabled Resource Services – Alison Dawson

# 4 percent PAB LIHTC application narrative



## **-KRISANA DENVER, COLORADO**

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### **NARRATIVE**

#### **1. Executive Summary**

Krisana is a proposed community which provides 150 units of affordable housing and revitalize a central Denver neighborhood located in a Qualified Census Tract (QCT).

The site, just east of Colorado Boulevard at Arkansas Avenue, is the former headquarters of the Colorado Division of Transportation (CDOT) site.

The Kentro Group was selected by the City of Denver to re-develop the site. The City requires Kentro to provide 150 affordable housing units.

Kentro is a successful commercial developer, but has not developed affordable housing. Thus, Kentro is joint venturing with Lexton McDermott, (successor to McDermott Properties), an experienced affordable housing developer.

Krisana will bring excitement and vitality to an area previously occupied by government buildings. Built on a concrete podium which extends over 113 parking spaces, Krisana will climb three (3) stories and surround a courtyard that will offer a playground, barbeque areas, and gathering places. This main building will hold 114 apartments which will be serviced by two (2) elevators. A 36 unit building will be constructed across the street from the main building.

Krisana will be designed as a Green Community.

The Krisana project consists of:

30%	Studio	10 units
60%	One Bed.	20 units
30%	One Bed.	22 units
60%	One Bed.	44 units
30%	Two Bed.	18 units
60%	Two Bed.	<u>36 units</u>
<b>TOTAL UNITS</b>		<b>150 units</b>

Type of construction: Wood frame on concrete podium

Type of foundation: Post tension slab (podium)

Type of Framing: Wood

Type of roofing: TPO

Type building skin: Brick, stucco, Cementous siding

Type of stairs: Wood

Type of elevator: Hydraulic

Circulation: Double loaded corridors accessed by elevator or stairs

The main building will house management and leasing offices, as well as a physical fitness center, community room and kitchen. Additional storage will be available on each floor.

Financing: Krisana will be financed with a combination of bonds issued by CHFA, soft money from Denver's Office of Economic Development and DURA. The sale of Federal and State tax credits will provide equity.

## **2. Bond Financing Structure**

The following describes the bond financing structure:

The total amount of bond following describes the bond financing structure:

- a. The total amount of bonds will be 24.5MM, of which \$18,335.00 will be tax exempt, with a 6.7MM in construction period bonds and \$11.65MM in permanent bonds. \$6.15MM will be taxable.
- i. We are seeking a CHFA bond-financed loan per the terms described in the attached CHFA term sheet with CHFA as the bond issuer. The aggregate basis does not exceed 55%.
- b. CHFA will be the lender and the bond sale structure will be public with securitization from the HUD/CHFA Risk Share program under Section 542(c).

## **3. Priorities of the QAP**

Krisana will be developed to provide quality affordable housing for individuals and families with incomes at the 30% and 60% AMI levels.

Because of the need and projected demand at this QCT site, providing homeless and special needs housing is not a priority for Krisana.

## **4. Meeting Guiding Principles:**

**Krisana is unique in that it meets eight (8) of CHFA's guiding principles.**

***Guiding Principle: To support rental housing projects serving the lowest income tenants for the longest period of time***

Krisana will provide homes for households with incomes at 30% or 60% AMI. Income including 30% AMI residents allows Krisana to serve the lower incomes.

***Guiding Principle: To support projects in a QCT.***

Krisana, located in a Denver QCT, will contribute to the revitalization of the area.

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

Lexton McDermott constantly analyzes affordable housing needs across the state. When we learned the City of Denver placed a requirement upon developers to provide 150 affordable housing units on the former CDOT site, we offered our services to the Kentro Group, the organization selected to purchase the site from the City. This new community allows for distribution of housing credits in an area of Denver that is a focus for redevelopment and revitalization.

***Guiding Principle: To provide opportunities to a variety of qualified sponsors of affordable housing, both for profit and non-profit***

The Lexton McDermott – Kentro joint venture, a for profit sponsor, will work with the Denver Housing Authority and neighborhood non-profit organizations to develop an outstanding affordable community. To achieve this principle, Denver Housing Authority will be a partner in Krisana.

***Guiding Principle: To distribute housing credits to assist a diversity of population in need of affordable housing, including families, senior citizens, homeless persons and persons in need of supportive housing***

The Sponsor will provide quality affordable apartment homes for lower income families, individuals and seniors, thus meeting the diversity of population principle. 30% and 60% AMI will allow for a wide range of incomes and populations. The unit mix of studio, one bedroom and two bedroom apartments will appeal to a wide range of people.

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

Krisana has several nearby Bus stops within a few blocks of the property, the closest bus line is the 40 and is .4 miles from Krisana. As well as an RTD line the Light rail station 1.3 miles from it.

***Guiding Principle: To support new construction of affordable rental housing projects***

Krisana will provide 150 newly constructed affordable housing apartments with supporting amenities including a physical fitness center, great room and community kitchen. This new construction will be built from the ground up on land that is the former location of the Colorado Department of Transportation (CDOT).

***Guiding Principle: 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***

By using funding from Denver Urban Renewal Authority (DURA) and Denver's Office of Economic Development (OED), we have been able to reduce the amount of credits needed for Krisana. Krisana requires an allocation of approximately \$1,360,326 in annual Federal credits and \$974,830 in state credits to be successful. Krisana will operate with a 1.17 debt service coverage ratio thus providing low income housing throughout the credit period.

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

Krisana will provide 150 affordable units, all meeting these Guiding Principles and meeting a City of Denver requirement.

## **5. Criteria for Approval**

### **a. Market Conditions:**

The Denver metro vacancy rate was 5.9% at the end of the 3<sup>rd</sup> quarter in 2018.

As discussed in the Krisana Market Study, the existing tax credit properties in the market area are:

- 100% occupied (one property was 99.1%)
- Do not offer any concessions

The Study points out that market rate properties in the area have occupancies that range from 92% to 98%.

The demand for affordable housing throughout the metro area has intensified because of population growth and rapidly raising market rate rents. The Marketing Study points out that Krisana, located in a Denver submarket is experiencing even lower vacancy than the metro averages. For additional details on current market conditions, please review the Market Study prepared by Newmark Knight Frank Realty Resources.

Strong Capture Rates are also indication of the market condition. The Existing Capture Rate is 3.3%.

When Krisana (150 units) and one other proposed project are added, the capture rate is 5.4%, well below the 25% rate benchmarked in the QAP.

### **b. Readiness-to-Proceed:**

The Sponsor is ready to develop and construct Krisana.

- ✦ The site is zoned to allow a three story apartment. (Zoning approved by Denver City Council December 3, 2018)
- ✦ The Phase I Environmental Report indicates that the site is environmentally "clean," with no present hazards.

- ✦ Initial schematic drawings have been prepared by the project architect. Construction documents will be prepared upon a successful reservation of tax credits.
- ✦ Our construction cost estimates are competitive and the General Contractor is experienced.
- ✦ Several experienced tax credit investors have offered to purchase the credits; construction and permanent financing is available from CHFA. Additionally, CHFA has agreed to issue private activity bonds.

**c. Overall Financial Feasibility and Viability:**

Financing a critical affordable tax credit property is a complicated balancing act in which various sources of equity, “soft” money and debt must be balanced to achieve project feasibility. This has become more difficult to achieve as costs of land and construction have risen along with interest rates.

Krisana is no exception to this balancing act. The Sponsor understands that CHFA will carefully analyze Krisana’s need for State tax credits with the goal of providing the minimum amount of State credits needed to support financial feasibility.

Given this, the Sponsor has carefully weighed the probability of additional sources of funds that may be available. These sources include Denver’s Office of Economic Development (OED) and Denver Urban Renewal Authority (DURA). Financial support from these sources could decrease the amount of State credits. The Sponsor is well aware of this dynamic and is working to maximize OED and DURA support in order to reduce the need for State credits.

Krisana demonstrates long term viability due to the project’s ability to exceed required debt coverage ratios, and pay deferred development fees on a timely basis. Additionally, the financial strength of the Sponsor adds to the long term viability of Krisana. Our development team has worked hard to create the feasibility and viability of the Krisana financial structure.

The sponsor has a long history of developing and operating affordable housing complexes in a highly efficient and responsible manner that has earned industry recognition and praise from investors, lenders, local communities, state and federal agencies and above all, satisfied, happy residents.

**d. Experience and Track Record:**

**The Sponsor** is a joint venture between Lexton McDermott (successor of McDermott Properties) and the Kentro Group. McDermott Properties is one of Colorado’s leading tax credit developers having developed many new construction and acquisition/rehab projects along the Front Range.

Kentro is the land owner and Master Developer of the 14 acre CDOT site and will allocate 1.88 acres of land to Krisana. Kentro will contribute its expertise and extensive development experience to the project.

The applicant has a combined net worth in excess of \$70 million, which is more than sufficient to develop and operate Krisana. Financial stability can be demonstrated by the fact McDermott Properties has been in business since 1999 and Kentro Group since 2004.

All of the Applicants projects are in Colorado, and have been completed on time and on budget. Supplemental tax credits have not been needed.

**ComCap Management, LLC**, an affiliate of the Sponsor, is the Property Manager. ComCap has proven its experience and capacity in marketing, lease up, management and compliance for thousands of affordable housing units.

ComCap currently manages 2,803 tax credit units and has a stellar track record with no compliance issues. The company has excelled in marketing and lease up of new communities, and recently completed lease up of Westwood Crossing and Oakridge Crossing.

Our Development Team includes seasoned and industry recognized professionals in the legal and accounting areas.

The project design team consists of Architects and Engineers who have designed multiple projects for the Sponsor.

**e. Cost Reasonableness:**

The Sponsor has worked to develop a cost effective project. Compared to recent projects, Krisana is higher on a per unit and per square foot basis.

Per apartment unit

<u>Project</u>	<u># Unit's</u>	<u>Type</u>	<u>Date</u>	<u>Unit cost</u>
Westwood Crossing	98	Family	Completed 11/17	\$164,000
Oakridge Crossing	110	Senior	Completed 5/18	\$122,000
Krisana	150	Family	Start 4/20	\$166,235

Per Square Foot

<u>Project</u>	<u>Type</u>	<u>Dates</u>	<u>Total Sq. Ft.</u>	<u>Cost Per Sq. Ft.</u>
Westwood Crossing	Family	Completed 11/17	127,172	\$126.00
Oakridge Crossing	Senior	Completed 5/18	95,085	\$130.00
Krisana	Family	Start 4/20	151,576	\$165.00

There are several reasons that attribute to Krisana's cost:

- Subterranean garage
- Concrete podium upon which 3 stories of apartments will be constructed.
- Requirement for underground ground water detention.
- Project consists of two separate buildings divided by public street, thus requiring two (2) separate submittals to the City of Denver
- The two separate buildings (vs. one) impacts exterior wall/interior volume ration. This impacts costs as there are an increased number of roof/wall intersections, etc. Also, a second foundation is required.
- The studios, being smaller units, add to increased per unit cost

General Contractors have reported that construction costs, while high may stabilize and perhaps drop by April 2020, when construction is planned to start. This could result in a lower project construction cost.

Additionally, once a General Contractor is selected, we will vigorously value engineer the construction drawings, leading to reduced construction cost.

We also plan to competitively bid Krisana to ensure the best construction cost from General Contractors.

**f. Proximity to Existing Tax Credit Projects:**

## Primary Market Area LIHTC Unit Inventory

Project	Location	YOC/Rehab.	Units	30%	40%	50%	60%
Forest Manor	625 S. Forest Street - Glendale	1974	103	0	0	0	103
Garden Court Yale Station	5155 E Yale Circle - Denver	2016	66	6	11	30	19
South Oneida Club	1010 S Oneida - Denver	1997	47	0	0	0	47
Presidential Arms	3595 S Washington Street - Englewood	1963	33	7	0	12	14
Broadway Lofts (1)	3401 S Broadway - Englewood	2018	111	0	0	0	111
Broadway Junction (1)	1165 S Broadway -Denver	2009	60	25	10	25	0
Lincoln Terrace	25 E 5th Avenue - Denver	2008	74	5	40	29	0
CCH Lincoln	589 S. Lincoln - Denver	1994	7	0	0	7	0
<b>Total Existing</b>			<b>501</b>	<b>43</b>	<b>61</b>	<b>103</b>	<b>294</b>
N/A			0	0	0	0	0
<b>Under Construction</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
101 Broadway (1)	101 Broadway - Denver		106	0	0	0	106
Krisana	E Arkansas Ave. & S Birch St - Denver		150	50	0	0	100
<b>Proposed</b>			<b>256</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>206</b>
<b>Total U/C &amp; Proposed</b>			<b>256</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>206</b>
<b>Total Potential Inventory</b>			<b>757</b>	<b>93</b>	<b>61</b>	<b>103</b>	<b>500</b>

Prepared by Newmark Knight Frank Valuation - Denver (12/18)

(1) Located adjacent to western border of PMA

This data indicates that there are a total of 501 existing affordable units, 0 units under construction, and 256 proposed affordable units within the subject market area including the subject property. The existing units include 43 units in the 30% of AMI program and 294 units in the 60% of AMI program. Of the 256 proposed units, 50 units are in the 30% of AMI program and 206 units are in the 60% of AMI program.

It must be noted that all these properties are 100% occupied and do not give rent concessions.

### **g. Site Suitability:**

The Krisana site scores highly with regard to suitability for a new affordable housing community. For example:

- Close to many office and retail employment opportunity.
- Close to Ellis Elementary School.
- Close to shopping along Colorado Blvd. and in Cherry Creek.
- Good public transportation within 2 blocks of Colorado Blvd.
- Medical services, urgent care and hospitals are near.
- There are no flood plains or environmental hazards.
- The site is flat.
- The buildings will be designed to be comparable with the neighborhood.
- Many dining and recreational opportunities are nearby.

### **6. Waiver: Krisana is asking for two (2) waivers:**

- Waiver of utility allowance
- Waiver to reduce the \$300 per unit Replacement Reserve to \$250.

#### **a. Utility Allowance Waiver**

A waiver is requested because Krisana plans to use the Energy Consumption Model (Option 4) of the IRS Treasury Regulation regarding utility allowances for tax credit properties. This Model has been submitted for our other developments and has been approved by CHFA in the past.

Our justification for this waiver request is because the construction drawings for Krisana will not be completed until after the project receives a reservation of tax credits, it is impossible to complete the Energy Consumption Model at this time.



Based on experience with Dahlia Square, Westwood Crossing and Oakridge Crossing, the Sponsor is submitting utility allowances based on the Energy Consumption Model from these projects. These allowances will be confirmed when construction drawings are complete.

**b. Replacement Reserve Reduction Waiver**

A waiver to allow a reduction from \$300 per unit per year to \$250 per unit per year is requested.

The justification for this reduction is:

- Small site with reduced landscaping, thus lower maintenance costs.
- Because parking is under the main building, thus sheltered, and concrete as opposed to asphalt, there will be less parking lot maintenance.
- Vinyl plank flooring will be used in all units (except in bedrooms) thus reducing carpet repair and replacement.

**7. Market Study:** No issues were raised in the Market Study.

**8. Phase One Environmental Study:** No issues were raised in the Study.

**9. Outreach and Local Support**

The Kentro Group began introducing our project to the public in January, 2018.

Public meetings were held at the Ellis Elementary School, on the following dates:

- January 25, 2018
- March 8, 2018
- April 5, 2018
- May 3, 2018
- June 7, 2018
- July 12, 2018
- September 27, 2018
- November 14, 2018

Support for affordable housing has been very strong as evidenced by the enclosed Letters of Support.

At the December 3, 2018 Denver City Council Meeting, many neighbors spoke out publically about the need for and their support of affordable housing on the former CDOT site.

It should be acknowledged that at public meetings, some opposition to the new community was voiced by several people.

