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MULTIFAMILY PROPERTIES Quarterly

Housing policy emerges as national priority after pandemic

Andy Feliciotti, Unsplash

Many national policymakers are recognizing the need to address housing instability as a component of the post-pandemic recovery.

The U.S. had a serious, and worsening, affordable housing crisis long before COVID-19. Working families often were paying up to half of their income on shelter, leaving little for other necessities like food and medical care. Demand for workforce housing far outstripped the supply after decades of underinvestment. Further exacerbating the situation was the fact that federal housing subsidies have been woefully inadequate, for only one in four households that qualified for a housing voucher actually received one.

To say that the pandemic created even more housing instability would be an understatement. Millions of Americans suddenly found themselves unemployed and without financial reserves to fall back on. Housing providers meanwhile struggled to meet their financial obligations and cover higher operating costs as residents sheltered in place.

Kim Duty
Senior vice president of Public Affairs and Industry Initiatives, National Multifamily Housing Council

2020 will go down as a truly devastating and horrible year. We are all grieving the loss of something – a loved one, a job, a school year or just plain human connection. It feels wrong given the enormity of human loss caused by COVID-19 to even talk about silver linings. Yet, there are some, and an important one for apartment firms is the enormous spotlight the health crisis put on our preexisting housing crisis.

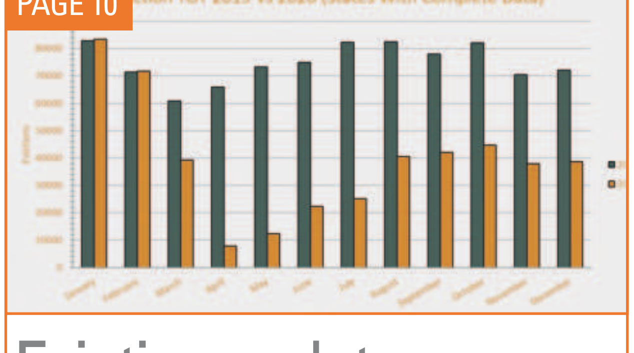
I have worked in national housing policy for more than 25 years, most of that time pursuing one goal – to make housing a national priority and not an afterthought. There have been some successes along the way. Perhaps the biggest was a growing recognition that apartments are not just housing of the last resort. They now generally are considered a desirable lifestyle and financially smart housing choice for millions. Sadly, that victory came as a result of the suffering and losses caused by the Great Financial Crisis.

If the path to appreciating the importance of housing is a road a hundred miles long, I would say we were at about the 25-mile marker before the pandemic. Within a year, COVID-19 and our national response to it quickly catapulted us to say the 50-mile marker. What makes me say that?

Please see Outlook, Page 34

INSIDE

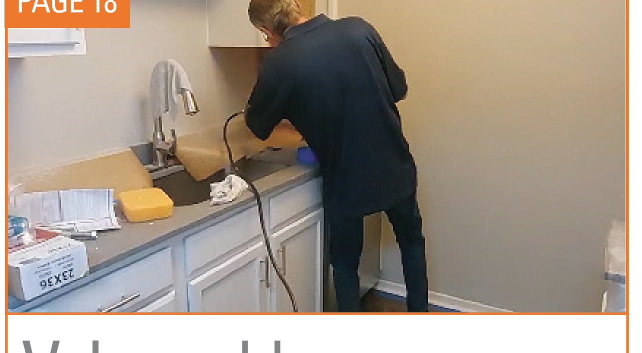
PAGE 10



Eviction update

Despite speculation, the market remains healthy and evictions were down 60% in 2020

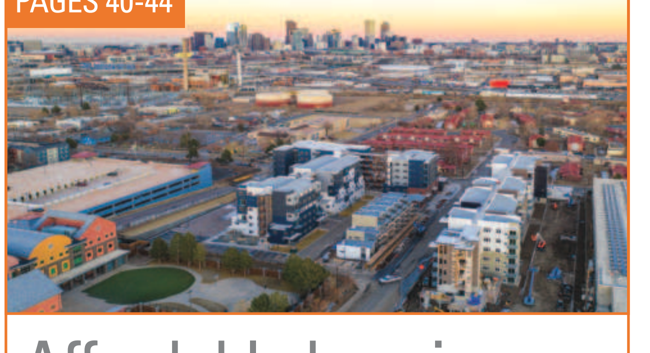
PAGE 18



Value-add renos

A conversation with multifamily experts about investing in value-add renovations

PAGES 40-44



Affordable housing

Colorado public housing authorities become more entrepreneurial and creative

Contents

Heighted demand, tight inventory reinforce market 4
Boomer Beatty and Peter Standley

Springs builds on 2020's transaction volume record 6
Chris White and Mack Nelson

Demand continues to outpace supply in Northern CO 8
Jake Hallauer

Many wonder: Where have all the evictions gone? 10
Andy Newell

Considerations to convert hotel or office to apts. 12
Elaine Bailey and Caitlin Quander

Structured finance for apts. is more active than ever 14
Blaire Butler and Alex Riggs

Capital continues to pour in from other regions 16
Nik MacCarter and Brandon Kaufman

Weigh options for value-add investment projects 18
Leslie Kinson

Focus on advancing existing affordable solutions 20
Mike Zoellner

Boulder sees nation's highest share of Gen Z renters 22
Florentina Sarac

Self-touring requires different leasing strategies 24
Heather Campbell

Ways to better address diversity, equity & inclusion 26
Tammy Freiling

Elevate the renter experience in uncertain times 28
Stacy Holden

Open-air features, space top 2021 renter wish list 29
Alexandra Ciuntu

Now is the time to invest in management tech 30
Timothy Fortner

Managed Wi-Fi increases an asset's bottom line 31
Josh Rowe

Embrace smart design decisions for your property 32
Mary Kay Sunset

Benefits to precast podiums & modular construction 33
Rachel Johnson Schiebout

Affordable housing spotlight 40-44

Letter from the Editor

Shifting topics of concern

Since Multifamily Properties Quarterly launched, we've been featuring articles that debate the question of whether Denver is overbuilding multifamily properties. It's been discussed regularly at Colorado Real Estate Journal conferences as well. There was concern that the pace of construction was unsustainable, inevitably followed by rebuttals of off-the-chart in-migration and insufficient single-family housing to meet demand. At the heart of this discussion is the fact that since coming out of the Great Recession, on average, Denver has delivered about 10,000 new multifamily units every year. That is, until this year.

Projected new construction starts will add only 6,820 units this year, according to a market update on Page 4. I anticipate this will change the conversation for the coming years when discussing supply and demand. Additionally, single-family home prices continue to increase and inventory is at a record low, while condo construction continues to languish. As such, affordability remains the hot-button issue.

When I think of new apartments, I often imagine the Class A, luxury properties we see on tours and highlighted in brochures; and surely many of these new units will check those boxes. So it's easy to assume that, regardless of the number of new units coming on line, the people already cost burdened aren't the target renters anyway.

However, in this issue's Affordable Housing Spotlight, beginning on Page 40, Rodger Hara has curated a collection of articles about how public housing authorities are embracing market-rate development practices. Many of the projects featured within those pages are for residents making less than the area median income who now are living in beautiful, new properties. The properties span the Front Range from Douglas County to Denver to Loveland. Often these projects were achieved in large part thanks to the Low-Income Housing Tax Credit program, which the section champions as a game-changer for PHAs.

Highlighting government programs designed to address affordability and cost-burdened Coloradans isn't limited to the spotlight. The cover story discusses how housing instability finally is becoming part of the national discussion. The problem is being recognized as a crucial component to getting the country back on the right path post-pandemic. Additionally, on Page 20, an author writes how newly elected official should identify solutions that are working and place greater emphasis on helping those ideas succeed rather than trying to reinvent the wheel.

So while it seems the debate about overbuilding may be tabled, the debate about how to address affordability is just gaining momentum.

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Market Update

Heightened demand, tight inventory reinforce market

Denver's multifamily market demonstrated an impressive level of resiliency throughout the health crisis, building on strong prepandemic fundamentals to reinforce investor confidence in Denver's metropolitan statistical area. As of March, an impressive 93.5% of Denver area renters reported being up to date on their rents, 5% higher than the national average, according to data from RealPage. During the same period, Colorado apartment owners reported strong collection rates of 98%, down just half a percent year over year.

Prepandemic, the Denver MSA benefited from high levels of population migration, strong household formation, a highly educated workforce and employment growth. These trends helped to buoy the market through the lockdown and have accelerated as Colorado experiences a wave of capital migration driven by investors looking to extricate themselves from more restrictive primary markets. The Denver MSA has proven to be an attractive option for out-of-state investors who, faced with extended pandemic recovery timelines, restrictive regulations and climbing tax rates in their primary market, are looking to move their capital elsewhere.

Boomer Beatty
First vice president investments, National Multi Housing Group, Marcus & Millichap

Peter Standley
Vice president investments, National Multi Housing Group, Marcus & Millichap

The largest sources of this influx in out-of-state capital are Oregon, California and New York. According to Marcus & Millichap's sales data, transactions of apartment assets in Colorado involving Colorado-based buyers dropped 13% between 2019 and 2020, while transactions involving California- and Oregon-based buyers rose by 14% and 4%, respectively.

Colorado stands out as a strong choice to investors in these states for many reasons, but a primary factor is Colorado's 4.55% flat income tax rate. Compared to tax rates of 9.9% in Oregon, 13.3% in California and 8.82% in New York, Colorado's tax environment offers investors the opportunity to increase cash flow, pay lower taxes, diversify their investment portfolios and eliminate burdensome government regulations. This decreased tax burden is a major driver for investors as well as those wanting to live and work in the state of Colorado.

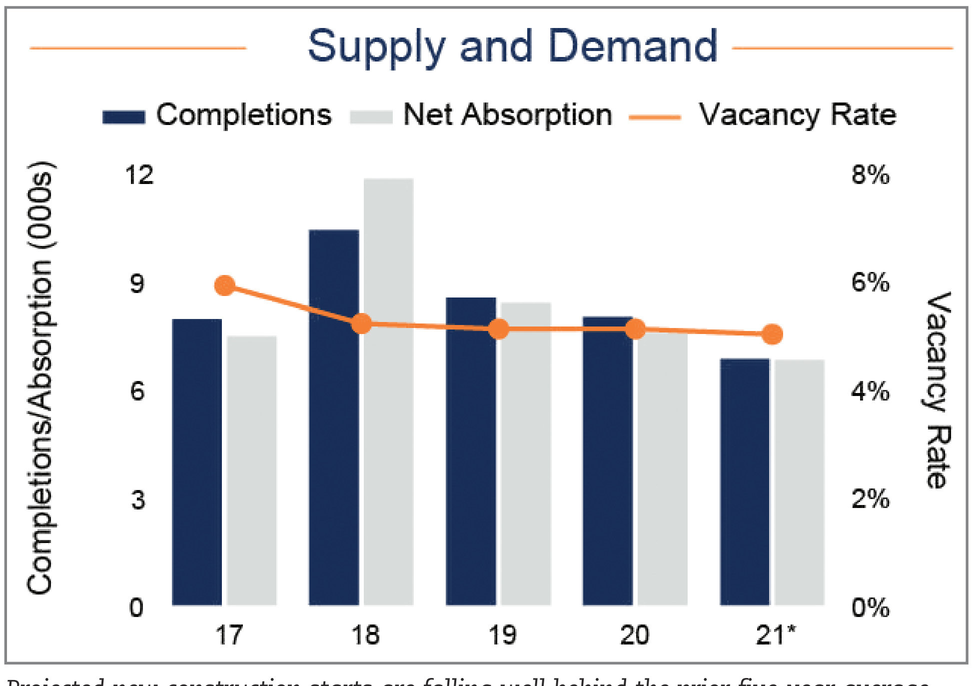
Investors are not the only ones looking to move out of primary markets. Driven by severe lockdown restrictions, a desire for larger living spaces and the rise of remote working options, renters also are packing up and moving on. In 2020, Los Angeles, which already was experiencing outmigration prior to the pandemic, saw vacancy increase by 80 basis points year over year as almost 4,000 suburban rentals hit the market. New York City had a negative absorption close to 15,600 urban rentals, which equals 1.9% of the local apartment unit inventory.

Conversely, Colorado is the eighth-most moved-to state during the pandemic, with 1.34 people moving into the state for every person who moves away. The state's comparatively strong market fundamentals and famously desirable lifestyle are attracting renters in search of a new home city. Urban net absorption in Denver was among the nation's highest, with more than 2,000 additional units becoming occupied in 2020.

The effects of the mass migration of capital to the state are magnified by the nation's uncertain economic recovery in the wake of massive federal relief efforts. In- and out-of-state investors alike are turning to real estate as a stable investment option largely protected from inflation. The combination of these factors has resulted in an inventory that is severely supply constrained with the number of available listings registering significantly lower than in years prior. Nationally, existing housing inventory was down 32.6% year over year in February and represented the largest annual drop ever recorded. Locally, the Denver MSA's existing housing inventory was down 11%.

Heightened demand and tight inventory will reinforce Denver's market fundamentals. Since the end of February, multifamily properties have seen a marked decrease in inventory and an

Please see Beatty, Page 34



Projected new construction starts are falling well behind the prior five-year average and expanding by just 2.2%, or 6,820 units, in 2021.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Market Update

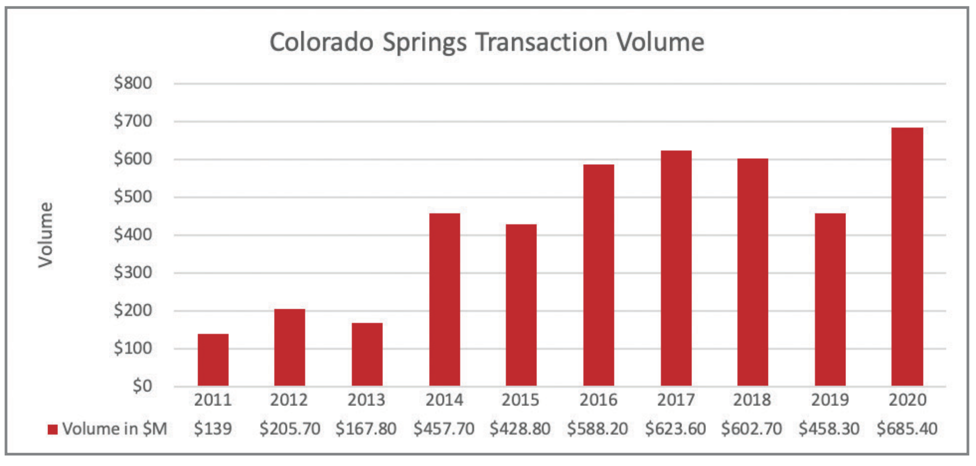
Springs builds on 2020's transaction volume record

Chris White
Director, capital markets, JLL

Mack Nelson
Director, capital markets, JLL

When the headlines start to flash, "The most desirable place to live to in the U.S." (U.S. News & World Report, 2019); "Fastest Growing City for Millennials" (Brookings Institution, 2018); and "5th Best City to Find a Job" (WalletHub, 2019), people take notice. Not only do local residents, future employers and waves of new residents consider how to be part of such a story, but so do new investors seeking out-size returns, particularly in the multi-housing space. In few places has that been on greater display over the past few years than in Colorado Springs. Colorado's second-largest city and the beautiful southern anchor to the Front Range population corridor is no secret to those who have been here for years but often is overlooked by out-of-state capital drawn to its heavily transacted neighbor to the north. It seems that trend is no longer. As the pandemic flattened apartment transactions around the country, Colorado Springs is smashing records in transaction volumes and pricing while enjoying rent growth that would be remarkable even in a "normal" year.

Colorado Springs defied conventional wisdom in 2020 by setting a record for multihousing transaction volume during a global pandemic unlike anything the market has ever seen. During this past year of cautious investment and uncertain capital, the total transaction volume was $685.4 million, a 50% increase over 2019. Beyond sheer volume, the market also saw the Volta at Voyager multihousing property sale breaking a price-per-unit record at $263,000, only to be outmatched by Blue Dot Place in downtown Colorado Springs and Overlook at Mesa Creek in the suburbs within less than six months. Impressive rent growth, stable occupancies and limited new supply have been music to the ears of new investors, especially considering challenging fundamentals in some coastal markets and heavy competition for deals in Phoenix, Denver and Austin, Texas. This has brought the market to the forefront of major capital sources across the country as many of the trades in 2020 were new entrants to the market and many others continue to chase opportunities aggressively.



JLL Research, CoStar

Ranked No. 3 by Multi-Housing News' Top 10 Emerging Multifamily Markets in 2020, it is not a surprise that Colorado Springs has seen outsize activity even during a pandemic and recession. Since 2010, the population growth in Colorado Springs was 15.5%, more than double the national average of 6.3%. This growth coupled with extraordinary rent growth of 6.2% in fourth-quarter 2020, strong occupancy at 95.5% and a manageable construction pipeline of just over 8,000 units in various stages, means Colorado Springs checks all the boxes for investors eager to deploy capital in Colorado and the western U.S. This is evident when looking at average price-per-unit sale price and cap rate in the first quarter of 2021 compared with the 10-year average for the market. The average price per unit in the first quarter was $178,591, a 60% increase over the 10-year average of $111,511, while cap rates are down 166 basis points to an average of 5.07% when compared with the 10-year average of 6.23%. Though long-time Colorado Springs investors may wince at some of those numbers, many out-of-state investors are rushing to take advantage of the market before its relative yield goes the way of other secondary markets west of the Mississippi. By way of example, Denver's average price per unit was $272,007 and the average cap rate was 4.68% in the first quarter. The stark contrast in value and yield between the dueling Front Range giants should continue to fuel the voracious appetite for apartments, especially as capital gets pushed out of larger markets.

