

**STATEMENT TO
THE PLANNING COMMUNITY DEVELOPMENT COMMISSION
REGARDING THE LYONS VALLEY TOWNHOMES PROPOSAL**

SUBMITTED BY: Jim Crowder
Address: 104 Bohn Park
Lyons, CO 80540

I note that the Primary Market Area identified in the Preliminary Market Feasibility document dated February 28, 2018 described an area that went from Main Street in Longmont to the South St. Vrain Creek and from Hwy 66 to Oxford Rd and Hwy 119. This area encompasses a large area of which Lyons is a tiny part.

In 2018, Lyons comprised only 2,112 of the total population for this area of 59,189. Thus only 3.57% of this market area lived in Lyons. The study goes on to state that “market-rate projects in western Longmont draw tenants from throughout Boulder County and out of state applicants”

My understanding from having participated in the earliest of housing recovery task force meetings and having been tasked with reviewing the Summit proposal along with the others submitted in response to the Town’s RFP was that the whole purpose of this effort was to replace the housing lost during the flood.

Instead it now appears that this proposed development will serve a much larger market area, mostly Longmont but the financial burden associated with LVP Townhomes will fall on the Lyons taxpayer. The “Fiscal Impacts of Lyons Valley Townhomes” memorandum dated January 30, 2020 informs us that this development will have negative fiscal impact on our Town.

This report indicates that each new household in this project will create an annual drain on the Town’s already taxed budget of \$2,558 or \$102,000 per year (40 X \$2,558).

It should be noted that most of the tenants that would live in these new units will work in Longmont, Boulder and other areas...not Lyons. It is reasonable to assume that they would do most of their shopping in Longmont or near where they work. Therefor it is also reasonable to question the sales tax revenue projections described in this report. And if they turn out to be optimistic the financial burden is worse.

When the Town is now struggling to get by on \$1,750,000 in tax revenues (as of December 31, 2020) it is unfathomable to me that this project be approved given that we would have to find an additional \$102,000 annually from sources other than sales taxes and property taxes to pay for the services that must be provided.

See attachments on page 2

Attachments: BBC Research and Consulting
Fiscal Impacts of Lyons Valley Townhomes
January 30, 2020

Prior & Associates
Preliminary Market Feasibility-McConnel Drive
February 28, 2018

MEMORANDUM

To: Rusty Snow
Summit Housing Group
From: BBC Research & Consulting
Re: Fiscal impacts of Lyons Valley Townhomes
Date: January 30, 2020

This report provides an overview of the fiscal impacts of the Lyons Valley Townhomes development on the Town of Lyons (the Town).

Background

As with many communities on Colorado's Front Range, the Town of Lyons faces challenges related to the supply of affordable housing for low- and middle-income residents. Housing prices have grown faster than wages and salaries making it difficult for many residents to purchase homes, especially in desirable communities such as Lyons. The 2013 floods and subsequent need for rebuilding and recovery exacerbated the situation for the town, but also provided an opportunity to address the issue. In 2014 the Town selected Summit Housing Group to develop 40 units of affordable housing on a 6.58 acre shovel-ready parcel. As a part of the development process, Summit Housing Group is required to document the fiscal impacts of the project on the Town. Summit Housing Group retained BBC Research & Consulting to provide an overview of:

- The costs of the overall project for the Town;
- Any mitigation of those costs;
- Estimates of revenues associated with the development; and
- Risks associated with the fiscal estimates.

Below we provide an overview of one-time costs and revenues associated with the project along with operational (long-term, steady state) revenues and costs for the Town's general fund, electric fund, water fund, sanitation fund, stormwater fund, and parks and recreation fund.

Summary of Fiscal Impacts

As with most residential developments in Colorado, due to the constraints for the Gallagher Amendment and reliance on sales tax, at buildout, the Lyons Valley Townhome project may

result in a net operational deficit for the general fund as well as a number of the utility funds. The development, however, will contribute substantial one-time contributions to various Town and other governmental funds, as discussed below. Figure 1 provides an overview of one-time revenues as well as recurring general fund revenues and expenditures.

Figure 1.
Town of Lyons Fiscal Summary

Recurring Revenues	Total
Property Taxes (General Fund)	\$10,058
Sales Taxes (General Fund)	\$3,471
Other Revenue (General Fund)	\$9,036
Total	\$22,565
Per household	\$627
Sales Tax (Park Fund)	\$1,389

One Time Revenues	Total
Plan check fee (General Fund)	\$18,140
Use taxes (General Fund)	\$112,442
Total	\$130,582
Per household	\$3,627
Park tax	\$59,153

General Fund Recurring Expenditures	Total
Cost to Serve	\$56,448
Total	\$56,448
Per household	\$1,568

It is important to note that in Colorado, the combination of municipal reliance on sales taxes and the gap between the assessment ratio for commercial properties (29%) and residential properties (7.2%) makes it rare that residential developments (especially those featuring affordable housing) will result in a net fiscal benefit for a local government. Residential developments, do, however have economic benefits that can be more difficult to quantify, including:

- Providing workforce housing for the local labor force;
- Reducing commute times for local workers; and
- Helping promote a sense of community within the municipality.

Figure 2 provides an overall summary of recurring impacts by the various Town funds. It is important to note that much of the Town revenue is derived from out-of-town sales tax, so in effect, all current and new residents incur a net negative impact on the general fund.

Figure 2.
Lyons Valley Townhome Per Unit Fiscal Summary

Fund Recurring Impact (per household)	Total
General fund	\$ (941)
Electric fund	\$ (118)
Water fund	\$ (319)
Sanitation fund	\$ (354)
Storm water fund	\$ (4)
Parks and rec fund	\$ (822)

Caveats, risks, and assumptions. Wherever possible, BBC chose to use the most conservative assumptions for revenue generation. Overall economic conditions may impact these assumptions substantially. Much of the modeling is based on the recent fiscal history of the Town of Lyons and substantial changes in Town operations, cost of service, or other factors might result in considerable deviations from these estimates.

One-time Expenditures and Revenues

The development of LVT will result in substantial one-time revenues for the Town. Below we provide an estimate of those revenues from building fees and use taxes.

Building Fees and Taxes. The Town of Lyons collects fees from developers for:

- Building permits;
- Plan reviews;
- Electric tap and permits;
- Water tap and meters; and
- Sewer tap.

Figure 3 provides an overview of these fees along with the estimate of these fees for the LVT development. As shown, the Summit Housing Group will pay approximately \$1.4 million in building-related fees for the project. While nearly all of these fees are collected by the Town (with the exception of the raw water fee), many of these fees are designed to cover the service provided or materials required. As a result, it is expected that these fees will offset capital investment required by the town for electrical, water, and sewer services. In many cases for annexations and new developments the plan check fee (\$18,140 in this instance) is considered a net fiscal gain for the administrating agency.

Figure 3.
Projected Building Fees for Lyons Valley Townhomes

Building fees	
Assumptions	
Detached single family homes (1,371 square feet)	19
Four-plex units (1,013 square feet)	21
Total units	40
Total buildings	24
Total residential area	47,322
Total value	\$ 8,329,000
Building permit fee (\$5553.97 for first \$1,000,000 and \$3.05 for each \$1000 or fraction thereof)	\$ 27,907
Plan check fee (65% of building permit fee)	\$ 18,140
Electrical	
Permit (\$270 + \$13.5 per 100 square feet over 2000 Sq Ft)	\$ 6,388
Tap (\$4,500 per unit)	\$ 180,000
Permanent meter (\$400/unit)	\$ 16,000
Construction meter	\$ 58
Water and sewer	
Water tap (\$17,500 for first unit in building \$11,500 for each unit thereafter)	\$ 604,000
Sewer tap (\$8,500 for first unit in building \$6,375 for each unit thereafter)	\$ 306,000
Water meter (\$400/unit)	\$ 16,000
Raw water fee (40 units at \$7,000 each per Summit Housing Group)	\$ 280,000
Total building fees (note many cover cost of service or materials)	
Fee totals	\$ 1,454,493

Use Taxes. The Town also collects a number of use taxes for new developments including:

- The town parks and general fund use tax;
- The general park tax;
- The Boulder Valley Open Space and Recycling Tax; and
- The St. Vrain Valley Schools fair contribution fee.

Figure 4 provides a summary of these taxes and fees. While fees for the Boulder County Open Space and Recycling programs and St. Vrain Valley Schools will not contribute to Town finances, the total of \$168,000 in use taxes and park fees will represent one-time revenues for the Town.

Figure 4.
Projected Use Taxes and Fees for Lyons Valley Townhomes

Use taxes and fees		
Assumptions		
Detached single family homes (1,371 square feet)		19
Four-plex units (1,013 square feet)		21
Total units		40
Total buildings		24
Total living space		47,322
Total value	\$	8,329,000
Parks and general fund use tax (valuation X 45% X 3.0%)	\$	112,442
Town Park Tax (\$1.25 per square feet of living space)	\$	59,153
Boulder Valley Open Space and Recycling Tax (valuation X 45% X 0.985%)	\$	36,918
St. Vrain Schools Fair Contribution Fee (\$551 per single family, \$353 per multifamily unit)	\$	17,882

Operational Revenues and Expenditures

BBC estimated operation and revenue costs for the following Town funds:

- General fund;
- Electrical fund;
- Water fund;
- Sanitation fund;
- Stormwater fund; and
- Parks and recreation fund.