This opposition was based on:

- Concerns about the possibility of increased traffic. The previous CDOT office use of the site did not produce much traffic. Some thought that the apartments, proposed commercial buildings, and restaurants would produce additional traffic.
- Concerns about buildings height. Kentro agreed to reduce the apartment from 5 stories to 3 stories.
- Concerns about density. Some residents suggested fewer affordable units. This is not possible because Denver requires 150 affordable units be built.

Letters of support were received from several individuals and have been uploaded to the CHFA Procorem site.

# 4 percent PAB LIHTC application narrative



Project Name: Legends of Church Ranch

Project Address: 10050 Wadsworth Blvd., Westminster, CO 80021

## 1. Project Summary:

Dominium is proposing to construct 205 units of high quality affordable senior housing in Westminster, Colorado. The proposed development is located on the 6.1-acre site located at 10050 Wadsworth Blvd, Westminster, CO 80021. The current site plan includes 140 one-bedroom and 65 two-bedroom units in one building restricted to senior residents. This project will utilize income averaging and will serve area median income levels of 30%, 40%, 50%, 60%, 70% and 80%. The Legends of Church Ranch Apartments will have common amenity areas of approximately 10,000 square feet, as well as a multitude of other in-unit and common area amenities. The in-unit amenities will include carpet and luxury vinyl tile floor coverings, 9' ceilings, in-unit washers and dryers (for rent), dishwashers, modern ranges and fully vented range hoods, refrigerators with freezers, central AC, garbage disposals, microwaves, coat and linen closets, blinds and walk-in closets. The common amenities proposed include covered garage parking, a community kitchen, clubroom, business center, fitness center, theater room, salon, fire pit, laundry facility, grill stations, and on-site management. The current site plan has 246 parking stalls comprised of 17 garage parking stalls, 23 carports and 206 surface parking stalls.

The project architect, who has worked on several affordable projects in Colorado and has worked with Dominium on past projects, will help the team build a superior product to market rate and affordable competitors. The building proposed for this development will incorporate quality residential materials found in neighboring developments, including: brick, cement stucco siding, wood-trim accents, and architectural dimensioned asphalt composition shingle roofing. The building will be wood frame construction, four stories tall and the foundation will be post-tensioned slab. Dominium plans to hire a 3rd party green consultant, Lightly Treading, in order to follow the Green Communities Criteria and maximize energy efficiencies. Energy efficiencies will include the following: high efficiency water heaters with a minimum energy factor of .93m, LED lighting package, Energy Star rated appliances, and high efficiency fan exhaust ventilation. The construction of the project will include

conservation and green building items such as high efficiency plumbing fixtures, efficient irrigation and landscaping materials, a radon ventilation system, and low-VOC interior paints, adhesives and sealants. Legends of Church Ranch will also incorporate waste management building materials, such as low maintenance exterior materials, which include impact resistant and durable siding. These are included to achieve the goal that a minimum of 55% of the total project waste will be diverted from landfill.

Project financing will consist of tax-exempt bonds issued by CHFA, a tax-exempt construction loan and equity bridge construction loan from KeyBank Real Estate Capital, permanent financing from Barrings, and tax credit equity from Aegon. Additionally, the partnership with Jefferson County will provide real estate tax exemption and 20 vouchers to the project. Last, Dominion will defer approximately 74% of its developer fee to ensure completion of Legends of Church Ranch. This deferred fee will be repaid within 15 years as required by our equity investor.

This project previously applied for a state credit award in the 2016 application round. Since then there have been several changes, which include the following: the site plan layout has changed, architectural plans have significantly progressed, the applicant has purchased the land, the project will provide units for a wide range of income earners by utilizing income averaging, market conditions (interest rates, price per credit, construction pricing, etc.) have changed, additional sources of funding have become available, and the project was added to the DDA designation in 2019.

2. Describe the bond financing structure:

Legends of Church Ranch will have a bond structure that is consistent with Barrings' terms. CHFA, as issuer of the bonds, will issue approximately \$30,000,000 of tax-exempt volume cap to the project. KeyBank, the construction lender, will be the initial purchaser of the bonds and will purchase the balance. The proceeds from the purchase will be used to pay for construction and soft costs on a draw down basis. Barrings, the permanent lender, will purchase the \$30,000,000 in bonds from KeyBank, which will re-pay the construction loan, and will ultimately be the long-term bond holder and permanent lender to the project.

3. None of the section 2 priorities of the QAP are applicable

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

The proposed development will serve qualifying tenants by providing 205 affordable units available to senior individuals earning less than the applicable AMI level (Income Averaging allows the property to serve residents in the 30, 40 and 50% AMI range) for a period of 30

years; a 15 year compliance period and a 15 year waiver of the right to take the project qualified contract. In addition to serving residents below the 60% AMI level with the use of income averaging, Legends of Church Ranch will serve many residents who would otherwise be over income qualified. These units will serve persons at the 70% and 80% AMI levels.

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

The project is located in the larger urban area of Westminster. There are only five existing LIHTC properties within the PMA that target the senior population. This suggests that there have been very few applications submitted to CHFA for low income housing tax credit developments in the area. Currently, there is no knowledge of other projects applying for tax credits in the immediate area.

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

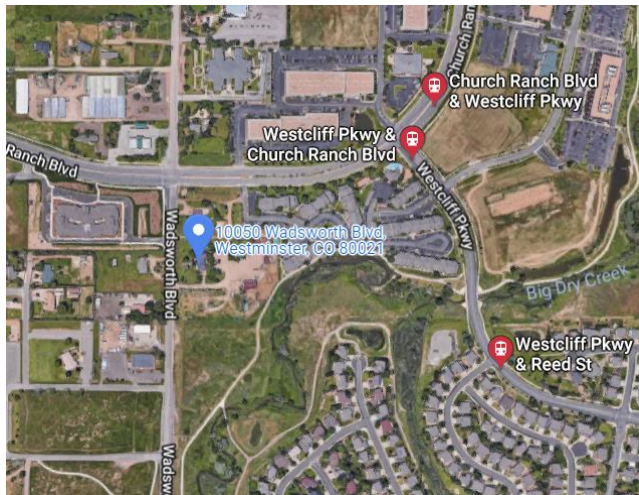
Dominium is a for-profit sponsor. There have been very few for-profit sponsors requesting 4% non-competitive credits in the PMA.

- 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 provides the opportunity to distribute housing credits to assist a diversity of populations in need of affordable housing by using tax credits to assist in the financing of 205 affordable housing units intended for seniors who fall under the applicable AMI threshold.

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

The project is located within a half-mile walk of several RTD bus stops, as pictured below. The bus stop nearest to the subject site is located 0.2 miles east of the site. The below maps from RTD Denver's Website shows the proximity of bus stops in relation to the proposed development.



- 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 proposed project is a new construction affordable housing project, which will provide 205 senior affordable units to the Westminster affordable housing market. There is currently a lack of affordable housing stock, specifically age restricted, and therefore, this property will be in high demand. The provided market study predicts the project will maintain a waiting list upon completion.

- 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

Dominium has extensive experience maintaining its projects as qualified low-income housing throughout credit periods and has underwrote the credits in order to determine the minimum amount of credits needed to make this project feasible. Dominion originally intended on applying with a state credit ask of \$1,000,000, but in 2019 the Project was placed into a DDA and Dominion has worked diligently with Jefferson County and the City of Westminster on project-based vouchers and impact fee waivers, which provided financial feasibility with a lower state credit award. In addition, Dominion has been working through the design and construction process with a team of long-term partners, and familiar contractor and third parties, which contributes to accurate pricing and an understanding of what is included in qualified basis.

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

This project is a 205-unit project, which offers economies of scale in comparison to smaller projects. Additionally, the amount of annual State Credits per unit is the lowest of all applications at \$2,439 while the average request in the 2019 round 1 LOI is \$7,439 per unit,

demonstrating that the state credit award for this project would be the most efficient use of state credits.

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

a. Market conditions:

According to the market study, Legends of Church Ranch has a breakdown of units that should be well received in the market, resulting in extremely low vacancy rates and likely a waiting list. The project will be slightly superior to both LIHTC and market rate apartments in terms of architecture, building, and amenities offered. In addition, the proposed rents are approximately 30% lower than market rate rents depending on unit type, offering a significant rent advantage.

b. Readiness-to-proceed:

Dominium acquired the property from the Seller in September 2018. Dominium has also obtained commitments from debt and equity financing partners that will provide all sources of funding for the project. The proposed Legends of Church Ranch development conforms to the intended use of the existing zoning. Dominium worked with the City of Westminster on a Comprehensive Plan Amendment which was adopted in 2016, that changed the land use designation from Office to Residential 36 with the condition that only affordable senior housing were to be constructed. In addition, the architects have worked extensively for the Official Development Plan and a PDP amendment to be ready for City submittal, which is currently on the 2<sup>nd</sup> round of reviews, which means that plans and specs are bid ready and nearly ready for final submittal to the permitting department. Bryan Construction has provided cost estimates that are included in the application that reflect that set of documents. The design process utilized the experience of the Dominium development team in conjunction with PWN Architects to develop unit and building plans that are similar to recently constructed senior properties that have proven successful. Last, the financing that is contemplated is extremely familiar to Dominium and we have worked with these financial partners on numerous occasions.

c. Overall financial feasibility and viability:

Dominium is requesting 4% Federal Credits in lieu of 9% competitive credits and will also be applying for an allocation of state credits. We have obtained financing commitments for 100% of the financing costs. Dominium is deferring a portion of its developer fee which is projected to be repaid within 15 years, as is required by our equity investor. Dominium has significant experience in owning and operating some 31,000+ affordable tax credit units and the underwriting of operations expenses and income reflects past-experience.

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

The project Sponsor, Dominion Development and Acquisition, LLC has a long-standing record of successfully developing new construction apartment communities with tax-exempt bonds and 4% LIHTC. The management company, Dominion Management Services, LLC, has been in the affordable housing industry for over 45 years and currently owns and manages over 31,000 units in 23 states across the U.S. and demonstrates exemplary performance in terms of management and tax credit compliance. The project architect's (PWN) headquarters is in Greenwood Village, CO. They are familiar with the market and have designed and developed over 20,000 multifamily units, the majority of which have been in Colorado. Additionally, they have designed projects for Dominion in Commerce City, Parker, Centennial and Denver. The PWN and Dominion team have proven success in the Colorado market and will use their knowledge and experience to create a successful and lasting project.

e. Cost reasonableness:

Dominium has worked diligently with Bryan Construction to develop the most cost-effective construction pricing given the market conditions. Dominion has extensive experience with most of the major parties that will contribute to the overall cost of the development, therefore projecting the costs of 3rd parties, financing, building, etc. typically has little variability given stable market conditions.

f. Proximity to existing tax credit developments:

In the City of Westminster, one project was awarded 4% credits in 2018. The nearest project with senior affordable units is approximately 3.7 miles away. There are no planned senior developments which have recently been allocated credits and no LIHTC developments will be in direct competition during lease-up. Currently, the supply of senior affordable housing in Jefferson County does not adequately serve the demand of this community. All five of the projects within the PMA that are senior and affordable are either at or near full occupancy, the majority of which maintain waiting lists in excess of one year. These waiting lists continue to grow as the senior population in the community continues to increase. The additional 205 units of housing that the proposed development will provide will allow more residents of Jefferson County to enjoy the benefits of affordable housing. Due to market conditions, additional senior affordable housing development is needed to satisfy increasing demand.

g. Site suitability:

The site is currently zoned PUD—(Planned Unit Development) and carries a land use designation of Residential 36 with the condition that only affordable senior housing is to be constructed. The site is strategically located within walking distance (1 mile) of several established retail stores, restaurants, public transportation, medical facilities, banks, as well as supermarkets such as King Soopers to provide ease for its residents. The site has great proximity to many other services such as retail, community centers, recreation and parks. Other Amenities within one mile include the following: gas stations, grocery stores, several restaurants, Wells Fargo, Chase Bank, AMC Movie Theatre, shopping and convenience stores,

a learning center, Target, Walmart, Westminster Sports Center, Trendwood Park, and workout facilities. There are streets, sidewalks and multi-use path connections that provide good access to the many nearby amenities listed above. Given that Westminster is a vehicle-oriented city, the site will have ideal parking. The site will include 246 total parking spaces including 17 above-ground garage stalls, 23 carports and 206 surface spaces, which is sufficient for residents, visitors, and staff. The site is located directly off Church Ranch Blvd, a major road through the City of Westminster. Church Ranch Blvd connects to Colorado State Highway 121 and State Highway 36, which provides ease of transportation throughout the Denver metro area. In addition, Legends of Church Ranch will be serviced by regional bus line 104. There are multiple bus stops along and off of Church Ranch Blvd within a half mile of the subject property.

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):

The only waiver in underwriting is the minimum PUPA. Currently there is \$3,519 per unit in operating expenses. That said, if there was not full real estate tax abatement the per unit operating costs would be well in excess of \$3,900.

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

There were no apparent weaknesses in the development scheme.

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

Known impacts to the site from the Phase I environmental report include a petroleum release related to the past presence of underground storage tanks (UTSs). A Phase II environmental report was performed to assess any potential impacts to the site. A work plan to further delineate the horizontal and vertical extent of the petroleum release at the site has been accepted by the Division of Oil and Public Safety of the Colorado Department of Labor and Employment. The approval includes approved reimbursements associated with the cleanup of the site. Braun Intertec, our environmental professional, is going to be completing the work including any necessary remediation.

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:

Not applicable



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):

The Vice President and Project Partner, Ron Mehl, as well as the Principal Architect, Pat Nook, have been highly active in terms of community outreach. They have been active in seeking approval from the City, the local housing authority, and from community members. The City of Westminster has expressed its interest in and appreciation for the development in several ways. First, the City of Westminster worked with Dominion to adopt a Comprehensive Plan amendment on December 12<sup>th</sup>, 2016 that changed the land use designation for the site with conditions that only affordable senior housing were to be constructed on the site, which is evidenced in the Zoning Verification Letter. Second, the City of Westminster has addressed CHFA in a support letter documenting the City's efforts aimed at tackling their affordable housing needs and overall support of the project. The City has also suggested that there will likely be fee waivers or other contributions to the Project, which Dominion is in the process of exploring. Jefferson County Housing Authority has also expressed interest and excitement in this project through a partnership that will help make this development a reality. We have worked with Jefferson County on a Partnership that would provide real estate tax exemption. This will be formalized upon an award of tax credits. We have also worked with Jefferson County on their project-based voucher program and ultimately received an award of 20 vouchers for our 30% units. We have also had several community outreach and neighborhood meetings. One video of a neighborhood meeting is included in this application. The Legends of Church Ranch project will allow seniors to stay in the City of Westminster and remain engaged in the community. It is the belief of the development team, the City of Westminster, and Jefferson County that the Legends of Church Ranch project will alleviate the increasing waiting lists at other comparable properties and allow the seniors of Westminster to enjoy a new housing option.

# 4 percent PAB LIHTC application narrative



Project Name: **Morrison Road Apartments**

Project Address: **5048 Morrison Road, Denver, CO 80219**

## Executive Summary

Gorman & Company, LLC. is pleased to submit a State Low-Income Housing Tax Credit (LIHTC) application to the Colorado Housing and Finance Authority for Morrison Road Apartments, a mixed-use development incorporating affordable housing and commercial space in west Denver. The development will bring 80 units of much-needed affordable housing and deed-restricted commercial space for the Westwood neighborhood.

The Subject site is under contract with a private seller. It will likely be lost to market-rate development if State LIHTCs are not awarded. ***This site is not owned by a patient, mission-aligned owner.*** We have a “use it or lose it” opportunity to create very low-income units in a neighborhood facing increased gentrification pressure.

The income levels of Westwood households point to a significant need for very low- and low-income housing units. A recent West Denver Renaissance Collaborative (WDRC) Market Study supports the conclusion that, with a 2% vacancy rate, ***approximately 78% of all of West Denver’s renters already cannot afford current rents in the area.*** As investors move in and leases come up for renewal, established families face displacement.