With all the investor appetite and the desire to deploy capital into the market, there is at least one hurdle: opportunities. Historically, owners in the Colorado Springs market have been long-term focused and well entrenched in their investments. And because the highest transaction volume year before 2020 was 2017, at $623.6 million, a significant portion of potentially transactable deals is encumbered by debt that is unattractive when compared with the historically low rates we see in the market today. However, capital has proved interested in newly constructed assets in Colorado Springs, with 10 transactions since 2019 of communities built after 2010. According to Apartment Insights, there are 13 projects under construction in the market with three scheduled to start, three in the final planning stages and 21 in the early stages of proposal, which will create intriguing opportunities for capital to invest in high-quality product over the next few years, even if it keeps the flow

Please see White, Page 34

Market Update

Demand continues to outpace supply in Northern CO

Jake Hallauer, CCIM
President, NAI Affinity

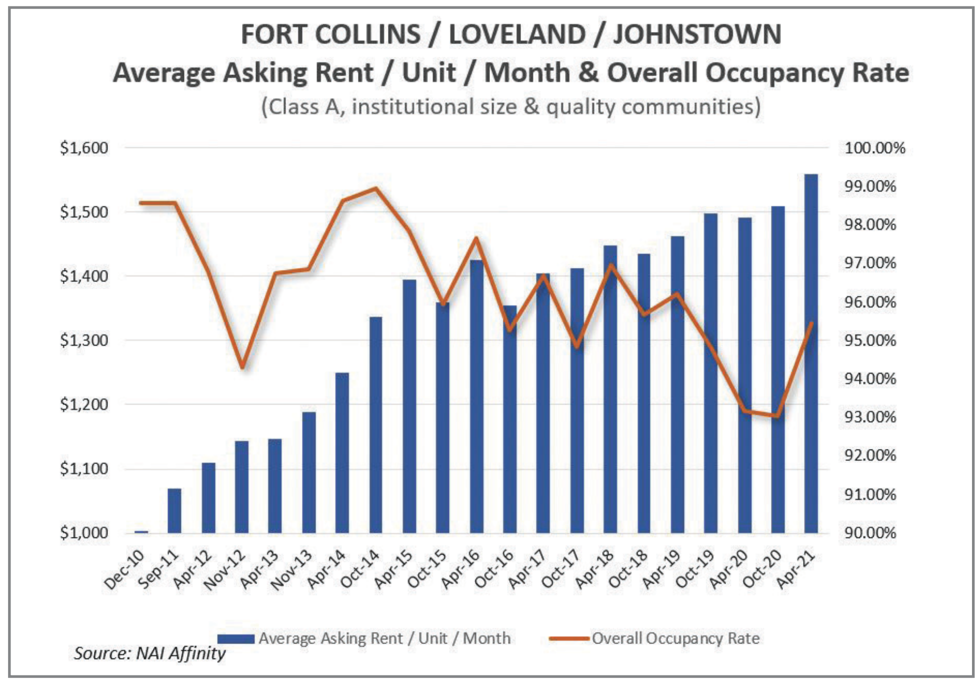
In March 2020, if someone would have speculated that the Northern Colorado Class A, institutional apartment market would strengthen over the course of the ensuing year, it's safe to say it would have been viewed by most experts as an extremely rosy, and likely naïve, outlook amid an unprecedented economic shutdown in response to the global COVID-19 pandemic. With that said, the Class A market in Northern Colorado has shown tremendous resiliency and strength during the past year. This would be impressive in any time period given that there have been nearly 3,000 units within Class A, institutional communities delivered over the past 24 months, but the absorption of those new units has been particularly impressive given that the robust absorption continued, and even appears to have accelerated, during the past 12 months.

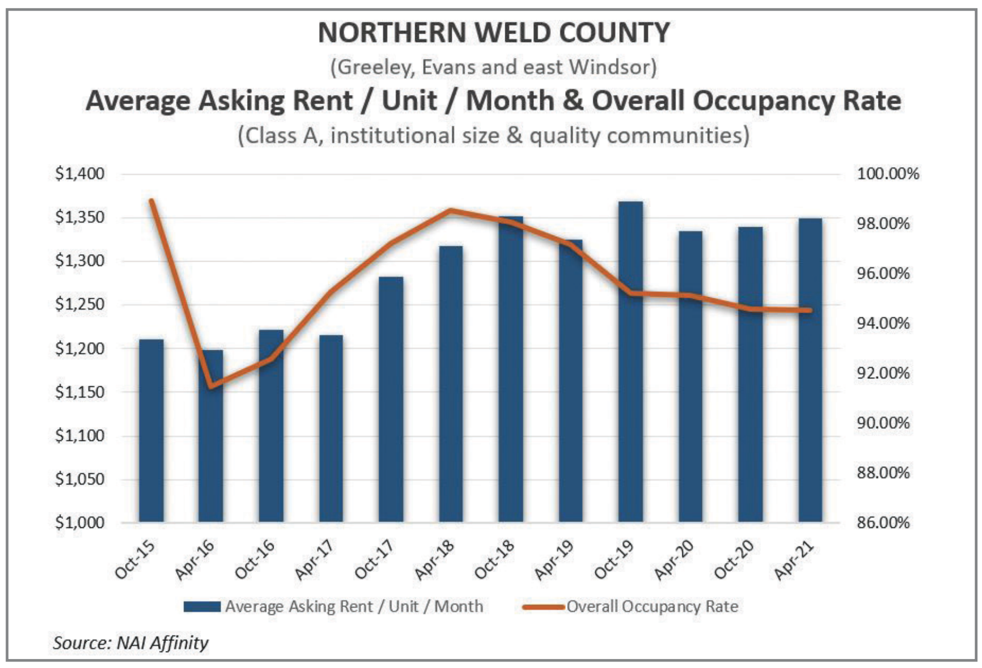
Despite all of the new supply delivered over the past few years, our firm's biannual survey of the market indicates strength in the Class A, institutional apartment market within the region. Stabilized communities in Larimer County experienced a year-over-year increase in average asking rents per square foot per month of approximately 3.87% with that rate climbing to $1.66. Occupancy also improved significantly (even with all the units in lease-up), increasing to 95.46% from 93.17% year over year. In the northern Weld County (Greeley, Evans and east Windsor) occupancies were down ever so slightly from 95.15% to 94.52% and average asking rents per square foot per month were up slightly from $1.41 to $1.42 year over year. These are impressive statistics given the impact of the economic shutdown brought on by COVID-19.

Concessions remain low (one month's free rent maximum and only in select instances) or nonexistent in the market. Delinquencies have normalized closer to a long-term average after the initial economic shutdown and the following several months when delinquencies increased. In several instances, landlords even have begun charging rent premiums for 12-month leases on certain units within communities, as they are seeking 15-month or longer lease terms. This strength in the market and the in-migration into Northern Colorado from other states, regions and the Denver metro area have led to significant ongoing demand for quality institutional apartment community development sites – and rightly so, as there are less than 1,000 units within Class A, institutional communities under construction in the entire region. This compares with nearly 3,000 units that were under construction and in lease-up over the past 24 months.

Given the lack of deliveries anticipated over the next 12-18 months and given that the market has

Please see Hallauer, Page 36





Market Update

Many wonder: Where have all the evictions gone?

Despite reports and speculation by many major media sources that tens of millions of renters would be displaced, the eviction rate is down 60% from 2019. The federal government has sent out three rounds of stimulus checks, has provided enhanced unemployment, payroll protection act money, over $60 billion in rental assistance funds and the unemployment rate has dropped down to 6.2%. Beyond the government aid, charitable organizations provide help with rent and practically every other basic human need. In addition to all those resources, the apartment owners, when given the chance, would prefer to work with residents than to evict them.

Andy Newell, CPA
CEO and chief financial officer, Monarch Investment and Management Group

With all of the aid that is available, the eviction moratorium is unnecessary and, based upon recent court cases, unconstitutionally interferes with the property rights of owners. The fact is that the industry could not survive if tens of millions of residents were evicted. Instead, owners are working with residents to ensure that eviction is only used as a last resort. The eviction moratorium merely lends the illusion that some folks are being helped, meanwhile thousands of dollars in past-due rent accumulates that eventually will devastate them financially. Renters should be encouraged to find and take advantage of resources available to them. If the federal government does not believe sufficient aid is available, then it should provide additional assistance. Relying on the eviction moratorium ultimately will cause more harm to those it purports to help.

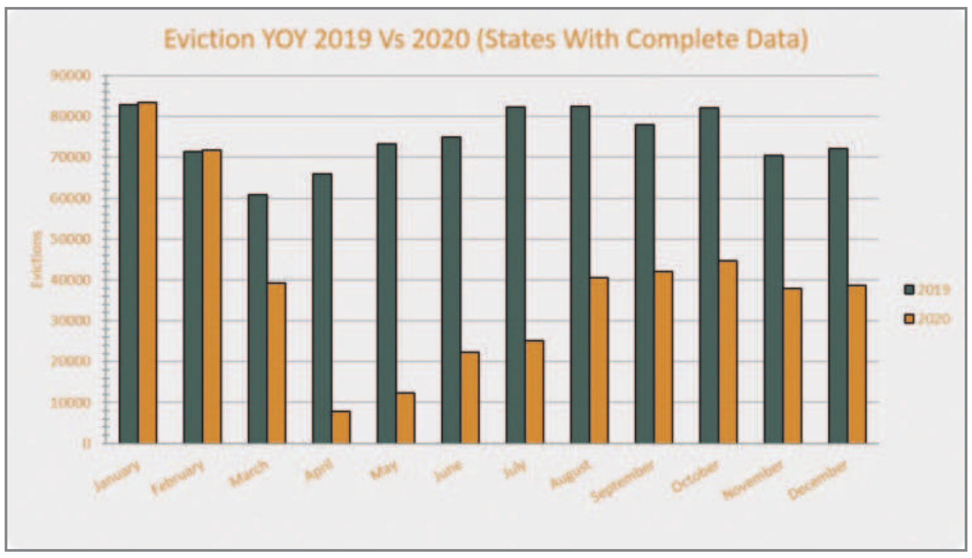
■ The real evictions story. Shortly after the start of the pandemic, the media began to bombard the public with reports of how tens of millions of renters would be evicted, homeless and helpless – while being at greater risk of contracting COVID-19. And here we are, a year into the pandemic, and evictions are currently at 40% of historic norms. Yet stories of massive waves of evictions still persist.

The eviction moratorium that ended July 24 protected about one-third of all renters, yet during that period, eviction filings were only about 23% of 2019 levels. On Sept. 1, the Centers for Disease Control and Prevention declared an eviction moratorium, preventing evictions on renters who met specific criteria. Although the CDC moratorium

Please see Newell, Page 38

State	2019	2020
Arizona	75,651	45,242
Arkansas	8,562	4,855
Colorado	25,050	15,653
Connecticut	4,581	2,979
Florida	115,988	67,886
Kentucky	34,915	21,181
Michigan	141,292	86,498
Nevada	34,969	20,045
North Dakota	669	379
Ohio	108,267	62,458
Texas	218,405	134,040
Utah	8,329	4,787
Total	896,655	466,001
March-December	742,380	310,675

Based upon eviction statistics for 12 states for 2019 and 2020, overall evictions are down roughly 50% in 2020, compared with 2019. This number is actually overstated because January and February 2020 were prepandemic months. Focusing only on March through December 2019 and 2020, evictions are down nearly 60%. Data from state, county and municipal courts and the Utah Apartment Association



When the first eviction moratorium ended July 24, eviction filings did increase, but only to about half of the historical norm. Owners could finally evict, yet filings remained low between July and September when the Centers for Disease Control and Prevention ordered its moratorium on evictions. Data from state, county and municipal courts, and the Utah Apartment Association

Multifamily Properties Quarterly - Financing Sources Matrix

TYPE OF CAPITAL	SOURCE OF CAPITAL	EXPLANATION	RATES/SPREADS	LTV/COVERAGE	TERM	AMORTIZATION	FOCUS	TRENDS
LIFE INSURANCE COMPANY	• Insurance premiums • Annuity and GIC sales	• Non-Recourse • Longer-term fixed rate loan • No structure	150-250 bps over the comparable US Treasuries Rates 2.50%-3.50%	• Up to 65% LTV, majority of lenders quoting in the 55%-60% LTV range	5-30 Years	25-30 Years	• Market rate properties in major metro areas • B quality properties and above	• Life companies are cognizant of collections and occupancy during COVID-19 • Lowest pricing available for loans with 5-7 year terms • Ability to incorporate flexible prepayment structures for a slight premium to the rate • Additional loan structure tactics such as holdbacks, debt service escrows funded at closing, and partial personal guarantees are more frequently requested on loans with higher leverage or cash-out • Several life companies have loan allocations for properties in lease-up
AGENCY	• Sales of mortgage-backed securities with implied government guaranty	• Non-Recourse • Longer-term fixed rate loan	150-270 bps over the comparable US Treasuries Interest rates are 2.45%-3.65%	• Up to 75% LTV, but more appetite for 65%-70% • 1.25x Minimum DCR	5-10 Years	30 Years	• Market Rate • Age-Restricted • Affordable/Workforce • Major metro areas • Secondary/Tertiary Markets • C quality properties and above	• Agencies are requiring up to 6 months of debt service, taxes, and insurance to be escrowed at closing • Lower end of interest rate range commonly achievable for Borrowers utilizing the Green or Mission Rich agency programs • Partial to full-term I/O is available, depending on leverage • Lowest pricing available for properties with "Mission Rich" programs
CONDUIT (CMBS)	• Sales of mortgage-backed securities through public markets	• Non-Recourse • Longer-term fixed rate loan	Rates 3.00% - 3.75% (spreads 200-300)	• Up to 70% LTV • 1.25x Minimum DCR • 8.0% Minimum Debt Yield	5, 7 & 10 Years	Interestly Only to 30 Years	• Market Rate • Second tier properties • Secondary/Tertiary Markets • C quality properties and above	• Most competitive at higher leverage in secondary and tertiary markets • Focused on debt yield as an important metric • May incorporate 6 month debt service reserve at closing
BANK	• Corporate Debt • Deposits	• Recourse (some non-recourse available) • Shorter-term fixed and floating rate loans	Interest rates range between 3.50% - 4.25%	• Up to 70% for term loans • Up to 60-70% for construction loans	Up to 7 Years Fixed	Interest Only to 25 Years	• Market Rate • Age-Restricted • Affordable/Workforce • Major metro areas • Secondary/Tertiary Markets • B quality properties and above	• Standards are tightening for Sponsors with no deposit relationship • Small amount of non-recourse available at <55% LTV for existing bank clients • More flexible prepayment penalty options • Some banks reserving capital for existing relationships only
DEBT FUND / BRIDGE LOAN	• Private Capital • Institutional Capital	• Non-Recourse • Shorter term bridge loans for acquisition and/or repositioning	LIBOR + 275 - 450 bps (0.25%-0.50% LIBOR floors)	• up to 80% LTC • Going-in 1.0x DCR	1 - 5 (3+1+1)	Interest Only	• Market Rate • Secondary/Tertiary Markets • C quality properties and above	• Pricing depends on leverage, property quality, existing cash flow, sponsor strength, and capital source • Debt funds have lowered spreads substantially to compete on top product with strong sponsors. • Internal allocations for multi-family have increased for 2021 due to impacts of COVID during 2020. • Lender fees are typically 0.75-1.00% upfront, 0.50% at exit

DCR - Debt Coverage Ratio
DUS - Delegated Underwriter Servicer
LTV - Loan to Value Ratio
LTC - Loan to Cost Ratio
LIBOR - London Interbank Offered Rate
REIT - Real Estate Investment Trust

This information is intended to illustrate some of the lending options currently available. Other options may exist. While Essex Financial Group strives to present this information as accurately as possible, no guarantee is made as to the accuracy of the data presented, or the availability of the terms at time of application. Rates and terms are subject to change. Please contact one of our mortgage bankers for up to date rate and term information.

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Essex Financial Group - Recent Multifamily Transactions

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Denver, CO
$2,837,000 Permanent Loan
Agency

Prescott Apartments
Denver, CO
$10,500,000 Permanent Loan
Life Insurance Company

1025 Julian
Denver, CO
$2,570,000 Permanent Loan
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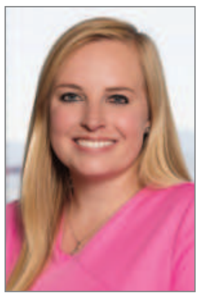
Law

Considerations to convert hotel or office to apts.

Among many challenges brought about by COVID-19, changing community needs have illuminated growing underutilization and vacancy among commercial buildings. With the recent drop in hotel occupancy and office tenants reconsidering how much space they need due to the pandemic, some owners are considering converting the use of their existing building to multifamily. While some properties are excellent candidates for such a conversion, there are some potential obstacles that must be considered before committing to convert a property to multifamily.

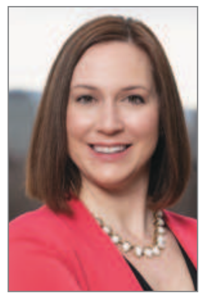
If the underlying zoning does not allow for multifamily as a permitted use, the property would need to be rezoned to approve the change in use, which requires a public hearing before the local governing body. The process for obtaining approval of a new use can be time-consuming and could range from three months to over a year. Even when the underlying zoning allows for multifamily, often the site plan must be amended to account for the change. Depending on the nature of the change, this could be either a minor amendment, which may require only administrative approval, or a major amendment, which could require one or more public hearings before either a planning board or in some cases the local governing body. Conversations with city staff early in the process can shed light on the nature of the approval that will be required for the specific project and the time frame it likely will take to obtain such approval.



Elaine Bailey
Associate, Brownstein Hyatt Farber Schreck LLP

While jurisdictions differ, parking requirements for multifamily are higher than for hotel or office use. Thus, many buildings do not have sufficient parking for conversion of the use. The amount of required parking for multifamily most often is based on the number of units and size of each unit, whereas for hotel or office use it is more frequently determined by the number of rooms or square footage. While there are some variances allowed, owners should consider whether they are close to having the required parking or if there is additional space on the property that could be used to expand parking to meet these requirements.

While many hotel units have bathrooms in the room, far fewer have kitchens. A remodel to make the unit a true apartment may require significant interior work. Similarly, any office building looking to convert to multifamily will need to ensure the structure of the building will work for multifamily, as most will require gutting of the entire building to allow for each unit to have bedrooms, bathrooms and a kitchen. Conversions need to account for different building code requirements, including fire sprinklers, fire walls and emergency access. Utility meters also may need to be added. Depending on the jurisdiction, there may be additional water or sewer tap fees required.



Caitlin Quander
Shareholder, Brownstein Hyatt Farber Schreck LLP

Owners should consider reaching out to city staff early to determine the appetite elected officials and staff may have toward a change in the use. Even when the underlying zoning allows for multifamily, if the city has discretionary decisions in the approval process, staff could make it more or less difficult or even prevent the conversion. City staff can help owners better understand what the city will require in order to approve the change in use. The nature of these requirements can be very informative for owners trying to decide if such a conversion makes economic sense for the particular property.

Some cities are reluctant to approve permanent changes to the use when they believe the current use will be important for the area in a few years, believing that the demand for office or hotel will return to prepandemic rates. Further, converting a commercial property to residential significantly impacts the amount of property, sales and lodging taxes the local government may receive. Currently, commercial property is taxed at 29% and multifamily is taxed at 7.15%. Some municipalities specifically analyze and consider the impact to their long-range fiscal plans in evaluating potential land use approvals. Notably, we have found that inclusion of affordable housing in the project can make it more appealing to the city, and the city more likely to consider variances or other flexibility to facilitate the project proceeding.

Colorado Gov. Jared Polis' office is convening stakeholders to understand these challenges and evaluate whether any state action to remove barriers could make these projects more successful. Local control over land use decisions and the variety of individual zoning and building codes across jurisdictions may be difficult hurdles to overcome.

Ultimately, while some hotels and office buildings are good candidates for conversion to multifamily, the zoning and site requirements for the property must be analyzed closely as they may be obstacles to conversion. ▲

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COLORADO REAL ESTATE JOURNAL

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Monday, August 30 - Afternoon
2021 Senior Housing & Care CONFERENCE AND EXPO

Tuesday, August 31 - Morning
2021 Retail SUMMIT & EXPO

Tuesday, August 31 - Afternoon
2021 Development, Construction & Design CONFERENCE AND EXPO

Wednesday, September 1 - Morning
2021 Property Management CONFERENCE & EXPO

Wednesday, September 1 - Afternoon
2021 Multifamily Development & Investment CONFERENCE & EXPO

Thursday, September 2 - Morning
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Finance

Structured finance for apts. is more active than ever

Multifamily continues to be the darling of commercial real estate with both debt and equity chasing a limited number of transactions. While acquisition prices continue to set new records, the affordability of debt allows the deals to pencil. Within the last two months, we have seen life companies and debt funds alike aggressively compete for structured finance opportunities in order to increase their exposure to multifamily. While in recent weeks Treasurys have started to tick up, all-in coupons remain extremely attractive. The following two scenarios are representative of the types of quotes we have received for structured multifamily transactions.

