

9% housing credit application narrative



Project Name: The Trails at Pagosa Springs

Project Address: 116 Alpha Drive, Pagosa Springs, Colorado 81147

Executive Summary

Generation Housing Partners, a Historically Underutilized Business (HUB), is pleased to present The Trails at Pagosa Springs (“The Trails”), a 50-unit, new construction, development, consisting of 3.5 acres, in a master planned community in Pagosa Springs. The master planned community is anchored by an existing adjacent Walmart and is planned to include restaurants, retail stores, a hotel, walking trails, a small community lake, and a pocket park. This master planned community has recently received an increased amount of interest from national retailers and restaurants. In fact, Starbucks currently has the northeast corner of the tract under contract. Additionally, this development is located directly across the street from Pinon Lake Reservoir, providing residents with a unique amenity not typically available to affordable housing communities. The Trails is located on a newly constructed hike and bike trail connecting the development to other parts of the city. The development site also provides residents with excellent access to public transportation. Archuleta County Transportation provides bus service in the market area, with the nearest bus stop at Walmart, 0.15 miles northeast of the site. Residents can ride buses from this location to major commercial facilities and institutions in Pagosa Springs, with connections to routes that travel to Alamosa and Durango, as well as Chama and Farmington, New Mexico. The buses run every hour, from 7:00 am to 5:00 pm, weekdays.

Unit and Income Mix

Consisting of one, two, and three-bedroom units, The Trails at Pagosa Springs will serve families with a household income from 30% to 80% AMI. **The area’s income-restricted projects have zero vacancy and waitlists ranging from 30 to 130 applicants.** The housing crisis in Pagosa Springs is currently one of the town’s most pressing issues. In fact, in 2021, the Town of Pagosa Springs procured a regional housing needs assessment, produced by Root Policy Research. This assessment examined existing housing data, housing plans, and housing needs across a five-county area. This study found that this region requires 152 deeply affordable rental units and over 400 moderately priced affordable units in order to meet existing demand.

Unfortunately, this issue is exacerbated by an influx of permanent, high-income residents, as well as a high number of vacation rental homes becoming permanent residences. **Median home prices rose by \$150,000 in just 1 year pricing many people out of the market.**

Workers in the area are forced to live in campgrounds, doubling or tripling up in units and even resorting to living in their cars.

The Trails will promote **economic mobility** by providing more affordable housing options in Pagosa Springs which is where the higher paying jobs in the region are located.

Unit Mix				
Income Level	1-BR	2-BR	3-BR	Total
30%	2	1	2	5
50%	5	3	3	11
60%	6	4	4	14
70%	6	3	5	14
80%	3	1	2	6
Subtotal	22	12	16	50

Local Support

The Town of Pagosa Springs, as well as Pagosa Area Water and Sanitation District have taken steps to incentivize the development of new affordable housing. Both entities have provided letters indicating their support of the project, as well their intent to provide tap, impact, and permitting fee waivers for the development. Additionally, the Town of Pagosa Springs has offered to provide expedited permit review.

Design and Amenities

The development site is zoned Mixed-Use Corridor MU-C, which allows multifamily use with a density of up to 16 units per acre. The proposed density of The Trails is approximately 14.29 units per acre. The 50-unit development will consist of 22 one-bedroom, 12 two-bedroom, and 16 three-bedroom units. This location is also situated in a Difficult Development Area (DDA). The Trails will include a number of Class “A” amenities including granite countertops, 9-foot ceilings, Energy Star appliances, faux wood flooring, covered entries, low-flow fixtures, washer/dryer hookups, ceiling fans, and balconies. Community amenities will include access to a hike and bike trail, computer learning center, fitness center, laundry room, picnic area, playground, dog run, and a community center. The development will consist of two, two-story residential buildings, and a clubhouse. Exterior materials will consist of stone, brick, stucco, fiber cement siding, and metal accents. The buildings will include staggered setback facades and a composition shingle roof. Structural components of the buildings will include wood framing and post tension slabs. The two-story buildings will provide covered, open-air, corridors and stairways. The development will be designed to meet NGBS Bronze guidelines and will also feature zero-combustion All-Electric building systems.

Readiness to Proceed

Over the past two years the development team has worked diligently on entitlements and site investigation to ensure a successful project. The site is fully entitled for the proposed development and the team has held a number of meetings with the planning department, permitting staff, and the fire department. The team also held a pre-development meeting to discuss design and platting requirements. The current site plan has been reviewed by staff and has been approved for the submittal of an engineered site plan for sketch plat review. A full Phase 1 Environmental Site Assessment has been procured for the site and there are no environmental concerns. Additionally, Trautner Geotechnical Engineering was engaged to analyze the soils and subsurface conditions. Trautner provided eight boring logs, located under building and drive locations and provided an assessment of the subsurface conditions. The borings went to a maximum depth of 13 feet. The topsoil, located at a depth of 1 ½ feet to 7 feet, consists primarily of sandy fat clay. This layer of soil was found to be thinner on the west side of the tract and thicker on the east side of the tract. Beneath this layer, at a depth ranging from 3 feet to 10 ½ feet, is weathered shale. This material is relatively hard but can be excavated with traditional equipment. Below this surface, at depths ranging from 3 feet to 10 ½ feet, is shale formational material. This material is harder than weathered shale and may need some additional equipment for cutting in utilities and other infrastructure. These findings have been discussed thoroughly the engineer and the general contractor. Included in the cost schedule are the expenses associated with the import of select fill and additional equipment for cutting utilities in the formational shale.