The goal of Morrison Road Apartments is to ***offer affordable housing to current residents clinging to their chosen neighborhood in the face of gentrification pressures.*** Our plan is to have over a quarter of our units at 30% and 40% of the area median income, and 30% of apartments as 3-bedrooms for families in a neighborhood long characterized by larger households.

Morrison Road is designed to deliver excellent value for the State LIHTC program:

- Family oriented three-bedroom units make up 30% of the housing,
- 27.5% of units set aside for renters at or below 40% of AMI,
- The only LIHTC property in the Primary Market Area (PMA) development pipeline (all other LIHTC properties have stabilized and now maintain long waiting lists),
- Affordable housing for a district that has only recently become unaffordable,
- Housing in a PMA which has a very low Capture Rate and an expected absorption rate of 30 units per month,
- The use of State tax credits as leverage in a package that includes a significant deferred developer fee, tax exempt debt, equity, Strong, Prosperous, And Resilient Communities Challenge (SPARCC) impact investment

funds, State of Colorado HOME/Housing Development Grant funds, and City of Denver Affordable Housing Funds.

***Morrison Road Apartments tips the scales in Westwood.*** Affordable housing is a critical element of a viable neighborhood. The neighborhood needs family sized units and community assets. Morrison Road Apartments will bring high-quality affordable housing and deed-restricted, community-serving commercial space to Westwood to address gentrification at an appropriate time; Westwood has lagged the ‘reinvestment’ wave that has already altered the look and feel of many historic Denver areas. Westwood has remained relatively affordable so far, but the stage is set for gentrification to accelerate. It represents the ‘next neighborhood’ for targeted speculative real estate activity.

Successful community revitalization efforts must be multi-faceted. There are issues of poverty, economic self sufficiency, adequate and decent housing, food security and the holistic health of residents. Seldom does a single building address every issue – but working in tandem with various public and private resources, a neighborhood can reach an investment tipping point that can dramatically improve conditions across the board. Westwood is fortunate in that it already has several pieces in place for their community revitalization puzzle. We believe that the Morrison Road Apartments will complement and quicken existing neighborhood organization efforts.

### **Project Need and Urgency for Funding**

Recent efforts have culminated to reinforce several foundational principals in Westwood: it has a diverse resident base, an emerging strong stakeholder base that wants to improve the area and be part of a resurgence, and a vibrant mix of businesses reflecting the neighborhood’s culture. New tax credit properties constructed in Westwood have leased up very fast and maintain long waiting lists, indicating there is still an incredible need for affordable housing. The addition of Morrison Road Apartments will increase the Capture Rate a minor amount, from 10.6% to 11.6% overall.

Commercial redevelopment efforts have already created an improved network of supportive services in the neighborhood. A ULI Technical Advisory Panel occurred in November 2018 along with Stakeholders such as BuCu West, community business owners and residents. A major takeaway from the TAP was to *‘minimize displacement of existing residents and businesses as there is an urgency to act now’*.

Recent investments in the area include:

- A Volunteers of America Early Childhood Education facility opened in 2016 with a Head Start preschool, health center and social-aid hub. It has served 85 children to date. Located at Alameda and Yates (1.2 miles north of the Subject site), it partners with Denver Great Kids Head Start, Culture of Wellness, Denver Health, Sewell, Denver Preschool Program, Colorado Preschool Program, Denver Early Childhood Council, and Project LAUNCH.
- The Denver Heath *Westwood Family Clinic* delivers high-quality health care near the intersection of Sheridan and Alameda, 1.1 miles northeast of the Subject site. The center is certified as a Patient-Centered Medical Home, which means patients are actively guided holistically through their care. Most staff and

providers at Westwood Family Clinic are bilingual. It consistently ranks as a ‘top performer’ with high satisfaction scores.

- Mi Casa Resource Center, 1.3 miles northeast of the Subject site, opened in the Sponsor’s own 9% LIHTC Terraza del Sol building in 2017. Mi Casa advances the economic success of families. It is committed to closing the prosperity gap for women, minorities, immigrants, and families with limited resources, assisting them in education, employment, and business ownership. In 2017, Mi Casa served 2,532 individuals and their families.
- A recent award in the 2017 General Obligation (GO) Bond Initiative passed by Denver Voters, will funnel \$12,240,000 million of infrastructure improvements for Morrison Road to improve overall safety, transportation, and mobility. A \$37,500,000 Recreation Center will be constructed in the next three years on a site within a mile of the Subject property.

Westwood has long been considered a “more affordable” Denver neighborhood, but after decades of neglect has become an island adjacent to neighborhoods which are already gentrifying. Westwood was recognized in 2016 by the City of Denver as an **Area Vulnerable to Gentrification**. Several areas that received that title have unfortunately undergone resident displacement. Westwood has thus far not gone down that path, and *this project can still be placed in service to help hedge displacement*.

According to the ULI TAP report: **“The Westwood community is at a critical juncture, with the opportunity to get out ahead of these changes, leveraging the funding to implement the community’s vision and plan, while preventing displacement”**. Additional affordable housing is cited as a high need for the community.

### 3. Population Being Served

The affordable housing complexes in the PMA illustrate the high demand for affordable housing with long waiting lists (up to 150 applicants). Morrison Road Apartments will attract renters who are – or soon will be – looking for new apartments when they lose their current homes. The Subject site will be restricted to very low- and low-income individuals and families. 22 of the 80 units (27.5%) will be restricted to households at or below 40% AMI. 30% of the units (24) will have 3 bedrooms.

### Unit Mix and Amenities

The one- and two- bedroom units will have 575 and 825 square feet respectively, with three-bedroom units offering 1,145 square feet. Amenities will include fully equipped kitchens, ample storage space, in-unit washers and dryers, and a community room with fitness equipment and gathering spaces.

### Type of Financing

We have worked very hard to reduce the cost to construct the project to ensure CHFA can support more LIHTC projects. We propose to leverage as many funds as possible. Feasibility is helped significantly by smart design and constructability features. We have a letter of interest for Federal Credits at 98 cents and State credits at 71 cents and debt terms as represented in our application.

SOURCES	USES
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FEDERAL LIHTC EQUITY	\$9,248,466	LAND	\$1,750,000
STATE LIHTC EQUITY	\$3,408,000	NEW CONSTRUCTION	\$16,126,860
FIRST MORTGAGE	\$8,140,000	PROFESSIONAL FEES, FINANCING FEES, & SOFT COSTS	\$4,453,524
CITY OF DENVER	\$2,500,000	DEVELOPER FEE + OVERHEAD	\$2,489,000
STATE OF COLORADO HOME	\$800,000	RESERVES	\$525,459
FREDDIE MAC FORWARD RATE LOCK REIMBURSEMENT	\$162,800	FREDDIE MAC FORWARD RATE LOCK FEE	\$162,800
DEFERRED DEVELOPER FEE	\$1,248,377		
<b>TOTAL</b>	<b>\$25,507,643</b>	<b>TOTAL</b>	<b>\$25,507,643</b>

## Bond Structure

- a. Total amount of bonds with a breakout of construction period bonds vs. permanent bonds:
  - Construction period: \$15,000,000
  - Permanent Period: \$8,140,000
- b. Bond issuer:  
We have requested and received acknowledgement of bond cap from the City of Denver.
- c. Lender and bond sale structure:  
Our proposed structure is a Freddie TEL Loan Structure. The City of Denver will serve as the Bond Issuer.
- d. Portion of bonds that will be tax-exempt:  
Almost 100% of the bonds will be tax exempt. We will have a very small taxable tail for our remaining construction loan requirements.

## Guiding Principles in Section 2 of the QAP

- a. To support projects serving the lowest income tenants for the longest period of time.  
Morrison Road offers 22 of the 80 units (27.5%) to those earning 40% AMI or less. Units will be restricted to a 60-year affordability covenant under the City's new affordability requirements.
- b. To support projects in a Qualified Census Tract, the development of which contributes to a concerted community revitalization plan.  
Morrison Road is in census tract 45.03, a QCT. The development will contribute to the **Westwood Neighborhood Plan** and the **West Denver Renaissance Collaborative (WDRC) Housing Market Assessment goals** which encourage access to affordable and diverse housing options. A November 2018 ULI Technical Advisory Panel, comprised of community stakeholders, indicates that more affordable housing is critical for Westwood.
- c. To provide for distribution of housing credits across the state, including larger urban areas.

An award for Morrison Road will allocate credits to a large urban area with no other LIHTC projects in the development pipeline. All LIHTC projects in the neighborhood have stabilized and apartments were absorbed quickly (up to 33 units per month).

d. 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.

e. To distribute housing credits to assist a diversity of populations in need of affordable housing, including families and persons in need of supportive housing.

Thirty percent (30%) of the proposed project is for 3-bedroom apartments, suitable for families.

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

The Morrison Road site is 0.25 miles from the S. Morrison and Sheridan bus stop, which services bus lines #4, #11, #50, #51 and connects to points north, east (including the Alameda Light Rail Station), west and south. The transit network provides excellent access to jobs, services and shopping throughout the area. Belmar, an open-air shopping district in Lakewood, CO featuring over 80 shops, restaurants, ice rink, movie theater, and a bowling alley, employs large numbers of people and provides extensive shopping in its 1,000,000 square feet of retail space and is 1.5 miles northwest of the Subject site; it is accessed by bus.

g. To support new construction of affordable rental housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing.

The project will add critically needed affordable housing in the Westwood neighborhood. 78% of West Denver renters can't afford current rents in the area; according to a 2017 WDRC housing needs assessment. The Subject site is under contract but will likely sell to a market-rate developer if a State LIHTC award is not made.

h. To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability throughout the credit period.

We are only seeking the amount of federal and state credits needed to complete the project. The deal is structured to invest in neighborhood-appropriate family-sized housing, and smart design (smaller units, right-sized amenities and surface parking).

i. To reserve credits for as many rental housing projects as possible while considering these Guiding Principles and the Criteria for Approval.

As noted above, the proposed project's cost-saving approach lowers the credit request.

### **Identify which priorities in Section 2 of the QAP the project meets.**

We meet all of the guiding principles in Section 2 (noted above) but not the Priorities.

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

a. Market conditions:

The neighborhood is desperate for new affordable housing units, evidenced by very long waiting lists at existing properties (up to 150 applicants) and 2% LIHTC vacancy rates. As noted by the Market Study, the conditions are extremely favorable for this project. All of the Subject project rents, including those at 80% AMI, will offer a significant discount to market rate units in the PMA.

b. Proximity to Existing LIHTC Projects:

All other LIHTC projects in the neighborhood are stabilized and over 97% occupied. As evidenced by the Market Study, all existing LIHTC projects in the PMA have very long waiting lists. More projects are needed in this part of Denver **as quickly as possible**.

c. Project Readiness:

The project is ready to proceed. The Purchase and Sale Agreement is in place. The site is zoned and our plan meets City parking and design requirements. We have initiated our review process with the City of Denver and are targeted to receive building permits by March 2020.

d. Overall financial feasibility and viability:

As proposed, the project is feasible if awarded the State LIHTC and Federal 4% Credits. Our team has substantial experience and can deliver in the most challenging of construction and financial market climates. We are not seeking waivers of the underwriting criteria.

*Notably, our pro forma does NOT include any rent revenues from the commercial space. This eliminates any concern of commercial space burdening the project, while ensuring the long term economic sustainability of the building. Our attached SPARCC funding letter will allow for the Tenant Improvement and not be a project cost.*

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

The development project team has successful experience implementing similar projects in similar areas with similar design components. We have the capacity and financial stability to implement this project. Please refer to the Applicant Track Record Certification, which shows our excellent track record developing in and outside of Colorado.

We have demonstrated our ability to deliver projects on time within budget. Our management team (Ross) has an excellent track record of leasing units on time and working within CHFA processes. We believe we are the best suited team for the project at the Subject site.

f. Project Cost reasonableness:

The costs submitted for this LIHTC application are realistic and reflect the current state of the equity, debt and construction markets. Our costs include building a substantial number of family units.

g. Site suitability:

The Morrison Road site is relatively level, has excellent access and services, offers excellent visibility, and can proceed very quickly. When completed, it has excellent access to transit and shopping opportunities for residents

**The Market Analyst raised the following concerns:**

Concern: The subject's one-bedroom unit sizes are smaller than market-rate and LIHTC properties.

How we are Mitigating: We believe our unit sizes are very marketable and will 'live large'. The Analyst concludes that the sizes will not hinder marketability.

Concern: The subject's 60% AMI capture rate is 29.7%, an increase from 28% for existing units.

How we are Mitigating: Surveyed LIHTC properties are 97% occupied with waiting lists of up to 150 applicants at a 28% Capture Rate for 60% units, showing pent up demand. The overall project capture rate is at 11.6% indicating a need for more units. Additionally, population shifts will continue to increase in-migration into Westwood, imposing additional gentrification pressures

Concern: The subject would ensure marketability of the 80% units by offering a rent discount to the maximum allowable rent.

How we are Mitigating: The market study indicates a 0.9% Capture Rate for our 80% units (and we will be the only 80% AMI units offered in the PMA), and thus cater to an underserved market in the PMA. We feel confident we will be able to gain the rent in our pro forma for these units.

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

The Phase I ESA included with this application shows environmental concerns due to current and historic uses of the site and neighboring laundry uses. A Phase II ESA has been ordered. We have had several conversations with our environmental consultant, General Contractor and the City of Denver (which has previously cleaned up similar properties near our Subject site). We have planned for remediation and included this cost in our pro forma.

**Cost Containment:**

See response to Section 5(f) above.

**In your own words, describe your community outreach:**

Gorman is a community-development focused company. We care deeply about the people we serve and the importance of our projects. We are a conduit of, for and to the communities we work with.

Conversations with neighborhood stakeholders have expressed interest in more affordable housing for Westwood. A November 2018 ULI TAP report concludes this desire. We have included letters of support from the WDRC and BuCu West, stakeholders representing residents and businesses in Westwood.



Interest has been expressed from officials as well; from the City of Denver, both financially (as evidenced by the soft funding support letter) and through our letters of support.

**For acquisition/rehab or rehab projects, describe the rehab plan.**

N/A - this is a new construction project.

**Additional Documentation that supports this narrative includes:**

- Support letter from BuCu West
- Support letter from SPARCC which includes WDRC support
- West Denver Renaissance Collaborative Housing Market Assessment
- Westwood Neighborhood Plan

# 4 percent PAB LIHTC application narrative



Project Name: *The Park* at Colorado Outdoors

Project Address: SW corner of North 5<sup>th</sup> Street and North Grand Avenue, Montrose, CO 81401

## 1. Executive Summary:

### **Uncompahgre River Corridor Redevelopment:**

*The Park* at Colorado Outdoors is part of a multi-phase, mixed-use and mixed-income catalytic development in the heart of Montrose that will revitalize the underutilized Uncompahgre River corridor and bring an estimated 1,300 new jobs to the region.<sup>1</sup>

*The Park* is within the recently approved Montrose Urban Renewal Authority (MURA) boundary. MURA's goal is to revitalize an underserved and underfunded section of the community through the creation of a tax increment financing (TIF) district to encourage private development, open space enhancement and economic activity. In conjunction with MURA, and as principal developer for the site, Colorado Outdoors, LLC is master planning approximately 600,000 square feet of light manufacturing and office facilities marketed toward the outdoor industry, in addition to retail and restaurant space, multiple hotel sites, and market-rate apartments. The revitalization of the Uncompahgre River corridor is one of the City's many recent investments in projects that contribute to a healthy community (**see Attachment 2**).