■ **Value-add transactions.** We see a lot of multifamily acquisition-rehab transactions, with a moderate renovation strategy (10% of total capital) to increase rents while the property continues to cash flow. Structured finance lenders, including life insurance companies, are very active in the space. For a two- to five-year hold strategy, the loan typically would feature a 3+1+1 loan term structure, allowing for maximum leverage and flexibility for a sale or permanent refinance. These lenders will provide 70% to 75% of the total capital stack (initial funding of 70-75% of purchase price, with 100% of renovation dollars future-funded) on a floating-rate basis in the 3.3-3.5% range. With full-term interest only, this allows the sponsor to maximize cash flow while completing the renovation strategy. For borrowers with lower-leverage mandates, this yields even more attractive coupons. We see acquisition-rehab

Blaire Butler
Assistant vice president, Essex Financial Group

loans in the 60-65% loan-to-cost range pricing from 2.75%-3.25%. This recent transaction illustrates this point:

The sponsor acquired a 350-unit, 1980s vintage multifamily asset with plans to renovate the units at a cost of 10% of the total capital stack. The life insurance company lender provided a 62% LTC option, structured as an initial funding of 62% of the purchase price, with future funding of 65% of all renovation costs. The all-in coupon on this interest-only, floating-rate loan was 2.75%.

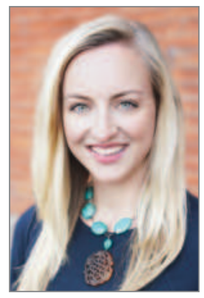
■ **Lease-up transactions.** We also have seen demand for short-term bridge financing on newly constructed multifamily loans where the sponsor desires more time before selling or refinancing into a permanent loan. Some examples of scenarios for this include:

1. If a project has construction delays or a slower lease-up and the construction loan is maturing/converting to an amortizing structure;

2. Sponsor wants to replace recourse construction debt or expensive preferred equity while the property leases up and stabilizes; or

3. Sponsor wants to hold the asset until all concessions burn off or the initial round of leases turn in order to increase property value and optimize exit economics.

For each of these, a plus/minus two-year bridge loan can be utilized



Alex Riggs
Vice president, Essex Financial Group

in order to maximize proceeds and extend the interest-only period. For a noncash-flowing asset, there are lenders willing to fund up to 80% LTC on a nonrecourse basis. Insurance companies will max out at 70-75% LTC, while debt funds can stretch up to 80-85% LTC.

We see pricing ranging from 3.5% to 5%, dependent upon deal specifics. Lenders typically underwrite and size loans to an exit loan to value or a stabilized debt yield that fits their respective parameters. Lenders often will structure in an interest reserve to be drawn to pay interest, with the remaining balance released when the property hits certain metrics. Bridge loans usually feature 12 months of minimum interest, meaning after 12 months of interest payments, the loan can be paid off without penalty. This allows the borrower flexibility in order to time the sale or permanent refinance with the market. Although the all-in rate may seem higher at first glance, once the higher proceeds and interest-only are taken into account, this strategy has proven accretive for many borrowers.

Although we wanted to highlight that insurance companies and debt funds are becoming more active in the structured finance space, the agencies still are a relevant lending source in all facets of multifamily lending. A lot of sponsors considering bridge loans also consider the Freddie Mac floating-rate loan program. For a seven- to 10-year floating-rate loan at full leverage (typically around 75%), Freddie Mac is pricing in the 2.5% to 2.8% range. Although the agency program will only look at historical cash flows (contrasting to other structured finance lenders that will be forward-looking and provide more proceeds), this execution can be the best option for rehab transactions with a light lift. The floating rate allows for maximum prepayment flexibility and typically features partial-term interest only. The best execution is for properties deemed "mission-rich." Freddie Mac also has a five-year fixed-rate program, which maxes out at 65% LTV but features full-term interest only. This program prices similarly to the floating-rate program, with rates currently in the mid- to high-2% range.

As we've said before and we'll say it again, multifamily continues to be the favorite asset class for lenders. This trend has been exacerbated even more during the pandemic, where looming uncertainty in the office and retail sectors has lenders hesitant to increase exposure. Although all of our lending sources have different mandates and investment strategies, their message is consistent: We want more multifamily loans. As a result, lenders, specifically insurance companies and debt funds in the structured finance realm, are getting more aggressive and creative in their product offerings in order to win business. Whatever the scenario or specific loan request is, chances are we have a home for it. ▲

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Investment Market

Capital continues to pour in from other regions

Nik MacCarter
Senior adviser, Capstone

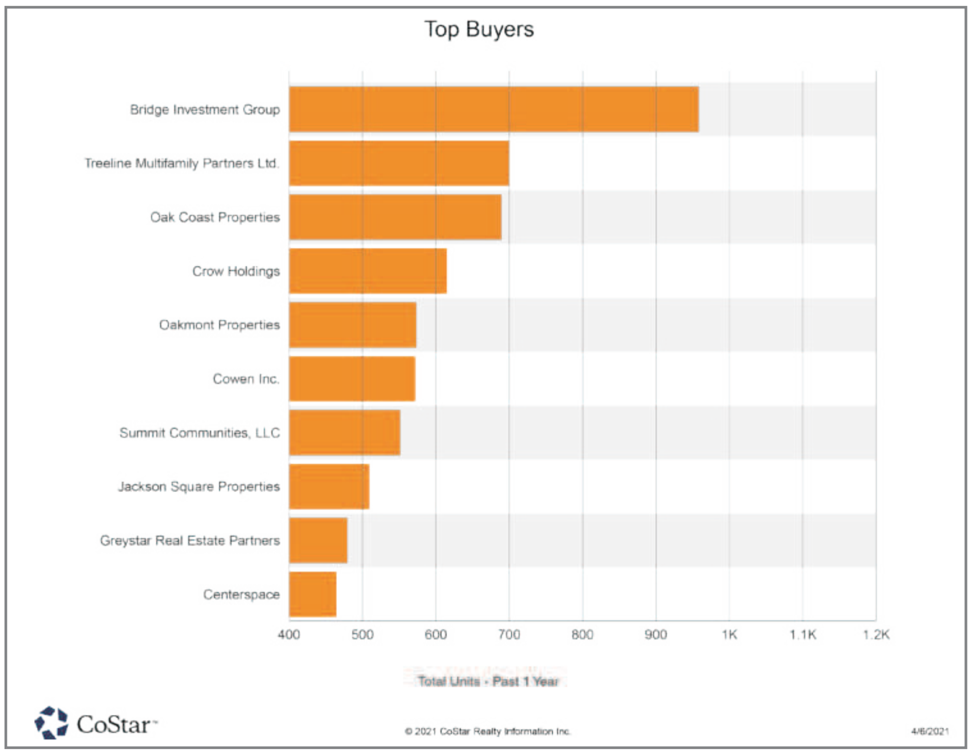
Brandon Kaufman
Senior adviser, Capstone

It comes as no surprise that there has been a substantial influx of capital being invested into apartments along the Front Range coming from out of state. Of the top 10 most active buyers last year in Denver by total sales volume, eight of 10 are headquartered outside of Colorado with one group located in Canada. Nearly the same is true for groups by total units acquired, per CoStar Group.

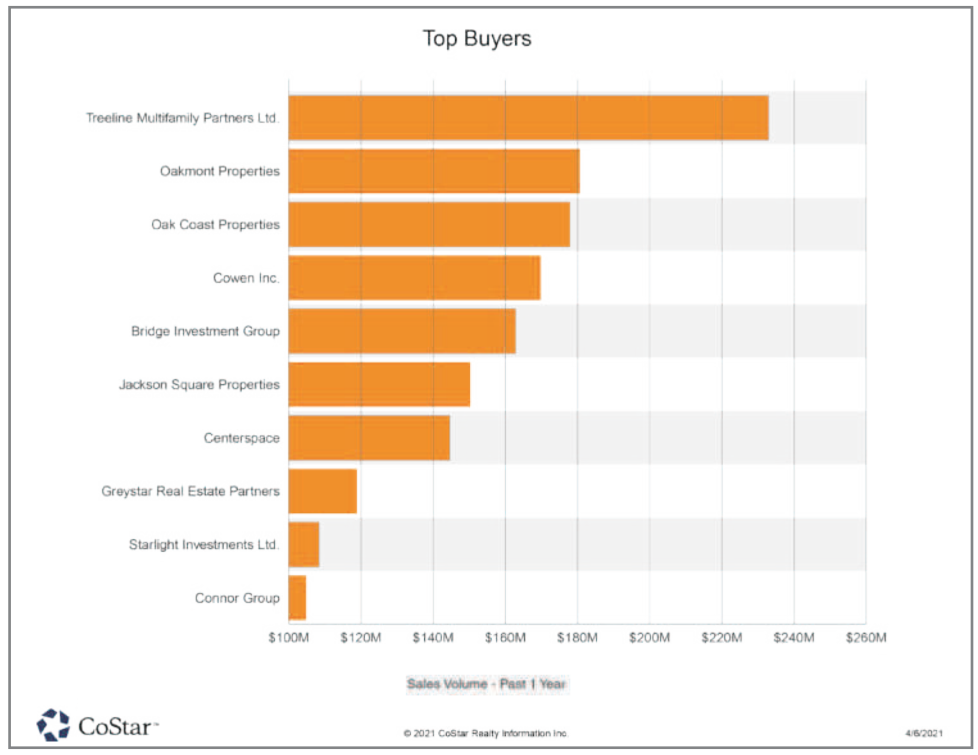
There is big money deploying capital into Denver and it is coming from major institutions as well as mom-and-pop investors. Once the institutional capital earmarked Denver as a solid opportunity in which to invest, it opened the door for everyone else to do the same. Historically, institutional capital flocked to coastal markets and the inland major metropolises like Chicago, Dallas, Atlanta and Houston. However, in the last decade, those institutions have shifted away from some of those markets and turned toward cities like Denver. What was once a flyover market is now home to one of the most competitive apartment markets in the country when it comes to acquisitions and dispositions. Institutional capital finds itself competing with mom-and-pop capital regularly to win deals. Factors such as consistent rent growth and minimal vacancy over the past seven years have given out-of-state investors comfort in the stability of the market. Further, 1031 exchange buyers and whichever investment group has the cheapest cost of capital are fueling an unprecedented apartment market along the Front Range. But why is the Denver metro area as hot as it is? Why leave cities that for generations have been lucrative places to invest in?

The answer to these questions is radically complex and hinges on countless catalysts both political and socioeconomic. To try to nail all of these reasons on the head would be virtually impossible to do. However, there seem to be recurring

Please see MacCarter, Page 38



The most active buyers by number of units in the past year



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Weigh options for value-add investment projects

The Denver multifamily market has remained a target for developers despite the pandemic. The local investment market strengthened at the end of 2020 with property sales in the fourth quarter outpacing sales from the first nine months combined. Prices rose and cap rates compressed, and 2020 ended with a whopping 22,304 units under construction, according to NorthMarq's fourth-quarter report. To maximize return on investment and stay competitive, developers must make calculated decisions on value-add renovations vs. simple make-ready turns to ensure occupancy rates meet or exceed what has been outlined in their pro forma.

■ **How to identify potential for a value-add renovation.** It is no secret that cap rates for Class B or C value-add investment properties are more attractive than those of Class A assets. Strategic renovations of Class B and C assets justify rent increases sought after by investors and draw potential demand from tenants who are seeking higher-quality housing without paying Class A rents. While revamping each unit, upgrading common areas and improving the property exteriors enhance the appeal of the property to target renters, drive increases in rents and mitigate vacancy rates, investors also must consider the condition of less visual aspects of the property, such as structural, mechanical, electrical and plumbing, and incorporate any necessary upgrades into their pro forma to ensure they meet their target ROI.

"We don't just look for properties based on their class, we look for the ones that are in the best condition and have the most potential," said Dennis Gonzales, regional manager of capital projects for Monarch Investment & Management Group.

"When we were deciding on whether or not to acquire a property with the intent to renovate, we kept in mind that seven to 10 years is the magic number of when things start to get old and need to be renovated," said Travis Myers, asset manager for 2525 Capital. "We asked ourselves, can we put about 10-15K into a unit and increase that rent by 16 to 20%? If the answer was yes, then we'd move forward."

Market assessment is crucial as well. "We assess the potential within the specific market and where we think rents will grow, and how close the asset is to the growth pattern within the city," said Eric Ray, regional director for Grand Peaks. "If we think we're going to get a better return by buying a Class B asset to get into that market and holding it long term because rents are going to increase just with the growth in the market, we will. If we think that by doing a renovation to increase capital to an A, then pushing the rent, we will do that instead."

■ **The importance of local market trends.** Baseline expectations vary dramatically from market to market. Tenants in one market might focus more heavily on in-unit features such as high-end appliances or quartz or granite countertops while expectations in another market may revolve around luxurious outdoor spaces featuring state-of-the-art pools and grills and elegant landscaping. Defining the scope of value-add renovations is dictated by what is trending in the specific market and it is critical to stay

Leslie Kinson
Strategy development manager, Global Construction

competitive with the new lease-ups both in ROI as well as resident experience. Often investors will rely heavily on operators to provide insight into specific market trends during pro forma development.

Operators should be seen as partners and be involved as much as possible. They tend to know the market well and can provide a lot of guidance about what will work. They can review the market and help recognize if a renovation is needed, what type of renovation and to what extent in order to move the needle to position that building in the market to be competitive and then present this to ownership, according to a director of facilities for a Denver-based real estate investment trust.

Specific trends in the Denver market identified through these interviews for in-unit value-add renovations include:

- Upgrades to LED lighting;
- Crown molding and baseboard additions;
- Upgrades to light, vinyl plank flooring in the common areas and plush carpet in the bedrooms;
- Open floor plans with a half wall in the kitchen to break up the rooms;
- Luxury bathrooms with curved shower curtain rods and oval tubs;
- Hard-surface countertops such as granite or quartz;
- New stainless steel appliances;
- New electrical and plumbing fixtures;
- All white or a white/grey combo paint scheme with black hardware finishes;
- Increased natural light through enlarged or additional windows; and
- Balconies.

"The ideal goal is to be timeless with your in-unit renovations while still appealing to your target demographic," said Ray.

Specific trends in the Denver market in value-add renovations for interior and exterior common areas identified include:

- Dog parks, dog washes and pet relief areas;
- Outdoor grill areas;
- Outdoor fireplaces;
- Indoor common area conversions into communal workspaces;
- Resort-style pools and hot tubs equipped to be open year-round;
- Upgraded package delivery/holding areas/systems; and
- Accessible parking.

"A lot of times you start with the exterior work because it's easier to sell the interior dream," said Bryan Fasulo, area vice president for Haven Residential. "It's easier to have someone walk in and say to them, 'Hey, there's going to be this beautiful apartment, look how beautiful it is here!' Than to say, 'Hey, come look at this beautiful apartment inside this box of thpppppt!'"

■ **Can you ever over improve?** With some Denver apartments now offering extravagant upgrades such as movie theaters, golf simulators, electric vehicle charging ports, room service and more, investors must decide when enough is enough or risk potential tenants who are not willing to pay the premium rents required for such lavish upgrades.

It becomes a game of dollars and cents. The expectation is not to have a new shiny penny, but rather to create a good, comfortable atmosphere that's well maintained, according to the Denver-based REIT's director of facilities.

In most cases, the long-term strategy for each specific property will dictate the extent of the renovations. Investors rely heavily on local market surveys and research on the competition paired with knowledge gleaned by their operators to make the best decisions.

■ **Value-add renovations vs. make-ready unit turns.** When acquiring a property, investors are not always looking to engage in value-add renovations. Especially when acquiring Class A assets (and sometimes Class B), it makes sense to do some quick fixes or moderate renovations and fill the units immediately.

"We have core investors who are looking for that A or B to hold for the next 10 years," said Fasulo. "We have investors who do the new development, so we look at that. And, we have value investors as well who want to buy the B and C's and bring them back to life."

Often it is the age of the property that dictates whether or not to do a value-add renovation. Properties 15 to 20 years old are more often than not receiving full value-add renovations, while newer properties can get away with much less and remain competitive. Another contributing factor is the vacancy rate. Every day without a tenant paying rent is a day without money coming in, and opting for a development model that dictates renovating a property while occupied is not uncommon.

These types of renovations happen in a few different ways. Sometimes, unit renovations can take place unit by unit after a tenant moves out and before the unit is rented to a new tenant.

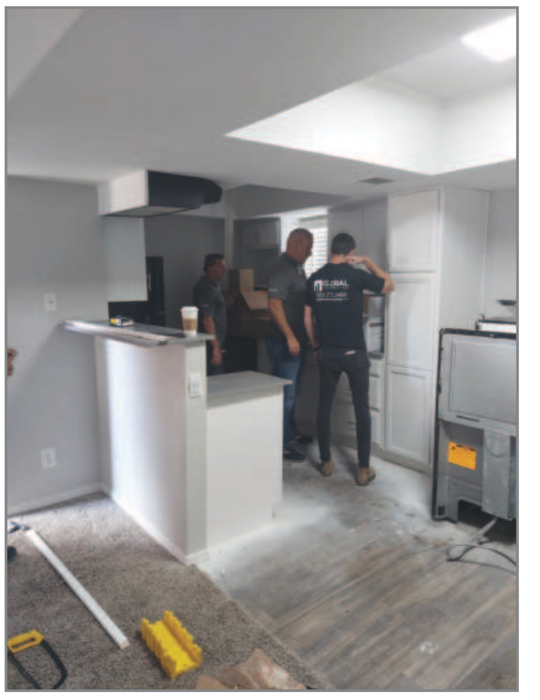
Myers gives a few different examples: "If you're trying to put your asset on the market within the next 18-24 months and you're already starting your renovation project and you haven't hit 50% or 60% of your unit renovations, then you're renovating everything that comes available." Or, "If you're in year one of the five-year renovation and you know you're not putting the property on the market for seven years, but you have these renovations planned, then you look at how destroyed the individual unit is when a tenant moves out and renovate single units based on their condition."

Other times developers may choose to renovate one floor of a property at a time, maintaining occupancy in the units on the other floors.

Fasulo gives another example: "From time to time we will renovate only a certain number because the previous owner only did 20% of the planned renovations. The new owner then comes in and decides to do the other 80%, but leaves the original ones alone because they're good enough."

■ **Tackle in-house or contract out?** Value-add renovations most often are included in the pro forma since the decision to renovate is driven by the projected ROI.