Below we provide the results of this analysis.

General fund. The Town relies on a variety of funding sources related to economic and resident activity within the Town limits. Figure 5 provides a brief summary of Town revenues.

Figure 5.
Town of Lyons Revenue

Town revenues (2018 actual)		
Taxes	\$	1,718,368
Property	\$	537,015
Sales	\$	890,279
Other taxes (franchise, use, etc.)	\$	291,074
Fees	\$	113,631
Intergovernmental	\$	12,021
Fines	\$	104,001
Miscellaneous	\$	424,767
Total	\$	2,372,788

The majority of town revenue comes from sales and property taxes. New residents in LVT will generate new property taxes, sales taxes, fees, and fines. Below BBC provides an estimate of the amount these residents will generate in each of those categories.

Property taxes. Based on the value of the units along with the State of Colorado assessment rate for residential properties, BBC estimates that LVT will contribute approximately \$10,000 in annual revenue for the Town. Figure 6 provides additional detail on estimated property taxes.

Figure 6.
Lyons Valley Townhomes Property Tax Revenue

Calculation of Property Taxes		
Number of units		40
Total value	\$	8,329,000
Residential assessment rate		7.15%
Assessed value	\$	595,524
Town of Lyons mill levy rate		16.889
Annual property tax revenue	\$	10,058
Property tax per unit	\$	251

Sales taxes. BBC used two methods to estimate new sales tax generated by the new residents in Lyons Valley Townhomes. Figure 7 provides a summary of both methods. For the first method, BBC estimated the 2018 per-household sales tax for the Town. The total sales tax in 2018 was approximately \$890,000. Given the popularity of the Town as a tourist destination and gateway, BBC assumed that approximately 15 percent of Town sales taxes were generated by residents. These assumptions suggest that per household sales taxes are approximately \$164.

BBC also estimated sales tax using income and spending information about potential LVT residents. Based on the affordable housing requirements, LVT residents will have a lower income than other residents. BBC assumed that LVT residents will have a household income of

approximately 60 percent of typical Town households. Based on data from consumer spending from the Bureau of Economic analysis, BBC estimates that new residents will spend approximately 28 percent of their income on retail purchases. Assuming that Town establishments capture a conservative 20 percent of this income, this method suggests that LVT households will contribute approximately \$107 in sales tax annually to the Town.

Based on these two estimates, BBC used a value of \$135 in sales tax per household. Given a 90 percent occupancy rating, this suggests that LVT residents will contribute approximately \$4,860 in sales taxes to the Town. Approximately \$3,500 of this amount would be recognized in the general fund with the remainder going to the parks and recreation fund.

Figure 7.
Lyons Valley Townhomes Sales Tax Revenue

Calculation of Sales Taxes		
Number of units		40
Average household size		2.6
Estimated occupancy		0.9
Based on per resident sales		
2018 Town Sales Tax	\$	890,279
Proportion from Town residents		15%
Town of Lyons current households		814
Per household sales tax	\$	164
Based on Income and Spending Patterns		
Median Household Income	\$	90,806
Income for LVT residents	\$	54,484
Retail spending proportion (using Consumer Expenditure Survey)		28%
Town capture rate		20%
Household spending in Lyons	\$	3,051
Per household sales tax	\$	107
Estimated per household new sales tax	\$	135
Annual new sales tax revenue	\$	4,860
General fund	\$	3,471
Annual new sales tax revenue	\$	1,389

Other revenues. While intergovernmental, miscellaneous, and other financing revenues would not likely scale with the number of households, fines and fees are likely related to the number of residents. Based on the 2018 budget and the number of households, BBC estimates approximately \$251 per household in annual fees from Lyons Valley Townhome residents.

Expenditures. Figure 8 provides an overview of Town expenditures. The bulk of expenditures are Allocated expenditures (technology, equipment, insurance, etc.), Law enforcement, and Streets.

Figure 8.
Town of Lyons Expenditures

Town expenditures (2018 actual)		
Allocated expenditures	\$	469,944
Administration	\$	316,027
Legislative	\$	27,204
Judicial	\$	31,876
Planning and zoning	\$	201,536
Health, welfare, and community	\$	136,920
Economic development	\$	103,416
Building inspection	\$	43,150
Law enforcement	\$	431,454
Streets	\$	299,030
Visitor center	\$	22,671
Other	\$	34,713
Total	\$	2,117,942

Seven expenditure categories: Administration; Legislative; Judicial; Health, welfare, and community; Law enforcement; Streets; and Other expenses might be expected to scale with the number of residents. Based on the 2018 budget, Figure 9 shows the per-household expenses for these categories.

Figure 9.
Recurring Lyons Valley Townhomes resident expenditures

Per household resident driven expenditures (2018 actual)		
Allocated expenditures	\$	-
Administration	\$	388
Legislative	\$	33
Judicial	\$	39
Planning and zoning	\$	-
Health, welfare, and community	\$	168
Economic development	\$	-
Building inspection	\$	-
Law enforcement	\$	530
Streets	\$	367
Visitor center	\$	-
Other	\$	43
Total	\$	1,568

Electric fund.

Using information from the 2014 Cost of Services Study, BBC estimates that 66 percent of total electric demand can be attributed to residential use. Based on the cost to serve for current households in Lyons, BBC estimates that new annual recurring expenditures for the electric fund will total approximately \$41,707. One-time revenues associated with electrical permits, taps, and meters are outlined in Figure 1. BBC estimates that these one-time revenues will cover the capital expenses associated with the electric fund. Recurring revenues associated with utility use are estimated to be \$1,041 per household, or \$37,476 for the LVT development, as shown in Figure 10. Annual recurring expenditures exceed annual recurring revenues by \$4,231, resulting in a negative annual fiscal impact.

Figure 10.
Lyons Valley Townhomes Electric Fund Fiscal Impact

Electric Fund Net Fiscal Impact		
Electric Fund Operation Expenditures	\$	1,428,847
Town of Lyons current households		814
Electric Fund Cost to Serve per HH	\$	1,159
Number of Units		36
Additional annual recurring expenditures	\$	41,707
Average annual energy use per household		8676 KWH
Price per KWH	\$	0.10
Average annual energy cost per household	\$	1,041
Additional annual recurring revenue	\$	37,476
Net fiscal impact	\$	(4,231)
Net fiscal impact per HH	\$	(118)

Note: Average annual energy cost per household includes \$13/month base rate per month

Source: BBC Research & Consulting.

Water fund.

Based on the 2017 rate study, residential usage accounts for about 85 percent of water costs. BBC calculated the cost to serve for current households in Lyons and estimates that new annual recurring expenditures for the water fund will total approximately \$26,469. One-time revenues associated with water tap fees and meters are outlined in Figure 1. BBC estimates that these one-time revenues will cover the capital expenses associated with the water fund. As shown in Figure 11, recurring revenues associated with utility use are estimated to be \$629 per detached household, and \$335 per attached household, for a total of \$15,002 for the LVT development. Annual recurring expenditures exceed annual recurring revenues by \$11,468 resulting in a negative annual fiscal impact.

Figure 11.
Lyons Valley Townhomes Water Fund Fiscal Impact

Water Fund Net Fiscal Impact		
Water Fund Operation Expenditures	\$	704,123
Town of Lyons current households		814
Water Fund Cost to Serve per HH	\$	735
Number of Units		36
Additional annual recurring expenditures	\$	26,469
Detached SFH water cost per household	\$	629
Attached SFH water cost per household	\$	335
Additional annual recurring revenue	\$	15,002
Net fiscal impact	\$	(11,468)
Net fiscal impact per HH	\$	(319)

Source: BBC Research & Consulting.

Sanitation fund.

BBC estimated sanitation fund revenues and expenditures based on current rates and an 85-15 percent split for expenditures between residential and non-residential uses. Based on the cost to serve for current households in Lyons, BBC estimates that new annual recurring expenditures for the sanitation fund will total approximately \$29,988. One-time revenues associated with sewer tap fees are outlined in Figure 1. BBC estimates that these one-time revenues will cover the capital expenses associated with the sanitation fund. Figure 12 provides data on recurring revenues associated with LVT utility use. Annual recurring expenditures exceed annual recurring revenues by \$12,730, resulting in a negative annual fiscal impact.

Figure 12.
Lyons Valley Townhomes Sanitation Fund Fiscal Impact

Sanitation Fund Net Fiscal Impact		
Sanitation Fund Operation Expenditures	\$	797,728
Town of Lyons current households		814
Sanitation Fund Cost to Serve per HH	\$	833
Number of Units		36
Additional annual recurring expenditures	\$	29,988
Average annual sanitation cost per HH	\$	479
Additional annual recurring revenue	\$	17,258
Net fiscal impact	\$	(12,730)
Net fiscal impact per HH	\$	(354)

Source: BBC Research & Consulting.

Storm water fund.

BBC estimates that residential land use in Lyons is responsible for approximately 85 percent of storm water costs. Based on the cost to serve for current households in Lyons, BBC estimates that new annual recurring expenditures for the stormwater fund will total approximately \$4,455. The Town charges a residential customer monthly user fee of \$10 per household. The \$124 annual revenue per household associated with this user fee results in additional annual recurring revenue of \$4,320, as shown in Figure 13. Annual recurring expenditures exceed annual recurring revenues by \$135, resulting in a negative annual fiscal impact.