### ***The Park* at Colorado Outdoors:**

*The Park* at Colorado Outdoors will be located at the southeast end of the Colorado Outdoors project, at the SW corner of North Grand Avenue and North 5<sup>th</sup> Street. The project will consist of 72 units for families earning at or below 30-80% AMI in three new 3-story apartment buildings in Montrose. *The Park* will include 18 one-bedroom, 42 two-bedroom, and 12 three-bedroom apartments. Average unit sizes are as follows: one-bedroom – 660 sf, two-bedroom/one-bathroom – 867 sf, two-bedroom/two-bathroom – 1,096 sf, and three-bedroom/two-bathroom – 1,245 sf. The property is currently an unimproved vacant site located in the Uncompahgre River corridor in close proximity to downtown Montrose.

In-unit amenities include walk-in closets, microwaves, dishwashers, washers, and dryers. Community amenities include a 3,500 square foot clubhouse with a gourmet kitchen, resident clubroom, fitness center, bike service station, and onsite leasing office. Outdoor amenities include a dog run and abundant, natural open space. The design of the project site incorporates

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<sup>1</sup> *Anderson Analytics, April 4, 2017 Economic Impact Study (page 5)*: MURA is “projected to accommodate ongoing employment of nearly 1,320 workers. Almost half of those workers are estimated to be in the outdoor sports/equipment industry and in light manufacturing industries generally. The retail space will accommodate over 450 workers, and the office space is estimated to house another 178 workers.”

pedestrian greenways and connections to the surrounding neighborhood to enhance connectivity and encourage physical activity.

Additional nearby amenities include a City bus stop adjacent to the site, and a new, multi-million dollar concrete river trail for bikers, runners and pedestrians that will run along the Uncompahgre River. Construction of the river trail began in January 2019 as part of a two million dollar Great Outdoors Colorado (GOCO) Connect Initiative grant awarded to the City in 2017. The path is 2.25 miles in total length, will run adjacent to *The Park* at Colorado Outdoors property, and connect the development to the new Montrose Community Recreation Center. Resident services near *The Park* include the above mentioned bus stop serviced by All Points Transit<sup>2</sup>, Sharing Ministries food bank and demonstration kitchen located less than a mile away, and Shepherd's Hand.<sup>3</sup> In addition, residents of *The Park* can take the local bus one stop to get to PIC Place<sup>4</sup>, an integrated team-based care clinic offering behavioral, dental, medical, and eye care as well as educational and vocational programming. The City's elementary school is located within 0.4 mile of *The Park*, the high school within 0.8 mile, and the middle school 1.2 miles away.

Construction of *The Park* at Colorado Outdoors is expected to take place over 16 months. The project will consist of three 3-story walkup apartment buildings. The buildings will be wood frame construction. Exterior siding materials will consist of stucco with fiber-cement siding accents. The roofs will be pre-engineered roof joists with plywood sheathing and class A dimensional composite shingles. Windows will be double pane in vinyl frames. Parking will be located adjacent to the apartment buildings and will consist of 108 surface spaces.

The project is located in Qualified Census Tract (QCT) 9663 and is within a newly designated Opportunity Zone. The development will be designed and built to Enterprise Green Communities standards. Specific Green Building features include low-VOC paints, adhesives and carpet systems; *Energy Star* appliances; high-performing low-E fiberglass windows; advanced framing techniques, fully aligned air barriers and reduced thermal bridging to maximize energy performance. In addition, xeriscaping is designed into the landscape architecture and open space areas, reducing potable water consumption.

The development will be financed with 4% LIHTC and State tax credit equity, private activity bonds, taxable debt, Tax Increment Financing (TIF) from MURA and the City of Montrose, and soft funds from the Colorado Division of Housing. The project will receive eight project-based vouchers from the Montrose County Housing Authority.

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.

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<sup>2</sup> All Points Transit is a 501(c)(3) non-profit organization providing public transit services for seniors, people with disabilities and the general public in communities throughout Montrose, Delta, San Miguel and Ouray counties. More information can be found at [www.allpointstransit.com](http://www.allpointstransit.com).

<sup>3</sup> The Shepherd's Hand is a Colorado 501(c)(3) non-profit corporation dedicated to meeting the physical, emotional and spiritual needs of individuals and families in the Montrose community. It is the only program of its kind in the Montrose, Colorado area providing seven-day-a-week services and support to the homeless and low income population. Learn more at [www.shepherdshandmontrose.org](http://www.shepherdshandmontrose.org)

<sup>4</sup> Partners in Integrative Care (PIC) is a health clinic for a five county region which provides medical, dental, vision, and behavioral health and physical therapy for people with a financial barrier to care. Visit [www.pic.place](http://www.pic.place) to learn more.

- Total tax-exempt bonds = \$8,489,906
  - Construction period tax-exempt bonds = \$8,489,906
  - Permanent bonds = \$0 [FHA 221(d)(4) GNMA permanent loan]
- 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).
- *If CHFA is the bond issuer the aggregate basis cannot exceed 55%.*
  - The project is seeking a CHFA conduit bond issue only.
- c. Lender and bond sale structure (public sale/ private placement, takeout, securitization, etc.).
- Both the A series tax-exempt bonds and the B series tax-exempt bonds will be a public sale. The A series bonds will be 100% cash collateralized by a taxable GNMA construction-to-permanent loan.
  - Dougherty Mortgage will be the FHA 221(d)(4) lender, and Dougherty & Company LLC will be the lender of the tax-exempt bonds.
- d. Portion of bonds that will be tax-exempt: 100%.
- There will also be a taxable construction-to-permanent loan in the amount of \$4,625,000.
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
    - *The Park* at Colorado Outdoors does not directly respond to this priority.
  - Projects serving persons with special needs as defined in Section 5.B 5
    - *The Park* at Colorado Outdoors does not directly respond to this priority.
  - Projects in Counties with populations of less than 175,000:
    - The project is located in a county with a population of less than 175,000. As of 2017, Montrose County has a population of 41,784.
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, *The Park* at Colorado Outdoors includes thirteen apartments for families earning at or below 30% AMI and six apartments for families at or below 50% AMI in addition to units for families at 60%, 70%, and 80% AMI. Colorado Outdoors LLC will commit to maintain affordability for 40 years.
  - To support projects in a QCT, the development of which contributes to a concerted community revitalization plan as defined in Section 5.A 4, Primary Selection Criteria, the project is located in a QCT (census tract 9663). *The Park* at Colorado Outdoors is helping to fulfill the goal of the City of Montrose Uncompahgre Riverway Master Plan to attract adjacent, river oriented commercial development, and to preserve the Uncompahgre River for wildlife and fishing habitats. *The Park* also contributes to the goals of the 2017 Montrose Urban

Renewal Plan to promote growth in the area and attract new residents and jobs to the area.

- To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas.  
No family LIHTC properties have been constructed in Montrose since 2007. Federal 4% and State tax credits would make it possible to add much-needed units to the affordable housing inventory in Montrose at several different affordability levels.
- To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit.  
Colorado Outdoors LLC and Way Group P.C. are for-profit developers with a proven track record of high-quality multi-family developments in Colorado. Previous projects in Colorado include Stetson Meadow Apartments (Colorado Springs) and Constitution Square (Colorado Springs), both HUD 221(d)(4), 4% LIHTC and tax-exempt bond projects.
- 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 provide workforce housing to families in Montrose with easy access to downtown via pedestrian bike, car or bus.
- To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail, there is a City bus stop run by All Points Transit adjacent to the proposed site. The *Red Apple Route 2* bus line goes to downtown Montrose every 30 minutes Monday-Friday 6:30 a.m. to 7:00 p.m. Additionally, the GOCO river trail will allow for easy and safe access to Main Street, including short walking distances to several services such as the City Market grocery store which includes a pharmacy (0.5 mile), the U.S. Post Office (0.6 mile), and several regional and local retailers including Wells Fargo Bank (0.7 mile), Ace Hardware (0.6 mile), and Fox Cinema Theaters (0.7 mile).
- 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 project will create affordable housing in a part of town that is currently being redeveloped. The approved master plan for the project includes hospitality, office, retail and light manufacturing uses. Marriott® has committed to build a four-story, 100-room hotel on the northern section of the 164-acre site. In the central portion, construction of a new 41,000 square foot office and light manufacturing facility for Mayfly Outdoors on the site is nearly complete. In addition, Colorado Outdoors has received over 16 Letters of Intent for other light manufacturing and business development on the master planned site.
- 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. At \$737,400, the amount of state

tax credits requested is well below the average (\$834,000) and median (\$900,000) requests in the 2019 Round One LOI Report. The Private Activity Bond amount does not exceed 55% of aggregate basis.

- To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval. The project will provide 72 units of affordable housing for families.

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

a. Market conditions:

The overall capture rate for the project is 16.7%, well below CHFA's preferred threshold of 25%, consisting of capture rates of 5.5% at 30% AMI, 26.4% at 50% AMI, 21.4% at 60% AMI, 2.9% at 70% AMI and 2.7% at 80% AMI. Although the project's 50% AMI capture rate is 1.4% above 25%, the market analyst notes that the PMA has strong pent-up demand for low-income rental housing considering the low LIHTC vacancy rates and waitlists. The surveyed LIHTC units in the PMA had a vacancy rate of 1.2%, with only one vacant unit. All three surveyed LIHTC properties had waitlists with ten to 20 applicants.

The market analyst concluded that *The Park* will introduce a quality rental product into a market that has had limited new development and lease up in under seven months. The market analyst noted that the renter household distribution within the market area indicates that *The Park's* slightly higher ratio of one-bedroom units and its slightly lower ratio of two-bedroom units compared to surveyed LIHTC units is more appropriate for the PMA. It was also noted in the market study that the project's 70% and 80% AMI rents will provide an excellent value to renters with incomes above 60% AMI who are currently underserved in the market.

b. Readiness-to-proceed:

- The property is owned and controlled by the applicant.
- The site is correctly zoned for residential housing.
- Utilities are available to the site, which would include electricity, water, gas, sewer and high-speed fiber optic internet.
- The design plans will be submitted on approximately November 30, 2019.
- The architect is George Way, AIA, and the general contractor is Ridgway Valley Enterprises (RVE). RVE is a local Women Owned Small Business (WOSB) and has LIHTC housing construction experience in nearby Delta County.

c. Overall financial feasibility and viability:

*The Park* at Colorado Outdoors is financially feasible due in part to support from the City of Montrose and the Montrose County Housing Authority (MCHA). The MCHA board has approved the contribution of eight project-based vouchers in order to make more 30% AMI units possible. Additionally, the MURA, in partnership with City of Montrose, is making a \$1.4 million investment through a Tax Increment Financing to the development. An application for gap funding in the amount of \$720,000 will be submitted to the Colorado Division of Housing. The applicant is also making a significant contribution to the project by taking a seller note for the value of the land and deferring approximately 40% of the developer fee.

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

The main development team includes Colorado Outdoors, LLC and Way Architects, P.C. whose team members have partnered on several prior LIHTC projects in Colorado. The property

management team is Shelton-Cook Real Estate Services, Inc., a very experienced management company.

The owner and development team at Colorado Outdoors and Way Architects have both partnered on two previous projects in Colorado, both of which are HUD 221(d)(4), 4% LIHTC tax-exempt bond projects in Colorado Springs. These projects are called *Stetson Meadows Apartments* and *Constitution Square Apartments*. Stetson Meadows was developed in 2002 and is a 180-unit apartment project constructed by BC Builders. The development team completed programming, site planning, design, construction documents, construction administration, and served as lead developer and owner. Constitution Square was built in 2001, and is a 180-unit apartment project constructed by Colorado First Construction. The development team at Colorado Outdoors and Way Architects also served as lead developer and owner, completing programming, site planning, design, and construction documents.

Established in 1982, Way Architects, P.C. is a full-service architectural firm providing specializing the multi-family housing. Way Architects has been recognized by the Architectural Record and AIA Journal and has received several industry awards, including the Colorado Springs Business Journal's "Best Architectural Firm" of 2007.

Shelton-Cook currently manages a portfolio of 18,000 residential units, including ten apartment communities financed with LIHTC (774 units), Section 8 and other affordable housing programs such as HOME, NSP, and HTF. Shelton-Cook manages Sunshine Peak Apartments in Montrose, located approximately one mile from *The Park* at Colorado Outdoors. Shelton-Cook Real Estate Services has been designated by the Institute of Real Estate Management as an Accredited Management Organization (AMO). The AMO accreditation recognizes excellence among real estate management firms that achieve the highest level of performance, experience and financial stability. As evidence of the importance of this designation, less than ten percent of the thousands of property management firms in the U.S. have earned this designation.

e. Cost reasonableness:

Construction costs for *The Park* at Colorado Outdoors are estimated at approximately \$165,000 per unit which is very reasonable given the current construction cost environment. Hard costs at this level are possible because of the project's cost-effective design. The project consists of three-story walk-up buildings using slab on grade construction. The project design also eliminates hallways and minimizes stairways to save costs. In addition, the ability to meet the project's parking requirements through surface parking helps control construction costs. With the project's debt capacity constrained by the lower incomes and rents in Montrose County, these cost-saving measures make the project financially feasible without 9% LIHTC's.

f. Proximity to existing tax credit developments:

There are seven existing LIHTC properties in the project's PMA. One of these LIHTC properties is a senior property. The remaining six family LIHTC communities contain 217 LIHTC units. Of these 217 LIHTC units, 15 units have project-based rental assistance, seven units are restricted at 30% AMI, 62 units at 40% AMI, 87 units at 50% AMI, and 46 units at 60% AMI. Sunshine Peak I (2007) and II (2009) are located approximately one mile from *The Park*. Sunshine Peak I Apartments is a Class B LIHTC project. The City's main Highway, 550/Townsend Ave, bisects *The Park* and Sunshine Peak. Sunshine Peak is in above average condition. The units are mainly walk-up structures with *hardiplank* exteriors, varied facades, and pitched composition shingle roofs. The project currently has 13 tenants using Housing Choice Vouchers.

Three of the LIHTC family properties are located 1.5-2 miles from *The Park* – Cottonwood Apartments, Montrose Family Housing, and Pinon Way Apartments. Montrose Family Housing and Pinon Way Apartments were built in 1995. Cottonwood Apartments was renovated in 2008. The remaining family LIHTC property in the PMA, Pavilion Gardens, is located 2.3 miles from *The Park* and was built in 1997.

g. Site suitability:

*The Park* at Colorado Outdoors is on a very suitable site. The underlying zoning, I-1 light industrial, was approved for residential uses by the Montrose City Council in October 2018 in the subject property's Planned Developed (PD) Plan. In addition, the Colorado Outdoors Final Plat No.1 was recorded on December 20, 2018, and allows residential uses as a "use by right" on the subject property. In addition, site's immediate neighborhood is primarily residential, and includes single-family land uses, vacant land and a river. Most nearby single-family homes are entry-level and two-story structures that were built from the early 1900s through the 1940s and are in average condition. Most homes contain 700 to 1,600 square feet.

General utility and site considerations are summarized below for *The Park* at Colorado Outdoors.

- **Water and Sewer:** Sewer lines with sufficient capacity are present within through the project area and along Grand Avenue. Depending on the exact final site layout, portions of the sewer line may need to be relocated to accommodate Phase I and future phases of the development. A 6-inch water line is available in Grand Avenue. Higher-capacity 12-inch lines are available in Phase I of the CO Outdoors project at North 9<sup>th</sup> Street approximately 1,700 feet to the north, if needed.
- **Dry Utilities (Gas, Power, Communication):** All dry utilities are available within Grand Avenue along the project frontage. Higher capacity dry utilities are available in Phase I of the CO Outdoors project at North 9<sup>th</sup> Street approximately 1,700 feet to the north, if needed.
- **Floodplain:** MURA recently re-mapped the floodplain and floodway throughout the project area as part of Colorado Outdoors Phase I.<sup>5</sup> According to this map, the proposed site is adjacent to the 100 and 500 year floodplains for the Uncompahgre River. The site is well outside of the Uncompahgre River floodway.
- **Wetlands:** Jurisdictional wetlands were mapped within the project area in 2017 and their boundaries accepted by the US Army Corps of Engineers.