A careful examination of market rents for similar renovated properties is essential to make sure there is enough upside to warrant the cost



Global Construction
Full unit renovations add value to multifamily properties

and lost income during renovation. The gap between market rents for renovated units and the in-place rents must justify the expense. If the net operating income increases enough post-renovation that the value of the property at a market cap rate is significantly higher, and represents a nice return on invested equity, then the project makes sense. If the upside in rents does not create enough value, then the project does not make sense, according to the vice president of acquisitions for a Denver-based REIT.

If a value-add renovation is deemed necessary, there are a few ways an investor can contract out the work that needs to be done. Many developers and operators have construction management divisions that oversee the project. This division either executes the work with its in-house construction team or contracts it out to another general contractor.

"We have in-house construction management departments for larger projects – huge renovations, roofing, painting, things like that – who will then, in turn, find a GC to manage the job," Fasulo said.

For moderate renovations, the work is either tackled in-house by the property management company or contracted out to a general contractor. The more basic tasks such as painting, replacing faucets or light fixtures, and switching out batteries and filters most often are handled by the property manager's maintenance department. Larger and more complex tasks such as replacing flooring or countertops or rewiring electrical are most often contracted out.

"The liability is real. If you have the electrical done wrong or the plumbing stuff done wrong, that can be a costly mistake," said Myers.

■ **Final notes.** With CBRE forecasting increased multifamily investments in 2021, Denver's highly attractive market remains on a long-term expansion trajectory. It's no wonder that the high ROI for carefully calculated value-add renovations in the multifamily market continues to attract investors from across the country and abroad. ▲

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Market Trends

Focus on advancing existing affordable solutions

Mike Zoellner
Managing partner, ZF Capital

"Affordable housing" seems to be a buzz term that ignites reaction from various sides of the political aisle, and with good reason. Most everyone agrees that Colorado has an affordable housing crisis.

From 2010 through 2019, Colorado's population increased by more than 700,000 people, according to the U.S. Census. In 2019, it was estimated 705,576 people lived in the city of Denver alone, thus in one decade the state gained a metropolis-sized population – without increasing the housing supply to match. This led to a housing shortage, increased rents and higher homebuying costs. It's important that our communities remain focused on providing additional housing options and encouraging new development to alleviate Colorado's housing crunch. We should all be seeking policies and ideas that will collectively reduce the cost of housing and improve diversity of residential housing options.

Too often elected officials introduce regulations that superficially sound like a way to improve options but, unfortunately, only exacerbate the problem they were trying to solve. Many of the solutions being proposed or forcibly implemented through our local governments are expensive, time-consuming and counterproductive.

These ordinances, such as inclusionary zoning, often reduce the availability of affordable housing and increase the cost of building new housing. Inclusionary zoning policies limit the ability to meet the demand for housing by restricting rent rates to a level that makes building rental units economically unfeasible. Further, inclusionary zoning policies shift the rent cost from low-income Coloradans to other residents in the property who often make only slightly more, such as teachers, nurses, paramedics and others.

The middle population – those who make slightly too much for low-income options and don't make enough to avoid being "cost burdened" – represents much of the Colorado majority struggling to make ends meet.

Affordable solutions must work for the entire community, not just a targeted portion of the population. As such, they must be paid for by the entire community, not just one part of the population.

■ **Fee reductions, tax breaks and incentives.** At the end of the day, to reduce the cost of housing, we must build more supply. Currently, approximately one-third of the cost to build an apartment building or a single-family home is composed of regulations or direct government costs. If Colorado wants to encourage new housing development, reducing the cost to build is a great first step. Some ways to make building less expensive include reducing building or inspection fees and offering property tax incentives to encourage rental housing providers and developers to build affordable homes.

How do property tax abatements benefit renters? By adopting a formula (similar to other cities where this is working, like Seattle) that will encourage developers to voluntarily build affordable housing in exchange for property tax abatement on the value of the reduced rent. This would mean the entire community would subsidize these restricted rents and those who cannot afford the market rents would benefit from lower, restricted rents.

Another way to fairly lower rent costs is to increase state income tax credits for low-income housing tax credit projects. Other incentives could include:

- Contributing land to developers in exchange for long-term restrictions on rents or sales prices;
- Reducing building permit fees or tap fees in exchange for long-term restriction on rents or sales prices;
- Mandating reduced or no water tap fees for affordable housing developments;
- Reducing parking requirements for all types of housing; and
- Expanding tax-exempt bond financing for affordable housing.

■ **Increase housing vouchers.** While some see forcing rental housing providers to accept vouchers for rent as a solution, the real bottleneck for rental assistance programs occurs at the point of the distribution of vouchers, not the number of rental housing managers that accept them.

There are nearly 20 applicants to each voucher, or one in four eligible families actually receive assistance due to inadequate funding. Additionally, administrative hoops and funding delays can make rental housing more expensive and can result in higher housing costs. Streamlining the process and adding vouchers will make subsidized housing more attainable.

■ **Relax zoning regulations.** As the housing demand increased, so did the call for low-income housing and its "need" for zoning regulations. Zoning rules often impede rental housing supply and increase construction costs, making building affordable housing uneconomical for developers.

This can be averted by more permissive zoning and regulations such as:

- Encouraging greater density in zoning and encouraging accessory dwelling units or paired home entitlements.
- Encouraging zoning by local governments to expand future manufactured housing communities.
- Encouraging co-living and single-room occupancy zoning.
- Increasing height or density for residential projects near transit stops.
- Fixing our construction liability laws and allowing the developers and contractors to repair issues before lawsuits are filed.
- Expediting the entitlement and building permit process to encourage the construction of affordable condominiums and apartments.

Attainable housing for our state's workforce is a goal we all share. The key to achieving this goal is to do what Colorado does so well – uniting as a community, rolling up our sleeves and collaboratively examining solutions to result in greater housing supply and diversity with lower rents or sales prices. Unfortunately, there isn't one silver bullet that will fix the housing affordability crisis, but we must employ a blend of many unique Colorado solutions to ensure the housing market remains healthy for Colorado's employers and workers.▲

Market Trends

Boulder sees nation's highest share of Gen Z renters

Living in big coastal cities might be the dream for some generations, but certainly not for Gen Z, one of the most important players in the U.S. real estate market. According to a recent study from RentCafé based on analysis of over 3 million rental applications, Gen Zers are heading toward small towns in the heartland, attracted by the affordable cost of living and the local scene that promises stability and authenticity.

The COVID-19 pandemic might have had a role to play in Gen Z's location preferences as most recent graduates are embracing remote work, thus making it easier for them to choose more affordable markets that are closer to home. In contrast, prepandemic graduates were moving to cities where they had access to more job opportunities. For Gen Z's, the possibility of a wider pool of job opportunities does no longer suffice.

Florentina Sarac
Research analyst and real estate writer, RentCafé

In order for cities to be appealing to this generation, they would have to provide affordable prices, state-of-the-art access to technology, as well as proximity to natural amenities.

The study also shows that this generation is the fastest-growing active renter cohort in the country, having increased its share by 36% in 2020 compared with 2019. At the same time, the share of other generations decreased.

■ **Top trendiest cities for Gen Z renters.** With a considerable increase of 84% in the share of Gen Z, Greenville, North Carolina, is the top trendiest U.S. location for the youngest generation of renters. This college town, the only one in the top, saw its share climb from 19% in 2019 to 35% in 2020. It's followed by Little Rock and North Little Rock in Arkansas, with a change in share of 70% and 63%, respectively. Given the average apartment rents of $800 and plenty of job opportunities, it's easy to see why these two cities are ranking so high in the top.

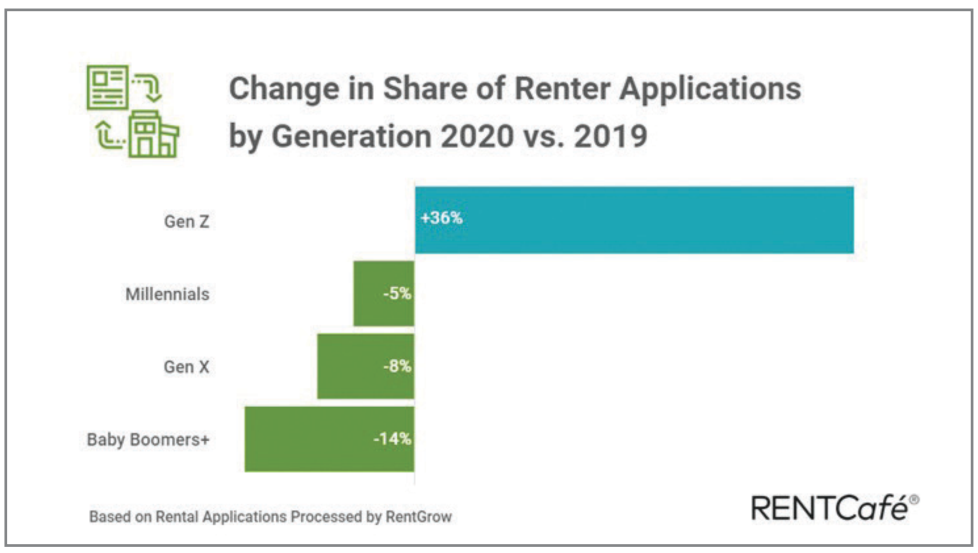
Proving that big cities are not Gen Zers cup of tea is the fact that even the largest cities in this list are actually midsized. Columbus, Ohio, is the largest one, ranking 20th with a popu-

Please see Sarac, Page 38

Top 20 Trending Cities for Gen Z Renters in 2020

Rank	City	% change in share	Share Gen Z 2019	Share Gen Z 2020
1	Greenville, NC	84%	19%	35%
2	Little Rock, AR	70%	20%	34%
3	North Little Rock, AR	63%	19%	31%
4	Norfolk, VA	58%	19%	30%
5	Lake Charles, LA	57%	21%	33%
6	Warren, MI	56%	25%	39%
7	Fort Wayne, IN	55%	20%	31%
8	Erie, PA	55%	20%	31%
9	Toledo, OH	55%	22%	34%
10	Durham, NC	53%	17%	26%
11	Minneapolis, MN	53%	17%	26%
12	Baton Rouge, LA	53%	19%	29%
13	Clinton Township, MI	53%	19%	29%
14	Sparks, NV	53%	19%	29%
15	Jackson, MS	52%	21%	32%
16	St. Louis, MO	50%	18%	27%
17	Rock Hill, SC	50%	18%	27%
18	Peoria, IL	50%	20%	30%
19	Westland, MI	48%	21%	31%
20	Columbus, OH	47%	19%	28%

Trending cities: above national average Gen Z share of renters in 2019
Source: Based on Rental Applications Processed by RentGrow
RENTCafé®



Management

Self-touring requires different leasing strategies

The multifamily industry was just dipping its toe into the water of self-touring when the pandemic hit and pushed it right into the deep end. What started as an efficiency play quickly turned into a strategic advantage: The desire for social distancing and flexible scheduling combined with our self-serve culture makes self-touring a popular option with prospects. According to a RentCafé survey, 83% of prospects would prefer to tour solo and nearly 62% of prospects tour within an hour of booking a tour, according to Anyone Home.

Here's how it works: A prospect schedules a self-tour online, goes through an identification verification, and receives an address and access code to tour the apartment. And then …

There's the rub.

I've self-toured dozens of communities across the country. While the scheduling, verification and access is readily managed through a variety of apps introduced to the industry, the experience before, during and after the self-tour can be bumpy. After all, it's hard to build rapport with someone you've never

Heather Campbell
Founder, Double Dutch Creative

met and who can conceivably lease from tour to transaction without speaking to a single person.

Self-tours require a different leasing strategy. Here are a few things on my self-tour wish list to ensure a great self-touring experience for your prospects and your teams:

■ **Wayfinding.** Nothing is more stressful than being lost. A fantastic wayfinding system makes it easy for prospects to find parking and the apartment with a clear map and directions, allowing for a smooth and positive first impression of the community.

■ **Amenities.** Have a plan for the amenities. It's weird to self-tour those spaces (for prospects and residents) and many prospects will elect to skip an amenities tour altogether. Incorporate a virtual or Matterport tour of your amenities spaces as part of your follow-up program.

> While the scheduling, verification and access is readily managed through a variety of apps introduced to the industry, the experience before, during and after the self-tour can be bumpy.

NordWood Themes, Unsplash

Self-touring requires a new kind of immediacy. If someone tours within an hour of booking a tour, managers should contact them within an hour of touring.

■ **Show the real unit.** Prospects prefer to see the actual apartment they'll be leasing. Self-touring makes it supremely possible to show the real, clean, sparkled and move-in-ready apartment.

■ **Unit merchandising.** Take a cue from Crate & Barrel and include simple placards that describe the unit features. I've seen some incredible wow fridges in these self-tour homes – make yours Instagram worthy and encourage posts. The average self-tour is less than 10 minutes, so it's important to have messaging that's easy to consume quickly.

■ **Follow-up.** Self-touring requires a new kind of immediacy. (If someone tours within an hour of booking a tour, you better have contact with them an hour from touring!) Have a communications and follow-up strategy specific for self-tours that factors in ways to convey your brand and quality. Build automated messages into the leasing process where possible to ensure a contact safety net, with customized messages including links to lease online.

■ **Take a test drive.** Self-tour a few communities on your own and see the gaps and opportunities in your own portfolio. The best research is always the kind that involves kicking the tires. ▲

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Management

Ways to better address diversity, equity & inclusion

Tammy Freiling
Executive vice president, Kairoi Residential

Diversity. Equity. Inclusion. Those aren't just words, but rather important goals for companies striving to become better workplaces for all of their colleagues and associates. For companies throughout the multifamily industry, the bar has been raised in regard to empowering and inspiring people to feel connected to the overall current and future success of their company. People want to know that their voices are being heard and their ideas are being shared, regardless of how junior or senior their position might be with the company. A good idea can come from anyone at any time and shouldn't be lost along the corporate ladder.

As a company specializing in multifamily residential development and property management, we saw an opportunity to set higher standards and achieve advanced goals in regard to diversity, equity and inclusion among our associates. As a team, we set out to find ways to make important improvements that would better our company on multiple fronts. While our work isn't done, we have developed many ideas and strategies that have helped define us a "best place to work" and hopefully help others in the industry strive to find their own ways to improve.

As a first step, our firm – along with the social and data scientists at CultureAmp – developed an associate survey that helped us better understand where we were accomplishing our goals and, more importantly, where there are opportunities for improvement. Topics in the survey included whether employees were aware of career opportunities and if associates felt their perspectives were being included in the decision-making process. The results were studied, and recommendations were made in regard to where we could improve.

As a result of the survey feedback, an action plan was created, and several proactive steps are being taken to empower and inspire everyone in our company.

■ **Creating a career pathing program.** A career pathing program enables associates to clearly see and understand what it takes to reach the next level in their career so that they can pursue their goals and plan accordingly. This involves an honest assessment of the employee's skills, experience, goals, competency gaps and what is required to be successful in each new role. Historically, a leasing associate's next career step was assistant community manager. However, these two positions rely on entirely different skill sets. Sometimes, the obvious progression isn't the right progression at all. Removing obstacles and identifying a road map for each associate helps keep them motivated and improves retention.

■ **Advancing suggestions and ideas.** Helping to ensure that suggestions and recommendations from associates are presented at executive meetings provides a direct link to the executive team and truly betters the company on multiple levels. Associates have multiple avenues for providing their ideas, including virtual suggestion boxes located throughout our digital platform. Associates can elect to provide feedback anonymously, but our hope is that many will want to be recognized for their contribution and will take an active role in presenting the idea to leadership and participating in the implementation process. Giving a voice to your associates is a critical component to creating a workplace that is happy, productive and engaged.

■ **Providing leadership training.** By providing important leadership training, associates feel empowered to take on leadership roles. This is done through experiential learning activities, mentorships, workshops and conferences centered around learning and practicing leadership skills. Skills are taught and reinforced, such as delivering constructive feedback, personal brand and nonverbal communication, problem-solving, working through team members and fostering inclusion, leading by example, time management, priority setting, in addition to things like deep dives into product, market and financials. Nurturing future leaders creates greater equality, supports succession planning, offers career pathways to associates and increases retention.

■ **Ensuring top-down, bottom-up and side-to-side communication.** To ensure that all voices are heard in the organization, it is important to implement direct channels of communication. We rolled out a digital workspace (think intranet, but with more bells and whistles) that has a social component to it. It allows associates at all levels and in all locations of the organization to collaborate and provide feedback by posting or commenting. Our CEO can share an idea and associates can comment on it in real time. The reverse also is true. This has resulted in greater connectivity throughout the organization. Associates have a greater sense of purpose, commitment to our values and goals, and trust that as an organization we will do the right thing.

We recently launched our action plan, which will raise the bar in regard to our efforts and ensure that all of our associates know the critical role they play in our overall success. We foresee our Diversity, Equity and Inclusion Action Plan giving voice to all of our associates and making sure that they are contributing to the success of our company and the satisfaction of our residents and clients. ▲

Management

Elevate the renter experience in uncertain times

Stacy Holden
Industry principal and director, AppFolio

Property managers always must be ready to pivot to new or unfamiliar situations at a moment's notice. They also need to have their fingers on the pulse of what makes for the best and most convenient rental experience, ensuring they're meeting the needs of current residents. The world has changed recently and, as a result, our industry has changed too. It is critical that we adapt and get the renter experience right.

With people spending more time than ever before working and living at home – 71% of workers, according to a recent Pew Research Center survey – good property management teams and the work they do are even more essential now to ensuring a positive resident experience.

Offering a top-notch experience ultimately requires property managers to pivot to find new ways to deliver more convenience to their residents. Pandemic or not, ensuring excellent service is the main differentiator between property management companies that are successful and resilient and those that are not. According to our recent survey of 1,000 U.S. renters, 54% of renters say the level of customer service provided by their current property management company was a key deciding factor in decisions to renew a lease.

■ **Better communications.** Consistent and effective communication is key to providing an excellent renter experience. During times of crisis, it is important for everyone (both renters and property managers) to be notified of any important information in real time.

The easiest ways to keep everyone in the loop is through bulk messaging technology, which gives property managers the ability to reach residents where and when they want to be reached and avoid manual processes like calling or emailing residents individually. Email is not the only tool in property management's back pocket. Advanced property management technology also provides the ability to send bulk text messaging to residents, which is often a more immediate way to reach residents with important or time-sensitive updates, like late-rent reminders, delivery package alerts and updates on in-progress maintenance. Additionally, research finds that the open rate for text (98%) is significantly higher than the open rate for email (21%). In another AppFolio survey, 87% of managers said they believe that bulk email and text messaging are here to stay.

With two-way text features, property management teams can quickly see and respond to messages from residents. All communications are stored in a system of record for easy retrieval, keeping your communication history centralized into a single source of truth.

There are endless possibilities that messaging technology enables in terms of how property management teams can better engage with residents where it is most convenient, streamlining and simplifying your customer service to create exceptional experiences for your residents

■ **A shift to online convenience.** Another way to elevate the resident experience (current and prospective) is to embrace the digital transformation of most industries that was kicked into high gear in the wake of the pandemic. The most obvious way? Virtual showings.

On the same 2020 renter survey, we found that 56% of renters who signed a new lease during the pandemic viewed the unit either virtually or both virtually and in person, and almost 80% of those renters said the virtual option was high-quality and they were satisfied with it. This is not just a fad: In the same survey, 40% of renters said they wanted to have the option to view units virtually and in-person post-pandemic, and 13% said they prefer to view units virtually.