Figure 13.
Lyons Valley Townhomes Storm water Fund Fiscal Impact

Stormwater Fund Net Fiscal Impact		
Stormwater Fund Operation Expenditures	\$	118,515
Town of Lyons current households		814
Stormwater Fund Cost to Serve per HH	\$	124
Number of Units		36
Additional annual recurring expenditures	\$	4,455
Residential customer annual user fees per HH	\$	120
Additional annual recurring revenue	\$	4,320
Net fiscal impact	\$	(135)
Net fiscal impact per HH	\$	(4)

Note: Stormwater fund operation expenditures reflect 2019 budget due to uncharacteristically low actual expenditures in 2018.

Source: BBC Research & Consulting

Parks and recreation fund.

Based on the cost to serve for current households in Lyons, BBC estimates that new annual recurring expenditures for the park fund will total approximately \$30,781. One-time revenues associated with the parks use tax and town park tax are outlined in Figure 2. BBC estimates that these one-time revenues will cover the capital expenses associated with the parks and recreation fund. A portion of sales tax is allocated annual to the parks and recreation fund, resulting in additional annual recurring revenue from sales tax of \$1,389. Annual recurring expenditures exceed annual recurring revenues by \$29,392, resulting in a negative annual fiscal impact. As with the general fund, the parks and recreation fund receives substantial support from the town sales tax, much of which is generated by out-of-town customers.

Figure 14.

Lyons Valley Townhomes Parks and Recreation Fund Recurring Expenditures

Parks and Recreation Fund Net Fiscal Impact		
Parks and Rec Fund Operation Expenditures	\$	695,995
Town of Lyons current households		814
Parks and Rec Fund Cost to Serve per HH	\$	855
Number of Units		36
Additional annual recurring expenditures	\$	30,781
Additional annual recurring revenue from sales tax	\$	1,389
Net fiscal impact	\$	(29,392)
Net fiscal impact per HH	\$	(816)

Source: BBC Research & Consulting.



MEMORANDUM

TO: Sam Long, Summit Housing Group, Inc.

FROM: Tyler Borowy, Prior & Associates

DATE: February 28, 2018

RE: Preliminary Market Feasibility—McConnell Drive, Lyons, Boulder County, Colorado

I. INTRODUCTION

We have reviewed the rental market conditions for a potential rental project on McConnell Drive in Lyons, Boulder County, Colorado. The following sections define the project market area, discuss current and projected demographic trends, and describe the current rental housing conditions of the market area. The memo also analyzes the level of demand at different income levels and discusses the prevailing achievable rents.

II. PROJECT DESCRIPTION

The subject will be developed through the Federal Low Income Housing Tax Credit (LIHTC) program as well as disaster relief funds. As such, occupancy for its units will be restricted to households with annual incomes at or below 60% of the area median income (AMI). With a unit mix comprised of two- and three-bedroom units, households with two to five persons and incomes less than \$63,660 are potential tenants for the subject's proposed units. The following chart lists the income limits by household size and AMI level for Boulder County.

2017 LIHTC INCOME LIMITS				
Persons	30%	40%	50%	60%
1	\$20,640	\$27,520	\$34,400	\$41,280
2	\$23,580	\$31,440	\$39,300	\$47,160
3	\$26,520	\$35,360	\$44,200	\$53,040
4	\$29,460	\$39,280	\$49,100	\$58,920
5	\$31,830	\$42,440	\$53,050	\$63,660
6	\$34,200	\$45,600	\$57,000	\$68,400
7	\$36,540	\$48,720	\$60,900	\$73,080
8	\$38,910	\$51,880	\$64,850	\$77,820
Source: HUD				

The following table illustrates the subject's tenant-paid utilities:

UTILITY ALLOWANCE SCHEDULE				
Utility	Type	Who Pays	Utility Adjustment	
			2BR	3BR
Heat	Gas	Tenant	\$29	\$33
Electricity	N/A	Tenant	\$28	\$32
Hot Water	Gas	Tenant	\$9	\$11
Cooking	Electric	Tenant	\$6	\$8
Water	N/A	Owner	---	---
Sewer	N/A	Owner	---	---
Trash Collection	N/A	Owner	---	---
TOTAL			\$72	\$84
Source: Boulder County Housing Authority				

The subject's preliminary development plan includes 43 rental units. The subject is proposed under one of two funding scenarios, including 4% or 9% low income housing tax credits. The following table illustrates the subject's proposed unit mix considering both scenarios.

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
9% Tax Credits							
2BR/2BA	6	1,070	30%	\$663	\$72	\$591	\$495
2BR/2BA	6	1,070	40%	\$884	\$72	\$812	\$677
2BR/2BA	8	1,070	50%	\$1,105	\$72	\$1,033	\$866
2BR/2BA	4	1,070	60%	\$1,326	\$72	\$1,254	\$1,055
3BR/2BA	4	1,200	30%	\$766	\$84	\$682	\$570
3BR/2BA	4	1,200	40%	\$1,021	\$84	\$937	\$781
3BR/2BA	7	1,200	50%	\$1,276	\$84	\$1,192	\$999
3BR/2BA	3	1,200	60%	\$1,532	\$84	\$1,448	\$1,217
3BR/2BA	1	1,200	Mgr.	---	---	---	---
4% Tax Credits							
2BR/2BA	4	1,070	50%	\$1,105	\$72	\$1,033	\$1,033
2BR/2BA	20	1,070	60%	\$1,326	\$72	\$1,254	\$1,254
3BR/2BA	3	1,200	50%	\$1,276	\$84	\$1,192	\$1,192
3BR/2BA	15	1,200	60%	\$1,532	\$84	\$1,448	\$1,448
3BR/2BA	1	1,200	Mgr.	---	---	---	---
Source: Project Sponsor; HUD; Boulder County Housing Authority							

III. MARKET AREA DELINEATION

The subject is in southeast Lyons, a semi-rural residential area about ten miles northwest of Longmont and 14 miles north of Boulder. The Town of Lyons covers the subject. The local government offers basic services to residents of the city. Public school students attend classes in the St. Vrain Valley School District, which serves residents throughout the city. The primary circulation area of the *Lyons Recorder* includes Lyons. Local businesses belong to the Lyons Chamber of Commerce, which includes members from throughout the city.

The subject is not in a CoStar-defined apartment submarket. Geographic boundaries and neighborhood characteristics also influence market area boundaries. Lyons is the last town on U.S. Highway 36 before Estes Park. Both towns are separated by sparsely populated mountainous lands. The areas directly north and south of Lyons are sparsely populated, and agricultural and residential uses define the land between Lyons and Longmont. The surveyed

Class B market-rate projects in western Longmont draw tenants from throughout the Boulder MSA and out of state, and property managers have reported that there is an increasing number of out of state applicants. They work in oil and gas, distribution, professional, technology, education, healthcare, engineering, blue-collar and service jobs, earning between \$35,000 and \$125,000 per year. While many work locally in Longmont, the number of commuting residents to main employment centers like Denver and Fort Collins, and to a lesser extent Boulder, has grown recently.

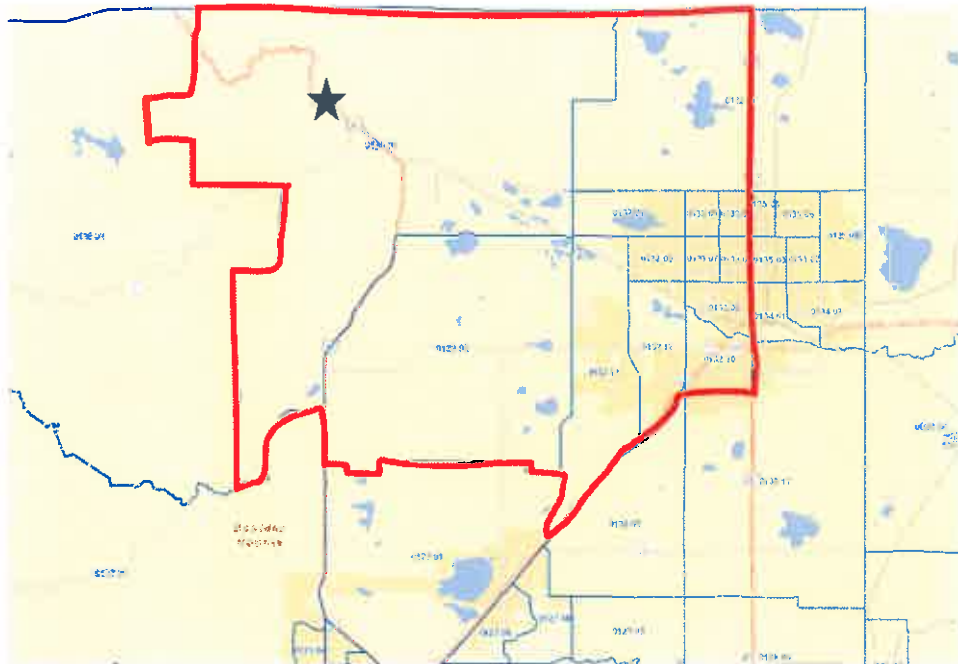
Lyons has a population of 2,112 and does not have a significant number of traditional multifamily apartment projects. CoStar, a commercial property information service, only lists three projects with 29 units. Because of the town's relative lack of apartments, any new multifamily construction would likely draw tenants from nearby Longmont.