6. Provide the following information as applicable:

- a. Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum):

N/A

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

There are no recommended changes or apparent weaknesses identified in the market study. The market analyst noted that there was no precedent within the PMA for a rental project that is as high in quality as the subject, especially in comparison to market-rate projects. The market analyst concluded that the project's 70% and 80% rents are achievable, and that higher 70% and

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<sup>5</sup> FIRM Panel 08085C0757D, LOMR Effective 11/9/2018



80% AMI rents may be achievable, especially considering the capture rate analysis that suggests easily sufficient qualified renters and that the subject will only have 20 units at those levels.

Additionally, the market analyst stated that the market will likely experience some short-term saturation with *The Park* at Colorado Outdoors and the new senior LIHTC project bringing in 122 new LIHTC units into the market within roughly a six-month period. However, the analyst concluded that *The Park* will perform successfully in the market due to its quality, characteristics, and rents and also noted that demand is likely understated due to the fact that no in-migration is factored into the analysis.

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

A Phase I Environmental Site Assessment was performed by Walter Environmental & Engineering Group, Inc. on January 19, 2019. The report found no Recognized Environmental Conditions (RECs) on the site, and further recommend that “no additional environmental investigation for purposes of appropriate inquiry” is necessary within the Colorado Outdoors development.

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:

Cost containment can be realized from the proposed general contractor’s proximity and familiarity to the proposed site. Ridgway Valley Enterprises is the main contractor for MURA’s current road construction, as well as the GC on the Mayfly headquarters project. Additionally, Ridgway’s main offices, management team and equipment storage facilities are located just 1.1 miles from *The Park*, allowing efficient site mobilization and lower project management costs.

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):

Colorado Outdoors has done diligent outreach with the community for this project. The City itself has shown strong support for *The Park* at Colorado Outdoors, evidenced by its commitment of TIF funding for the 72-unit development. Along with the City, Colorado Outdoors has also reached out to several local community organizations, and has so far received 16 letters of support from a variety of partners such as Habitat for Humanity of the San Juans, RE-1J School District, Montrose Memorial Hospital, Region 10 and Welcome Home Montrose (see **Attachment 1**). Additionally, a public hearing was completed on Wednesday, January 16, 2019, at a City of Montrose public meeting room near City Hall. There was no opposition to the project.

In addition, outreach initiatives have encouraged several shared service programs to support the families and residents at *The Park*. These include reduced or free bus rides from All Points Transit; financial management, credit care, and family budgeting education from Habitat for Humanity; preschool, adult educational opportunities such as English Language Learners and GED programming from RE-1J School District; employment opportunities and training from the Montrose Workforce Center; and, for veterans and service member families, support from the Warrior Resource Center and Dream Job Program from *Welcome Home Montrose*.

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).

This is a new construction project.

# 4 percent PAB LIHTC application narrative



**Project Name:** Studebaker & 655 Broadway

**Project Address:** 1510 Blake Street, Denver CO 80202 (Studebaker) and 655 Broadway, Denver CO 80203

1. **Executive Summary:** This scattered site project includes the acquisition and rehabilitation of an existing affordable housing project, Studebaker, at 1510 Blake Street, and the adaptive reuse of 655 Broadway, a Denver Health building.

## **Highlights**

- AHTC request of \$815,000 combined with \$.75 credit rate to efficiently use state credits
- DHA funding 29% of total project budget and leveraging AHTC request 50 to 1

### 655 Broadway

- 100% Senior / Disabled
- 12.7% units set aside for Homeless
- 36 Project Based Vouchers
- Innovative partnership with Denver Health to provide medical & transitional support for homeless and severely at risk special needs individuals
- Located in a Qualified Census Tract

### 1510 Blake Street

- 100% workforce housing
- 33 Units at risk to go market rate in primary downtown Denver business hub
- Reduced 5% Developer Fee
- Located in a Difficult Development Area (DDA)

Studebaker was built in 1889 and renovated in 1993 through a LIHTC partnership with a 30-year LURA that will expire in 2023. DHA's instrumentality, DLIHDC Development Corporation is currently 50% owner of the Partnership and, with the LURA soon to expire, DHA is committed to preserving its affordability for another 40 years. This historic building provides a total of 33 family units at 60% AMI, including four studios, 19 one-bedrooms and 10 two-bedrooms. It is located in the heart of lower downtown Denver, an area that has experienced significant growth and development and is surrounded by a plethora of retail amenities, employment opportunities, health and social services, and rich multi-model options to access the entire region (within two-blocks to Union Station). The Studebaker Building rehabilitation needs include minor unit and common-area upgrades, exterior and skylight repairs, and efficiency-related improvements (i.e. energy-star appliances, fixtures, windows). The non-structural unit repairs will allow all tenants to remain in place during the rehabilitation, eliminating any relocation needs. Ross Management is the current property manager, keeping the building in great shape and will be retained to manage the building throughout and after the rehabilitation.

655 Broadway is a vacant office building at an important corner (Speer & S. Broadway) of Denver Health's recently upgraded Hospital Campus. The 10-story office building provides a solid structure rehabilitate into

110 units for seniors (62 and older) and those with disabilities/special needs. The property is on approximately half-acre with sufficient on-site parking and contains over 20,000sf of ground-floor/basement space that will more than support the targeted population. Located only one mile south of downtown Denver in the Lincoln Park neighborhood, adjacent to services and amenities at 6<sup>th</sup> Ave. & Broadway and RTD high-frequency bus service right out front. It will include 28 30% project-based vouchers and eight 40% project-based vouchers (provided by DHA), 25 50% AMI units and 35 60% AMI units.

In addition, DHA include 14 single-room occupancy (SRO) units on the 2<sup>nd</sup> floor of the building to serve homeless individuals with disabilities/special needs in partnership with Denver Health and Hospital Authority (DHHA). This innovative program will provide transitional housing for patients who require additional support which impedes their ability to discharge to homeless shelters, unsafe home environments, and the streets of Denver. In collaboration with DHA's resident services, experienced housing management staff, and the robust suite of DHHA's outpatient care programs, these patients/residents will have onsite wrap-around services to support a successful transition to long-term independent housing (*please see attached DHHA Letter of Support*). With these fully-furnished, move-in ready SRO units available to receive patients (who are uninsured or with limited federal health insurance) will save the Denver Hospital system up to \$3,400 per day/night and free-up a hospital bed for others requiring this higher-level of inpatient care. DHA will accept tenant referrals and an operating stipend from DHHA to house, operate and maintain these units; DHA, as the owner/operator will be responsible for O&M (including all resident utilities) and reconcile actual costs each year with DHHA under an operating agreement (details are included in the *Offer Memorandum* found in Tap 6 of the attachments). This new innovative partnership will truly integrate health and housing with a transitional platform to assist very vulnerable residents find a stable and healthy home! DHA is able to provide flexibility in the tenants that can fill these units by making them SROs, which qualifies the units for month to month occupancy as per Tax Credit Regulation—please see the attached *Memorandum – SRO Opinion* to this narrative. The 655 Broadway project has also been selected to work with Enterprise Community Partners on its Health and Housing Initiative, which aims to bring together the fields of public health and affordable housing and reduce health and housing disparities in Colorado. This project and the partnership it will formalize between DHA and DHHA, will be further supported by the national resources and expertise of Enterprise's new initiative—see the attached *Health & Housing Initiative Letter of Support* for more details).

Overall the project includes 28 30% project-based vouchers and 14 30% AMI units, eight 40% project-based vouchers, 25 50% AMI units and 68 60% AMI units with 14 SROs, four studios, 115 one-bdrms, and 10 two-bdrms. The 655 Broadway Project will a significant amount of ground-floor and lower level amenities, including on-site management and resident services staff, community/activity rooms, exercise & PT/OT facilities, computer/business center, maintenance shop and over 5,000sf of storage space, with additional community/office areas TBD. Please see *Market Studies* for a full list of common area and unit amenities.

### **655 Broadway Construction:**

655 Broadway will be abated and demolished, leaving only the structure in place. The structure consists of a poured in place concrete at below grade floors, concrete structure above grade with a steel structure on the upper floor and roof structure. There is one elevator core (two cabs) and two stair cores which will be left in place and reused. All new MEP central systems and in-unit PTAC/VTAC will be included. The building shell will be designed to maximize the R value and contain multiple materials for the exterior skin to reflect the character of the adjacent Denver Health Buildings as well as the character of the neighborhood.

### **1510 Blake St.**

As indicated in the PCA, the Studebaker building is in good condition. Recent capital projects include new HVAC systems, replaced roof, and Ross Management has turn units with required upgrades. The rehab will

include upgrades focused on preventive maintenance such as exterior sealants, fixing the skylight, new windows, and roof repairs all of which will help prevent water and air penetration and extend the useful life of this historic building. Additional upgrades will focus on energy efficiency measures along with resident amenities such as kitchen and bath upgrades including new fixtures, appliances, and upgraded cabinets and counter tops. Furthermore, the rehab will address life safety concerns by applying additional fire caulking at deck and wall penetrations.

The 4% LIHTC and State Affordable Housing Tax Credits (AHTC), DHA will bring significant gap financing of \$7.1 million from the *DHA Delivers for Denver Program (D3)*. Please see the attachment to the narrative *DHA Delivers for Denver Program Summary*. The Colorado Division of Housing will also contribute \$1 million in gap financing. DHA's significant financing contribution has helped to reduce the State AHTC request to \$815,000. This project will help the City meet its goals of building 2,000 new affordable units and preserving 1,000 existing affordable housing units by 2023 in areas with good access to transit, services and amenities, as laid out in *Housing an Inclusive Denver 2018-2023*, attached with this narrative.

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

- a. Total amount of bonds \$23,358,525 (Bond issuer: Denver Housing Authority)
  - i. Construction bonds: \$13,078,525
  - ii. Perm bonds: \$10,280,000
- b. Lender and bond sale structure: Private placement
- c. Portion of bonds that will be tax-exempt and taxable: \$21,400,000 (92%) tax-exempt and \$1,958,525 (8%) taxable

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

DHA has committed 36 project-based vouchers to 655 Broadway to support very low-income households and households at risk of homelessness. In addition, DHA will set aside 14 units for tenant referrals for Denver Health patients with complex barriers to discharge from a Denver Health medical setting. The individuals who will reside in these SRO units are homeless and often, disabled, seniors, a vulnerable special needs population.

**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*
  - Twenty-nine percent of the units will be 30% AMI (20% of which will be subsidized with project-based vouchers). Of the 30% AMI units, 14 SRO units will be set aside for referrals from Denver Health for homeless seniors or homeless people with disabilities. Five percent of the units will be 40% AMI project-based vouchers to help serve Denver's lowest income households. DHA will commit to a total 40-year affordability period.
- *To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas*
  - Both project are located in Denver's urban core, where affordable units are in high demand.
- *To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit*
  - DHA is a public housing authority and redeploys all available resources into other opportunities that either enhance or create new permanently-affordable housing

and thriving communities. Specifically DHA will re-invest 100% of our developer fees earned from this project into future affordable housing projects. In addition DHA has the opportunity to co-sponsor with Denver Health to serve the homeless and the medical and social needs of our residents.

- *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 655 Broadway building will provide 110 units for seniors/disabled, including 14 SRO units for vulnerable disabled homeless with special needs. Studebaker will continue to serve families & workforce residents at or below 60% AMI. These scattered site serve the full spectrum of affordable needs serving the diversity of Denver’s residents.
- *To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail*
  - There are seven bus stops on five bus lines within a half-mile walk of the 655 Broadway building (directly in front of the high-frequency bus-stop). There are nine bus stops on 10 bus lines within a half-mile walk of the Studebaker building, not including the complimentary 16<sup>th</sup> Street Mall Ride and within two-blocks from Union Station (central access to all of RTD’s metro-wide connections).
- *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 is a scattered site acquisition and rehabilitation project. Affordable housing units will be preserved at Studebaker which would have otherwise been very much at risk of converting to market rate housing and new much needed senior affordable housing will be provided at 655 Broadway through the adaptive re-use of the existing vacant commercial building.
- *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 project is leveraging over \$11.1 million in gap financing from DHA and the CDOH. The Sate Affordable Housing Credit request has been limited to only \$815,000.
- *To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval.*
  - The project will preserve 33 affordable housing units at risk of market conversion with a high-valued downtown location made feasible by leveraging resources to bring 110 new units to market while limiting a competitive AHTC request to less than 2% of the total project sources.

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

a. Market conditions:

655 Broadway: The overall capture rate is 30.5%, and 8.1% for the 50% AMI units 54% for the 60% AMI units. While this capture rate is above the CHFA threshold, the market analyst notes it is attainable and anticipates strong demand for these units. The existing 60% AMI capture rate is already 45.5%,

well over the preferred threshold of 25.0%, however, the market study notes strong demand for senior housing, evidenced by low vacancy rates and waitlists.

The primary market area (PMA) has limited options for affordable senior housing. One surveyed senior LIHTC project in the PMA was fully occupied, and two senior LIHTC/deeply-subsidized properties were 99.2% occupied, with a two-year wait, an unspecified wait or over 1,000 applicants, indicating strong pent-up demand for low-income senior rental housing in the PMA. This project is the only senior/disabled LIHTC project planned in the PMA (which is gaining 188 senior renters annually). The market analyst also notes that proposed amenities at 655 Broadway are slightly superior to LIHTC properties in the PMA and anticipates it will compete well. The location of 655 Broadway, adjacent to the Denver Health hospital, is also likely to be attractive to seniors. The mitigating factors for the high capture rate are specifically identified in the Market Study.

Studebaker: The overall capture rate is 94.3%, however, the market analyst notes the capture rate is overstated and attainable. This is an existing property and all tenants will be qualified to remain at the property. It has maintained an occupancy level between 95% and 100% over the past year. The projected 60% AMI rents are 13% below current max rent for downtown LIHTC. Preserving these units is an irreplaceable opportunity as building such units in the heart of downtown today cannot be done. With the LURA expiring in 2023, an award of tax credits will ensure this important property in the heart of lower downtown can remain affordable well in to the future and not another lost to the market.

In addition, the vacancy rate at the LIHTC properties in the PMA averaged 1.1%, with waitlists of between 20 to 250 applicants. There are 226 new LIHTC units in the pipeline, suggesting that there is still a significant demand for income-restricted units. The market analyst also notes that the project's location provides excellent access to shopping, services, employment centers and public transportation, all of which will help ensure its competitiveness over the long term. The study also notes that given Studebaker's proximity to Union Station, in addition to the experience of surveyed apartment projects, the 40% in-migration factor used in the demand analysis is likely conservative. The mitigating factors for the high capture rate are specifically identified in the Market Study.

b. Readiness-to-proceed:

Both properties are properly zoned and upon approval of tax credits would be ready to proceed with construction drawings and begin the City's entitlement process. DHA has executed an option agreement with both Denver Health and Studebaker. The development team has been working diligently to ensure the rehabilitation plan at Studebaker and the adaptive re-use plan for 655 Broadway are in place and ready to proceed upon award of tax credits. Note that the current restrictions at Studebaker are in place until December, 2019 (per the guidance provided by Bill Callison's *10-Year Opinion* included in Tab 25), which aligns perfectly with the closing timeline!

c. Overall financial feasibility and viability:

DHA has extensive experience renovating, building and operating affordable housing. Once developed, DHA will continue its operating track record while updating the housing and responding to the community's needs. DHA has made significant financial commitment to close the funding gap, including 36 vouchers, \$7.1 million in D3 Bond proceeds, a \$1.9 million deferred fee and a DHA Program Loan of \$3 million, allowing for a reduced State AHTC request of \$815,000. The DHA Program Loan reflects the product of the appraised value and the amounts payable on existing debt and non-

DHA entity partners. Given the D3 funds, the DHA program funds and the deferred developer fee; DHA is providing funding for nearly \$12 million or a third of the development budget.

