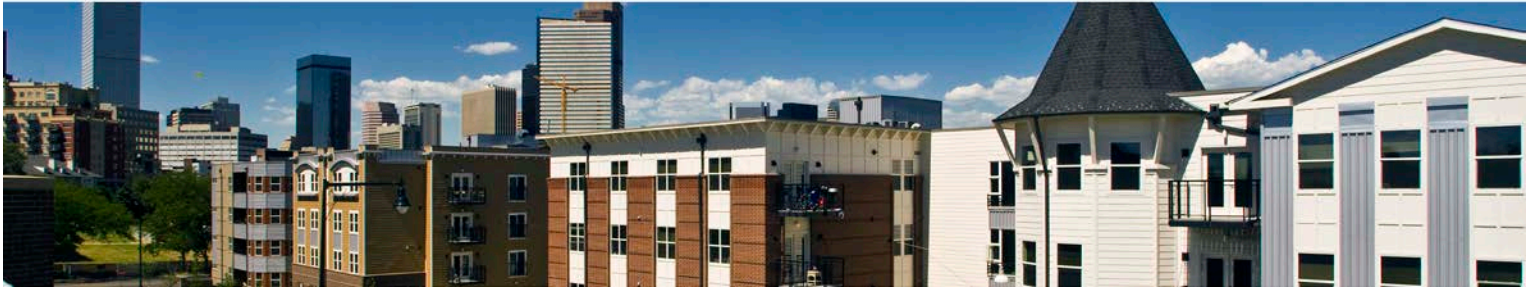


# 9% lihtc application narrative



Project Name: Collegiate Commons

Project Address: SEC Pine and Utah Streets  
Buena Vista, CO 81211

## The Narrative

### **Characteristics of Collegiate Commons & Why It Should Be Awarded Tax Credits**

Collegiate Commons is an excellent candidate for funding based upon the severe and persistent shortage of affordable housing located in Buena Vista, and Chaffee County in general. The town, county, and employers feel that lack of affordable housing options is so great that the economy and growth in the area are being negatively affected by the shortage. At a meeting with the Town of Buena Vista, we were informed that there is such a housing shortage of temporary housing that residents are forced to sleep in tents and campers. This is evidenced by the fact that the current Town vacancy rate is well below 2%. Urban, Inc. was sought out specifically by the director of Chaffee County Economic Development Council (“CCEDC”) due to its history of successful development and management of affordable housing projects in Buena Vista and throughout Colorado. Urban, Inc. is very fortunate to be able to work with a Town whose leaders and employers display unwavering commitment to the support and success of their community, including monetary contributions, in order to alleviate the shortage of affordable housing. The Town of Buena Vista is donating half a million dollars in land that is one of their prime pieces of land in the center of town. Collegiate Commons will utilize several sources of funds to make this project feasible and alleviate the severe housing shortage in Buena Vista.

### **Project’s Strengths**

- This project is the result of a tremendous need for affordable housing in Chaffee County as illustrated from the overwhelming support from the Town of Buena Vista, Chaffee County, Chaffee Housing Trust, Council of Governments, and CCEDC. All sources surveyed feel that this project will allow for community growth that has been suppressed by a severe shortage in affordable workforce housing which is hurting Chaffee County’s and Buena Vista’s ability to attract and retain employees.

- CCEDC is supporting the project by donating \$25,000 towards construction and the Town of Buena Vista is working with the Developer to reduce and waive various development fees, along with donating the ground, valued at \$500,000.
- Urban, Inc. is a strong developer and manager of affordable housing over the last 43 years and as a result was selected for this project by CCEDC, and worked with the City for the last two years to develop this project.
- The project will provide safe and affordable housing to the employees and residents of Buena Vista, Colorado.
- The vacancy rate of Buena Vista is less than 2%. Average monthly rental is \$824.00.
- Median earnings for Buena Vista is \$29,050. The average wages are under \$12.50 per hour.
- 24% of Buena Vista renters earn between \$25,000 and \$34,999 per year.
- 88% of Buena Vista and Chaffee employers think that housing is a problem. Collegiate Commons will allow the Town to have the local work force live where they work.
- 40% of residents of Buena Vista pay 35% or more of their income towards housing.
- The property is located in central Buena Vista within walking distance of shops, restaurants and transportation lines, and within 3-4 blocks of elementary, middle and high schools.
- The property rents are below the market rents for Buena Vista.
- Current primary overall capture rates are 6.0%.
- The PMA, which is gaining 56 renter households prior to opening the project, does not have any other project in the development pipeline. CHFA has not funded a tax credit project in Chaffee County for over 12 years.
- Completion of these units may cause the PMA's rental vacancy rate to increase from 1.7% to 3.6% over the next two years but remain well below the 5.0% vacancy rate.
- The prospect's in units features and project amenities will all be superior to the vast majority of surveyed market area apartments.