These factors suggest that the subject's primary market area (PMA) includes Lyons and portions of western Longmont, which combined, have 59,189 inhabitants and the following approximate boundaries:

North:	Boulder County line
South:	Oxford Road and State Highway 119
East:	Main Street
West:	South St. Vrain Creek

The PMA is comprised of the following census tracts 132.02, 132.07, 132.08, 132.10, 132.12, 132.13, 133.02, 133.05, 133.06, 133.07, 133.08 and 136.01. The subject does not have a secondary, or extended, market area (EMA). However, based on the experience of surveyed rental projects in Longmont, a significant number of tenants may relocate from outside the PMA.

MARKET AREA MAP



IV. DEMOGRAPHIC TRENDS

A. Total Population

From 2000 to 2010, population increased 1.0% per year in the primary market area (PMA) and 0.9% annually in the Boulder MSA. Claritas estimates that the PMA's population rose 1.3% annually from 2010 through 2018, and projects that it will increase 1.3% per year, to 63,160 by 2023. This projected annual rate of growth is equal to the projected 1.3% annual increase for the MSA.

POPULATION TRENDS							
	2000	Estimate		Projection	Average Annual Change		
		2010	2018	2023	2000-2010	2010-2018	2018-2023
Boulder MSA	269,758	294,567	329,524	351,905	0.9%	1.4%	1.3%
Lyons	1,940	2,033	2,112	2,267	0.5%	0.5%	1.4%
PMA	48,354	53,534	59,189	63,160	1.0%	1.3%	1.3%

Source: U.S. Census, Claritas, Ribbon Demographics

B. Total Households

Since 2000, the PMA has added an average of 313 households per year, while the Boulder MSA gained an average of 1,554 households annually. The PMA is projected to gain 362 households per year through 2023, which accounts for 17.9% of the MSA's household gain. The PMA's projected annual household growth rate (1.5%) is slightly the same as its rate from 2000 through 2018 (1.5%).

HOUSEHOLDS, 2000-2023			
	<i>Households</i>	<i>Annual Increase</i>	<i>Percent Increase</i>
Boulder MSA			
2000	106,620		
2010	122,516	1,590	1.4%
2018	134,596	1,510	1.2%
2023	144,735	2,028	1.5%
Lyons			
2000	702		
2010	786	8	1.1%
2018	959	22	2.5%
2023	1,037	16	1.6%
PMA			
2000	18,798		
2010	21,879	308	1.5%
2018	24,433	319	1.4%
2023	26,244	362	1.4%
Source: U.S. Census, Claritas, Ribbon Demographics			

C. Renter Household Size

In 2018, there are 2.13 persons per renter household in the Boulder MSA and 2.18 in the PMA. Of the PMA's renter households, 44% have one person, 24% two, 25% three or four, and 8% have five or more. The subject's units are targeted to households with between two and five persons, who account for 54% of PMA renters.

HOUSEHOLD SIZE, PMA 2018				
<i>Persons in Household</i>	<i>Total</i>	<i>% Of Total</i>	<i>Renters</i>	<i>% Of Renters</i>
1	7,329	30.0%	3,906	43.6%
2	8,220	33.6%	2,123	23.7%
3	3,911	16.0%	1,312	14.6%
4	3,011	12.3%	907	10.1%
5	1,269	5.2%	459	5.1%
6 Or More	693	2.8%	255	2.8%
Total	24,433	100.0%	8,962	100.0%
Source: Claritas, Ribbon Demographics				

D. Households by Tenure

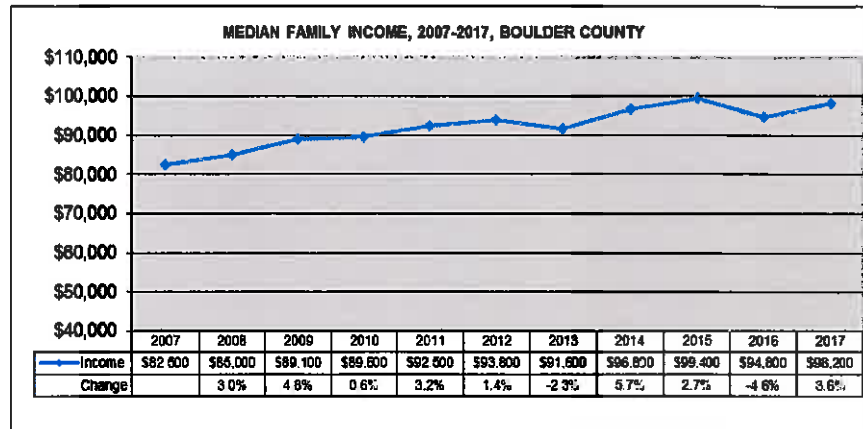
In 2018, renters comprise 36.7% of all households in the PMA and 37.2% in the Boulder MSA. Claritas projects that the renter rate in the PMA will remain at 36.7% through 2023 and that the PMA will gain an average of 136 renter households annually over the next five years. Lyons is forecasted to only add four renters annually through 2023.

HOUSEHOLD TENURE, PMA			
	2018	2023	Annual Change
Total Households	24,433	26,244	362
Owners	15,471	16,601	226
Renters	8,962	9,643	136
% Renter	36.7%	36.7%	0.01%
Source: Claritas, Ribbon Demographics			

E. Renter Households by Income

The U.S. Department of Housing and Urban Development (HUD) estimates that the Boulder County 2017 median family income, which is used to set income and rent limits, is \$98,200.

From 2007 to 2017, the median family income increased 1.8% per year. In 2015, the median family income increased 2.7%, followed by a decline of 4.6% in 2016 and an increase of 3.6% in 2017.



As a 9% tax credit project with 30% to 60% AMI units, the gross maximum rents for the subject's income-restricted units will start at \$663. Households with annual incomes above \$19,890 can qualify for these units without spending more than 40% of their income for rent and utilities. The subject will appeal to households with incomes between this amount and \$63,660, which is the highest eligible income for a five-person household at the 60% AMI level. These units are income targeted to 46.8% of PMA renter households. By applying the specific income range for each renter household size, we determined that the PMA has 1,743 income- and size-qualified renter households, who account for 19.4% of PMA renters.

As a 4% LIHTC development and rents restricted at 50% and 60% AMI, the gross rents for the subject's income-restricted units will start at \$1,105. Households with annual incomes above \$33,150 can qualify for these units without spending more than 40% of their income for rent and utilities. These units are income targeted to 31.0% of PMA renter households. By applying the specific income range for each renter household size, we determined that the PMA has 1,028 income- and size-qualified renter households, who account for 11.5% of PMA renters.

RENTER HOUSEHOLD INCOME BY SIZE, PRIMARY MARKET AREA, 2018							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
Less than \$10,000	572	68	91	20	3	0	754
\$10,000-\$20,000	592	291	88	25	43	20	1,059
\$20,000-\$30,000	519	193	215	49	67	43	1,086
\$30,000-\$40,000	455	351	124	55	18	9	1,012
\$40,000-\$50,000	390	236	123	127	47	31	954
\$50,000-\$60,000	367	243	83	185	25	13	916
\$60,000-\$75,000	260	212	231	36	85	41	865
\$75,000-\$100,000	388	232	107	100	34	23	884
\$100,000-\$125,000	121	138	142	190	60	36	687
\$125,000-\$150,000	109	25	41	52	13	8	248
\$150,000-\$200,000	37	109	61	58	14	10	289
\$200,000 or more	96	25	6	10	50	21	208
Total	3,906	2,123	1,312	907	459	255	8,962

Source: Claritas, Ribbon Demographics

Although the subject's target income range is likely to change over the next two years, we use the income range from the previous analysis to estimate the number of income-qualified renters in the PMA for its units in 2020. With the projected changes to the income stratification of renters in the PMA, the subject's units would be income targeted to 45.3% of PMA renter households. In 2020, there will be 1,731 income- and size-qualified renter households in the PMA for the subject's units, who will account for 18.7% of PMA renters. As a 4% LIHTC property, the subject's units would be income targeted to 30.2% of PMA renter households in 2020, and there would be 1,033 income- and size-qualified renter households in the PMA for the subject's units, who will account for 11.2% of PMA renters.

RENTER HOUSEHOLD INCOME BY SIZE, PRIMARY MARKET AREA, 2020							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
Less than \$10,000	579	66	93	20	3	0	760
\$10,000-\$20,000	609	277	88	26	38	18	1,055
\$20,000-\$30,000	507	182	203	46	66	42	1,046
\$30,000-\$40,000	467	374	128	56	18	8	1,051
\$40,000-\$50,000	390	227	123	121	43	29	934
\$50,000-\$60,000	372	238	82	185	25	13	915
\$60,000-\$75,000	286	222	237	38	91	44	919
\$75,000-\$100,000	416	244	112	104	35	24	935
\$100,000-\$125,000	133	148	157	199	62	37	736
\$125,000-\$150,000	124	32	50	54	17	10	286
\$150,000-\$200,000	45	117	65	74	18	11	331
\$200,000 or more	126	30	10	15	60	26	266
Total	4,054	2,156	1,348	939	477	261	9,234
Source: Claritas, Ribbon Demographics							

F. Demand

1. Income Eligibility Calculations

a. 9% LIHTC

The table below calculates the number of income- and size-qualified households for the subject's proposed units using the LIHTC gross maximums. These calculations will be used to determine the number of total income- and size-qualified renter households in the PMA used in the capture rate analysis. In the PMA, there are 1,610 total qualified renter households in the PMA for the subject's proposed units, including 295 at 30% AMI, 335 at 40% AMI, 536 at 50% AMI and 609 at 60% AMI. The total column may not sum across due to not double-counting renters in overlapping income bands.