There are several manual, typically paper-oriented processes that go hand in hand with renting, like making monthly rent payments and submitting maintenance or renewal requests. Moving these processes online so that residents can complete a number of different tasks with a quick touch of their mobile phone is the way of the future – a future centered around convenience.

For example, rent payments often are made via paper check and, if not physically dropped off at a building's leasing office, are dropped off at the post office or mailbox. A manual rent collection process is an extra step property management teams can reduce if they pivot to an online rent payment model, and the data shows that residents want the option to pay online.

In addition to online rent payments, taking a small burden off of residents' plates by offering options like online lease renewals and maintenance requests help make their lives a little easier. In fact, our recent renter survey found that nearly half of renters think signing or renewing a lease should be something that can be done online or on a mobile device; not to mention, these methods will streamline workflows for property management teams.

While the shift to online and the increased emphasis on digital transformation may seem like an initial hurdle for property management teams, residents will be grateful for them, and happy residents make for long-term residents. Making sure the renting experience is convenient and easy will be the best way to support your residents in the coming year, whatever it may bring.▲

Open-air features, space top 2021 renter wish list

Alexandra Ciuntu
Research analysts and real estate writer, RentCafé

Last month marked one year since we began dealing with a pandemic. Not only have our way of life and priorities changed, but also this year made us more aware of how we assess our surroundings – starting with our homes.

To find out how or if the pandemic affected renters' preferences and moving plans over the past year, our firm ran a survey among more than 10,000 responders. To get a better perspective of how the past 12 months influenced the renters' attitude, they also were asked about moving concerns and their apartment selection process during the ongoing pandemic.

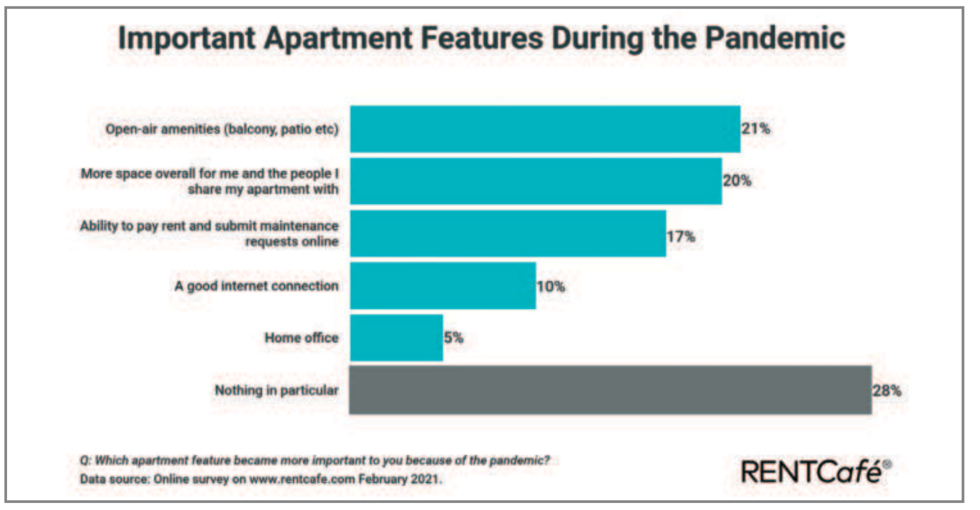
The survey shows the most desired features now are open-air amenities (21%) and more space (20%) as renters are looking for a change of scenery and lifestyle improvement. In contrast, a 2020 survey listed a good price as the main preference amid the novelty that was then the coronavirus. It goes to show that spending so much time at home has prompted renters to review their rental preferences. Subsequently, this shift might prompt a newfound renter appreciation for the suburbs.

■ **Lifestyle improvement – a priority after months of staying at home.** The survey started by asking renters whether they moved during the pandemic. This revealed that those who moved earlier in the pandemic were prompted by necessity rather than a need for change. A lease expiration was the main reason 26% moved, while 32% were concerned about their ability to pay rent.

However, for those who didn't move and spent the past year staring at the same walls, lifestyle improvement became the main motivator for changing house. Months of pandemic led to an increased need for space and open-air amenities, but also for "better deal opportunities." For them, 29% said the main reason for moving now is getting a better deal when it comes to size, location and overall quality, while 25% are doing it for a "change of scenery."

Likewise, lifestyle and housing improvement was the motivator when it comes to selecting the most essential amenities one year into the pandemic. In fact, despite widespread work-from-home practices, WFH amenities such as good internet connection (10%) or having a home office (5%) did not score high among renter preferences.

■ **The suburbs offer a wide rental pool and Colorado is no exception.** The survey showed 90% of renters looking for long-term leases, preferably in the same city. This inclination toward stability contributes to making lifestyle improvement the main goal for moving one year into a pandemic. With renters in need of a change of scenery and eyeing better deals in the same city, the suburbs can be a haven in a time when crowded urban hubs are to be avoided.



Another study we conducted analyzed the suburbs that built the most new apartments in the last five years. It turns out that as apartment development continues to rise, the rental housing inventory across U.S. suburbs also is experiencing a boom.

Since 2016, suburban Colorado delivered almost 21,700 rentals, 93% of which are in garden-style communities across the state. In fact, nationwide, Colorado is second only to Texas, with three suburbs in the top 20 states with the highest number of apartments built in the past five years – Longmont, Parker and Westminster. In the last five years, these three suburban areas delivered more than 2,100 new rental apartments each. Two other Colorado suburbs made their mark at state level with more than 1,100 new units delivered since 2016 – Englewood and Lone Tree.

As an increasing number of renters look for generous square footage and open-air amenities, the suburbs have an undeniable appeal – especially now, as densely populated hubs are to be avoided. But regardless of area, moving during a pandemic poses various health and safety concerns. However, it looks like renters are less concerned about this aspect during the moving process compared with one year ago, soon after the outbreak. Now, only 9% said they were concerned about whether it was safe to move.

If 12 months ago a feasible price trumped any other preference, one year of staying inside made people reevaluate what they need from a rental. Some renters change homes fueled by the need for something different, others by necessity, while others by the newfound ability to work remotely. Regardless of the reason for making the move, more living space, access to outdoor amenities and features that make a home even homier seem to have become priorities for those moving during the pandemic.▲

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Tech

Now is the time to invest in management tech

For most Americans, the COVID-19 pandemic has impacted various aspects of our everyday lives, including sparking conversations for many about relocating to a fresh, new city or state to call home. This has caused a ripple effect throughout the United States, with a massive wave of residential relocations over the past 12 months.

Timothy Fortner
CEO, BetterNOI

With its natural beauty and overall high quality of life, it should come as no surprise that Colorado continues to attract residents, with Denver in particular ranking as the eighth-most moved-to city during the pandemic, according to research by Bloomberg. And as availability of for-sale houses in Colorado hits a record low at a time when demand among interested buyers is skyrocketing – pushing closing prices to an all-time high – rental options are now all the more valuable.

While the state will surely benefit from this influx of new residents, the surge in renters puts increased pressure on leasing agents and property managers, who require best-in-class technology to not only identify and capture quality leads, but also retain vetted and approved renters over the long term. And while state-of-the-art software is essential in attracting all renters, it is critical to garnering the buy-in of these out-of-state prospects who aren't yet sold on the neighborhood, let alone your building. Whether it's 3D touring technology, swift preapprovals or targeted moving messaging, a seamless digital experience is key to meaningfully standing out in the saturated market and ultimately making the long-distance rental search process manageable.

Historically, the residential real estate industry has relied upon basic reports and spreadsheets, but as the saying goes, numbers don't lie. And the only way to analyze the numbers is to consistently and effectively collect and sort data.

> In the modern information age, greater efficiency, accountability, sophistication and transparency aren't just aspirational notions; they are critical elements in the pursuit of running and sustaining profitable businesses.

In the modern information age, greater efficiency, accountability, sophistication and transparency aren't just aspirational notions; they are critical elements in the pursuit of running and sustaining profitable businesses. For the Colorado multifamily sector, property owners who haven't done so already are highly encouraged to upgrade their systems so that property managers and leasing agents are able to report back with full transparency across the complete rental life cycle, with the ultimate goal of using data to achieve higher rates of return through a better net operating income.

Ultimately, the goals of utilizing effective technology for multifamily real estate will help owners with the following: reduce property losses, increase revenue and inform actionable changes that increase NOI both for properties and portfolios.

To achieve maximum efficiency, it isn't enough to screen residents. Ideally, property owners and managers will want the ability to better market specific properties and units, streamline the application and lease execution process, improve resident retention and engagement and have easy access to all relevant financials.

Here are some key questions property owners and managers should be asking themselves about the systems they have in place:

- As your system stands today, are residents able to easily communicate with the property manager to file complaints or ask questions? Have you equipped your property managers with a system that allows them to respond quickly and reliably? Or through faulty and/or inadequate systems do they often go days, weeks, months or longer with no response, resulting in angry residents, increased strain on staff and ultimately loss of business and the resulting ding on your reputation?
- Does your existing digital process enable you to capture active click-by-click movements of website visitors, enabling leasing agents to better identify qualified leads, convert that traffic into applicants and thus transform your website into a highly optimized marketing tool?
- Are your leasing agents able to benchmark their performance against a broader database of users, or through your existing system offer in-depth insights into the entire Colorado market's multifamily leasing activity, including statistics, trends and outlooks?
- Does your existing system allow you to prequalify prospective Colorado residents, request and schedule tours and connect with neighborhood offerings such as dining and other local activities?

Colorado has reached an inflexion point. Renters will continue to migrate to this highly desirable region at a time when the homebuying market is the tightest in the state's recorded history. Now is the time for all multifamily property owners to invest in best-in-class digital platforms to better service your properties and portfolios and, ultimately, improve your bottom line. Because if you don't, your competitors surely will. ▲

Tech

Managed Wi-Fi increases an asset's bottom line

The multifamily industry is one of the largest in the country. With so many residents, employees and moving parts, one of the biggest challenges for multifamily developments is supporting the connectivity needs of their customers.

With ever-increasing internet usage over this past year, a spotlight was shone on the complexities of delivering high bandwidth connections with strong coverage. Successful properties must deliver more streamlined propertywide solutions that cater to the needs and demands of residents who work, school and enjoy many forms of online entertainment from home. This is most true for a property's Wi-Fi network. As properties were forced to take a hard look at their internet offering, many realized they needed to do something different.

In fact, high-speed, reliable internet has emerged as the "fourth utility"; it is just as important these days as electricity and water. When residents move into a new apartment, they expect the lights to turn on and the water to run on Day One; and now they also expect their Wi-Fi to be fully set up and ready for email, browsing, streaming, downloading and video calls. The best way to accomplish this is through a managed Wi-Fi network.

■ **Wi-Fi matters.** Studies show there will be a 36% increase in work performed outside the office after the pandemic. Residents are spending more time in their apartments, and gig-speed, reliable, secure networks are critical for the multifamily industry to evolve to meet their needs.

Josh Rowe
Director of product and business development, Dish Business

Denver itself has one of the fastest-growing populations in any metropolitan area, with inward migration from younger, tech-savvy professionals who work from their apartments, and this trend is only accelerating. In the last 20 years, Colorado has gained 1 million residents, with 700,000 in just the last decade. Property owners must consider what these residents are looking for when moving into a metro area during a hyper-digital age.

■ **The managed Wi-Fi solution.** Managed Wi-Fi is the future of the multifamily experience. It allows residents to access their personal, protected network in unit or from anywhere on the property, including the gym, pool or lobby, which we expect will see an increase in use post-pandemic. Plus, because it is a propertywide solution, managed Wi-Fi is available to residents as soon as they arrive on site.

Because of the remote work trend, the valuation of bulk, propertywide, managed Wi-Fi is projected to grow by $20 billion before 2026. As residents expect immediate access to high-speed internet, managed Wi-Fi is becoming the new norm in the industry, and properties with traditional, "do-it-yourself" Wi-Fi systems will be left far behind.

The traditional model of putting the burden on residents to manage their own Wi-Fi is clunky and a time-sucking process – they must research and choose a provider on their own, wait for the installer and lock into a contract for a service that, at its best, is limited to their apartment unit. This choice often leads to disappointing outcomes for the resident and results in a missed opportunity for the property. Only the internet provider wins.

Because of the remote work trend, the valuation of bulk, propertywide, managed Wi-Fi is projected to grow by $20 billion before 2026. The Economist is an apartment complex in Denver that feature's Dish Fiber propertywide.

■ **Bottom-line benefits.** The switch to managed Wi-Fi is about more than just providing an exceptional resident experience. There are significant benefits for property managers, including an increase in monthly revenue, while creating a more streamlined, easier management process.

Managed Wi-Fi creates an opportunity to drive additional revenue that property owners miss out on with traditional models. With low entry costs and the flexibility to market this value-added service how they choose, properties have the opportunity to earn more, while residents pay less for higher-quality service. Plus, the property gains additional savings by leveraging the same network to support property needs, streamlining the experience for residents, guests and staff. It's a win-win situation.

A managed Wi-Fi network also can power smart-community solutions to promote contactless property entry, deliveries, smart in-unit technology and more. Upgrading to smart-community solutions reduces operational costs from proactive maintenance, improves energy

Please see Rowe, Page 36

Design

Embrace smart design decisions for your property

Mary Kay Sunset
Principal, Semple Brown Architects and Designers

There is a shift in the multifamily apartment market, evidenced by how spaces are being reutilized in existing buildings and what is being brought to the "drawing board" for new projects. The shift is due to a changing age demographic, recent COVID-19 concerns, as well as the growing desire for more convenience and on-site amenities. The owners and developers of multifamily apartment communities are having to rethink what should go into the design of their properties as well as the experiences residences are taking from the services being provided. Many are looking to amenities that enhance lifestyles and engage and connect the community as well as provide community focused experiences for neighbors and tenants to enjoy together.

What is at the forefront of the next generation of multifamily properties?

■ **Evolving demographics.** While young adults continue to spearhead the demand for apartments, many apartment communities are realizing an increasing market among middle-aged and high-income renters. These two demographic groups are putting a premium on designing for more convenience and different kinds of amenities that will appeal to their age group, while also blending in well with what millennials are seeking. For example, everyone appreciates ease of living, so focusing on amenities such as enhanced concierge services, pickup and delivery of cleaning, grocery pickup and in-apartment delivery, on-site convenience markets, enhanced automated storage areas for package deliveries, ride-share programs, shuttle and fleet rental car services, and more will provide lifestyle enhancements that appeal to everyone.

■ **Dining and drink options.** People have been more inclined to stay close to home in their apartment buildings (especially as restaurant and entertainment destinations are limited due to the pandemic), so provide choices such as in-house bars and cafes where residents can sit and enjoy a drink and appetizer while socializing with their neighbors. Grab-and-go food kiosk areas with prepared sandwiches and salads that can be paid for with the swipe of a card give residents the option of grabbing a snack without having to venture out or calling a delivery service. Food truck parking located on the property can provide a fun interactive approach to dining and neighborhood interaction.

■ **Community connection.** Many people enjoy a community atmosphere and meeting others. Create comfortable, open and semiprivate community spaces that give residents a place to meet their neighbors. This might include adapting an existing space to become a lounge area focused around a taproom, in-house coffee shop, interactive gaming area such as pinball, shuffle board, arcade games and pool table, or other forms of entertainment. Reconfiguring existing, compartmentalized spaces to be more open is another way to achieve this goal. Providing "maker spaces," where people can learn a craft, create artwork, make pottery or take part in an interactive learning environment is another way to bring people together and build a community spirit.

■ **Maximizing fitness possibilities.** Fitness areas need to up their game in modern multifamily properties. State-of-the-art equipment always is important, but begin implementing a broader variety of choices. Some of the things to consider include reconfiguring space for special workouts and programs, such as CrossFit classes, yoga, Pilates, barre and dedicated dance studios. Bringing in professional trainers and instructors also will up the ante and differentiate your community.

■ **A resort lifestyle**. By tapping into a "resort lifestyle" concept, multifamily developments are implementing features that are meant to impress residents and their guests alike. For example, full-service spa amenity areas can include massage, nail and facial treatments. Interactive areas might include the latest and greatest golf/snow sport simulators (where a resident can virtually play a round of golf or ski a virtual slope at the most famous areas around the world), special event spaces for invited speakers, wine and beer tastings/pairings and even incorporating nightclub areas for local bands and comedians.

■ **Work-from-home support.** As more people are working from home, make sure your property is providing the support they need. This can include incorporating home office workspace into individual units as well as creating coworking space in common areas to include conference rooms, private single-use areas (such as a phone booth) and state-of-the-art multimedia capabilities. Providing high-speed and secured internet access and technology-driven areas while creating a flexible and comfortable setting for people who want a dependable place to work from their laptop is key.

■ **For pets.** In pet-friendly buildings, consider making room for a grooming station for pet owners, incorporating a pet park and relief areas preferably in an outdoor area. Provide access to pet walking services, grooming, veterinarian services and training.

■ **Access to the outdoors.** Heightened by the pandemic, the most important aspect is to provide outdoor spaces within the connected community – ample areas to relax, exercise, work, entertain and experience the outdoors through individual balconies, large rooftop amenity areas and enclosed areas that can open up to the outdoors by sliding glass walls.

Design does not necessarily have to be all about the next big thing. It is important to think about the future and how existing and underutilized spaces can be activated to easily accommodate what residents want at any given time, without having to go through a major renovation of a property. Amenities need to be designed to be easily adaptable to changing interests and needs.▲

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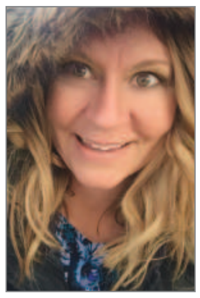
Construction

Benefits to precast podiums & modular construction



Rachel Johnson Schiebout
Marking administrator, EnCon United

Colorado's current real estate market conditions and increasing housing market needs are pushing the demand for multifamily housing to quickly meet the needs of the population influx. Both precast concrete and modular construction offer solutions to the need for additional housing and expedited build schedules.

"Precast concrete and modular structures offer benefits for meeting the growing multifamily market segment by meeting the demand for high-quality products with quick build schedules," said Kevin O'Connell, director of preconstruction for EnCon United.

Precast concrete is a high-performance product and system that can be used to meet the needs of this growing market segment due to on-site manufacturing and speed to build. Precast concrete consists of specialized concrete mixes, which are cast into project-specific customized panels at an off-site plant. The concrete is placed into a mold or form and cured before being removed from the form. Precast components are then transported to the project site for erection. This prefabrication process allows all pieces to be cast in a controlled environment and erected on site, creating one of the quickest and most efficient building systems available. This allows owners and builders the ability to effectively meet housing schedule demands, while minimizing site and project delays, and reducing overall costs. Precast product advantages can include long life span, continuous insulation, fire resistance, vibration control, corrosion resistance, acoustical control, speed of construction, greater quality control and finish consistency with in-plant production. Plant production also reduces on-site labor and lowers the job site safety risk.