### **Project Weaknesses**

- None

### **Description of the Project**

#### ***Type of Construction***

Collegiate Commons will consist of two, three-story wood frame, exterior access, walk-up garden style apartment buildings. It will utilize post tension slab foundations with three story wood framing (Type 5a code compliant) and 1hr fire separations between all units as required by code. Each unit will have a dedicated furnace and air conditioning unit and will be

separately metered for gas and electric. Each unit will have a living room, kitchen with adjacent dining space, bedrooms with ample closet space, and one or two bathrooms depending on unit selection. The square footage ranges from 639 to 736 for a one-bedroom unit, 817 to 941 for a two-bedroom unit, and 1105 for a three-bedroom unit.

**Population Served**

Collegiate Commons has been developed to meet the needs of individuals and families with incomes falling within the range of 30%-60% AMI. In Buena Vista, this income range encompasses a wide variety of wage earners including those in grocery and hospitality, public administration, healthcare and social workers, retail, construction, entertainment, food services, transportation, warehousing, and many other categories identified as low wage earners by the Buena Vista Town Administrator. Generally speaking, salaries for these positions range from minimum wage to eighteen dollars per hour. By targeting the 30%, 40% and 60% AMI levels, we are specifically filling an unmet need as there are no other properties serving these tenants.

**Bedroom Mix**

Collegiate Commons will consist of 48 units within two buildings. The units will be rented at the 30%, 40% and 60% AMI levels. The 60% AMI units will actually be rented at the 50% and 55% rent levels. Please see chart below.

	<b>30%</b>	<b>40%</b>	<b>60%</b>	<b>Total</b>
1 Bedroom	1	1	16	<b>18</b>
2 Bedroom	1	1	22	<b>24</b>
3 Bedroom	1	1	4	<b>6</b>
<b>Total</b>	<b>3</b>	<b>3</b>	<b>42</b>	<b>48</b>

**Location**

Collegiate Commons will be constructed on 3.1-acres of a highly desirable 4.16-acre lot located in central Buena Vista within Chaffee County. The proposed site is two blocks from the town’s main street, South Main (new, upscale housing and commercial district) and elementary school, and 0.4 walking miles to the town high school. The site is zoned for “B-1 OT” which specifically allows for multi-family construction. The site is within walking distance of virtually all services.

**Amenities & Services**

Collegiate Commons will feature modern facilities, in-unit washer and dryer, exercise room, business center, computer lab, basketball court, tot-lot, ample parking, attractive landscape

design, multiple unit variations, private patios/balconies, Energy-Star rated appliances, air conditioning/heating, and a host of other amenities to ensure a comfortable and attractive home. The property has also been designed to feature premium mountain views from nearly every unit.

The Upper Arkansas Workforce Development is a local organization in Chaffee County that offers training programs. Wendell Pryor is on the Board of Directors. Their services will be available to Collegiate Commons tenants, including the 30% AMI residents.

***Energy Efficiencies***

Collegiate Commons will be built to Enterprise Green standards which provide a framework for constructing energy efficient buildings. Some of these efficiencies include certification under ENERGY STAR New Homes, proper sizing of heating and cooling equipment, installing ENERGY STAR rated washers, dishwashers, and refrigerators, installing energy efficient interior and exterior lighting, and installing individual electric meters in all dwelling units to promote energy conservation.