INCOME ELIGIBILITY CALCULATIONS TABLE							
			30% AMI	40% AMI	50% AMI	60% AMI	
2 Person	Total	Ineligible	\$19,890-\$23,580	\$26,520-\$31,440	\$33,150-\$39,300	\$39,780-\$47,160	Total
\$10,000-\$19,999	291	288	3	0	0	0	3
\$20,000-\$29,999	193	57	69	67	0	0	136
\$30,000-\$39,999	351	76	0	51	216	8	275
\$40,000-\$49,999	236	67	0	0	0	169	169
Total	1,071	488	72	118	216	177	583
3 Person	Total	Ineligible	\$19,890-\$26,520	\$26,520-\$35,360	\$33,150-\$44,200	\$39,780-\$53,040	Total
\$10,000-\$19,999	88	87	1	0	0	0	1
\$20,000-\$29,999	215	0	140	75	0	0	215
\$30,000-\$39,999	124	0	0	66	85	3	124
\$40,000-\$49,999	123	0	0	0	52	123	123
\$50,000-\$59,999	83	58	0	0	0	25	25
Total	633	145	141	141	137	151	488
4 Person	Total	Ineligible	\$22,980-\$29,460	\$30,630-\$39,280	\$38,280-\$49,100	\$45,960-\$58,920	Total
\$20,000-\$29,999	49	15	32	48	0	0	34
\$30,000-\$39,999	55	0	0	0	9	0	55
\$40,000-\$49,999	127	0	0	0	116	51	127
\$50,000-\$59,999	185	20	0	0	0	165	165
Total	416	35	32	48	125	216	381
5 Person	Total	Ineligible	\$22,980-\$31,830	\$30,630-\$42,440	\$38,280-\$53,050	\$45,960-\$63,660	Total
\$20,000-\$29,999	67	20	47	0	0	0	47
\$30,000-\$39,999	18	0	3	17	3	0	18
\$40,000-\$49,999	47	0	0	11	47	19	47
\$50,000-\$59,999	25	0	0	0	8	25	25
\$60,000-\$74,999	85	64	0	0	0	21	21
Total	242	84	50	28	58	65	158
Overall Total	2,362	752	295	335	536	609	1,610
Source: Analysis by Prior & Associates							

b. 4% LIHTC

In the PMA, there are 1,023 qualified renter households in the PMA for the subject's proposed units, including 536 at 50% AMI and 609 at 60% AMI. The total column may not sum across due to not double-counting renters in overlapping income bands.

INCOME ELIGIBILITY CALCULATIONS TABLE					
			50% AMI	60% AMI	
2 Person	Total	Ineligible	\$33,150-\$39,300	\$39,780-\$47,160	Total
\$30,000-\$39,999	351	127	216	8	224
\$40,000-\$49,999	236	67	0	169	169
Total	587	194	216	177	393
3 Person	Total	Ineligible	\$33,150-\$44,200	\$39,780-\$53,040	Total
\$30,000-\$39,999	124	39	85	3	85
\$40,000-\$49,999	123	0	52	123	123
\$50,000-\$59,999	83	58	0	25	25
Total	330	97	137	151	233
4 Person	Total	Ineligible	\$38,280-\$49,100	\$45,960-\$58,920	Total
\$30,000-\$39,999	55	46	9	0	9
\$40,000-\$49,999	127	0	116	51	127
\$50,000-\$59,999	185	20	0	165	165
Total	367	66	125	216	301
5 Person	Total	Ineligible	\$38,280-\$53,050	\$45,960-\$63,660	Total
\$30,000-\$39,999	18	15	3	0	3
\$40,000-\$49,999	47	0	47	19	47
\$50,000-\$59,999	25	0	8	25	25
\$60,000-\$74,999	85	64	0	21	21
Total	175	79	58	65	96
Overall Total	1,459	436	536	609	1,023
Source: Analysis by Prior & Associates					

G. Demand & Capture Rate Calculations

a. 9% LIHTC

The following table contains the demand analysis calculations required by CHFA's Market Study Guidelines. This capture rate analysis assumes that studios have one occupant, one-bedroom units have one or two occupants, and two-bedroom units have no more than three occupants. It also assumes that tenants are paying no more than 40% of their incomes for the gross maximum LIHTC rents. The total number of renter households used in the table does not consider any projected renter household growth, per CHFA requirements.

The existing LIHTC units within the subject's market area provide shelter for 30.7% of the PMA's income- and size-qualified renter households. The common acceptable capture rate for CHFA is 25.0%. The completion of the subject, the only planned LIHTC project in the PMA, would cause the overall capture rate to increase to 33.4%, including 3.4% at 30% AMI, 27.5% at 40% AMI, 26.3% at 50% AMI and 48.3% at 60% AMI.

However, the capture rates are overstated because the subject will not include one-bedroom units, and the existing LIHTC properties do not categorize bedroom types by AMI level. Therefore, the last row in the following table illustrates an adjusted capture rate, which removes known one-bedroom units from the analysis. Using this approach, the overall rate would be 24.0% and remain below CHFA's preferred threshold. Additionally, the 60% AMI rate is overstated because we were unable to remove the number of one-bedroom units at Cloverbasin I, Cloverbasin III and Crisman Apartments.

DEMAND AND CAPTURE RATE CALCULATION, PMA					
	30% AMI	40% AMI	50% AMI	60% AMI	Total
Total Renter Households in Market Area	8,962	8,962	8,962	8,962	8,962
- Unserved Households based on Size	4,161	4,161	4,161	4,161	4,161
Size-Eligible Renter Households	4,801	4,801	4,801	4,801	4,801
2 Person Income Qualifying Households	72	118	216	177	583
3 Person Income Qualifying Households	141	141	137	151	488
4 Person Income Qualifying Households	32	48	125	216	381
5 Person Income Qualifying Households	50	28	58	65	158
Income Qualifying Households in PMA	295	335	536	609	1,610
Existing Family Units	0	82	126	287	495
Capture Rate – Existing	0.0%	24.5%	23.5%	47.1%	30.7%
Under Construction/Planned Units					
Subject	10	10	15	7	42
Other Family LIHTC Units	0	0	0	0	0
Total Existing & Under Construction/Planned Units	10	92	141	294	537
Capture Rate – Required	3.4%	27.5%	26.3%	48.3%	33.4%
Less One-Bedroom Units	10	92	141	275	387
Adjusted Capture Rate	3.4%	27.5%	26.3%	45.2%	24.0%

b. 4% LIHTC

The completion of the subject with 50% and 60% AMI units would result in an overall capture rate of 52.5%, including 28.0% at 50% AMI and 48.3% at 60% AMI. The overall adjusted rate is 37.8%, including 28.0% and 45.2% at 50% and 60% AMI, respectively. The 60% AMI rate is overstated for the reasons described above.

DEMAND AND CAPTURE RATE CALCULATION, PMA			
	50% AMI	60% AMI	Total
Total Renter Households in Market Area	8,962	8,962	8,962
- Unserved Households based on Size	4,161	4,161	4,161
Size-Eligible Renter Households	4,801	4,801	4,801
2 Person Income Qualifying Households	216	177	393
3 Person Income Qualifying Households	137	151	233
4 Person Income Qualifying Households	125	216	301
5 Person Income Qualifying Households	58	65	96
Income Qualifying Households in PMA	536	609	1,023
Existing Family Units	126	287	495
Capture Rate – Existing	23.5%	47.1%	48.4%
Under Construction/Planned Units			
Subject	24	7	42
Other Family LIHTC Units	0	0	0
Total Existing & Under Construction/Planned Units	150	294	537
Capture Rate – Required	28.0%	48.3%	52.5%
Less One-Bedroom Units	150	275	387
Adjusted Capture Rate	28.0%	45.2%	37.8%

Per CHFA's capture rate analysis, the demand must consider the gross maximum rents in the PMA. Under the 9% scenario, the subject's proposed rents are 16% or 17% below the net maximums. This provides a better value to potential tenants and expands the income band of qualified renters for the subject. However, under the guidelines, the capture rate does not account for the additional value provided.

Another CHFA stipulation for market studies is that market analysts discuss the primary market area with Kim Dillinger. Prior & Associates contacted Kim Dillinger, who indicated that previous

market studies conducted in Lyons included the town and the western portions of Longmont. It is likely that the subject would attract renters from Longmont, as well as areas beyond the PMA boundaries. However, Lyons and Longmont are distinctly different rental markets and are merely associated based on their proximity and being within Boulder County. Lyons does not have any existing LIHTC projects and the subject would be the first of its kind.

For these reasons, we believe that the capture rates presented above are not indicative of the demand for low-income housing in the PMA. There are no existing directly competitive projects in Lyons and the subject's capture rate, while above 25.0%, should not cause it to face difficulties attracting renters.

As with any CHFA-based capture rate analysis, the demand forecasts appear more favorable for a 9% tax credit project, because including 30% and 40% AMI units expands the income band of qualified renters for the total, or overall, capture rate.

c. Lyons Capture Rate for 9%

According to Claritas, there are 240 renter households in the town of Lyons. The following table demonstrates that 30 of those renters are income- and size-qualified for the subject's 30%, 40%, 50% and 60% AMI units.