Similarly, modular buildings begin off-site in an assembly line type process. Small parts of the overall modules are constructed, with additional components added through the build. First, the module is framed, then walls, floors and roofs are added. After this, the windows, plumbing and wiring connections are installed. Various teams come through after to add and inspect all finish work, cabinets, fixtures and appliances. Once the module reaches the job site, it already is completely built and only needs to be assembled. Modules are set onto the project base and then locked together. After this process, pipes and wiring are connected to create the finished project. These types of projects finish twice as fast as traditional multifamily projects due to the ability to manufacture the modules off-site while the project site is being prepared and constructed.

Since both precast concrete components and housing modules are

By assembling parts of a project off-site, owners and builders have the ability to effectively meet housing schedule demands, while minimizing site and project delays, and reducing overall costs.

manufactured off-site, there are no site or weather-related project delays. Both are manufactured with controlled conditions and meet codes and standards as required by the precast industry at conventionally built facilities. Once the site is ready, both precast concrete and modular products are shipped to the project site.

As a foundation for the modular construction, precast podium and parking components generally require elevated floors, high load capacities, open spans and large bays. Typical precast components used in the multifamily market segment include podium slabs, double tees, hollow core, stair cores and wall panels. Precast members also meet demands as load-bearing elements, providing high load capacities and enabling integration of structural, architectural and insulated precast products into one cohesive building system.

"Precast products are a viable multifamily solution because they serve as structural components, provide fire resistance and vibration control, and can be integrated into architectural precast components as well," said O'Connell.

These podium projects allow for the development of high-density projects while reducing space and construction costs. A podium slabs typically acts as both a structural foundation floor and as a transfer slab for the framed construction above, thereby transferring loads directly into the foundation. These podium slabs typically are situated above parking levels, creating partitions and compartmentalization, and requiring up to four-hour fire ratings for safety and compliance. A precast podium design provides a cost-effective solution offering speed of construction and limited environmental impacts. Other podium advantages include reduced job-site congestion, gravity and lateral load restraint, and vibration and acoustic control.

Modular construction creates environmental benefits as well due to the unique building process. Mod-

Please see Schiebout, Page 36

Outlook

Continued from Page 1

Many things actually. The media attention to housing is the most obvious, but it's more substantive than just news coverage. Even though it took a year of unrelenting lobbying, Congress allocated nearly $50 billion in emergency rental assistance between the last two COVID-19 relief packages. This is a truly staggering amount and far more than most housing advocates would have dreamed of when we started this campaign. To put it in perspective, for years the National Multifamily Housing Council had requested $20 million in additional housing voucher funding for victims of domestic violence. Congress just appropriated $5 billion for that very purpose.

Policymakers also seem finally to understand that although most of the obstacles to building the new housing our country needs are erected at the state and local level through exclusionary zoning and costly regulations, there is a role for the federal government to play.

It remains to be seen what Congress actually will be able to pass in an infrastructure bill, but it is even notable that President Biden's $2.25 trillion infrastructure plan includes $213 billion to produce, preserve and retrofit more than 2 million affordable and sustainable places to live. Perhaps more importantly, it seeks to leverage federal funding to incentivize the elimination of state and local exclusionary zoning laws. NMHC has been lobbying to have housing included in any infrastructure proposal. We were definitely making progress, but the pandemic's role in emphasizing the importance of housing surely accelerated it.

To be sure, the Biden proposal is just that for now, a proposal. And there is a lot more all levels of government can do to support housing affordability. Zoning reform, and specifically the elimination of single-family-only zoning, needs to spread beyond a few first-mover states and localities. Cities and states need to come to the table with more solutions-focused proposals, such as providing surplus public land for affordable housing projects, tax abatement for dedicated workforce housing, by-right development for multifamily and dedicated funding sources to support housing.

They also need to examine their existing regulations through a housing lens to remove unnecessary barriers that drive rents higher. An NMHC/National Association of Home Builders research report found that government regulation accounts for an average of 32.1% of multifamily development costs, and in a quarter of cases, that number can reach as high as 42.6%.

Without those kinds of targeted and intentional actions, there is simply no way for the private sector to create new housing that is affordable to most working households because of high labor, land and materials costs. Policymakers also need to abandon seemingly "free" solutions, like rent control, that actually worsen affordability by discouraging new housing production and investments in building repair and renovation and encourage rental housing providers to remove their properties from the rental stock.

But the first step to making any of those things happen is to be top of mind when elected officials think about the post-pandemic recovery and to have a seat at the table with policymakers. For those of us who have been in the trenches of housing policy for so many years, it does feel like maybe, hopefully, the pandemic has put housing front and center.▲

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Continued from Page 4

increase in the number of offers. Assets that might have sat on the market a year ago are being snapped up. These trends are likely to continue, supported by interest rates that still sit far below prepandemic levels. Many owners took advantage of these historically low rates by refinancing their properties in 2020. Those refinanced properties will be held from the market, further contributing to low inventory, rising prices and a seller's market. Projected new construction starts will compound this effect, falling well behind the prior five-year average and expanding by just 2.2%, or 6,820 units, in 2021.

Inventory limitations are particularly apparent in Denver's single-family market, with the median Denver MSA home price rising by 14% in the last year. These historically high single-family home prices will help to drive apartment demand as potential homebuyers find themselves outpriced. This will have a positive effect on occupancy and rental rates for Class B and C apartments. Investors may experience more obstacles to purchase, including a lack of available inventory, high prices and increased competition. However, current owners and investors who can participate in the Denver market will benefit from a spring and summer of increased leasing, occupancy and values. ▲

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White

Continued from Page 6

of deals under pressure in the short run.

Although some headwinds exist for investors looking to deploy capital into Colorado Springs, the newfound popularity should bring more liquidity to the market as current owners look to capitalize on tremendous price appreciation, new investors continue to target the market's strong fundamentals and developers increase pace to add inventory to the market. It is exciting to see Colorado Springs step into the limelight as a preferred market on the Front Range, and the growth is far from over. In addition to the classic fundamentals of a dynamic and diversifying economy, an unmatched quality of life and relative affordability compared to other western U.S. markets, the region also benefits from concerted public and private efforts to strategically revitalize downtown Colorado Springs, further investment in aerospace and technology and elevated national prominence as a crucial citadel of defense. These dynamics continue to attract new companies and encourage existing employers to expand, leaving little question as to why this market deserves the attention it has seen. ▲

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Hallauer

Continued from Page 8

absorbed somewhere between 1,400 and 1,500 units annually in Class A, institutional communities over the past few years, I anticipate demand for new units will outpace deliveries of new units over the next 12-18 months significantly, which should result in additional rent growth, further increases in occupancy and strong performance of Class A, institutional communities in the region. Additionally, as Northern Colorado appears to be one of the regions that has benefited from in-migration due to the prevalence of organizations allowing employees to work remotely, I expect that the in-migration and resulting robust demand for additional housing will continue for the foreseeable future.

The strong market fundamentals coupled with cap rate compression and strong investment demand for Class A, institutional assets in the region has created quite an opportune time for potential sellers of these types of assets. The recent sales of The Wyatt, a 368-unit garden-style community in south Fort Collins for approximately $299,000 per unit, and of Rise, a 236-unit, four-story, surface-parked, elevator-served community that sold for nearly $298,000 per unit, are the two highest per-unit sales in the market's history. Cap rates have compressed by approximately 100 basis points on the best assets over the last five years, with market cap rates in the low 4% range for the best assets. With strong occupancy, rental rates and low cap rates, now is an excellent time to consider selling an asset in the region.

Ongoing challenges holding developers back from delivering more apartment units include sourcing quality development sites in municipalities/districts with cost-feasible impact fees and favorable raw water situations, longer entitlement and construction timelines and tighter lending restrictions. Despite some hope from the development community that one positive impact of COVID-19 may be a flattening, or perhaps even reduction, in construction costs, that has not been the case thus far, as the costs for lumber and steel have skyrocketed over the past year. Some municipalities also have raised their cash in-lieu of raw water fees and/or other impact fees, which exacerbates the challenges related to new attainable or affordable housing.

Additionally, the potential for mortgage rates to rise over the next 24 months, the lack of vacant developed lot supply for new single-family homes, the costs to deliver new homes (many of which were mentioned above and also apply to single-family development) and the ongoing lack of significant condo development are all factors that indicate strong future demand for apartment units in the region. There are likely to be a number of would-be homebuyers over the next 24 months who cannot afford to purchase a home, who are not willing to stretch their budget to purchase a home or who have lost income necessary to qualify for a mortgage loan, all of whom will remain renters for the foreseeable future.

While it is hard to predict the economic impacts of the ongoing effects of COVID-19 and the unprecedented amount of stimulus pumped into the monetary system as well as the resulting hardships many businesses are facing, the Northern Colorado Class A, institutional apartment market remains very strong. With the relatively low number of deliveries anticipated in the next 12-18 months, I believe this strength will prevail in the market for years to come. ▲

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Rowe

Continued from Page 31

efficiency and establishes enterprise-grade security to increase the value of a property.

Plus, smart-community perks set properties apart, providing a premium and elevated living experience that appeals to tech-savvy consumers. Parks Associates reported that U.S. broadband-connected households have an average of 12 connected devices. As multifamily properties are looking to both meet this growing resident demand and benefit from property-managed deployments, they also need to consider the network that will serve as the backbone for this solution.

Managed Wi-Fi adds a valuable service to any property that drives revenue, increases resident experience and streamlines management. In a time when people need to connect and get the most out of their online experience, the multifamily industry must provide high-speed, reliable networks that can be managed as easily as an electric bill. For so many residents, employees and working parts, multifamily developments can avoid overcomplications and inefficiency by using managed Wi-Fi while putting money in a property owner's pocket.▲

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Schiebout

Continued from Page 33

ular construction allows for reuse of materials, fewer job-site deliveries, and less energy used on site as the construction timeline is reduced. Modular construction also features recycled elements and materials, green-build elements and enhanced insulation. This type of construction is well suited to small urban infill sites, causing less environmental impact to the building site and surrounding neighborhoods.

As Colorado's housing market continues to proliferate, prefabricated products including precast concrete and housing modules will continue to offer a viable solution to the expedited building process. Precast inherently provides efficiency, resiliency, versatility, durability and aesthetic advantages needed to meet structural and architectural requirements of this ever-growing market segment. ▲

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Newell

Continued from Page 10

only protected some renters, evictions remain low. Eviction levels are a fraction of historical levels, not because of the moratoriums, but rather because landlords understand the situation. They are actively working with tenants on payment plans, identifying resources for rental assistance or allowing tenants out of their leases completely.

The reality is that evictions are terrible for owners. They are expensive, time-consuming and result in an empty unit that must be cleaned, repaired and re-leased. To paint a picture of heartless landlords eagerly pursuing evictions is complete and utter nonsense.

Evictions also are misunderstood. Usually, a landlord starts an eviction process when a tenant does not pay rent on time since the owner does not know if the resident is ever planning to pay. In most cases, the resident pays the past-due rent, and the process is stopped. Only in rare cases does a local sheriff get involved to physically remove the tenant.

The data reveals that nearly 54% of the time an eviction was filed, the resident was able to pay and stay. In approximately 23% of the cases, the resident voluntarily left, and only about 11% of the time did a filing result in physical eviction. Only about 12% of the tenants relied on the CDC declaration to avoid eviction.

Evictions are not always for nonpayment of rent. If a tenant is a drug dealer, violent, has a dangerous animal or just disturbs the peace on a regular basis without regard for neighbors, the property owner has a responsibility to other residents to evict the problem tenant.

With so many resources available, it is difficult to understand the reasons for such dire predictions of massive evictions. The federal government has provided all sorts of aid, countless charities are providing help, owners are working with residents and, hopefully, people also can turn to friends and family.

In summary, the moratorium on evictions is completely unnecessary: Evictions are at all-time lows. Moratoriums prevent owners from evicting bad actors who threaten the safety of responsible residents. Significant sources of aid are readily available so that individuals can get current on their rents. The moratorium does not prevent individuals from accumulating massive debts that will haunt them well past the pandemic. And the moratorium removes the incentive for individuals to find affordable, alternative living arrangements. ▲

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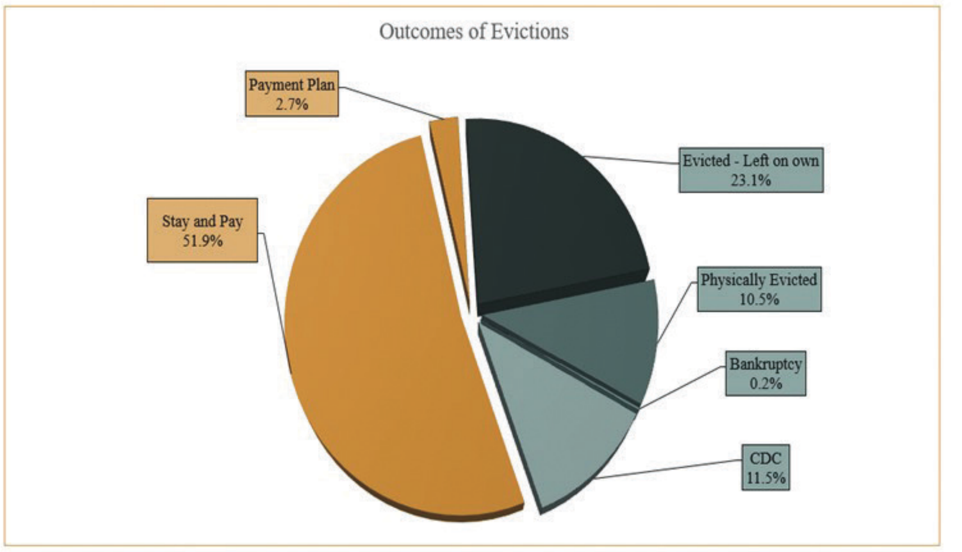

Monarch Investment and Management Group

An analysis of eviction outcomes demonstrates that a small percentage of eviction cases result in physical removal from a home.

MacCarter

Continued from Page 16

themes that are a consistent motivator that we would like to shed some light on. The first and most obvious reason is that the Denver metropolitan area is a fantastic place to live. It boasts a population of some of America's smartest and most-qualified workforces along with a booming city whose climate and natural splendor are hard to beat. Additionally, Denver still is a relatively affordable option in terms of the cost of living, especially compared with coastal markets.

Secondly, the Denver metro area is by and large still a great place to be a landlord. Owners of apartment complexes, for the most part, have the autonomy to run their buildings how they want. There are few government mandates that instill rent control, overbearing tenant rights and big brother oversight on how to be an apartment operator. Places like much of California, New York City and Chicago face the opposite fate. We think this is one of the main reasons investors are coming from states like these. Denver owners, apartment associations and other organizations are extremely proactive and on the offensive for keeping this sort of legislation out of Colorado. This stable political environment also allows investors to feel comfortable and confident in their yearly budgets and long-term projections. Here investors can run their buildings in the manner they see fit and they have the option to be rewarded for value-add programs that they chose to institute. Sadly, the global pandemic has seen tenants who are, in their right, electing to not pay rent and not move out of buildings despite late payments and eviction notices. Simply put, landlords have lost their ability to run their buildings like they are accustomed to and are in some ways forced into difficult practices they otherwise wouldn't do in order to make their returns. Denver offers investors from cities like New York City, Chicago, San Francisco, Los Angeles and Oakland, California, the opportunity to make good returns and run buildings at their discretion.

Lastly, the economic fundamentals in Denver still are very strong. Over the last 10 years or so there has been robust job growth and a continual influx of in-migration leading to healthy rent growth and a hefty pipeline of new construction. According to CoStar, "A flourishing economy with a rapidly expanding tech scene spurred an apartment construction boom in Denver in the past decade. In four out of the past five years, more than 9,000 units have delivered annually in the metro."

This puts Denver in the top 15 in the country and shows it is a place that is seeing sustained demand for apartments. Denver is proving that it is on the map as one of the best markets in the country to invest in apartment buildings. With buyers ranging from institutional capital to private capital investors, it is a very competitive and lucrative place to build an apartment portfolio. The political climate, booming city and beautiful quality of life will hopefully sustain this surge going forward. ▲

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Continued from Page 22

lation of 880,000, followed by St. Louis, ranking 16th (population 208,000) and Minneapolis, ranking 11th (population 420,000).

In Colorado, Westminster is the trendiest city, with a share increase of 35% in apartment applications from the Gen Z renter segment. It went from just 17% in 2019 to 23% in 2020, becoming the new up-and-coming "Zoomer" favorite. Colorado Springs also made the top, with a 29% change in just one year, followed by Loveland with 29%, Lakewood with 28% and Boulder with 27%.

According to Jill Ann Harrison, professor at University of Oregon, what all of these cities have in common is a lower cost of living and a vibrant local scene. "It is easier in these places for people to take risks to becoming small-business owners and contributing to the local economy and culture," she said. "These smaller markets offer an opportunity for younger adults to not just live in a place, but to help to create or contribute to it in meaningful ways. In turn, many of these smaller cities have a truer sense of authenticity that is certainly serving as a pull."

■ **Boulder has the highest share of Gen Z renters.** We also looked at the cities that boast the highest shares of Gen Z renters. According to the data, Boulder takes first place. A considerable share, 65%, of Gen Zers applied for Boulder apartments in 2020, while the shares of other generations were considerably lower, with millennials scoring a 22% share, Gen X 8% and baby boomers and older reporting just 5%.

As a college city, Boulder can offer recent graduates the possibility of continuing to live in the area that they're most familiar with, having the option of remote work available. Nicholas P. Dempsey, associate professor of sociology at Eckard College, is of the same opinion. "Young people launching careers head to where jobs are in the different industries that interest them, and those still tend to locate in the biggest cities," he said. "If firms allow many of their employees to work from home after the pandemic, college grads might just choose to skip the move to the big city and stay in the college town that they've grown to love. But that's a big if."

Davis, California, another college city, took the second spot in the top, with a Gen Z share of 61%, followed by Conway, Arkansas, nicknamed "the city of colleges," with 52%. Other cities in the top, like Bloomington, Indiana, or Ankeny, Iowa, also are home to or in the vicinity of universities, which explains the higher shares of Gen Zers.

As for Colorado, following Boulder's 65% share of Gen Z is Colorado Springs, with the second-largest share of "Zoomers" in the state, 31%. Greeley is third with 29%, followed by Fort Collins with 28% and Loveland with 27%. ▲

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Top 20 Cities for Gen Z Renters in 2020

Rank	City	% Gen Z	% Millennials	% Gen X	% Baby Boomers +
1	Boulder, CO	65%	22%	8%	5%
2	Davis, CA	61%	30%	6%	3%
3	Conway, AR	52%	31%	11%	6%
4	Bloomington, IN	50%	27%	15%	7%
5	Ankeny, IA	50%	34%	11%	5%
6	Tallahassee, FL	44%	37%	12%	6%
7	Clarksville, TN	44%	42%	9%	5%
8	Abilene, TX	43%	41%	12%	5%
9	Fort Smith, AR	42%	36%	13%	8%
10	Springfield, MO	42%	30%	16%	12%
11	Topeka, KS	42%	34%	14%	10%
12	Denton, TX	42%	35%	15%	8%
13	Fayetteville, AR	42%	35%	15%	8%
14	Lynchburg, VA	42%	32%	16%	10%
15	Lawrence, KS	42%	40%	12%	6%
16	Flagstaff, AZ	42%	23%	24%	11%
17	Tyler, TX	41%	35%	17%	7%
18	Jonesboro, AR	41%	37%	13%	8%
19	Kalamazoo, MI	41%	38%	14%	7%
20	San Marcos, TX	40%	33%	17%	11%

Source: Based on Rental Applications Processed by RentGrow

RENTCafé®

From the desk of Rodger Hara:

Shining the light on public & nonprofit development

Last issue's Affordable Housing Spotlight shone on the successful private sector developers and examined how they have moved into a space formerly occupied almost exclusively by the public sector. This month, the focus will move to the public and nonprofit developers who are now behaving and performing in an entrepreneurial way like their private sector counterparts.

