

4 percent PAB LIHTC application narrative



Project Name: Lyons Valley Townhomes, LP

Project Address: TBD Carter Drive, Lyons, Colorado 80540

1. Executive Summary:

Summit Housing Group, Inc. (SHG) is excited to propose Lyons Valley Townhomes (LVT), the first affordable housing project in Lyons, Colorado. During the spring of 2018, the Town of Lyons released a Request for Proposals to potential developers to assist the town in rebuilding affordable housing options following the 2013 floods. The Town of Lyons awarded SHG the Lyons Valley Townhomes proposal. SHG and the town have worked closely to design a project that fits the land identified, the surrounding neighborhoods, and the town's priorities in their 2014 Recovery Action Plan. Numerous community meetings were held in Lyons to involve neighbors, address concerns, and provide specific details about the planning process. SHG and the town feel that we have developed a solid plan to provide 40 units of affordable housing, and provide an option for displaced low-income residents to return to the hometown they were forced to leave after the floods.

The total development will consist of 3 triplexes, 5 four-plexes, and 11 single family homes, with approximately 59,300 total square feet. The project will have a total of 29 two-bedroom, 1 ½ bath and 11 three-bedroom, 2 bath units, all of which will target 60% area median income. The development will sit on 6.58 acres of vacant land that is shovel-ready. A Phase I ESA and Geotechnical studies have been completed on the land, and no RECs were identified. The location of LVT is excellent as it is adjacent to desirable neighborhoods, open space, and within reasonable distance of services for tenants. The address of the project site is TBD Carter Drive, Lyons, Colorado 80540. The buildings will be walk-up, 2-story triplexes and four-plexes townhouses and 1 story single family homes. A total of 88 parking spaces will be available to tenants at LVT. The structures will be constructed as slab-on-grade foundations. The exterior will hardi-board, pitched asphalt roofs, and varied facades with a variety of exterior cladding materials articulated carefully to ensure durability and longevity to the buildings as well as provide a nice aesthetic for the residents and surrounding neighbors. Unit mix and sizes are in the table below:

UNIT TYPES, SIZES AND RENTS							
Unit Type	Number of Units	Square Footage	% of Median Income	Maximum Gross LIHTC Rent	Utility Allowance	Maximum Net LIHTC Rent	Proposed Net Rent
2BR/2BA	29	1,013	60%	\$1,461*	\$75	\$1,386	\$1,386
3BR/2BA	11	1,373	60%	\$1,694	\$91	\$1,603	\$1,603

Source: Project Sponsor; HUD; Boulder County Housing Authority

* Gross HOME Rent Limit

Some of the project amenities will include an on-site manager's office, a playground for children, and ample outdoor green space. Each unit will have many amenities that are not typically seen in affordable rental housing units. These major amenities will include a patio/balcony for each unit, efficient heating and cooling systems, dishwashers, microwave ovens, refrigerators with freezers, garbage disposals, self-cleaning ovens, and in-unit washer and dryers. Lyons Valley Townhomes will also enforce an on-site no-smoking policy.

Within the buildings, high efficiency systems will be incorporated to promote less consumption of our natural resources and provide lower utility bills to residents, as well as meet 2015 Enterprise Green Communities standards. This will include the heating and cooling systems, building insulation design, window efficiencies, Energy

Star rated appliances, water conserving fixtures, and Energy Star lighting or LED fixtures. Residents will also enjoy a healthy living environment by the design team using green and healthy materials whenever possible, including low or no VOC products, formaldehyde free lumber goods, and sustainably designed materials throughout the development. The construction itself will also utilize techniques to preserve natural resources by implementing a waste management plan to keep waste minimized through diversion to recycle centers and salvage locations. Overall, green building materials will be incorporated whenever possible to achieve a sustainable design and healthy environment for the residents. See the entire 2015 Enterprise Green Communities workbook in Tab 22 for further information regarding efficiencies.

The development will be funded with 4% Federal LIHTC, Construction Debt, Permanent Debt, Deferred Developer Fee, and a DOH CDGB-DR Loan in the amount of \$4,000,000. Total development cost is \$14,857,800. The capital stack for LVT includes deferred developer fee, a competitive 5.01% interest rate on the permanent loan, and competitive tax credit equity pricing (\$.93) based on the strength of the sponsorship. There is also a construction loan that will bridge the tax credit equity and permanent loan conversion through the construction period. The Town of Lyons has agreed to expedite the Development Plan Review process in order to ensure that this project stays on schedule. See Scoring Tab 9 for letter from the Town of Lyons confirming their commitment.