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

DHA has significant experience in acquisition and rehabilitation, new construction and adaptive reuse projects. DHA is currently redeveloping the Sun Valley neighborhood with Gateway North and South, awarded tax credits in 2018. The plan will result in the replacement of 333 obsolete public housing units with newly constructed, energy efficient developments and the creation of over 750 mixed-income units in six phases. DHA is also currently building Platte Valley Homes, which is rebuilding old public housing units and building a new fully accessible senior property on the site. DHA was also the master developer for all nine phases of the 17-acre Mariposa redevelopment, which replaced all 229 public housing units, added 517 new rental units and community space and 176 workforce units serving 50-60% AMI and 112 market rate units. Please see attached resumes for more information about the development team.

e. Cost reasonableness:

The project's construction and soft costs budgets have been developed using current, local data generated by the General Contractor for similar renovation and adaptive reuse projects and corroborated by other local construction information and informed by DHA's recent development budgets. DHA is conducting light rehabilitation on Studebaker as per the immediate needs identified in the Property Condition Assessment. The hard costs associated with rebuilding 655 Broadway are reasonable and in line with similar DHA projects, including a healthy contingency for unknowns.

f. Proximity to existing tax credit developments:

655 Broadway: The PMA has 18 LIHTC projects, four of which are age-restricted projects with 457 units. The closest senior project, Courthouse Square, is one-mile northwest from the site. It was built in 1981 and received a LIHTC reservation in 2002. There is a 45-unit senior project in the Mariposa redevelopment from 2015 and two projects south of the site in the Baker neighborhood, Hirshfield Towers, a 209-unit project, and Westgate Towers, a 50-unit project that received a LIHTC reservation in 2007 and 2015, respectively. There are six class B family LIHTC properties directly north in Capital Hill neighborhood and northwest in the Mariposa redevelopment. The PMA will also include eight projects that have received tax credits but not yet placed in service. Overall the market analyst believes there is strong demand for the proposed units at 655 Broadway, which is in a PMA that has a limited supply of senior housing.

Studebaker: The PMA, which includes downtown Denver, east to York Street, West to I-25, north to Colfax and south to Alameda, has 71 non-age restricted properties. The market study notes three class C LIHTC properties within one mile of the site, Renaissance Off Broadway, Park Avenue West and Broadway Plaza Lofts, are in average condition and built between 2002 and 2005, with the oldest renovated in 2017. The class B LIHTC and mixed-income properties, Mercantile Square, Benedict Park Place, Dymond at Prospect and Bank Lofts are within 1.2 miles of the site, were built in 1886, 1921, 2005 and 2011, with the oldest properties renovated in 1996 or 2017, and are in above average condition. The market analyst anticipates continued high occupancy at Studebaker due to the property's condition and above average location.



g. Site suitability:

655 Broadway: 655 Broadway is an excellent location for senior housing. The property is within close walking distance to restaurants and amenities along the 6<sup>th</sup> Avenue and Broadway commercial corridors and less than half a mile from a full-service grocery store. Denver Health, the nearest full-service hospital, is 0.2 miles southeast of the subject and the Denver Adult Medical Clinic is 0.2 miles southeast of the site. The nearest pharmacy is 0.15 miles southwest of the site. The Byers Branch Public Library is half a mile west. The closest neighborhood park is directly across Speer Blvd., and the La Familia Recreation Center is less than a mile from the property and offers a range of exercise classes and amenities on site. For amenities beyond walking distance tenants at 655 Broadway will be able to access multiple bus stops on several bus lines within close walking distance.

Studebaker: The property is extremely well located in the lower downtown Denver, in close walking distance to employment opportunities, retail amenities, restaurants, grocery stores throughout downtown. There is a Target with fresh food and grocery items on the 16<sup>th</sup> Street Mall, half a mile from the property and a convenience store less than half a mile southeast. For families, the closest elementary school is 0.8 miles southeast of the site, the middle school is 1.4 miles northwest and the high school is 0.8 miles southeast. There is a Bright Horizons daycare with Head Start services 0.3 miles southwest. The Denver Central Library is a mile southwest and residents with English as a Second Language needs can access the ESL Academy Denver within 0.3 miles of the site. The closest pharmacy is a CVS 0.3 miles from the site and there is an Urgent Care 0.2 miles from the site. Confluence Park is the closest park, a half mile from the property. Studebaker has street parking for any tenants with vehicles. The market study notes that the property is exempt from any parking requirement since it is in the Lower Downtown District according to the 2018 City of Denver Zoning Code, which does not have off-street parking requirements for contributing buildings or residential additions.

6. Provide the following information as applicable:
7. Justification for waiver of any underwriting criteria: N/A
8. Address any issues raised by the market analyst in the market study:

655 Broadway: The market analyst noted that ample common space would help to offset the slightly smaller unit sizes. Tenants at 655 Broadway will have access to a community room, exercise room and computer room for tenants at 655 Broadway. The market analyst notes these amenities are comparable or superior to LIHTC properties in the PMA.

Studebaker: The market analyst does not recommend any changes. It notes that while the unit sizes and common amenities may be below average compared to LIHTC properties in the PMA, its excellent central location helps offsets this.

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

The Studebaker environmental report did not list any recognized environmental conditions.

The 655 Broadway environmental listed a REC associated with historical uses at the site, including the potential for subsurface impact from a former used car sales operation in the 1930s and following

demolition of a former building prior to 1956. The report lists a historical REC associated with a Voluntary Remediation Program (VRP) associated with low concentrations of tetrachloroethene (PCE) previously discovered in groundwater which were subsequently determined to be below regulatory standards.

Although the potential for low levels of PCE (a hazardous substance) represents a HREC to the site, regulatory precedence indicates that the concentrations would not be significant enough to warrant regulatory obligations or present a risk to human health or the environment. Consequently, no further action is recommended regarding the low levels of PCE below regulatory response requirements which have potentially migrated to the subject property. This conclusion is reiterated by RNN Architects in its schematic drawings submitted and a memo submitted with this application.

10. 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 acquisition costs are increasing the overall project cost due to the high value of real estate in central Denver. DHA negotiated a purchase price of \$5 million for 655 Broadway, below the sales approach estimate listed in the appraisal. The acquisition costs are in line with DHA's recent LIHTC projects. DHA and its design team have carefully planned the reuse design for 655 Broadway in order to contain costs. The project includes a 10% owner contingency due to the complexity of the 655 Broadway adaptive reuse and for any additional rehabilitation needs at Studebaker.

11. 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):

- Ryan and Stella went to Studebaker's RNO
- Stella reached out to 655 RNO
- Multiple discussions with Denver Health,
- Discussions with Resident at Studebaker to get feedback

12. 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).

Studebaker is a previous LIHTC property that was placed in service and renovated in 1993. The property is in good condition and only requires light rehab as described in the Property Conditions Assessment. Tenants will not be relocated from their units for the renovation; all of the planned work can be conducted during the day while tenants are outside of their units. Tenants will be notified of the upcoming renovation. The Studebaker ownership structure was restructured in 2009 and the property will be eligible for acquisition credits relative to the 10-yr rule in late 2019.

The 655 Broadway property is a partnership with Denver Health. Denver Health needs to execute a sale on the building in 2019 and time-is-of the essence to demonstrate the LIHTC and AHTC award to move forward in this partnership.

# 4 percent PAB LIHTC application narrative



Project Name: **Thistle Scattered Site Redevelopment**

Project Address: **Multiple**

Terry Street Apartments – 1917 & 1925 Terry St., Longmont, CO 80501-1874;

Parkville Apartments – 1050 16<sup>th</sup> Ave., Longmont, CO 80501-2645;

English Village – 1348-64 S. Coffman St., Longmont, CO 80501-6864;

Laguna Place – 4480 Laguna Pl., Boulder, CO 80303-3738;

Sage Court – 2965 Valmont Rd., Boulder, CO 80301-1395

## 1. *Executive Summary*

Thistle is the largest non-profit provider of affordable housing in Boulder County and has been in business nearly 35 years. The company provides over 920 affordable homes through its owned and managed housing in both rental and for sale programs. Thistle is unique as a housing development company in that it truly provides a range of housing resources to assist families and individuals to “move up” the housing ladder.

The Thistle Scattered Site Redevelopment consists of the acquisition and rehabilitation of five properties located in the City of Boulder and the City of Longmont. The properties provide 159 affordable rental units, although none have been previously financed with Low Income Housing Tax Credits (LIHTC). The properties were built between 1961 and 1989. Significant rehabilitation and refinance of maturing debt is needed to preserve these critical affordable units for another 20-years. Thistle has analyzed the operations and capital needs of the properties and can undertake the needed rehabilitation as well as refinance the maturing debt by leveraging the five properties into one LIHTC project with an award of State Affordable Housing Tax Credits.

The proposed project's units serve very low income households. The 19 units at Sage Court provide housing for people with disabilities. Two properties are located in Qualified Census Tracts (Laguna Place and Parkville). The unit mix consists of one studio, 70 one-bedroom, and 88 two-bedroom units with 4 units at 30% AMI, 4 units at 40% AMI, 113 units at 50% AMI, and 38 units at 60% AMI. This includes the conversion of one unrestricted unit at Parkville to a 60% AMI unit. Average unit sizes are: studios – 331 sf, 1BRs – 591 sf, and 2BRs – 792 sf.

Thistle has owned these five scattered site project properties for nearly 20 years. Each community plays a critical role in the Thistle portfolio and allows Thistle to offer housing to some of the lowest income residents. In 2004, the company used the best financing resource available at that time—tax exempt bank debt—to extend the affordability of the subject properties. Unfortunately, the debt and market conditions did not allow for substantial renovation at that time, although the affordability was secured. After this extended period of ownership, Thistle seeks to enhance the living experience in the communities and enhance the portfolio performance while providing lasting stewardship in the Boulder and Longmont tight rental markets. Thistle values its residents, many of whom have lived in Thistle

communities for eight or more years. There is not likely to be any permanent displacement of residents in this project.

This application represents a truly “once in a lifetime” opportunity for Thistle at a moment when it is needed most. As the existing bond debt on the properties reaches maturity now is the time to secure long-term effective financing and investment to position the properties for the next decades.

Sage Court has conventional wood framing exteriors; Laguna, Terry Street, and English Village have brick exteriors; and Parkville has CMU and wood framing exterior components. All properties have wood assembly roofs and asphalt shingles. The properties have exterior stairways of wood, concrete, or steel construction, and English Village and Terry Street also have interior stairwells shared between four units. Sage Court has an elevator. All properties have asphalt and concrete parking with close access to units. See **Attachment 1** for further description of the structural elements and of each of the properties.

All of the properties have full kitchens with range/oven units, refrigerators, and garbage disposals. As part of the proposed rehabilitation, Thistle will install dishwashers at the properties that do not already have them (Laguna Place and Terry Street). All of the properties have either common laundry rooms or washer/dryer hookups in the units (English Village). Heating systems vary based on building, ranging from baseboard radiant heating, gas furnaces to central boiler systems. The proposed project will enable Thistle to provide air conditioning at the properties that do not already have it (Terry Street, Laguna Place, and all first floors at Parkville).

Community amenities at the properties include a swimming pool, playground, and picnic area at Parkville; a community center with activity space, dining table, and partial kitchen at Sage Court; and a picnic/barbequing area at English Village. As part of the rehabilitation of the properties, Thistle will bring all properties into compliance with the 2015 Enterprise Green Community Criteria.

Thistle has received an award of \$600,000 from the City of Longmont for the project and will apply for \$600,000 funding from the Colorado Division of Housing to further leverage the LIHTC equity and bond proceeds.

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

- a. Total Private Activity Bonds: \$24,250,000  
Construction Period: \$24,250,000  
Permanent Period: \$9,300,000
- b. Thistle is seeking a CHFA conduit bond issue with the private activity bond amount below 55% of aggregate basis. (CHFA was not able to offer a bond-financed loan for this project due to the distance between properties.)
- c. Lender TBD; anticipated private placement
- d. 100% tax-exempt

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

The Thistle Scattered Site project does not directly respond to the priorities.

*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*

The Thistle Scattered Site Project preserves deeply affordable units in Boulder County, an expensive rental market. More than 75% of the units in the project are restricted to households earning at or below 50% AMI including four units at 30% AMI and four units at 40% AMI. In addition, Sage Court provides 19 apartments for persons with disabilities and is income-restricted to 18 apartments at 60% AMI and one apartment at 50% AMI. Historically,

Sage Court residents are generally well below 50% AMI with tenant-based rental assistance paying a portion of their rent.

Thistle will commit to the maximum 25-year waiver of the extended use period for total affordability period of 40 years.

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

The Project consists of five properties in Boulder and Longmont, with one property in each city located in a QCT: Laguna Place and Parkville.

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

The five properties are located in suburban settings in the cities of Boulder and Longmont.

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

Founded in 1989, Thistle is a non-profit, affordable housing company based in Boulder with an express purpose of developing, owning, and managing affordable housing under a variety of programs and locations.

- *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 properties provide affordable housing for families, with one property (Sage Court) providing 19 units with accessible features for people with disabilities.

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

English Village, Laguna Place, Sage Court, and Terry Street are all located within a quarter-mile of a public bus stop.

- *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*

Although not currently LIHTC, the project preserves five occupied affordable housing properties for a total of 159 affordable housing units, each with varying but critical rehabilitation needs.

- *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*

Federal and State tax credits are the only feasible financing structure that allows for the needed rehabilitation. Thistle is proposing a 10% developer fee, less than the 12% maximum allowed developer fee in order to keep the State credit request as low as possible.

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

At \$850,000, the amount of annual State tax credits requested is below the median (\$900,000) requested in the 2019 Round One LOI Report. 159 units would be added to the LIHTC inventory at

an annual per unit state credit request of only \$5,346. The private activity bond amount for the project does not exceed 55% of aggregate basis.

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

*a. Market conditions:*

The Thistle Scattered Site Redevelopment will renovate 159 current affordable housing units that have experienced an average of 3.1% vacancy over the past three years.

*Boulder:*

The Boulder market study reports a capture rate of 10.6% when all existing units and units in development at 30-60% AMI are included. The capture rate for 50% AMI units is 14.4%, and the capture rate for 60% AMI units is 18.5%. The highest vacancy rate among affordable properties in the PMA is 4.8% and that is based on one vacancy at Correll Apartments that has only 21 total units. All of the six peer group properties have no more than one vacant unit, and two of those properties have no vacant units. The market study concludes that market data supports strong demand across all unit types.

*Longmont:*

The Longmont market study reports a capture rate of 16.2% when all existing units and units in development at 30-60% AMI are included. The capture rates are as follows: 1.3% for 30% AMI units; 11% for 40% AMI units; 20.1% for 50% AMI units; and 24.6% 60% AMI units. The highest vacancy rate among affordable properties in the PMA is 4.3%, and all of the vacant units in the highest vacancy property are three-bedroom units. The three Longmont properties in the Project do not contain any three-bedroom units. The remainder of the affordable properties in the PMA have vacancy rates of below 3%. The market study concludes that the Longmont properties' unit mixes of primarily one- and two-bedroom units and renovated unit finishes should ensure their leasing success.

*b. Readiness-to-proceed:*

Thistle has done extensive work to prepare for this application. It has completed extensive analysis of operations and maintenance items and funded far reaching forensic investigation analysis of the building conditions and the life and efficiencies of all major building components. Thistle has engaged three architects and three general contractors and is ready to fully contract with these partners to ensure an efficient construction process upon allocation receipt. A construction schedule will be agreed upon as part of these agreements which stages the renovation over 18 months and minimizes resident disruption.

Currently, Thistle anticipates closing the financing and commencing the rehabilitation in November 2019. Thistle, working with its financial advisor S.B. Clark Companies, published a financing solicitation in November 2018. Thistle has four strong finalists for the equity investor all who have looked closely at the proposed 5-property scattered site financing and all who understand the complexity. Thistle is currently evaluating the construction and permanent lender proposals.