As a reminder: The Great Depression led to the passage of the National Housing Act in 1934, which gave birth to the mortgage insurance programs of the Federal Housing Administration and the passage of the U.S. Housing Act of 1937, which created the U.S. Housing Authority and the subsidy programs for local public housing authorities. Until the early 1970s, most affordable housing in America was developed by housing authorities with funding directly from the federal government. At about the same time that the 33 buildings of the Pruitt-Igoe complex in St. Louis were being imploded, Congress amended Section 8 of the Housing Act of 1937 to create a system for production of housing by the private sector with rental subsidies from U.S. Department of Housing and Urban Development. And about that time, the direct funding from the federal government to housing authorities for production of new units began to be drastically cut back.

Rodger Hara
Principal, Community Builder Realty Services

Because operating expenses for Section 8 projects increased at a rate faster than anticipated, government funding of the rental subsidies lagged, FHA-insured loans began going into default and the annual federal budget process couldn't predict the size of the subsidies. That imperfect storm forced the government to shorten the terms of the subsidy contracts and create new programs to prop up the old one.

Those problems, along with other market dynamics, led to the creation and passage of the Tax Reform Act of 1986, which brought forth the Low-Income Housing Tax Credit and Private Activity Bond programs. With legislatively mandated limits, structures and stricter controls, those are housing programs administered by the Treasury Department. Because of the built-in limits, LIHTC and PAB programs have a totally predictable budgetary impact and we now have a system of true public-private partnerships that are the primary drivers of affordable housing production today.

Administered by the Colorado Housing and Finance Authority, LIHTC and PAB in Colorado are among the most equitable and transparent in the country. That dynamic, combined with the growth and stability of the economy, the quality of life and the political will that recognizes the need, has drawn profit-motivated developers from around the country who compete not only with each other for the scarce resources of LIHTC and PAB but also with public housing authorities and private nonprofit corporations serving similar and often different low-income populations.

In this issue, you will read the stories of housing authorities and nonprofit organizations that have been extraordinarily successful in affordable development and have, in some cases, become vertically integrated to create operating efficiencies and economies of scale that let them compete well, and how they cooperate (play well) with others to make projects work. You will hear from urban, suburban and small regional housing authorities, statewide and national nonprofits and get their perspectives, which, while different and unique, share much with each other and their for-profit contemporaries.▲

Contents

40 *The evolution of the public housing authorities*
Sam Betters

41 *Sun Valley project uses community-driven wish list*
Ryan Tobin and Slavica Park

41 *Affordability in Aurora: Patience and partnerships*
Craig Maraschky

42 *Thriving with public-private partnerships & LIHTCs*
Sarah Smith

42 *Housing authorities must become entrepreneurial*
Diane Leavesley

43 *Use a market-rate developer mindset when possible*
Jeff Feneis

43 *Mercy Housing continues Colorado development work*
Dee Walsh

44 *Creating communities to help older adults thrive*
Jim Goddard

The evolution of the public housing authorities

In 1976, I was hired by the Loveland Housing Authority as a program manager and in 1981 was appointed its executive director. Being a one-trick pony, I remained in that role until I retired in November 2018.

Early in my career I attended a housing conference at which the keynote speaker was Dr. Bill Boast. The title of his presentation always stuck in my head (not many things do): "Now That You're an Executive Director, are You as Smart as a Cockroach?" It was the story of the dinosaur and the cockroach. When the "pond" began to dry up, the cockroach, which has been around since the time of the dinosaur, was able to adapt to its changing environment and thrive. Well, we all know the fate of the dinosaurs.

This is a story about embracing change and the environment that allowed that to happen.

Once upon a time in Colorado (and all around the country), affordable housing was produced with something other than low-income housing tax credits; and about the only entities producing this housing were local public housing authorities. As an executive director of one of those housing authorities, I was fortunate to learn my trade here in Colorado. When I began my career, there were a number of people who influenced me. Directors like Jack Quinn in Pueblo and Dick Sullivan from the Colorado Springs housing authorities. Around the same time, 1977, the Colorado Housing and Finance Authority – a relatively new agency created by the state Legislature in 1973 to address the shortage of affordable housing – appointed David Herlinger as its second executive director. With Herlinger, CHFA would become one of the most impactful "institutions" on the affordable housing industry in Colorado. The other state agency responsible for addressing affordable housing in Colorado is the Colorado Division of Housing. In the mid-1970s to early '80s it was headed up by John Maldonaldo – another early and creative force in Colorado's affordable housing history. Prior to joining the DOH, he helped create and direct Colorado Housing Inc., a nonprofit that launched many mutual self-help organizations throughout the state. During Maldonaldo's tenure at DOH he encouraged public housing agencies to get more creative and established initiatives to encourage neighborhood revitalization efforts. These "housers" were smart and passionate about what they did and, most importantly, always looking to find more creative and efficient ways to produce affordable housing.

Sam Betters
Retired executive director, Loveland Housing Authority

Like CHFA, most of the Front Range housing authorities, other than the Denver and Pueblo housing authorities, were established in the early to mid-'70s. Loveland was established in 1972 and went operational in 1973.

Back then, a public housing authority produced virtually all its affordable housing through what was known as the Low Rent Public Housing program financed and operated as authorized by Congress under the National Housing Act of 1937. Most often these units were in multifamily developments but also the U.S. Department of Housing and Urban Development funding could be used to build or acquire "scattered-site" units. The biggest challenges in operating these units were a lack of predictable funding and excessive and overprescriptive program regulations. By design, the Low Rent Public Housing program constrained any local control over the administration and finances of those units.

About the same time as these Colorado housing authorities were starting to form, Congress passed the Housing and Community Development Act of 1974. This watershed piece of legislation created the Section 8 Existing Housing Certificate, the New Construction and Substantial and Moderate Rehabilitation programs. It represented a new direction for housing authorities that meant they were now going to have to be responsible for their revenue streams.

In 1973, Loveland was a growing town with increasing needs for affordable housing. At LHA we were doing everything we could to increase the supply of affordable housing. In 1976 we developed our first 80 new units of public housing. In 1978 we became the first recipient in the state of bonds sold by CHFA that were used to fund the permanent mortgage for Silver Leaf II – a Section 8 New Construction senior project built in response to housing lost from the 1976 Big Thompson flood.

During this same time, and encouraged by new funding opportunities from DOH, we were creating revitalization programs such as the Rental Rehabilitation program – assisting private landlords with low-interest loans in specific lower-income areas of the community, using Community Development Block Grant and other grants to purchase and renovate existing housing with grants and loans to fix up to resell to an affordable buyer. Now that we were creating resources separate from HUD, we started developing housing by leveraging our balance sheets. It was clear to me that our approach going forward needed to be more entrepreneurial and creative. With the election of President Ronald Reagan in 1980, the heyday of HUD funding for housing authorities ended. His administration immediately began redefining the federal role in the provision of affordable housing. It sought to find ways to shift the financial burden from the federal government and to incentivize the private sector's participation. It began with defunding of public housing by virtually ceasing the building of any new public housing units and emphasizing the Section 8 programs. With the passage of the Tax Equity and Fiscal Responsibility Act in 1986, Congress created a landmark overhaul of the federal tax code, which resulted in a seismic shift in the affordable housing industry. Section 42 of this new Internal Revenue Code authorized the LIHTC program; and the 9% and 4% programs were born.

I quickly realized we needed to improve our skill sets if LHA as an organization was going to survive and thrive in this new environment. I started going to different types of conferences. Instead of the traditional menu of public housing and Sec-

Please see Betters, Page 45

Sun Valley project uses community-driven wish list

The housing authority of the city and county of Denver is the largest housing authority in Colorado and one of the top large public housing authorities in the nation. DHA administers over 7,000 Housing Choice vouchers and more than 5,700 public housing and affordable housing units, of which approximately one-third are dispersed throughout the city. In furthering its mission to create and promote thriving communities, DHA has diversified its funding sources through an entrepreneurial and business development approach to meet the housing needs of its clients and the greater Denver community.

Ryan Tobin
Chief real estate investment officer, Denver Housing Authority

Congress passed the National Housing Act (the federal law enabling creation of public housing authorities) in 1937 and DHA was established by the Denver City Council in 1938. In 1965, DHA began a 15-year development period using federal funds that saw the construction of 10 high-rise buildings for low-income seniors, acquisition of single-family homes, duplexes, quad-plexes and small cluster units, aka dispersed housing. The Section 8 program, created under the 1974 Fair Housing Act, provided DHA clients with greater freedom by instituting a voucher system for rental of homes from private owners.

Denver Housing Authority
Phase 1 Sun Valley Gateway in foreground and obsolete row-type housing in background.

Slavica Park
Director community connections/ executive director, Youth Academy, Denver Housing Authority

After multiple transformative projects in the Curtis Park, Benedict Park Place and Mariposa neighborhoods, DHA currently is managing a large-scale project in Denver's Sun Valley neighborhood with the support from the U.S. Department of Housing and Urban Development's Choice Neighborhood Implementation Grant. Sun Valley Homes, in a compact census tract of 0.64 square miles, will contain approximately 1,200 units housing 3,000 residents at build-out. A variety of construction types will include senior housing, townhomes, multifamily apartments, community service facilities and commercial spaces. The project also includes significant infrastructure improvements, bringing back the neighborhood street grid, improved connections to transit and an 11-acre regional park on the South Platte riverfront. In demonstration of DHA's structuring innovative and creative funding mechanisms to develop thriving and healthy communities, the multiphase development has attracted over $100 million in federal, state, local and private funds.

Working in collaboration with the city and county of Denver and residents of the Sun Valley neighborhood, six focus areas emerged from the extensive community-driven master planning process:

- Prioritize youth, family and education;
- Placemaking through food;
- Create opportunity;
- Develop intentional housing;
- Create connections and open space; and
- Build sustainable infrastructure.

These overarching impact areas highlight Sun Valley's unique challenges and create opportunities for celebrating the diversity of the neighborhood. In addition to the planned housing, infrastructure and open space improvements, DHA's HUD Critical Community Investments plan looks to implement multiple economic development strategies to better connect residents to local employers and improve food access. Three initiatives address food access, including an urban farm located in the riverfront park called the Grow Garden, an international and affordable marketplace called Decatur Fresh, and a planned restaurant and business incubator space.

Decatur Fresh, along with the food and business incubator, will play a prominent role in the Sun Valley transformation project. These initiatives are a direct result of the community identified priorities of education, placemaking through food and creating opportunities. Operating as a social enterprise within DHA's Your Employment Academy, Decatur Fresh will be an 1,800-square-foot space including a grocery market, workforce training program and community space that will offer affordable, nutritious options in what is now a food desert. The grocery mar-

Please see Tobin, Page 45

Affordability in Aurora: Patience and partnerships

As most people know (or should know), developing affordable rental housing is not a quick process, nor is it for the faint of heart. The Aurora Housing Authority has been developing affordable rental housing in the city since 1975 and, for us, affordable rental housing is the only thing we do. Colorado is fortunate to have public housing authorities that aggressively utilize the Low-Income Housing Tax Credit program. I'm not sure that many people know that not all states' PHAs are as active in developing new affordable units as in Colorado.

I have been fortunate to lead the Aurora Housing Authority for over 13 years. Going through a major recession and now a pandemic has given me a vastly different perspective than when I first started working in this position. Two things I have learned are to be flexible and, above all, patient. A deal might (and often does) morph into something totally different from your initial plan. The other thing I was aware of and knew instinctively, but did not fully appreciate, was the value of partnerships.

■ **Flexible patience.** One of the biggest challenges we have as a PHA that operates only in one jurisdiction is finding new parcels to develop. Many nonprofits and for-profit developers can seek out opportunities in various locations around the metro Denver area. Because of our statutory limitations, we need to acquire land when we can find it

Craig Maraschky
Executive director, Aurora Housing Authority

and put the deal together when the timing is right. The result is that we often have to incur additional land holding costs that other developers won't or can't tolerate. Conversely, we might have a parcel available when a funding opportunity falls in our laps, as it did recently with a 3.5-acre parcel in Gateway Park near East 40th and Tower Road. AHA purchased this land from the Pauls Corp. in 2019, and we intended to hold it for a few years. However, changes made in the federal 2021 Omnibus Bill to the 4% LIHTC program allowed us to fast-track development on the Gateway parcel. We will begin construction of 100 affordable rental units later this year.

■ **Partnerships.** The ever-increasing costs of developing rental housing in Colorado demand innovative partnerships to make deals happen. In 2019, AHA completed an 82-unit project called Peoria Crossing, which provides affordable rental housing for families and homeless veterans with an innovative land loan financed by the Colorado Housing and Finance Authority. The acquisition of this transit-oriented development got off the ground because of the city of Aurora's partnership with AHA on loan grantees

In 2019, Aurora Housing Authority completed an 82-unit project called Peoria Crossing, which provides affordable rental housing for families and homeless veterans with an innovative land loan financed by the Colorado Housing and Finance Authority.

to CHFA. AHA will apply to CHFA LIHTC later this year for the 74-unit phase two of this development. Without the cooperation and support of CHFA and the city of Aurora, the deal would not be possible.

An example of patience and partnerships is AHA's Liberty View project on the Fitzsimons Innovation Community near East Montview Boulevard and Peoria Street. This land is on what was once the Fitzsimons Army base. AHA was awarded a competitive allocation of state and federal LIHTC late last year to construct 59 units of housing for senior veterans. The project came together after a multiyear push by AHA and the city of Aurora to encourage Colorado to release land it held on the former Army base to affordable housing development. The late Mayor Steve Hogan was a great friend to AHA, and his political expertise went a long way to making this project a reality. Construction on the project will begin in October.

The days of waiting for federal funds to support and develop

Please see Maraschky, Page 45

Affordable Housing

Thriving with public-private partnerships & LIHTCs

First commissioned by the city of Lakewood in 1974, the Lakewood Housing Authority – now Metro West Housing Solutions – existed to provide public housing and disperse federal funding in the form of Housing Choice Vouchers to Lakewood residents unable to afford growing housing costs. Forty-seven years and one name change later, Metro West's days of being "just" a housing authority are long gone.

Now recognized as one of the top developers in Colorado's affordable housing industry, Metro West changed its entire business model with the advent of low-income housing tax credits. At the beginning of the 21st century, Metro West's board members looked to the future and made the wise decision that relying on federal funding would not sustain the organization and chose to become developers. They hired a developer, mortgaged the one apartment community that Metro West owned outside of its public housing portfolio and used the money to begin what is now a 20-year track record of housing development.

Willow Glen, a senior residence that opened in 2003, was its first tax credit property. Its legacy has transformed Metro West from a small housing authority to a thriving nonprofit developer and manager of beautiful, high-quality, affordable apartment communities whose growing portfolio currently sits at 17 communities, with more developments in the wings.

A shining example of the LIHTC program and the public-private partnerships that bring high-quality

Sarah Smith
Communications specialist, Metro West Housing Solutions

affordable housing to Lakewood is Fifty Eight Hundred, which opened in October 2018. The award-winning development was once the Martischang Office Building – the tallest building in Lakewood, which sat mostly vacant since its 1981 construction. Metro West contributed to the transformation of the local area through its adaptive reuse of the building into a thriving affordable community. The property features 152 one-, two- and three-bedroom apartments for those earning between 30% and 60% of the area median income, stunning mountain views from a rooftop deck, youth and adult education rooms, on-site management and resident services coordinator, and beautiful public art.

This project would have been impossible without LIHTC and the public-private partnership between Metro West and KeyBank. Funding for public housing and Housing Choice Vouchers alone could never have allowed Metro West the opportunity to provide 152 units of affordable housing to Lakewood residents most in need of it.

While Fifty Eight Hundred is a prominent testament to the success of LIHTC, it is far from Metro West's only success. All 17 of the communities under management were built or rehabbed using either the 9% or 4% LIHTC program, completely shifting and stabilizing the

Fifty Eight Hundred opened in Lakewood in October 2018. The development was once the Martischang Office Building, which sat mostly vacant since its 1981 construction.

financial situation of an organization that once relied primarily on federal funding.

"Low-income housing tax credit development has been a game changer for us," said Brendalee Connors, Metro West Housing Solutions' chief real estate officer. "When we were more reliant on federal funding, it was impossible to plan for the future as funding amounts and procedures changed every few years as new Congress people, representatives and presidents were elected in Washington. With LIHTC properties allowing us to create much of our own funding, we have been able to stay financially viable through administration changes and, what's more, that stability has allowed us to continue to dream up and develop more affordable housing communities in Lakewood. We opened our newest community earlier this year, are in construction at Lamar Station Crossing Phase II, and have plans for several other developments in the works."

Not only have tax credits helped Metro West continue to develop more communities, the LIHTC program has helped develop better communities. While "public housing" suffers from an intense stigma and stereotyping, Metro West's buildings actively fight against that. Driving down the Alameda corridor, Fifty Eight Hundred is indiscernible

Please see Smith, Page 45

Housing authorities must become entrepreneurial

The Douglas County Housing Partnership is a housing authority, but our name contains "partnership," not "authority," because it is truly a partnership. The towns of Parker and Castle Rock and the cities of Lone Tree, Castle Pines and Douglas County are the partners. In 2003, when the partnership was formed, Douglas County's population was about 175,000. Located south of Arapahoe County and north of El Paso County, Douglas County had more horses than people in 1980 with a population of 25,153. The growth from 1980 to 2003 was explosive and that explosive growth continues as the county fills in the Front Range urban corridor with a current population of 370,000.

Douglas County has changed from being primarily a ranching community to an extension of the Denver metro area. Evolving from ranches to single-family subdivisions, there now are developments with even higher density. As families moved into the many new single-family subdivisions, retail developments have been added to serve those new rooftops. Then employees are needed to staff the newly built retail developments and schools, hospitals, medical offices and medical clinics follow. Children who grew up in Douglas County and left to attend college now want to return as they start in their entry-level jobs. Seniors may be aging in place or may be coming to live in Douglas County to be near their children

Diane Leavesley
Executive director, Douglas County Housing Partnership

and grandchildren who live in those single-family homes. All these people need places to live and may not want or be able to afford a single-family home that averages $468,700.