2. Bond Financing Structure

Lyons Valley Townhomes will be funded with 4% Federal LIHTC and CDBG Disaster Recovery Funds. The sources are as follows:

PAB Permanent Debt	\$6,002,000
Federal Tax Credit Equity (\$0.93 & \$438,118 annually)	\$4,074,090
CDBG Disaster Relief Funds	\$4,000,000
Deferred Developer Fee	\$781,710

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

Total bond amount = \$8,100,000
Construction Period Bond = \$8,100,000
Permanent Bonds = N/A

The total amount of bonds requested is \$8.1 total of which \$0 will be used for permanent financing while the balance will be used for construction. SHG recognizes that \$8.1 does exceed the 55% max threshold, however after discussions with CHFA, any additional bond amounts over 55% that can't be covered with recycled PAB will be required as a taxable tail.

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

CHFA will be the bond issuer; it is unknown who will purchase at this time.

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

SHG anticipates a public sale of the bonds.

d. Portion of bonds that will be tax-exempt and taxable.

We are not assuming a taxable tail at this time. There are currently no taxable bonds but SHG will accept a taxable tail during final underwriting, if required.

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
LVT will serve families with children with income levels meeting 60% AMI, and is not serving Homeless Persons.
- Projects serving persons with special needs as defined in Section 5.B 5
LVT will not serve people with special needs as defined in Section 5.B.5.
- Projects in Counties with populations of less than 175,000
LVT is in Boulder County, population 329,524 (source: 2017 Census) and the Town of Lyons is 2,112.

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.**
LVT's 40 units will target 60% AMI residents and have continued affordability throughout the 15 Years of Compliance + 25 Years of Waiver.
- **To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas.**
The Town of Lyons currently has no LIHTC properties for residents. LVT would bring a much needed affordable option for families in the Lyons and surrounding area as well as potentially bring back some of the residents that were displaced post the 2013 floods.
- **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit.**
SHG is a Montana based for-profit developer with almost 2,000 units of affordable housing in our portfolio in five states. We currently have two other projects with CHFA, in varied phases.
- **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.**
LVT will serve families with children in the Lyons community. SHG expects LVT to create an affordable option for families living in the surrounding towns and cities to relocate to Lyons.
- **To support new construction of affordable rental housing projects.**
LVT is affordable new construction desperately needed to rehouse those displaced by the 2013 floods.
- **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.**
SHG is requesting a minimal credit total of \$4,074,090 and has developed this request through diligent internal underwriting. The amount of credits requested is responsible and necessary to develop the project.
- To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the criteria for approval.
Based on Guiding Principles and the criteria for approval, LVT gives CHFA the ability to maximize credits for affordable rental housing.

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

a. Market conditions:

According to the market study conducted by Prior and Associates in 2018, Lyons has had difficulty finding land to rebuild after the 2013 floods. Much of the town's land is either in the floodplain, not zoned for multifamily use, or restricted open space. Not only will Lyons Valley Townhomes act as replacement housing for 32 mobile homes lost during the floods, its design will blend in with the fabric of the surrounding neighborhood and provide superior housing compared to affordable options that existed before the floods. The following table rates the subject in seven categories on a scale of one to five, where one is the lowest rating and five is the highest.

SUBJECT EVALUATION TABLE					
	1	2	3	4	5
Market Demand					X
Project Location					X
Subject Unit Mix					X
Subject Unit Sizes					X
Proposed Rents					X
Overall Marketability-as proposed					X
Marketability with recommended changes					N/A
Source: Analysis by Prior & Associates					

Per the market study polling, the overall average vacancy rate in the PMA was 1.8%, indicating pent-up demand for rental units within the PMA. Moreover, the surveyed LIHTC property vacancy rate was 0.1%, with two projects maintaining waitlists of ten and 200 applicants respectively. There are currently no other LIHTC properties in the Town of Lyons. Supplemental demand for the subject could be driven by low-income households that were displaced by floods in 2013 and have been unable to relate to the town.

Additionally from the market study:

- Affordable rental options in Lyons, such as the subject, would reduce the roundtrip mileage from Estes Park to Longmont by 16 miles and provide a rental housing option not previously available or that was destroyed by the floods in 2013.
- The following table indicates that the subject and all other existing 60% AMI units would have to capture a total of 61.1% of the income- and size-qualified renter households in the primary market area to attain full occupancy, which is an increase from the existing rate of 54.5%. However, these capture rates are overstated because the total existing unit count includes one-bedroom units, but the analysis excludes one-person households. Considering one-person households which are size-qualified for existing LIHTC units, the more representative capture rate is 37.6%, which is an increase from the existing rate of 33.5%.