***Type of Financing & Subsidies***

The project will be financed with a construction and permanent loan provided by Wells Fargo Bank. In addition, Wells Fargo Bank will be the tax credit investor for the project. Additional soft funds are anticipated from the Town of Buena Vista, the CCEDC and Colorado Department of Local Affairs - Division of Housing (“DOLA – Division of Housing”). Urban, Inc. will also defer a portion of its developer fee. Please see the chart below for the construction and permanent sources and terms.

**Construction Sources**

Construction Loan	\$7,740,000	3.68% UW Rate	24 Months	Wells Fargo
Tax Credit Equity	\$1,942,827	1.02		Wells Fargo
Waived Tap Fees	\$64,918			Town of Buena Vista
Donated Land	\$500,000			Town of Buena Vista
Donated Materials	\$25,000			CCEDC
DOLA - Division of Housing	\$240,000			DOLA - Division of Housing
Deferred Costs	\$1,264,490			Urban, Inc.
<b>Total</b>	<b>\$11,777,235</b>			

### Permanent Sources

Permanent Loan	\$1,096,000	5.40% 1.30 dsc	18/30 Yr.	Wells Fargo
Tax Credit Equity	\$9,714,135	1.02		Wells Fargo
Waived Tap Fees	\$64,918			Town of Buena Vista
Donated Land	\$500,000			Town of Buena Vista
Donated Materials	\$25,000			CCEDC
DOLA - Division of Housing	\$240,000			DOLA - Division of Housing
DDF Note	\$137,182			Urban, Inc.
<b>Total</b>	<b>\$11,777,235</b>			

### **Additional Items the Narrative Should Address**

#### **1. Guiding Principles in Section 2 of the QAP – Project Meets and Why**

Collegiate Commons supports and integrates CHFA’s Guiding Principles by implementing as many of the concepts for quality affordable housing as possible. The following details represent the developer’s commitment to successfully constructing and managing Collegiate Commons within the framework established by the Guiding Principles.

Collegiate Commons will offer units to individuals and families with incomes falling within the range of 30%-60% AMI. The community will maintain occupancy restrictions for the mandatory 15-year period as well as waiving rights to terminate the extended use period for an additional 20 years.

The development will be the sole affordable housing community located in Buena Vista, Colorado. Only two other affordable housing properties exist in the entire boundary of Chaffee County. The first is located in Salida and offers housing to low-income seniors. The second is located in Poncha Springs. Both properties are fully leased and utilize wait lists.

Urban, Inc., a for-profit company, has been heavily involved in the construction and management of affordable housing since 1974. Its extensive background in low income housing will help ensure the successful completion and operation of the Collegiate Commons development.

Housing credits awarded to the Collegiate Commons project will allow for the construction of a 48 unit 100% affordable housing option where none currently exists. Not only will residents benefit from the addition of affordable housing, but the developer also intends to use local labor, supplies, and businesses when possible generating an infusion of investment dollars into the local economy.

The town of Buena Vista does not currently offer bus, rail or light rail services. Two options exist for those in need of third party transportation. Chaffee County Shuttle and Neighbor to Neighbor Inc. offer public transportation Monday through Friday from 8:00 a.m. to 3:00 p.m. Chaffee County Shuttle offers door to door service at no charge. Additionally, nearly all town amenities are less than one mile away, with most being located under one-half mile from the proposed site.

Extensive research has been invested into the planning of the development to create a conservative, but viable construction and operations budget. Current modeling produces a strong assurance of successful project completion as well as financial stability throughout the term of the compliance period.

## **2. Identify which Housing Priority in Section 2 of the QAP – Project Qualifications**

According to the 2014 United States Census Bureau, Chaffee County contains 18,363 residents. Estimated population for 2016 is 18,604 according to Nielsen Clarita, Ribbon Demographics. CHFA considers counties with fewer than 175,000 residents to be a housing priority due to the unique challenges of development for smaller communities.