INCOME ELIGIBILITY CALCULATIONS TABLE								
			30% AMI	40% AMI	50% AMI	60% AMI		
2 Person	Total	Ineligible	\$19,890-\$23,580	\$26,520-\$31,440	\$33,150-\$39,300	\$39,780-\$47,160	Total	
\$10,000-\$19,999	0	0	0	0	0	0	0	0
\$20,000-\$29,999	1	1	0	0	0	0	0	0
\$30,000-\$39,999	13	3	0	2	8	0	10	
\$40,000-\$49,999	4	1	0	0	0	3	3	
Total	18	5	0	2	8	3	13	
3 Person	Total	Ineligible	\$19,890-\$26,520	\$26,520-\$35,360	\$33,150-\$44,200	\$39,780-\$53,040	Total	
\$10,000-\$19,999	7	7	0	0	0	0	0	0
\$20,000-\$29,999	0	0	0	0	0	0	0	0
\$30,000-\$39,999	0	0	0	0	0	0	0	0
\$40,000-\$49,999	16	0	0	0	7	16	16	
\$50,000-\$59,999	0	0	0	0	0	0	0	0
Total	23	7	0	0	7	16	16	
4 Person	Total	Ineligible	\$22,980-\$29,460	\$30,630-\$39,280	\$38,280-\$49,100	\$45,960-\$58,920	Total	
\$20,000-\$29,999	1	0	1	0	0	0	1	
\$30,000-\$39,999	0	0	0	0	0	0	0	0
\$40,000-\$49,999	0	0	0	0	0	0	0	0
\$50,000-\$59,999	0	0	0	0	0	0	0	0
Total	1	0	1	0	0	0	1	
5 Person	Total	Ineligible	\$22,980-\$31,830	\$30,630-\$42,440	\$38,280-\$53,050	\$45,960-\$63,660	Total	
\$20,000-\$29,999	0	0	0	0	0	0	0	0
\$30,000-\$39,999	0	0	0	0	0	0	0	0
\$40,000-\$49,999	0	0	0	0	0	0	0	0
\$50,000-\$59,999	0	0	0	0	0	0	0	0
\$60,000-\$74,999	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	
Overall Total	42	12	1	2	15	19	30	

Source: Analysis by Prior & Associates

The completion of the subject, the first LIHTC project in Lyons, would cause the capture rate to increase to 140.0%. According to Claritas, there is one renter qualified for a 30% AMI unit, two

for a 40% AMI dwelling, and 15 and 19 eligible renters for 50% and 60% AMI units, respectively. We suspect that these rates are overstated for two reasons, including the likelihood that the subject will attract renters from outside Lyons and because Claritas' demographic data tends to have a higher margin of error for smaller geographic areas.

DEMAND AND CAPTURE RATE CALCULATION, PMA					
	30% AMI	40% AMI	50% AMI	60% AMI	Total
Total Renter Households in Market Area	240	240	240	240	240
- Unserved Households based on Size	127	127	127	127	127
Size-Eligible Renter Households	113	113	113	113	113
2 Person Income Qualifying Households	0	2	8	3	13
3 Person Income Qualifying Households	0	0	7	16	16
4 Person Income Qualifying Households	1	0	0	0	1
5 Person Income Qualifying Households	0	0	0	0	0
Income Qualifying Households in PMA	1	2	15	19	30
Existing Family Units	0	0	0	0	0
Capture Rate – Existing	0.0%	0.0%	0.0%	0.0%	0.0%
Under Construction/Planned Units					
Subject	10	10	15	7	42
Other Family LIHTC Units	0	0	0	0	0
Total Existing & Under Construction/Planned Units	10	10	15	7	42
Capture Rate – Required	1000.0%	500.0%	100.0%	36.8%	140.0%

V. HOUSING TRENDS

A. Rental Units by Age

According to CoStar, units built between 2000 and present-day account for 28% of the PMA's apartment inventory, with 34% constructed in the 1990s, 30% in the 1970s and 1980s, and 8% built before 1970.

PMA APARTMENTS BY YEAR BUILT		
Unit Type	Number	%
2010 & Later	391	8.7%
2000-2009	886	19.8%
1990-1999	1,509	33.7%
1980-1989	929	20.7%
1970-1979	414	9.2%
1960-1969	285	6.4%
Before 1960	69	1.5%
Total	4,483	100.0%
Source: CoStar		

B. Bedroom Distribution

According to CoStar, 5% of the apartments in the PMA are studios, 42% are one-bedroom units, 46% are two-bedroom dwellings and 7% have three or more bedrooms. The weighted average unit sizes of apartments in the PMA are 474 square feet for studios, 690 for one-bedroom units, 966 for two-bedroom dwellings, and 1,193 square feet for three-bedroom units. There are no four-bedroom units in the PMA.

PMA APARTMENTS BY TYPE AND SIZE			
<i>Unit Type</i>	<i>Number</i>	<i>%</i>	<i>Average SF</i>
Studio	255	5.3%	474
1BR	2,027	41.8%	690
2BR	2,242	46.3%	966
3BR	321	6.6%	1,193
4BR	0	0.0%	0
Total	4,845	100.0%	831
Source: CoStar			

According to a rental housing unit survey conducted by Prior & Associates in January 2018, 1% of the PMA's rental units are studios, 37% are one-bedroom units, 47% have two bedrooms, and 14% have three bedrooms. The subject's preliminary unit mix is comprised of 56% two- and 44% three-bedroom units. This mix is suitable for a PMA where 38% of renters have two or three persons and 30% have three to five, but could benefit from having some one-bedroom dwellings that would allow it to target the 44% one-person renter households in the PMA. Additionally, all surveyed comparables are in Longmont, which has a different household composition compared to Lyons.

UNIT MIX BY TOTAL BEDROOM SIZES				
<i>Unit Type</i>	<i>Comparables</i>		<i>Subject</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Studio	40	1.4%	0	---
One Bedroom	1,023	36.9%	0	---
Two Bedrooms	1,313	47.4%	48	55.8%
Three Bedrooms	396	14.3%	38	44.2%
Four Bedrooms	0	0.0%	0	---
Total	2,772	100.0%	86	100.0%
Source: Survey by Prior & Associates,				

C. Rental Development Pipeline

Other than the proposed subject, Prior & Associates is not aware of any new rental projects planned or under construction in Lyons. Habitat for Humanity is constructing six homes in Lyons, but these are not included in the rental inventory.

According to the City of Longmont Planning and Development Services, as well as CoStar and field observations, there are four rental projects planned or under construction in the eastern portion of the PMA, but none are directly competitive LIHTC projects.

- West Grange, a 234-unit Class A market-rate project, has broken ground at the southeast corner of Nelson Road and South 75th Street, 6.2 miles southeast of the subject. The development will include 223 single-family homes, 42 duplexes and 234 apartments.
- Nova Annexation, a 256-unit market-rate development, is under construction at 9183 Nelson Road, 7.8 miles southeast of the subject. The project received City approval in March 2017, and will have seven three-story buildings, four carriage houses and a clubhouse. According to CoStar, construction will not begin until mid-2018, although

grading has started at the rear of site. A single-family home on the site has yet to be demolished.

- Verra West is a 276-unit market-rate complex under construction at 1420 Renaissance Drive, 7.5 miles southeast from the subject. The development will have 16 three-story buildings, pocket parks, volleyball courts, a pool, clubhouse, dog-wash station, bike repair room and other amenities, as well as 523 parking spaces, for a ratio of 1.9 spaces per unit. Although strongly opposed by local residents, the project was approved by the Planning and Zoning Commission with four added conditions: work on adding an acceleration lane to Airport Road for the development's tenants, mitigate traffic through the surrounding single-family residential neighborhoods, implement traffic mitigation measures during school hours, and build commercial uses on the remaining six acres of the site. The project's first phase opened in June 2017 with 228 total units and has leased 130 apartments. The 48 units in the second phase are expected to come online in February 2018. The 98 units in lease-up from the first phase and are included in the pipeline.
- The Parkes at Stonebridge is a 94-unit market-rate project planned at 8756 Nelson Road, 7.4 miles southeast of the subject. According to CoStar, the project is being developed by Oread Capital and Development, and should break ground in April 2018.

As noted in the following table, completion of the subject and the other rental projects in the development pipeline will increase the PMA's rental inventory by 903 units over the next two years. The subject will not compete directly with any of the market-rate units in the pipeline.

UNITS IN THE PIPELINE – PMA				
<i>Name</i>	<i>Construction Status</i>	<i>Project Type</i>	<i>Units</i>	<i>LIHTC Units</i>
Subject	Proposed	LIHTC	43	42
West Grange	Under Construction	Market-Rate	234	0
Nova Annexation	Under Construction	Market-Rate	256	0
Verra West	Under Construction	Market-Rate	276	0
The Parkes at Stonebridge	Planned	Market-Rate	94	0
Total			903	42
Source: OHCS; CoStar				

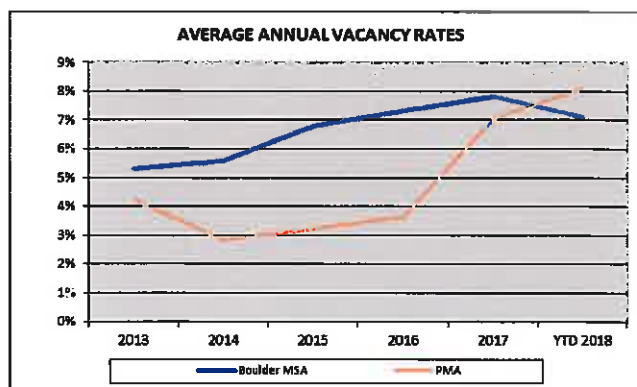
D. Tax Credit Inventory

The PMA has eight existing LIHTC projects containing 698 income-restricted units. Of these, one is a 72-unit senior project, two are deeply-subsidized and/or supportive housing properties with 131 units and five are family LIHTC projects with 495 dwellings.