CAPTURE RATE ANALYSIS TABLE		
	60% (Excluding 1-person HH)	60% (Including 1-person HH)
Income Qualifying HH in PMA	602	978
In-migration of HH	---	---
Total Qualifying HH/Demand	602	978
Existing LIHTC Units	328	328
Capture Rate – Existing	54.5%	33.5%
Under Construction/Planned Units	0	0
Subject's Units	40	40
Total Existing & Planned Units	368	368
Capture Rate – Required	61.1%	37.6%

- LVT's required capture rate is above the 25% threshold, but attainable because:
 - Two surveyed LIHTC projects in Longmont attract 20% of their tenants from outside the city, while another attracts 70% from outside Longmont. The

- subject is in a small, desirable town and would also likely attract tenants from outside Longmont and the PMA.
- There is no precedent for typical draw areas of rental projects in Lyons and it is possible that the subject would attract tenants from Estes Park, as well as Longmont and outlying areas in Boulder County, resulting in an overstated capture rate. An in-migration rate of 50% would result in a capture rate of 25.1% considering one-person households.
- At its proposed rents, the subject should lease approximately 20 units per month and reach stabilized occupancy in two 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 10% and average yearly rent increases of approximately 2.0%.

b. Readiness-to-proceed:

If awarded credits, we anticipate construction on LVT to commence September 2019 which would put the project well within the project completion timeline. Tract A, the larger site for 29 units, will require a Development Plan Review process with the town. The town has committed to expedite the review process in order to ensure that SHG can meet the timeline proposed. Tract B, 11 single family lots, does not require any review process and construction can begin immediately. Assuming tax credits are awarded in February, we will have a review set of plans submitted to the Town of Lyons in March. We anticipate 60-90 days for the town to review and approve the plans. We are working with encompass design inc. who has provided schematic design. We have selected Summit Construction Group as a contractor and have included them in the design and planning process. Additionally, Boston Financial and CHFA, our investor and construction lender, are both long-term finance partners of SHG which will help to expedite closing.

c. Overall financial feasibility and viability:

The project is financially feasible. SHG has requested \$4,000,000 from the Department of Housing (DOH) in CDBG-DR funds to further insulate the project's development budget. LVT is financially strong and exceeds all CHFA's underwriting requirements. Please find all funding commitment letters attached in Tabs 4, 5, 6.

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

Summit Housing Group, Inc. is a subsidiary of Summit Management Group, Inc. (SMG), a Montana corporation engaged in the development and management of LIHTC housing. Highland Property Management, Inc. (HPM) is a second subsidiary of SMG and is tasked with the management of all of SMG's properties. Together, the companies have developed housing in Colorado, (140 LIHTC units leased and 63 LIHTC under construction), Montana (214 completed LIHTC units), Wyoming (836 LIHTC units built, and 72 LIHTC under construction), South Dakota (32 LIHTC units built, 35 LIHTC units under construction), and Utah (230 completed LIHTC units). SHG is experienced and equipped to develop a project from acquisition through funding award, design, closing, and construction. HPM is experienced with LIHTC lease-up, compliance, and reporting, currently managing 1220 LIHTC units in Colorado, Utah, Wyoming, Montana, and South Dakota, with no unresolved 8823s. As an additional safety net, HPM utilizes Preferred Compliance, Inc. to review all applications for all new and existing LIHTC units, as well as provide ongoing compliance training and support.

By the end of this year, SMG and SHG will have completed or have under construction over \$301 million of affordable multi-family housing. Please see Tab 11 Marketing Material for more detailed information.

e. Cost reasonableness:

LVT meets the cost reasonableness test. The land is reasonably priced at \$720,000 considering its location and surrounding neighborhoods. LVT will cost \$182,500 per unit for construction with the addition of soft funds from DOH CDBG-DR. With the fluctuation of the construction market that we have been witnessing for some time, SHG feels confident that the 3rd party estimator's budget, provided in Tab 3, is in line with our experience in the area and our cost projections for the next 12 months. Therefore, LVT meets all cost

reasonable tests as it relates to both construction cost and all other development costs required to complete the project. Using SHG's in-house general contractor, Summit Construction Group, Inc. allows for significant cost savings not only in construction, but also in insurance and design costs.

f. Proximity to existing tax credit developments:

The PMA has nine existing LIHTC projects containing 748 income-restricted units, including 676 family units and 72 age-restricted units. There are no existing LIHTC properties in Lyons. LVT would be the first, as all other PMA LIHTC projects are in Longmont. Market analysts identified two new LIHTC rental projects with a total of 390 units that came online within the past three years. In addition, SHG's Centennial Park Apartments, not in the PMA but nearby, constructed in October 2017, began leasing at delivery and was fully occupied by May 2018, for a monthly absorption rate of 20 units per month, without concessions. The table below shows a breakout of all LIHTC properties in the PMA.