## **3. Criteria for Approval in Section 2 of the QAP**

### **a. Market Conditions**

Of the PMA's 67 existing family LIHTC units, 61 are 40% and 50% AMI units. The subject's proposed 60% AMI units will fill a void and address the need for households who have incomes above the 50% AMI level, but do not have sufficient incomes to pay the prevailing market rents, which exceed the maximum 60% AMI limits. In addition, the subject will be one of the newest apartments in the market area which, combined with its rent restrictions and affordability, should be an attractive rental option for renters living in older, lower quality, below average housing. The county's largest employer, the Buena Vista Department of Corrections, employs new hires for a one-year probationary period at which time they need rental housing. Additionally, during this period, the guards are generally below or near the maximum income threshold for 60% AMI units. The subject's proposed 30% AMI rents are 58%-61% lower than surveyed Class B market rents and its 40% AMI rents are 41% to 45% lower. Its 60% AMI rents are 9% to 29% lower than surveyed Class B market rents, providing a rent advantage over market. None of the PMA's existing non-subsidized LIHTC projects have one-bedroom units. The subject, which will be comprised of 38% one-bedroom dwellings, can attract one-person renter households, who make up 46% of the PMA's renters. All of the other rental units in the PMA were constructed between 1900 and 2003.

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

Collegiate Commons is ready to proceed as soon as the credits are awarded as the property is zoned B-1 OT which allows for immediate construction of the subject property.

**c. Overall Financial Feasibility and Viability**

Collegiate Commons has been structured to meet the needs of Chaffee County's workforce affordable housing shortage. The AMI levels and unit mix were determined based on several meetings with CCEDC, the Town of Buena Vista, and local employers after they conducted several community studies. The project provides a range of incomes targeting the 30% and 60% AMI levels. The rent levels are well supported by the market and provide a discount compared to the other limited available product. Nonetheless, since there are limited affordable comparable projects, the proforma 60% rents have all been discounted to the 50% and 55% rent level.

The debt is sized based on debt service coverage at 1.30x dsc in order to maintain a 1.10x dsc throughout the 15-year period. This is a requirement of the lender and it provide cushion for changes in NOI. Based on the small size of the project and its rural nature, the 15-year cash flow is minimal. The Deferred Developer Fee is 11% given the limited cash flow in the project and the need to ensure it is paid off within the tax credit period. This cash flow is typical for a small rural project.

The project meets all of CHFA's underwriting criteria including a 7% vacancy. As per the market study, the current low-income vacancy is well below 2%. The operating expenses are conservatively estimated above CHFA's required minimum. Our development budget is very realistic and the construction numbers have already been vetted by more than one contractor. Per the lender's requirement, we are budgeting a six-month operating reserve, which is greater than CHFA's required four months. We have also conservatively budgeted construction interest expense for 20 months.

Overall, this is a very strong financial project that has been structured to ensure long-term viability.

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

Urban, Inc. is a development and management company owned by Colorado natives since 1974. Steve Shraiberg, Al Blum and Jim Murphy are the principals and have operated over \$300 million of residential and commercial properties, including the development and management of over 2,000 units of affordable housing throughout Colorado. The project sizes range from 20-400 units. Urban, Inc. is a very liquid company with very strong financial capability.

**e. Cost Reasonableness**

Collegiate Commons meets CHFA cost reasonable guidelines. The project eligible basis is \$1,358,232 below the Threshold Basis Limits. In addition, the project is not seeking the full

amount of tax credits that it qualifies for based on eligible basis, but rather is filling some of the gap with other soft funding options. The project is also assuming a 5% construction contingency (owner and contractor combined). While CHFA allows 10% Builder Profit and Overhead, our budget only includes 8%. In addition, the land is being donated.

The lender will also order an appraisal and a construction cost review as part of their underwriting of the transaction.

**f. Proximity to Existing Tax Credit Developments**

It is difficult to come up with strong comparables for Collegiate Commons since there are no family tax credit developments within 20 miles of the site. There are very limited multifamily units available, let alone affordable. It has been over 12 years since credits have been awarded in Chaffee County. Sunrise Manor (301 Alsina Street, Buena Vista) is 1 mile away. However, it is a 100% Section 8 low income housing for seniors over 62, so it will not be in competition with Collegiate Commons. Urban, Inc. knows Buena Vista well having built Sunrise Manor in 1985. Sunrise Manor was sold in 2001 after 16 years of successful operations. There are two other tax credit projects within Chaffee County. River Bend Apartments was built in 1997 and is 21.9 miles away in the Town of Salida. DeAnza Vista I & II was built in 2002 and is 22 miles away in the Town of Poncha Springs. All of these properties have waitlists. The combined waitlist is over 40 people with an approximate wait time of 2 years or more.