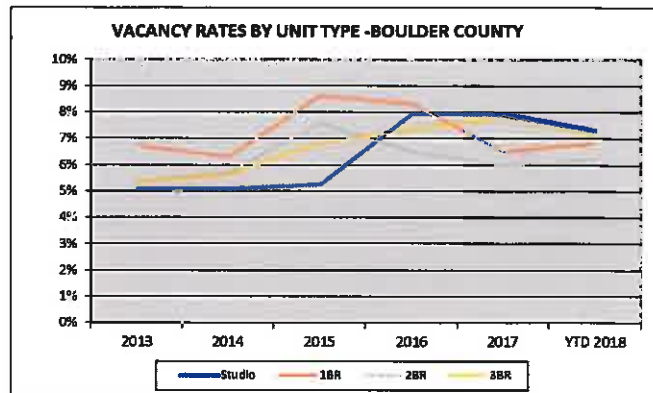
INCOME RESTRICTED UNITS IN THE PMA BY AMI THRESHOLD						
Project Name	Deep Subsidy	30%	40%	50%	60%	Total
Existing Units						
Montview Meadows	0	0	0	0	27	27
Parkside Apartments Longmont	50	0	0	0	0	50
Crisman Apartments	0	0	46	25	43	114
Village Place at Longmont (Senior)	0	8	0	46	18	72
Coffman Court	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 III	0	0	0	48	114	162
Total Existing, February 2018	131	8	82	172	305	698
Total Existing Family, February 2018	131	0	82	126	287	626
Planned/Under Construction Units						
Subject (9%)	0	4	7	24	7	42
Subject (4%)	0	0	0	7	35	42
Total Planned/Under Construction/Renovation	0	N/A	N/A	N/A	N/A	42
Total	131	0	82	126	287	668
Source: CHFA						

E. Vacancy Rates

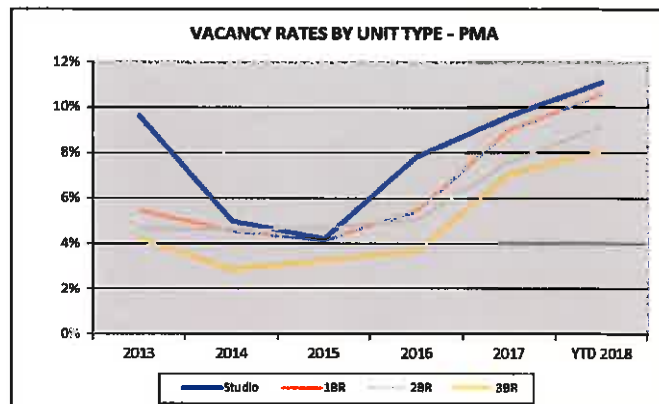
From 2013 through February 26, 2018, the average apartment vacancy rate in the Boulder MSA increased from 5.3% to 7.1%. From 2013 through 2017, the vacancy level increased to 7.8% and then lowered to 7.1% so far in 2017. From 2013 through February 26, 2018, the average apartment vacancy rate in the PMA increased from 4.2% to 8.1%. In 2014, the vacancy level lowered to 2.8% and then rose continuously, to 8.1% year-to-date in 2018. The PMA vacancy rates shown in the following charts are overstated because CoStar counts units in lease-up as vacant.



According to CoStar, the average Boulder MSA vacancy rates were 7.3% in studio units, 6.8% in one-bedroom apartments, 6.2% in two-bedroom dwellings and 7.1% in three-bedroom units. Since 2013, the vacancy rate rose 2.2 percentage points in studios, 0.1 in one-bedroom units, 0.9 in two-bedroom apartments and 1.8 percentage points in three-bedroom units.



As of February 26, 2018, according to CoStar, the average PMA vacancy rates were 11.1% in studio units, 10.6% in one-bedroom apartments, 9.2% in two-bedroom dwellings and 8.1% in three-bedroom units. Since 2013, the vacancy rate rose 1.5 percentage points in studios, 5.2 in one-bedroom units, 4.6 in two-bedroom apartments and 3.9 percentage points in three-bedroom units.



In January 2018, the overall surveyed vacancy rate in the PMA of seven market-rate projects and one LIHTC/market-rate project was 3.7%. Vacancies were highest in two-bedroom units and lowest in one-bedroom dwellings. The surveyed mixed-income project with LIHTC and market-rate units had a vacancy rate of 5.7%, while the surveyed market-rate projects were 3.3% vacant.

VACANCY RATES OF SURVEYED RENTAL UNITS			
Unit Type	Number	Vacant	Vacancy Rate
One Bedroom	759	14	1.8%
Two Bedrooms	853	40	4.7%
Three Bedrooms	364	20	5.5%
Total	1,976	74	3.7%
Source: Survey by Prior & Associates, January 2018			

The completion of the new rental projects in the pipeline would have an adverse impact on the occupancy rates of existing rental properties. The PMA is gaining 136 renters annually and should add 272 by 2020.

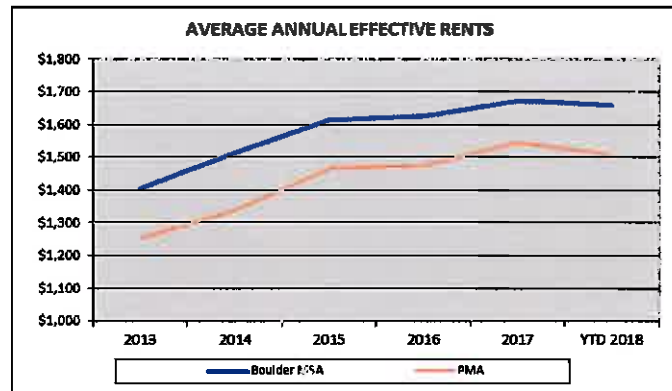
The PMA has an overall vacancy rate of 3.7% and a total of 8,962 renter households. It can add 117 rental units before reaching a vacancy rate of 5.0%, which is generally considered a balanced rental market. The PMA's pent up demand for 117 rental units and its anticipated gain of 272 renter households suggest that the PMA can accommodate an additional 389 units over the next two years without its vacancy level exceeding 5.0%. This level of demand is insufficient to absorb the 903 new rental units in the pipeline. Consequently, if all units in the pipeline proceed to completion, the PMA's vacancy rate would increase to 9.6%, which is above a balanced level. However, the impact to the vacancy rate for the PMA is overstated because the PMA's eastern border is Main Street, which bisects Longmont. Renters throughout Longmont would cross this dividing line for rental housing. Additionally, the subject is in Lyons and, based on its lack of apartments, would not experience any negative impacts relative to the new supplying coming online in Longmont.

IMPACT ON VACANCY RATES			
Units Needed for Market Balance			
Renter Household Increase			272
Existing Renters		8,962	
Vacancies in Balanced Market	5.0%	448	
Current Vacancy Rate	3.7%	332	
Pent Up Demand		117	117
Total Demand			389
Units In Pipeline			903
Stabilized Occupancy			95%
Adjusted Units in Pipeline			858
Net Demand			-469
Impact On Vacancy Rates			
	2018	Change	2020
Rental Units	9,306	903	10,209
Occupied Renter Units	8,962	272	9,234
Vacant Units	344		975
Current Vacancy Rate	3.7%		9.6%
Source: Claritas, Analysis by Prior & Associates			

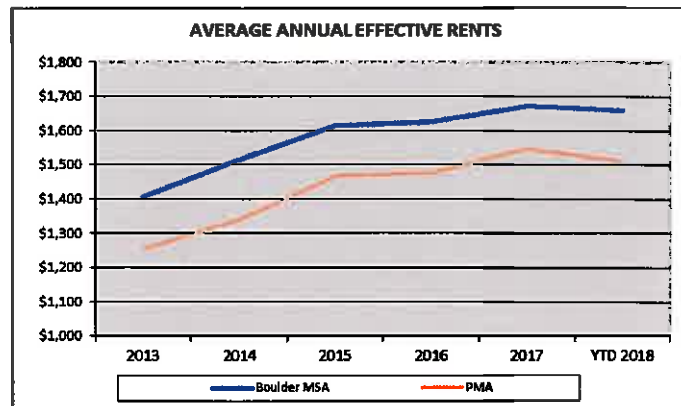
Additionally, the renter household growth forecast does not fully account for in-migration. Most surveyed property managers in Longmont indicated that 50% to 85% of their tenants were not from Longmont, indicating that supplemental demand from areas throughout the Front Range will offset forecasted impacts to the PMA's occupancy rate.