INCOME RESTRICTED UNITS IN THE PMA BY AMI THRESHOLD							
Project Name	Deep Subsidy	30%	40%	50%	60%	Total	
Existing Units							
Montview Meadows	0	0	0	0	27	27	
Parkside Apartments Longmont	50	0	0	0	0	50	
Crisman Apartments	0	0	46	25	43	114	
Village Place at Longmont (Senior)	0	8	0	46	18	72	
Coffman Court	0	0	0	17	0	17	
Suites Supportive Housing	81	0	0	0	0	81	
Cloverbasin Village I	0	0	36	36	103	175	
Cloverbasin Village II	0	0	0	48	114	162	
Cloverbasin Village III	0	0	0	9	41	50	
Total Existing, November 2018	131	8	82	181	346	748	
Total Existing Family, November 2018	131	0	82	135	328	676	
Planned/Under Construction Units							
Subject	0	0	0	0	40	40	
Total Planned/Under Construction/Renovation	0	0	0	0	40	40	
Total	131	0	82	135	368	716	

Source: CHFA

g. Site suitability:

The Town of Lyons identified the parcels of land that the private owner was willing to sell, that SHG will develop for LVT. One of the primary issues to the replacement of affordable housing in Lyons, post 2013 floods, has been finding land that was available, zoned for multifamily, and not in a floodplain. The site is surrounded by primarily single family homes and institutional land uses. Although not in a growth corridor, the area has been attracting single-family development for the last decade.

The site is reasonably located near retail shopping (0.9 miles), elementary and junior/senior high schools (0.9 and 0.2 miles), public transportation (0.3 miles), and a variety of social services within 10 miles. Lyons is known for its green space and parks affording tenants many outdoor activities. The Town of Lyons has an average walk score is 59. LVT's walk score is higher or comparable to the other comparable properties.

Project	Walk Score (out of 100)	Transit Score (out of 100)	Avg.
Subject	18	--	18
Cloverbasin Village	17	26	22
Montview Meadows	48	33	41
Centennial Park	16	--	16
Crisman Apartments	65	--	65
542 Meily Street	0	--	0
Grandview Meadows	25	--	25
Stonebridge At Twin Peaks	31	--	31
Verra West	21	--	21
Fox Ridge Apartments	16	25	21
The Shores	6	12	9
Legacy Apartments	29	32	31
Lyons	59	--	59

Source: Walkscore.com

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):**
 SHG is not requesting any of the above waivers.

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

The only issue raised by the market study was the capture rate being above the 25% threshold. This is attainable as the two surveyed LIHTC projects in Longmont attract 20% of their tenants from outside the city, while another attracts 70% from outside Longmont. LVT is in a small, desirable town and will attract tenants from outside Longmont and the PMA. There is no precedent for typical draw areas of rental projects in Lyons and it is probable that the subject would attract tenants from Estes Park, as well as Longmont and outlying areas in Boulder County, resulting in an overstated capture rate. An in-migration rate of 50% would result in a capture rate of 25.1% considering one-person households.

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

There are no environmental issues to be mitigated at this site. A Phase I ESA was completed in 12/2018 and no RECs were found. Tab 15

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:

There are no features in this development that should drive up cost. SHG's integrated design process is the foundation of enhancing the building's design, performance, and cost containment. SHG has assembled a great team to work on this project, made up of SHG development staff, encompass design inc., and CDK Construction (3rd party estimator), and SCG, all having experience in Colorado. The team's relationships ensure that the project goals for livability, long term maintenance, building, and site efficiencies are achieved. The team has gathered information from the site and project area, and has collaborated on the most advantageous site layout, best construction methods, quality materials used, efficient waste management, and Energy Star rated appliances installed.

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):

SHG began conducting community outreach in the spring of 2018 once awarded the Request for Proposal by the Town of Lyons. Over the past 6 months, two separate, advertised public meetings were held in the town in order to discuss the project with neighbors and directly address any concerns raised. The feedback received was primarily concerned with design aspects the project: light pollution, density, noise, traffic. All of the concerns and input received have been incorporated into the design of LVT. Allowing the neighbors to be involved in the beginning stages of the project has allowed for transparency and growing support within the town.

The Town of Lyons is extremely supportive of the project to have affordable housing built in their community to help residents displaced after the 2013 floods. The Town of Lyons is committed to expediting the development review process, ensuring the project is completed on schedule. Boulder Housing Authority has expressed support for LVT (see letter in Tab 9) and will work with the project to help lease units to income qualified families.

11. *N/A* 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).