*c. Overall financial feasibility and viability:*

Combining the five properties into one tax credit project optimizes the financing structure by leveraging the operations of the properties to maximize the project's debt capacity and by sharing the LIHTC and PAB costs. The proposed capital stack will provide funding to complete the rehabilitation timely and in a cost-effective manner. The Project structure has been vetted by lenders and equity investors through the financing solicitation process, and Midwest Housing Equity Group's proposal and Citi Community Capital's proposal are used for the underwriting and pricing assumptions in the application.

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

Thistle is an experienced and fully compliant affordable housing developer and has completed or participated in four LIHTC projects of recent note: Kimbark, Corwood Square, Lumine on 28<sup>th</sup> Street,

and Ledges on 29<sup>th</sup> Street, totaling 258 units. Thistle was additionally involved in the initial lease up of SPARKwest. In 2018, Thistle successfully completed on time and on budget Corwood Square, a three-property seven-building scattered site renovation and LIHTC refinance. The experience with Corwood Square lays the foundation for this State tax credit application. Thistle has never applied for or received Colorado State tax credits, yet has been able to make a variety of deals work during the last decade's very competitive environment. Thistle applies now due to the extreme obsolescence of the subject properties and the shortage of resources available, especially in Longmont, where the company operates nearly half of its rental portfolio.

Thistle manages more than 900 rented and owned housing units. More than 1,900 people currently live in Thistle rental properties and in homes bought at below-market rates through Thistle. The rental properties are either wholly owned by Thistle or in a LIHTC structure. Additionally, please see the résumés in the Development Team section for more information on other development team members working on this project.

*e. Cost reasonableness:*

Thistle has worked closely with its financial consultant, architects, and contractors to formulate this redevelopment plan. Architectural plans and engineering studies were very comprehensive in order to obtain the most accurate cost estimations. The development team believes the costs are accurate, reasonable, and necessary for the scope of the Project. By combining the properties into one scattered site LIHTC project, Thistle is able to leverage resources and utilize economies of scale to minimize costs and maximize deliverables for the benefit of residents and preservation of affordable units.

*f. Proximity to existing tax credit developments:*

There are about two dozen properties in the Boulder PMA that have LIHTC units. Of these properties, three are senior properties, five are project-based Section 8 properties, and one property has primarily three- and four-bedroom units. The remaining 16 family LIHTC communities in the PMA contain 641 LIHTC units with 574 units at 50% or 60% AMI. Two of these properties were built in 1993, Woodlands Boulder and HUB Apartments. Four properties were built in the period 2000-2009 – Foothills Community (2001), Holiday Neighborhood (2005), Vistoso (2005), and Uptown Broadway (2008). Ten family properties in the PMA were built or renovated in the period 2010-2018, including the rehabilitation of the Nest properties in 2017 and Corwood Square properties in 2018 and the new construction of Spark West in 2018.

There are 21 properties in or just outside the Longmont PMA that have LIHTC units. Of these properties, six are senior properties, one is a project-based Section 8 property, and one property has only two units. The remaining 13 family LIHTC communities in the PMA contain 373 LIHTC units. Three of these family LIHTC properties were constructed recently (2017-18) – Crisman, Centennial Park, and Copper Peak. Aspen Meadows Neighborhood was completed in 2011. The three Cloverbasin properties were built in the early-to-mid 2000's (2000-2002), and Quail Village was built in 2000. Another three properties were constructed in the mid-to-late 1990s – Coffman Court (1995), Eastglen Townhomes (1996), and Montview Meadows (1998). The remaining two family LIHTC properties were rehabilitations – The Cannery in 2004 and Kimbark Apartments in 2016.

*g. Site suitability:*

The sites for these five properties currently consist of occupied affordable housing units with strong demand, and Thistle believes this demand will rise after the necessary rehabilitation has been completed. Both of the Boulder properties are located just off of major thoroughfares and both properties are within a quarter mile of a bus stop. Laguna Place is located 0.2 mile from a Safeway grocery store, 1.1 miles from a hospital, two blocks from a public library, and less than a mile from two elementary schools and a middle school. Sage Court is located 0.4 mile from a Safeway grocery store, 0.25 mile from a Target, less than a mile from an elementary school, and 1.4 miles from a

hospital. Sage Court is also a half mile from Boulder Junction, a mixed-use, pedestrian-friendly redevelopment area that includes the RTD Depot Square which contains an underground bus station for local and regional bus lines.

In Longmont, English Village and Terry Street are located within a quarter mile of a bus stop, and Parkville is located 0.8 mile from a bus stop. English Village is within one mile of a Safeway grocery store and less than half mile from an elementary school. The City of Longmont Recreation Center is located two blocks from English Village. Parkville is positioned 0.3 mile from a King Soopers grocery store, less than a mile from a Walmart, and 0.2 mile from an elementary school. Terry Street is located less than a mile away from a King Soopers grocery store, one mile away from a hospital, within 0.5 mile of two elementary schools and a middle school, and one mile from a high school. Parkville and Terry Street are less than a mile walk from Carr Park, Garden Acres Park, and Lanyon Park, while residents of English Village are within a mile of Kanemoto Park, Affolter Park and Left Hand Creek Park.

6. *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):*

Not Applicable.

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

The market analyst notes the lack of in-unit washers and dryers and second bathrooms in the two-bedroom units as weaknesses in the Project. However, the market analyst concludes that the properties' locations, rents, and planned renovations will position them for success. These specific "deficiencies" are not able to be "added" without major building redevelopment, beyond the scope of this project.

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

A Phase I Environmental Site Assessment for each site was conducted by Dominion Due Diligence Group on December 11, 2018. No Recognized Environmental Conditions (RECs) or Controlled Recognized Environmental Conditions (CRECs) were reported. Four of the five properties were constructed in or before 1978, and as such the Phase I preparer recommended managing any Asbestos Containing Materials (ACM) or Lead Based Paint (LBP) under an Operations and Maintenance Program. Dominion also recommended asbestos inspections for Terry Street and Parkville.

Thistle already has an ACM and LBP test report for Laguna and took further due diligence measures by having English Village tested for asbestos. An asbestos inspection was performed at Terry Street and English Village on October 23, 2018, and samples of interior building materials were tested. The report found ACMs in the walls and ceilings at both properties and recommended that Thistle use a licensed abatement contractor to remove any ACMs that will be impacted during renovation. An asbestos inspection was performed at Parkville on December 13, 2018 and ACMs were found in all kitchen sinks, and one unit had ACM in the bathroom drywall texture and linoleum flooring. Asbestos will be removed by a licensed abatement contractor for any ACMs that will be impacted during renovation. An asbestos inspection was performed at Laguna on September 2, 1996, and samples of interior and exterior building materials were tested. The report found ACMs in the drywall and flooring and LBP on the exterior and recommended a licensed abatement contractor to remove any hazardous material that will be impacted during renovations. The



proposed rehabilitation budget includes funds for any ACM abatement determined to be necessary during the rehabilitation of these properties.

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:*

The four oldest properties have significant rehabilitation needs due to ages ranging from 1961 to 1978, or 41 to 58 years old. These four properties have not undergone comprehensive rehabilitations since Thistle acquisition (Laguna – 1996, Terry Street – 1997, Parkville –1999 and English Village – 2000). Sage Court was re-sided in 2013, and in 2015 an interior cosmetic rehabilitation was completed with select mechanical improvements. The Longmont properties do not have fire sprinkler systems, which will be installed in the proposed rehabilitation. Securing Federal and State tax credit equity will allow for a level of rehabilitation that positions the properties to provide high-quality affordable housing for the next 20+ years.

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):*

Incorporated in 1985, Thistle has worked in Boulder County for 30 years and actively seeks resident and community input for their developments. Thistle will continue to work with current residents to ensure their input is heard and that the renovations are completed with the utmost care and minimum disturbance. All three contractors have experience working on LIHTC projects with residents living on-site. The contractors have an excellent understanding of the care, consideration and strong communication required to minimize resident disruption and be attentive to their unique needs.

Public Hearings were formally noticed and held in both Boulder and Longmont with no community attendance. The Longmont City Council has approved \$600,000 in new funding for the Project. The City of Boulder has previously contributed nearly \$1.5 million to benefit Sage Court and Laguna Place. The City of Longmont has previously provided almost \$900,000 to benefit Parkville, Terry Street, and English Village. Both cities will waive County Sales Use tax on the proposed rehabilitation.

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).*

Thistle's proposed rehabilitation schedule keeps both contractor and relocation costs at a minimum. The rehabilitation will be staggered with all properties rehabilitated over a period of 18 months. Existing residents at the properties will be able to remain stably housed while the units are renovated and return to their communities after the rehabilitation. A tenant temporary relocation plan is included in the application. The properties have been continuously owned by a Thistle entity for more than 10 years. Please see the 10 Year Rule Opinion attached to this application for more information.

Dominion Due Diligence Group conducted Capital Needs Assessments each property. Utilizing such, additional test reports, and its maintenance staff's knowledge, Thistle's worked with architects, engineers and contractors to determine each property's scope of work to address the most critical needs. Properties will receive substantial upgrades for resident safety and living, including fire sprinkler system installation, HVAC systems, programmable thermostats, new lock and key systems, security cameras, critical exterior lighting, and structural walkways, ramps, and stairways. In

addition, various properties will receive kitchen and bathroom remodels including dishwashers, fixture and flooring replacements, new electrical panels, bike racks, and building envelope repairs.

Thistle has carefully assessed the scope of work for all five properties and is unable to determine what to delete from the scope, should state credits not be awarded. The entire scope of work for each property is either required per the CNA (necessary capital replacement or repair), the building department (required additions per building or energy codes), or by CHFA (green community requirements, dishwashers, a/c) or to address ongoing property issues. Fire sprinkler installation at all Longmont properties is essential for tenant safety and risk management. Security cameras, keytrack systems and medeco locks are not a requirement, but are a high priority since they contribute to resident safety, and only represent a small fraction of the dollars that the state credit affords the properties. Please see the attached Scope of Work for each of the properties **(Attachment 3)**.

# 4 percent PAB LIHTC application narrative



**Project Name:** Town View Senior Community

**Project Address:** 1660 Grove Street, Denver, CO 80204

## **Executive Summary:**

**Project Description:** Rocky Mountain Communities (RMC) is pursuing a 4% Federal LIHTC and State AHTC allocation to fund a new 90-unit senior community near the southwest corner of the 17<sup>th</sup> Avenue and Federal Boulevard intersection just west of downtown Denver. Town View Senior Community (the Project) will provide safe, community-centric, affordable housing for seniors in a four-story building featuring free covered parking and a green courtyard with a water feature. Each floor will have cozy nooks (described as “nodes”) furnished with couches, seats and bookshelves to encourage a community feeling within the Project, as well as shared rooms on the main floor for activities and services. Located on central bus lines, and with 50 parking spots, the Project is within 1.5 miles of grocery stores and substantial retail. The Project will partially redevelop a long-standing hub of senior affordable housing, the 122-unit, five acre Town View Affordable Housing Community, but in a greater amount and higher density, within the larger West Colfax neighborhood that is currently undergoing significant redevelopment and gentrification. RMC’s ultimate long-term goal for the entire Town View site is to establish a permanent neighborhood of affordable mixed income multi-family housing to counter the intensive gentrification that continues to sweep through the Sloan’s Lake Neighborhood in West Denver. Through a multi-year process of phased redevelopment, it is RMC’s intent to replace the existing 122 apartments with 300 to 400 new one-, two-, three -, and four-bedroom apartments that will have a range of AMI’s from 30% to 60%. It is expected that, within approximately eight years, the overall neighborhood will have lost a significant amount of its affordable and attainable market-rate housing to raising rents and redevelopment. It is critical for this project to receive funding as soon as possible to begin the process of creating a greater affordable housing density at the Town View site to stabilize the affordability of the neighborhood.

**Construction Type:** The Project is anticipated to be a four-story Glulam wood construction building with common areas, structured parking, and four units on the first level and 86 units on levels two, three and four. The building forms a courtyard with building entrances to the north and west. Parking is entered from the south off the alley. The building form is roughly rectangular with adjustments to accommodate existing mature trees and to move the

construction fully outside of the flood plain. Residential units will be cooled using PTHP units in conjunction with electric baseboard heat. Ventilation will be achieved with continuous bathroom and kitchen exhaust fans, as well as operable windows. Currently, two 50-year old apartment buildings occupy the site. These buildings will be demolished, and the residents will be relocated in accordance with appropriate regulations.

**Population:** The Project will serve a senior population and pays particularly close attention to seniors needing two-bedroom units, a population who are currently underserved in west Denver. Seniors at 30% of AMI, 40% of AMI, 50% of AMI and 60% of AMI will be served at this location.

**Bedroom Mix:** The bedroom mix for this Project is anticipated to be 27 one-bedroom units and 63 two-bedroom units. All units will have one bathroom. The bedroom mix is weighted towards two-bedroom units to respond to a lack of two-bedroom senior units currently available in the area.

**Location:** Located near 17<sup>th</sup> and Federal and near the entrance to Mile High Stadium, this Project is easily accessible to bus lines to downtown Denver and West Colfax, Sloan's Lake, and Lakewood with no transfers. Major retail and community amenities are readily accessible in this neighborhood, as are healthcare and services. More retail and community amenities are expected to be developed within walking distance as surrounding neighborhood redevelopment continues.

**Amenities:** The units will feature full kitchens, vinyl plank flooring, generous closet space and balconies in the majority of the units. Secure, structured parking (50 spots) will be offered to residents at no cost. While there is a lower unit-to-parking spot ratio, street parking is easy to find, and the location of the Project with proximity to many services and retail locations makes it ideal for residents who do not drive. The Project will also feature a community room, entertainment kitchen, dining area, and media area, dining/conference room, as well as storage units for residents who are downsizing. Outdoor amenities, created by the building shape providing a semi-private courtyard area, include a patio with seating, raised garden beds, and a dog run. The fourth floor will have a rooftop deck. Each floor will have laundry facilities, including oversized washers and dryers.

**Services:** A resident services Community Activity Director will be on-site at the Project to provide daily programming, including a social events calendar and wellness events. Examples of these events are game nights, socials, potlucks, wellness education, yoga instruction, and navigation of the healthcare and insurance system. The Resident Services Manager will be on site from 8 a.m. to 5 p.m. most days. Please see the Resident Services attachment for more details.

**Energy Efficiency:** The Project will meet all CHFA's required Enterprise Green Community standards. Notably, the project will provide highly-efficient PTHP heating/cooling units. A centralized boiler will provide all hot water, paid for by the owner and reducing utility costs for individual households. The project is participating in the Xcel Design Assist program. Based on the energy conservation design, the unit electrical costs are expected to range from \$40 to \$55 per month for the 1-BR units and \$65 - \$75 per month for the 2-BR units.

**Financing:** In addition to the equity provided by the Federal and State LIHTC/AHTC, the Project anticipates \$1,350,000 from the Office of Economic Development and \$900,000 from the Colorado Department of Housing. RMC will be bridging construction with a maximum \$1,300,000 loan to the Project. The Project will use a construction and permanent lending structure using a combination of tax-exempt and taxable private activity bonds comprising a first mortgage with an advantaged second mortgage.

## **2. Describe the bond financing structure:**

**Total amount of bonds with a breakout of construction period bonds vs. permanent bonds:** Total bond issue size of approximately \$18,350,000, short-term bonds of \$10,390,000 and permanent long-term bonds of \$7,960,000

**Bond issuer:** CHFA

**Lender and bond sale structure:** In this application, CHFA is listed as the construction and permanent lender using its CHFA4U risk-share product. With this lending product, the bonds will be offered in a public sale.