F. Rents

The average rent in the MSA grew 4.0% per year from 2013 through February 26, 2018. From 2013 through 2017, average rents in the MSA rose 4.4% per year, followed by a decrease of 5.2% so far in 2018. The average rent in the PMA grew 4.6% per year from 2013 through February 26, 2018. From 2013 through 2017, rents in the PMA rose 5.4% per year, followed by an annualized decrease of 14.4% year-to-date in 2018.



According to CoStar, the average rent loss in the MSA due to concessions was 0.9% from 2013 through February 26, 2018, and rose from 0.1% to 1.3% during that period. Since 2013, the concession rate has lowered. The average concession rate in the PMA was 1.3% from 2013 through year to date 2018, and grew from 0.0% to 3.8%. Since 2013, the concession rate in the PMA has increased.



The subject will use gas for heat and hot water, and electricity for cooking and general purposes. The tenants will be responsible for gas and electricity, and the owner will cover the costs of water, sewer and trash collection. The table below shows the projected tenant utility costs at the subject and the comparables per the utility allowance schedule provided by the Boulder County Housing Authority. Adjustments for differences in tenant utility costs were based on variations between the subject and the comparables. Projects with higher projected costs for a particular utility received a positive adjustment and those with lower costs received a negative adjustment.

SUBJECT & COMPARABLE TENANT UTILITY COSTS				
Project Name	Project Type	Unit Type		
		1BR	2BR	3BR
Subject	LIHTC	---	\$72	\$84
Stonebridge at Twin Peaks	Market-Rate	\$172	\$197	\$224
Fox Ridge Apts.	Market-Rate	\$172	\$197	\$224
Advenir at Wildwood	Market-Rate	\$172	\$197	---
The Shores	Market-Rate	\$172	\$197	\$224
Legacy Apts.	Market-Rate	\$172	\$197	\$224
Advenir at Wyndham	Market-Rate	\$172	\$197	---
Grandview Meadows	Market-Rate	\$75	\$94	\$113
Cloverbasin Village	LIHTC/Market-Rate	\$185	\$219	\$253
Source: Boulder County Housing Authority				

The surveyed Class B market-rate projects were built in 1986 through 2001, with five of the seven renovated since 2016 or undergoing renovations, and are in above average condition. The net maximum allowable 60% AMI rents for Boulder County are 20% to 24% below the surveyed Class B weighted average rents.

SURVEYED ADJUSTED MARKET-RATE RENTS			
Unit Type	Class B		
	Range	Average	
Studio	\$1,183	\$1,183	\$1,183
One Bedroom	\$1,013	\$1,735	\$1,375
Two Bedrooms	\$1,172	\$2,015	\$1,557
Three Bedrooms	\$1,369	\$2,030	\$1,799
Source: Survey by Prior & Associates, January 2018			

The surveyed Class B LIHTC project, Cloverbasin Village, was built in 2000, renovated in 2016 and is in above average condition. It was achieving 60% AMI rents above the maximum allowable amounts using the housing authority's utility allowance schedule. Its adjusted 60% AMI rents were 8% to 18% lower than the adjusted weighted average Class B rents.

SURVEYED ADJUSTED CLASS B LIHTC RENTS			
Unit Type	40% AMI	50% AMI	60% AMI
One Bedroom	\$808	\$998	\$1,189
Two Bedrooms	\$974	\$1,203	\$1,432
Three Bedrooms	\$1,089	\$1,281	\$1,468
Source: Survey by Prior & Associates,			

Prior & Associates has surveyed several LIHTC comparables in Boulder County and never discovered that the maximum allowable LIHTC rents are not attainable.

The subject's achievable market rents were calculated using the surveyed projects in Longmont, and adjusting for utility differences and unit size (\$0.50 per square foot). Lyons is a desirable community and deriving achievable market rents without visiting the site and evaluating the subject against the comparables result in preliminary findings. According to the U.S. Census Bureau, the median gross rent in Lyons is 18% higher than Longmont, while the median home value is 55% higher and median household income is 31% greater. These factors suggest that the projects in Longmont should receive an upward adjustment for their inferior location. However, there is little precedent for higher-end rental housing in Lyons, so our conclusions are conservative in nature and focus on the middle of the surveyed range.

The surveyed market-rate projects had indicated two-bedroom rents ranging from \$1,373 to \$1,817, with an average of \$1,612. The subject is in a more affluent area than these properties, but rents for apartments at the amounts shown in the following table have not been surveyed in Lyons and may be unprecedented. However, assuming that the subject can attract renters that can afford the market-rate rents, we estimate the subject's achievable two-bedroom market rent to be approximately \$1,600.

COMPARABLE PROJECTS - TWO-BEDROOM UNITS		
Project	Rent Class	Market Rent
Stonebridge at Twin Peaks	B	\$1,817
Fox Ridge Apts.	B	\$1,695
Legacy Apts.	B	\$1,673
Subject	B	\$1,650
The Shores	B	\$1,626
Advenir at Wildwood	B	\$1,582
Advenir at Wyndham	B	\$1,517
Grandview Meadows	B	\$1,373
Sources: Analysis by Prior & Associates		

The surveyed market-rate properties had indicated three-bedroom rents of \$1,465 to \$1,989, averaging \$1,856. We excluded Grandview Meadows and focused on the average of the other comparables, and set the subject's achievable three-bedroom market rent at \$1,950.

COMPARABLE PROJECTS - THREE-BEDROOM UNITS		
Project	Rent Class	Market Rent
Legacy Apts.	B	\$1,989
Stonebridge at Twin Peaks	B	\$1,962
Fox Ridge Apts.	B	\$1,938
Subject	B	\$1,950
The Shores	B	\$1,926
Grandview Meadows	B	\$1,465
Sources: Analysis by Prior & Associates		

As noted in the following table, the subject's proposed rents under its 9% LIHTC structure are 36% to 71% below its achievable market rents. Under its 4% scenario, its proposed rents are 24% to 39% lower.

SUBJECT'S PRO FORMA AND ACHIEVABLE MARKET RENTS				
Unit Type	% AMI	Pro Forma Rents	Achievable Market Rent	% Diff.
9% Tax Credits				
2BR/2BA	30%	\$495	\$1,650	-70.0%
2BR/2BA	40%	\$677	\$1,650	-59.0%
2BR/2BA	50%	\$866	\$1,650	-47.5%
2BR/2BA	60%	\$1,055	\$1,650	-36.1%
3BR/2BA	30%	\$570	\$1,950	-70.8%
3BR/2BA	40%	\$781	\$1,950	-59.9%
3BR/2BA	50%	\$999	\$1,950	-48.8%
3BR/2BA	60%	\$1,217	\$1,950	-37.6%
4% Tax Credits				
2BR/2BA	50%	\$1,033	\$1,650	-37.4%
2BR/2BA	60%	\$1,254	\$1,650	-24.0%
3BR/2BA	50%	\$1,192	\$1,950	-38.9%
3BR/2BA	60%	\$1,448	\$1,950	-25.7%
Source: Analysis by Prior & Associates				

The subject's achievable market rents are estimates based on surveyed projects in Longmont. To better estimate achievable market rents, Prior & Associates would need to visit the site, identify and survey apartments in Lyons and adjust for amenities, such as washer/dryers, number of bathrooms and other features once they are determined for the subject.

VI. RECOMMENDATIONS & CONCLUSIONS

Lyons is a unique rental market and the town has not experienced new apartment construction like other areas in Boulder County. The area was damaged during the 2013 floods and more than 200 homes were damaged. Lyons is forecasted to only add four renters annually through 2023, but this figure is likely understated due to the town's lack of multifamily rental options.

The subject would be the first LIHTC project in Lyons and is the only LIHTC development in the pipeline in the PMA, which covers Lyons and the western areas of Longmont.

The capture rates are overstated for the subject because of including LIHTC properties in Longmont. While the subject would reasonable attract tenants from areas throughout the market area, Longmont is a different submarket from Lyons, and has different commuting patterns and socioeconomic characteristics. While the required capture rates at 40%, 50% and 60% AMI are higher than CHFA's preferred threshold of 25.0%, there would be little impact to existing LIHTC projects resulting from the subject's completion due to being in different submarkets. Furthermore, we believe that the capture rates are overstated due to the nature of in-migration and supplemental demand. Most communities in the Front Range of Colorado draw tenants from throughout the state or out of state, which result in supplemental demand for apartments that is not considered in the capture rate analysis.

The subject's proposed mix of 56% two-bedroom and 44% three-bedroom units is suitable for the PMA, but could benefit from having one-bedroom dwellings that would allow it to target the 44% one-person renter households in the PMA. Without one-bedroom units, the subject cannot target the largest renter household segment in the market area. Furthermore, the town of Lyons has 51% one-person renter households, suggesting that having one-bedroom units is appropriate and better responsive to renter characteristics.

To be most responsive to demand among low-income renter households, the subject's 9% LIHTC scenario is most suitable, because it includes 30%, 40%, 50% and 60% AMI units, which allows it to target an additional 587 renters in the PMA compared to its 4% scenario.

The subject's excellent condition could provide a competitive advantage over existing apartments in Lyons. Additionally, the subject's design is attractive and its proposed unit sizes are larger than the surveyed market-rate averages.

Overall, based on our preliminary reads of the PMA's rental market, Lyons could support a 43-unit LIHTC project. Further research and field work is needed to better derive the subject's achievable market rents and compare its proposed features against competitive projects in the

PMA. Regardless, the maximum allowable LIHTC rents are achievable and would provide a sufficient advantage over market.