Need for Affordable Housing

The need for affordable housing in this area has grown extensively due to an influx of permanent residents, skyrocketing home prices, escalating construction costs, and the nature of the available jobs in the area. There have been several articles published recently outlining the reaching impact that the lack of affordable housing has had on this area. **According to a report recently issued by the Region 9 Economic Development District of Southwest Colorado, Pagosa Springs is the most expensive community, in the southwest region of Colorado, to live in for a family of four.** The study

2022 Comparison of Median Rental Costs to Fair Market Rent Estimates Region 9	¹ Actual Rental Costs		² Fair Market Rent (FMR)	
	1 BDR	2 BDR	1 BDR	2 BDR
Archuleta County - Pagosa Springs	\$ 1,475	\$ 2,300	\$ 901	\$ 1,185
Dolores County - Dove Creek	NA	NA	\$ 731	\$ 914
Dolores County - Rico	NA	NA	\$ 731	\$ 914
La Plata County	\$ 1,450	\$ 1,650	\$ 1,240	\$ 1,413
La Plata County - Bayfield	NA	NA	\$ 1,240	\$ 1,413
La Plata County - Durango	\$ 1,469	\$ 1,700	\$ 1,240	\$ 1,413
La Plata County - Ignacio	NA	NA	\$ 1,240	\$ 1,413
Montezuma County	\$ 850	\$ 1,000	\$ 812	\$ 1,068
Montezuma County - Cortez	\$ 725	\$ 950	\$ 812	\$ 1,068
Montezuma County - Dolores	\$ 850	\$ 1,200	\$ 812	\$ 1,068
Montezuma County - Mancos	NA	NA	\$ 812	\$ 1,068
San Juan County - Silverton	NA	NA	\$ 907	\$ 1,134

found that the primary reason for the high cost of living was the high cost of housing. In fact, the study found that a family of four, living in Pagosa Springs, would need a household income of \$92,760 in order to be self-sufficient. This income

requirement is approximately 3.5 times higher than the State of Colorado's current minimum wage of \$12.56 per hour, or \$26,527 per year. The high cost of housing has had a dramatic impact on the economic vitality of Pagosa Springs. Wolf Creek, one of the region's most popular ski resorts, can't hire enough seasonal workers due to the lack of affordable housing. Retailers and restaurants are also struggling to fill vacant positions. The Trails at Pagosa Springs provides a unique opportunity to provide desperately needed affordable housing in an area that would typically be restricted to high-cost, market-rate developments.

Financing Plan

Financing for the project will consist of 9% housing tax credits, which will provide approximately \$12,760,000 equity for the development. Also included in the capital stack are a CDOH EDG Loan of \$2,500,000 and deferred developer fee. The Town of Pagosa Springs, as well as Pagosa Area Water and Sanitation District, have provided conditional waiver letters for permit, tap, and impact fees. During the construction period, Legacy Bank will provide a construction loan in the amount of approximately \$13,000,000.



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Housing Tax Credit Notification Letter

May 23, 2023

Via email: aiglesias@ghdevelopment.com

Generation Housing Partners, LLC
17440 North Dallas Parkway, Suite 120
Dallas, TX 75287

Re: Trails at Pagosa Springs

Dear Adrian Iglesias:

Thank you for your interest in applying for a reservation of Housing Tax Credits from Colorado Housing and Finance Authority (CHFA).

The CHFA Tax Credit Allocation Committee has completed its review of all Housing Tax Credit applications submitted and has considered the merits of your application in accordance with the 2023-2024 Qualified Allocation Plan (QAP). At this time, I am happy to inform you that Trails at Pagosa Springs was approved for a reservation of \$1,450,000 in annual tax credits.

A reservation fee of four percent (4%) of the annual federal Housing Tax Credit amount reserved to your project is due prior to the issuance of the Preliminary Reservation letter. Payment of \$58,000 should be made no later than June 12, 2023.

We appreciate your commitment to affordable housing and effort in completing the Housing Tax Credit application. If you have any questions, please contact Denise DeBroy at 303-297-7386 or toll free at 800-877-2432 ext. 7386.

Sincerely,

DocuSigned by:

A handwritten signature in blue ink, appearing to read "D. Brian Miller".

3B2E3EC9944C49A...

D. Brian Miller

Chair, Tax Credit Allocation Committee
Director, Asset Management Division