**g. Site suitability:**

This site is the premium apartment site in Buena Vista and all of Chaffee County. The site is zoned B-1-0 T, which allows this development of 48 units. The site is located two blocks from the elementary school, and three blocks from the middle school and high school, two blocks off of Main Street. City Market is .4 miles southwest of the property. The shopping corridor along East Main Street includes restaurants, coffee shops, salons, and other independent businesses.

The site is adjacent to two town streets, Pine Street and Carbonate Street. Water, sewer and electrical services are immediately adjacent to the property thus requiring virtually no offsite construction.

**4. Applicable Additional Information**

**a. Justification for Waiver of Any Underwriting Criteria**

Not Applicable. Collegiate Commons meets all of CHFA's underwriting criteria.

**b. Justification of the Financial Need for CHFA's DDA Credit up to 130% of Qualified Basis**

Not Applicable. Collegiate Commons does not require DDA Credit.



## **5. Issues Raised by the Market Analyst in the Market Study**

The market study dated 5/25/16 does not raise any issues or weaknesses.

## **6. Issues Raised in the Environmental Report & Mitigation**

There are no environmental issues raised per the Phase 1 study dated 5/17/2016.

## **7. Community Outreach & Local Support for the Project**

Urban, Inc. was initially approached by CCEDC headed by Director Wendell Pryor to explore affordable housing, as there was a dire shortage of housing for its workforce. The CCEDC heard from employers that there was a lack of affordable housing. Over a third of the work force in Chaffee county are employed in retail, food service and accommodations, and arts and entertainment industries and were earning less than \$31,000 per year. The CCEDC is likewise motivated in that it is contributing \$25,000 of the earthwork to the project.

Urban, Inc. met with a large group of employers in Buena Vista who expressed a real need for affordable housing. Following those meetings Urban, Inc. met with the city Administrator for Buena Vista who expressed the same concern and visited several sites to determine their support. At a public meeting, Council voted to provide its full support to the development of the project. The town is donating the land currently appraised at \$500,000 to the project for the price of \$10. This demonstrates the deep rooted commitment of the community to see that affordable housing is provided with this project. The town is so motivated to move forward that is willing to work with Urban, Inc. on fees associated with the development, and to negotiate concessions where possible to ensure the viability of the project. It is anticipated that they will contribute \$64,918 in waived tap fees.

Please see attached Mayor Support Letter & Town Contribution, as well as the Town Support Letter from the Town Administrator dated May 24, 2016. CCEDC and various other entities have provided letters of support as well including Chaffee Housing Trust.

In the outreach conducted by Urban, Inc., we approached a number of employers to determine their support including the Dept. of Corrections, Monarch Ski Area, Heart of the Rockies Regional Medical Center, Mt. Princeton Resort, Eddyline Brewery and Pub, etc., who all indicated a dire need for affordable housing. Please see attached Employer Support Letters.

The US Congressman for the Fifth District has provided strong support for this project as well as the State Representative for Buena Vista. They recognize the great need for affordable housing in Chaffee County and Buena Vista. Please see their attached letters. In addition, The Upper

Arkansas Area Council of Governments has submitted a letter indicating their desire that this development proceed.

In addition, Wendell Pryor and Urban, Inc. met with the DOLA – Division of Housing. They indicated strong support for the project and is willing to support an application for funding to finance the project. (See the attached letter).

**8. For acquisition/Rehab**

Not Applicable

**Additional Documentation**

As part of our application we are including letters evidencing soft funding commitments, several letters of support and the results of an employer survey. These documents support the Community Outreach & Local Support for the Project, the project's Overall Financial Feasibility and Viability as well as the Housing Priority for the community.

Evidence of Soft Funding Contact.pdf

Letters of Support.pdf

Employer Survey.pdf