**Portion of bonds that will be tax-exempt and taxable:** The tax-exempt bonds will be approximately \$5,000,000 short term and long-term of \$7,610,000; the taxable bonds will be approximately \$5,000,000 short-term and \$350,000 long-term (HOF).

**3. Identify which, if any of the priorities in Section 2 of the Qualified Allocation Plan (QAP) serve Homeless Persons, serve persons with special needs, or in Counties with populations less than 175,000:** The Project does not serve any of the priorities from this section.

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

- **Support rental housing projects serving the lowest income tenants for the longest period of time:** The Project will serve low income tenants for the full tax credit compliance period plus the maximum Extended Use Period.
- **Support projects in a QCT, the development of which contributes to a concerted community revitalization plan:** The Project is located in a QCT. The Denver West Colfax Community Plan specifically calls for “Diverse Housing Options” including low-income and affordable housing.
- **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit:** RMC is a local non-profit that invests in resident-focused affordable housing solutions across Colorado.
- **To distribute housing credits to assist a diversity of populations in need of affordable housing:** Seniors in this rapidly-gentrifying part of Denver are in need of affordable housing, especially two-bedroom units, which the Project will provide.
- **To provide opportunities for affordable housing within a half-mile walk distance of public transportation:** The project’s location and proximity to transit makes it very easy for future residents to access many parts of the Denver Metro area. The site is about ½ mile from the Decatur-Federal transit center, from which residents will be able to connect to all other

areas served by the RTD light rail system, including downtown and central Denver, south Denver and the south metro communities, Aurora, Westminster and other north metro communities. Rocky Mountain Communities, Inc. (RMC) has been working to include the site redevelopment within the revitalization efforts surrounding the Decatur-Federal transit center. There are bus stops for bus routes 20 and 31 within a half block of the Project (one of them being just outside the entrance of the Project). Route 20 travels mostly along 20<sup>th</sup> Avenue, ranging from the Anschutz campus in east Denver/Aurora to the outskirts of Golden, with stops at the Denver Zoo and the Denver Museum of Nature and Science, Presbyterian and St. Joseph's Hospitals, and Sloan's Lake. Route 31 runs up and down Federal with stops at Lowell to the north and Evans to the south. Bus route 16 has a stop within 3 blocks of the Project. Route 16 travels the west Colfax corridor from downtown to Golden, with stops at the Centura Senior Life Center, the Denver West Colorado Mills Mall and Light Rail on either end of town.

- **To support new construction of affordable rental housing projects:** The Project will include demolishing two outdated buildings and creating newly constructed units in their place with a higher per-unit density of housing than was provided historically.
- **To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project:** The Project is utilizing all other available financing sources to meet its capitalization needs and is utilizing a reasonable design and average development costs. The requested amount of State LIHTC is required to generate sufficient equity to complete the Project's capitalization and support financial feasibility.
- **To reserve credits for as many rental housing units as possible: 5. Describe how the project meets the criteria for approval in Section 2 of the QAP:**
  - **Market conditions:** The current capture rates are low for this Project, ranging from 2.1% for the 30% AMI units to 14.6% for the 50% AMI units. The unit mix is tailored to the current market demand situation. Once the Project units are brought onto the market, the overall capture rate will increase from 8.3% to 13.3%. The capture rates within each AMI band are within CHFA guidelines. Existing senior LIHTC properties in the Primary Market Area (PMA) are at capacity with waitlists. The area is in need of these senior units at this unit mix.
  - **Readiness-to-proceed:** RMC owns the land on which the Project will be constructed and has already secured the appropriate zoning for the proposed Project. The project elements needed to ensure a rapid project closing is on track.
  - **Overall financial feasibility and viability:** The elements composing the Project financing, including construction and development costs, LIHTC annual credits and equity pricing, soft funding, unit mix and rent structure, and rates and terms for construction and permanent financing are tied to reasonable, average underwriting assumptions based on other recent LIHTC projects in the Denver market, and according to what investors, lenders, and funders have indicated each is able to fund. Together, the Project has a viable financial structure.
  - **Experience and track record of the development and management team:** RMC has been developing and managing affordable housing for the past 25 years. RMC has teamed up with I-Kota for preconstruction services, and Shopworks as architect, both firms having significant experience in affordable housing development in Denver.

- **Cost reasonableness:** Project costs are derived from the recent experiences of I-Kota as the general contractor, RMC's Arroyo Village development, and S.B. Clark Companies' experience on other recent Denver and non-Denver developments, and is reasonable for the structure type, the inclusion of structured parking, and the Denver construction market. The documents provided by Shopworks as part of the LIHTC application are to the level of 100% Conceptual Design. As part of the conceptual design process we have designed the building form, appearance and configuration that conforms with the planning and zoning requirements of the City of Denver as well as all applicable building codes. In addition, the project team has identified unknown risks and challenges to the project and incorporated them into the project budget. This process included extensive coordination with the City of Denver to identify off site risk including right of way design, tree protection and flood plain requirements. With assistance from HKS Engineering, the required scope of work has been identified in the drawings and coordinated with the general contractor to allow the proposed project budget to include all work required to construct the building.
- **Proximity to existing tax credit developments:** There are two other senior tax credit properties in the PMA: Vida at Sloan's Lake and Denver Metro Village. Vida will have deeply discounted rents using Housing Authority of the City and County of Denver subsidized housing programs. Denver Metro Village, if awarded, will be partially restricted at 80% AMI and the rest will be Project Based Section 8 units. These two developments are therefore not competitive with the Project.
- **Site suitability:** The site is suitably zoned and is, most importantly, located in a neighborhood that is perfect for seniors. It is very close to a large number of amenities and public transport options, and it is in a walkable area that is expected to become more walkable as development continues in this neighborhood. Healthcare options and senior resources are also easily accessible from the site.

**6. Justification for waiver of any underwriting criteria:** None requested.

**7. Address any issues raised by the market analyst in the market study:** The market study notes the reduced number of structured parking spaces compared to number of units and goes on to indicate that the issue is addressed by fewer residents having cars and the wide availability of street parking. Additionally, the market study indicates that walkability is limited until imminent future neighborhood redevelopment occurs and brings additional nearby amenities within walking distance.

**8. Address any issues raised in the environmental report(s):** The Phase I Environmental Report indicates no presence of Recognized Environmental Conditions (RECs).

**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:** Project costs are reduced by use of Glulam woodframe structure and somewhat increased by the need to include some structured parking and accommodating the existing mature site tree, as required by the City. As described above, comprehensive coordination with City requirements early in the design and development process ensures that early-stage pricing is accurate and reasonable, reducing the risk of significant construction cost changes.

**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):** RMC met with both Colorado Division of Housing and City of Denver Office of Economic Development staff to introduce the project and receive feedback about the ability of these two agencies to provide financial support. Both have offered letters of intent or support for their agreement that this project aligns with each entity's funding criteria. Although the Town View Senior Community is zoned correctly for the proposed Project, RMC is working with the local registered neighborhood organization as it works to create a neighborhood-based planning process for the Town View site as a whole (called the "Townview Mini Plan;" please see attachment for more details. Over time, RMC has built community support by consistently engaging and collaborating with the local registered neighborhood organizations: the Sloans' Lake Citizen's Group, the West Colfax Business Improvement District, and the West Colfax Neighborhood (WeCN). RMC met with each group three to five times in order to understand each group's concerns and ensuring that the Townview Mini Plan finds solutions to those concerns. This dialogue has created a deeper understanding between RMC and each group and has generated trust, and overall the process has gone smoothly. Through the Townview Mini Plan process, RMC is able to craft its vision for the site in a way that creates opportunities for growth, recreation, and programs that best serve the neighborhood.

**Additional Documentation (Attachments):**

- **Letters of Support**
- **Amenities**
- **Gentrification and Infill Development**
- **Resident Relocation**
- **Resident Services**
- **Arroyo Village Occupancy**



# 4 percent PAB LIHTC application narrative



## Traditions at Lafayette LIHTC Narrative

### Executive Summary

The Traditions at Lafayette Senior Apartments project (“Traditions at Lafayette”) is proposed new construction of a 133-unit age-restricted apartment community located at the northeast corner of Exempla Circle and S. 112<sup>th</sup> Street in Lafayette, Boulder County, Colorado. The 3.36-acre project site is undeveloped, but surrounding by existing commercial, medical and multifamily residential development. The project site is very well located for the intended use as affordable senior apartments with significant medical services available in the Good Samaritan Medical Center immediately south of the site. Public transportation is available at the public street in front of the site. Other neighborhood amenities include access to the regional trail system abutting the site on the east and south boundaries. Everyday shopping needs can be met at the Summit Market Place within 2.5 miles (including grocery and pharmacy).

Traditions at Lafayette will offer a mix of 4 studio units, 67 one-bedroom units, and 62 two-bedroom units. The community will serve seniors aged 62 or older with incomes at or below 60% of the local area median income. Every apartment home will include a fully equipped kitchen, individual HVAC, full size washer and dryer, plush carpeting in living areas, wood-plank style vinyl in kitchen and baths, laminate countertops, and ample storage throughout.

The site accommodates 133 units within one four-story building with parking provided in surface stalls. Type V wood-framed construction is planned with exterior finishes to include board and batten style siding, complemented by energy-efficient vinyl windows and a pitched roof covered with composite shingles. A prominent entry will be featured along the S. 112<sup>th</sup> Street frontage, offering a covered drop off porte-cochere. A drive aisle will wrap the building, providing easy entry and short walking distances from most parking spots to any access-controlled building entry.

Common area amenities offered within the building will include a resident lounge, Internet café, movie theater, craft room, game room and fitness center.

Energy efficiency standards will be met or exceeded, including utilization of low flow faucets, high efficiency rated insulation, intermediate roof trusses and insulation, .30 U factor windows, Energy Star appliances, and recycled content carpet and pad. The sustainable building directives of the Enterprise Green Communities will be followed as noted in detail in this Application.

## **Bond Financing Structure**

Traditions at Lafayette will be financed with private activity bonds issued by CHFA. The bonds will be purchased by Citi Community Capital during both the construction and permanent phase. Permanent tax-exempt bonds in the amount of \$17.0 million is requested, along with \$4.5 million of tax-exempt construction period bonds (a portion of which may be re-cycled bond cap if desired by CHFA). The City of Lafayette has committed to funding \$323,000 in the form of fee waivers and PILOT waivers. Boston Capital has provided an LOI for Federal LIHTC purchase while Sugar Creek Capital has provided the same for State LIHTC purchase. Finally, the Boulder County Housing Authority has committed to a partnership for property tax exemption, further securing project feasibility.

## **QAP Guiding Principals Met**

- Traditions at Lafayette site is located in a QCT
- Traditions at Lafayette is located in Boulder County, an area that has experience significant AMI and rent increases since 2016.
- Traditions at Lafayette is located within 0.25 miles walking distance to the nearest bus stop
- Traditions at Lafayette is the only senior apartment community of substantial size in existence in the City of Lafayette providing a significant number of units set-aside at 60% of AMI (a total of just 20 units at 60% of AMI exist today within Lafayette, and a total of only 173 more exist in the Primary Market Area)
- Traditions at Lafayette is sponsored by a for-profit developer, with strong support and collaboration from the City of Lafayette and the Boulder County Housing Authority
- Traditions at Lafayette provides housing for elderly households age 62+
- Traditions at Lafayette is new construction
- Traditions at Lafayette is an efficient design utilizing the site to its maximum potential to create 133 rental housing units as efficiently as possible with LIHTC resources

## **Criteria for Approval Met**

- Market conditions – as indicated in the provided Market Study, there are 932 income-qualified seniors in the primary market area, that number increasing to 1,165 when counting in-migration. This translates to a very low capture rate in the primary market area of 16.6%.
- Readiness to proceed – A PUD Amendment, Rezone, Special Use Review, and Site Plan/Architectural review were approved by the City of Lafayette on January 3, 2019. Full

building permit submittal will be made 3/15/19, and building permits will be available in August 2019. The partnership with the Boulder County Housing Authority has been introduced by Staff to the Board of Commissioners, with approval of a resolution expected in March 2019. The City of Lafayette has waived fees and PILOTs totaling \$323,000. Citi Community Capital has been engaged and is enthusiastic to provide construction and permanent debt for the project. Boston Capital has underwriting the Federal LIHTC purchase while Sugar Creek Capital has underwritten the State LIHTC purchase.

- Experience of Development & Management Team – As detailed in the Application, the Development Team has substantial experience in several western States with bond/4% tax credit development. Additionally, the team has substantial multifamily development experience, including several types of multifamily products constructed both for third parties and for our own account. That 30-year track record has resulted in principals with a strong reputation in the affordable housing finance industry and resulted in significant financial strength for the Developer. The development team has closed seven bond/tax credit deals in Colorado, including Copper Creek, Copper Range and Traditions at Colorado Springs, Copper Steppe in Douglas County, Copper Peak in Longmont, Traditions at Englewood, and Copper Stone in Lafayette (adjacent to the Traditions at Lafayette site). Finally, the development team includes local Denver area civil engineers and will include a majority of subcontractors for construction from the Denver Metropolitan Area.
- Project Costs – As a developer of several types of multifamily housing, the Developer is well-versed in developing and constructing a high-quality, durable rental housing product at an efficient cost. The specific construction type (interior corridor, wood-frame, elevator-serviced building) is a design and construction type the team has built numerous times; including many market rate senior products.
- Proximity to Existing Tax Credit Projects – The nearest affordable housing community to Traditions at Lafayette is Copper Stone Apartments, immediately adjacent to the northeast. Copper Stone offers 260 units affordable at 60% of AMI in a mix and amenities appropriate for families and is developed and owned by the Project sponsor of Traditions at Lafayette. There is only one affordable senior comparable within the City of Lafayette, Josephine Commons, developed and operating by the Boulder County Housing Authority. Josephine Commons offers 74 LIHTC units, with 15 at 30% AMI, 21 at 40% AMI, 18 and 50% AMI, and just 20 at 60% AMI. The remaining affordable senior housing comparables in the Primary Market area are located in Louisville, Broomfield and Boulder, offering approximately half of the 372 units at 60% AMI while the other half are at 50% AMI or below. The market study provides a complete detail of other LIHTC properties in the primary market area, and notes that no other new construction of age-restricted LIHTC housing is planned.
- Site Suitability – As indicated herein, Traditions at Lafayette is very well located for the intended use as affordable senior apartments with many neighborhood amenities and conveniences within easy travel distance. Significant medical services are available in the Good Samaritan Medical Center immediately south of the site. Public transportation is available at the public street in front of the site. Other neighborhood amenities include access to the regional trail system abutting the site on the east and south boundaries. Finally, everyday shopping needs can be met at the Summit Market Place within 2.5 miles (including grocery and pharmacy).

## **Outreach to the Community**

A neighborhood meeting was held as a requirement Land Use Entitlement process. The meeting was held on Tuesday evening, 10/2/18 and just one member of the public attended (Manager of the Prana market rate apartments nearby). She was most curious about the units being proposed and how they might impact the market. Upon hearing that the Traditions at Lafayette would be both affordable to households earning 60% or less of Area Median Income, and further restricted to households aged 62 or older, any concerns relative to competitiveness or localized over-building were eliminated. She was generally supportive of our plans and had positive things to say about the working relationship with the Sponsor's property under construction, Copper Stone.

Two additional public hearing were held for the Land Use Entitlement process, one in front of the Planning Commission and one in front of City Council for final action. The City of Lafayette was very supportive of all components of the Land Use actions, unanimously approving each of the issues before them to entitle Traditions at Lafayette.

One final public hearing was held on Wednesday evening, 1/30/19 as a requirement of the proposed State LIHTC financing. No members of the public participated or commented in this public meeting.

Finally, significant outreach to the partners in Traditions at Lafayette occurred, including numerous meetings and/or phone conversations with Boulder County Housing Authority and City of Lafayette, who are both excited to cooperate to add affordable senior apartment units to the Lafayette market area.