In its early years, the DCHP focused primarily on down payment assistance and homebuyer education. There always was the desire to build rental properties but the seed dollars to become a developer were not there. Again, partnership came into the picture. DCHP has partnered with several private sector developers to bring much-needed affordable rental housing to Douglas County through the Low-Income Housing Tax Credit program. DCHP currently is involved in seven completed and fully occupied LIHTC apartment properties, with three more under construction and two planned to start construction soon. Those projects are comprised of 1,308 units built and occupied, 383 under construction and 275 about to start construction. We have developed good relationships with Shea Properties, Dominium, Inland Group, Koebel & Co., Trammell Crow, Atlantic Development and Wishcamper Developers – all well-respected developers of affordable housing. Three of the properties

Apex Meridian East, built by Shea Properties in partnership with Douglas County Housing Authority, is a workforce housing development featuring seven buildings that provides 156 apartments, rent-restricted to those making 60% or less of the area median income.

are for seniors with the remainder housing the hardworking families who want to live near their jobs, where their children can attend good schools and can enjoy the many recreational opportunity the county offers.

The DCHP members also combine their annual allocation of Private Activity Bond cap, which DCHP issues to support development of the LIHTC housing throughout the county.

There was a time when housing authorities' programs were only government funded. Today housing authorities are more entrepreneurial. Most offer a mix of programs that are funded by a variety of sources. DCHP provides down payment assistance to help first-time homebuyers buy a home and start to build equity. The funding for this program comes from the state of Colorado Division of Housing, Douglas County and private developers

Please see Leavesley, Page 45

Use a market-rate developer mindset when possible

During its 50-year history, the Loveland Housing Authority has created nearly 1,500 affordable housing units. Most were new multifamily apartment developments, and a few were created through acquisition and renovation. While the goal to produce high-quality affordable housing has not changed, over this 50-year period LHA has evolved with the industry and become more sophisticated in its approach to development. The level of sophistication now required to create affordable housing often rivals or exceeds that of market-rate development.

The most obvious change in affordable housing development is in financing. LHA's first three projects, completed in 1974, 1976 and 1978, were funded with traditional U.S. Department of Housing and Urban Development direct subsidy programs and mortgage insurance. In the early 1990s, utilizing HUD's Public Housing Acquisition and Rehabilitation program, LHA created 30 affordable single-family homes. As is typical with HUD's programs, LHA was dependent on continuing subsidies to maintain and operate these properties.

In the mid-1980s LHA created two apartment complexes with traditional funding resources and project-basing Section 8 vouchers. The first complex was a 20-unit development serving single-parent households. The second was a 16-unit complex that was acquired and renovated with significant donations from community partners. For LHA, these developments represented the first significant step away from traditional HUD funding.

Jeff Feneis
Executive director, Loveland Housing Authority

The Low-Income Housing Tax Credit program created by Congress in 1986 significantly changed affordable housing financing. By attracting the participation of institutional investors, housing authorities are no longer dependent on the HUD programs to create new housing. In exchange for tax credits provided by the U.S. Treasury, private equity now funds a significant portion of development costs, resulting in greatly reduced debt service. This reduction in turn allows for reduced rents. A significant advantage of the program beyond capital infusion is that the development partnership is able and expected to manage the property in the same way that a market-rate developer would, supporting itself through rent collection and generating a positive cash flow.

The LIHTC program also introduced a new complexity to the industry. Teams of financial consultants and attorneys are required to create each new development partnership, there are multiple levels of program compliance, and the most lucrative 9% tax credit awards have become very competitive. In addition, 4% tax credit awards require bonding capacity, which is not always available. Since 1995, LHA has successfully navigated the complexity of the LIHTC program to fund the majority of new developments as well as to complete large-scale renovations of existing properties.

Now completed, the Mirasol campus contains 169 apartments in three buildings, 32 traditionally funded single-family and paired homes, and a community event center.

Due to increasing construction and operating cost pressures, each new development seems to have a larger funding gap that must be addressed. To fill this gap, LHA reinvests its earned developer fees from previous projects, leverages existing assets and relies on funding provided by our partners. Examples are grants provided by the Colorado Division of Housing, fee waivers and Community Development Block grants provided by the city of Loveland, grants provided by local partners, and competitive lending from banking partners. It often is said that while not perfect, the LIHTC program is the best funding vehicle available to affordable housing developers, despite its complexities.

The Loveland Housing Authority took a big step forward in 2007 and, rather than developing the typical 3- or 4-acre project, broke ground on a master planned 30-acre senior housing campus. Now completed, the Mirasol campus contains 169 apartments in three buildings, 32 traditionally funded single-family and paired homes, and a community event center. The Green House Homes at Mirasol, an industry-leading and innovative 90-bed Medicaid-approved skilled nursing facility, completed the campus in 2020. The first phase of the Green House Homes was funded utilizing New Market Tax credits and a generous grant from the Harry and Jeanette Weinberg Foundation with a second phase completed with traditional financing.

Looking ahead, LHA will continue to develop larger master planned communities in addition to smaller, more traditional sites. When possible, the master planned communities provide increased design flexibility, spread infrastructure costs over more units and allow for multiple product types. In part-

Please see Feneis, Page 45

Mercy Housing continues Colorado development

Mercy Housing Inc. is a national leader in maintaining and increasing the country's affordable housing stock. Since its inception in Denver in 1981, Mercy Housing has built and preserved more than 24,000 units of affordable housing in 20 states. Once properties are financed, built and leased, MHI offers a range of resident-centered services geared to meeting the needs of the population housed. The mission of Mercy Housing and its affiliates is to create stable, vibrant and healthy communities by developing, financing and operating affordable, program-enriched housing for families, seniors and people with special needs who lack the economic resources to access quality, safe housing opportunities.

Mercy Housing Mountain Plains, one of five regional affiliates of MHI, was established in 1993 and serves seven states, including Colorado. With 17 affordable communities in Colorado, MHMP took a hiatus from new real estate development in the region beginning in 2012 to focus on acquisitions and services. In late 2018, new development work was reactivated with the hiring of Regional Real Estate Director Kuhl Brown. In the past two years, Brown has kick-started the pipeline. Currently there are two apartment communities in Denver undergoing resyndications and major renovations as well as two new properties in development, one in Denver and one in Fort Collins.

Dee Walsh
Executive vice president, Mercy Housing Inc.

Development in 2021 is significantly different than what it was 10 years ago. On the bright side, there are more sources of funding for housing from both local and state government, which has helped address the growing need for affordable housing in the region. Additionally, Congress passed legislation to make the 4% and 9% credits fixed at those rates, rather than changing monthly, which helped increase the amount of equity that comes to a project and increased feasibility. Income averaging for setting rents is allowing developments to serve households with a broader range of incomes. Given the dramatic escalation of housing costs and the dire shortage of affordable housing, there is more support for its development by elected officials and the general public.

Another change is how projects are designed. MHI has adopted a Green Hope Initiative to reduce consumption of natural resources, reduce waste and create healthier living environments to make its apartment communities energy efficient and environmentally sustainable.

On the flip side, as the need has grown, so have construction and operating costs. The growth of homeless households, compounded by the health issues and unemployment caused by the pandemic, have escalated the housing crisis. Providing affordable housing with support services to these vulnerable households is critical to positively addressing the problem.

Mercy Housing Mountain Plains' newest project is a partnership with the city and county of Denver. Located on land purchased from the city on East Colfax Avenue, it responds to the neighborhood's expressed wish to create affordable housing targeted at families at risk of displacement through the rapid gentrification taking place and the need for affordable and quality child care.

So, how are affordable housing developers approaching this challenge? Partnerships, patience and persistence are key to success. Whether they be partnerships with public housing authorities, city government, churches, schools or for-profit developers, the housing challenges of today are too complex to tackle alone. And, working with partners requires flexibility and patience, as well as persistence, to make sure the effort is a win-win for all parties, especially for the residents and the community.

Nationally, Mercy Housing has sought new partnerships and joint ventures where development

Please see Walsh, Page 45

Affordable Housing

Creating communities to help older adults thrive

Jim Goddard
Executive director, Senior Housing Options

Denver was changing in 1978. Hundred-year-old hotels on Capitol Hill and in downtown Denver were being demolished for new development and their mostly elderly occupants on fixed incomes were being displaced. Leaders of some of Denver's churches met to express their concerns and develop a plan to come to their aid.

Taking advantage of the tax laws and federal programs in place at that time, the group formed a nonprofit called The Ecumenical Housing Corp., reflecting the nature of the original board members, and bought the Olin Hotel at East 14th Avenue and Logan Street. Using the same tax laws and programs, EHC next bought the Barth Hotel at 17th and Blake streets.

As time went on, tax laws and board membership changed, EHC became Senior Housing Options and the focus broadened to include operating assisted living facilities and apartment communities for low- and very low-income older adults and adults with disabilities. SHO's mission is to provide residential communities and caring services to enrich the lives of older adults in Colorado using the experience gained over 40 years to extend a high level of unique and caring services to all their residents around the state.

There is a distinct advantage to understanding services for older adults beyond the standard provided at most housing developments. This standard of enhanced living environments has helped their success in developing or expanding affordable apartments and has added value to current projects. SHO has been awarded tax credits for two projects in the past three years: renovation of the Olin Hotel and the creation of the Apartments at Cinnamon Park in Longmont. The former required some fancy footwork and expert guidance from partners, volunteers and leaders.

The expiration of the U.S. Department of Housing and Urban Development rental subsidy contract in 2022 attracted many potential buyers from across the country wanting to buy the Olin, given its prime location close to services, transportation and other resources. Preservation of the grand old building, the diversity of its residents and the commitment of the SHO board to its mission led to turning away all offers and the decision to preserve it. The redevelopment and expansion of the Olin required changing the ownership structure, reorganization of the HUD debt, acquiring 4% tax credits, and generous funding from the city and county of Denver and state of Colorado. The result is that all units will be affordable at 60% of the area median income, including 10 HOME units at 50% AMI and 24 city covenant units at 30% AMI. The average resident income is less than $12,000 per year.

The wraparound services already in place for Olin residents are coordinated by an activities-centered staff member, as well as partnerships with Benefits in Action, Food Bank of the Rockies, the Denver Art Museum, Trinity United Methodist Church and Capitol Hill United Neighborhoods, among others. These include food deliveries, Medicaid/Medicare enrollment, Supplemental Nutrition Assistance Program enrollment, holiday celebrations, art classes, visits to local cultural institutions and funding for wellness activities. Moving forward, new grants are being sought to enhance and expand these services through support from local foundations.

This project was a partnership with Medici Consulting Group, Workshop8 architects and Palace Construction. The old building held many secrets and, as with most renovation projects the nimble and creative minds of our team took us through the project within budget. The pandemic put its mark on the process too, resulting in some delays, but very tight safety controls and required personal protective equipment, as well as ongoing screening and cleaning procedures that allowed the project to proceed without compromising the safety of our residents, staff or contractors.

A new project in Longmont will be on land already owned by SHO, adjacent to its Cinnamon Park Assisted Living community. Funding will be with 9% tax credits, grants and loans from the city of Longmont; funds from the Colorado Division of Housing; Worthy Cause funding from Boulder County; and a Healthy Housing loan from the Colorado Housing and Finance Authority. The development team includes MGL Partners, EJ Architecture, BC Builders and G2 Strategies.

Key elements of this location are the shared activities, combined transportation to services and excursions, and pooled staffing, including maintenance, enjoyed with the adjacent facility. Also, residents can transfer to the assisted living community on campus if they require it – a continuity of care on site. With the assistance of additional Healthy Housing grant funds, SHO will provide enhanced wellness programming and staffing to coordinate more activities than otherwise would be affordable.

Developing and operating affordable housing for older adults offers the opportunity to provide them with more than a roof over their heads. The mission of SHO compels them to seek ways to help residents thrive. And creative thinking, acting outside the box, and seeking unique partnerships and funding sources provides new angles to make this happen. SHO still works with existing programs – just in a different, entrepreneurial way. "Nonprofit" does not mean "no profit," as without money there is no mission. SHO has learned that developing housing can provide extra cash and when the mission is the central driver, wonderful things can happen for our older adults in Colorado. ▲

Betters

Continued from Page 40

tion 8 conferences, I focused on those that emphasized finance and putting deals together. My board and I both realized that the "pond" was changing and it was time to adapt. With the board's encouragement and support, I went back to school and obtained my MBA from the University of Colorado.

In 1993, LHA became one of the first public housing authorities in Colorado to utilize this new IRS program when it was awarded 9% tax credits by CHFA for a project called the Meadows. Since 1993, LHA has become one of the most prolific nonprofit developers of LITHC units in the state. We understood clearly that "change was inevitable, growth was optional."▲

Tobin

Continued from Page 41

ket will serve almost 5,000 Sun Valley residents and the broader Denver community, who have a passion for food justice and seek international food options. Decatur Fresh is committed to addressing food scarcity in Sun Valley, and residents will receive discounts and utilize programs like Supplemental Nutrition Assistance Program and the Double Up Bucks Program to access quality, nutritious and culturally relevant foods at affordable prices. The primary objectives of the market also include training and employment opportunities and becoming a destination that celebrates and preserves Sun Valley's diversity and unique cultural fabric. Decatur Fresh is set to open this month.

The food and business incubator space will provide additional opportunities for residents and community members to grow and flourish within the food and small business industries. The restaurant incubator space would feature a shared commissary kitchen, kiosks for six small-scale restaurants, and indoor and outdoor dining space along the riverfront park. The space will provide opportunity for restaurant and business training on a smaller scale, giving low-income families a space to train and gain experience in restaurant operations. The restaurant space complements the Grow Garden and Decatur Fresh market to provide additional opportunities for residents and community members with food and restaurant goals. The food and business incubator is set to open in 2024.

The Grow Garden, Decatur Fresh and restaurants are manifestations of DHA's intentionality about creating spaces for social enterprises that allow them to better serve their communities and positively impact the lives of those they serve. As the transformation plan moves forward, DHA will continue to work with the community to ensure that the housing, infrastructure and commercial spaces meet the needs of the Sun Valley community and look for other opportunities to do the same in other neighborhoods. ▲

Maraschky

Continued from Page 41

affordable housing are long gone and today PHAs have to be creative, resourceful and innovative as well as flexible, patient and open to trying new things with new partners. The presence of strong political will and commitment to affordable housing from all levels of government also is essential and its importance to successful development cannot be understated.

The future of affordable housing is encouraging to me. The attention it is receiving from elected officials at the local, state and federal levels gives me hope that units will come on line at a quicker pace in the future. However, if there were some magic to creating more units, high-cost areas such as California already would have found it. Consequently, patience and partnerships must continue to be in the mix in Colorado.▲

Smith

Continued from Page 42

from modern market-rate and luxury apartments, a level that far exceeds what comes to mind when people conjure the typical "housing authority" communities in their mind's eye. And this is exactly what Metro West sets out to do with all of its communities.

The LIHTC program is a way for Metro West to be a developer of affordable housing while refusing to sacrifice quality and excellence. The goal, whether at Fifty Eight Hundred, Willow Glen or Indy Street Flats – a community opened in 2019 that is built differently from each side to blend into the neighborhoods it faces – is to be a great neighbor. No two of Metro West's communities look the same, as neighborhood feel and community needs are taken into consideration from day one of the planning process. Metro West is present at community meetings, city council meetings, and question-and-answer sessions to address community concerns and questions over new and proposed developments.

"Continuing to build and manage our communities with excellence is the single best thing we can do as affordable housing advocates in Lakewood," said Tami Fischer, CEO at Metro West. "If our developments reflect excellence, quality and beauty, we're welcomed as neighbors into the surrounding community."

Public-private partnerships and the LIHTC program do more to ensure funding for this kind of excellence than federal funding alone ever could. ▲

Leavesley

Continued from Page 42

who in the past paid into a cash-in-lieu fund. DCHP helps those first-time homebuyers with a class on the homebuying experience and provides budget and credit counseling. The class is paid for with funds from the Colorado Housing and Finance Authority, which CHFA receives from the U.S. Department of Housing and Urban Development. The budgeting and credit counseling is paid for from grants from JPMorgan Chase, Wells Fargo and a HUD grant. We must make these programs work by seeking out and combining funding sources.

DCHP owns one property – a 64-unit senior apartment complex in Castle Rock. The multiple-building development was built on 3.8 acres in the early 1980s, when Douglas County still was considered rural. With the low density of this development and the strong demand for affordable apartments for seniors, we worked with the town of Castle Rock and our neighbors to get approval to add another 53-unit building on the site. The two existing LIHTC properties for seniors in Douglas County have wait lists of hundreds so there was no concern about filling 53 units. Our new senior apartment building is under construction and will open in early 2022. With this development, we have added the title of "developer" to our entrepreneurial pursuits.

Douglas County Housing Partnership's vision is to create and sustain communities through innovative partnerships and entrepreneurial approaches to housing. We are a young organization with limited resources, but we, with the help and support of all of our great partners, are making progress. And most importantly, that progress creates housing that supports the families who will thrive in Douglas County. ▲

Feneis

Continued from Page 43

nership with Loveland Habitat for Humanity, LHA currently is developing a 14-acre site donated by a local church that will contain 120 apartments and 47 single-family homes, all affordable. LHA also is in the early stages of master planning a recently acquired 33-acre site.

Like all real estate developers, LHA is continuously challenged with the same cost control concerns as market-rate developers. Architects, engineers and general contractors are carefully selected and are challenged to produce designs that not only are cost-effective during construction but also are cost-effective to operate while meeting the needs and expectations of residents. The product must be a high-quality product serving our residents and an asset to the greater community.

The Loveland Housing Authority is a mission-driven organization and will continue to adapt to current conditions, utilize available resources and find creative solutions to develop affordable housing. When possible LHA will operate like a market-rate developer; when necessary will adhere to the complexities of being an affordable housing developer; and at times be/do a bit of both. ▲

Walsh

Continued from Page 43

opportunities required both a market and affordable component and has approached more nontraditional partners, such as regional transit agencies around transit-oriented development opportunities and health care organizations with surplus land. In Colorado, MHMP's 108-unit Decatur Place Apartments in the Sun Valley neighborhood of Denver has a child care center run by Catholic Charites Inc. and health clinic operated by Denver Indian Health and Family Services Inc. that are both open to the community.

MHMP's development goals are built around stabilizing at-risk populations, particularly those in danger of displacement. Additionally, MHMP focuses on providing housing to working households that may be priced out of markets. MHMP also is developing a racial equity lens to guide its work to meet the goal to provide equitable, inclusive communities.

MHMP's newest project is a partnership with the city and county of Denver. Located on land purchased from the city on East Colfax Avenue, it responds to the neighborhood's expressed wish to create affordable housing targeted at families at risk of displacement through the rapid gentrification taking place and the need for affordable and quality child care. In another example in Fort Collins, MHMP entered into a nontraditional partnership with a local market-rate homebuilder to fulfill its affordable housing requirement under a metro district approval.

Given escalating construction costs, MHMP's development staff works to build cost-efficient, durable structures. The competitive funding environment, along with Mercy's ambitious housing production goal, led to the creation of a $45 million Mercy Gap Note Program in partnership with five investors. Funds from that program will be used to fill the financial gap on development deals that need additional soft financing.

Looking forward, MHMP is looking at multiple partnership opportunities with a goal of building or preserving 750 units from 2020-2024, with about half of those in Colorado. Our real estate team has now grown to two, and we are actively pursuing developments in Colorado, Arizona and Utah. While the challenges and need are great, we are committed to continuing our work to meet this urgent need. ▲

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