
S.H.I.P. PRE-DEVELOPMENT ASSISTANCE

Grand Lake



FEBRUARY 2023

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INTRODUCTION

PROJECT BACKGROUND

The Town of Grand Lake owns a parcel of land at the junction of State Highway 34 and Mary Drive, just outside of Rocky Mountain National Park. As a site identified in the Grand Lake Municipal Lands Master Plan, the Town is exploring the feasibility of developing housing on this parcel that would be affordable to a range of workforce price points.

This development would conform with Town plans and is also supported by the feedback received through recent community outreach efforts. Grand Lake conducted a survey to get community and stakeholder input on what to do with the site, and a majority of the respondents indicated a preference for housing on this site over a potential transportation center, citing the need for affordable housing as the major reason.



The site is a triangular parcel, approximately 1 acre, and is located at 600 Mary Drive, adjacent to Shadow Mountain Lake.

The Town of Grand Lake applied for technical assistance through the Colorado Housing and Finance Authority's (CHFA's) Small Housing Innovation Program (SHIP) to help develop a concept for the site, to better understand the costs associated with a future development, and identify the next steps to create more affordable housing for the community.

CURRENT HOUSING MARKET - GRAND COUNTY

Household	Annual Income	Affordable Purchase ¹	Affordable Rent
Two people 120% AMI	\$84,600	\$292,300	\$2,115
Two people 100% AMI	\$70,500	\$243,600	\$1,763
Two people 80% AMI	\$56,400	\$194,900	\$1,410
Two people 60% AMI	\$42,300	\$146,200	\$1,058

Based on the affordability standard of households paying no more than 30% of their household income on housing costs, a two person household earning the median income could afford a monthly rent of \$1,763/month. However the 2018 Grand County Housing Needs Assessment identified that about 66% of renter households had incomes below 100% of the area median income.

PROJECT GOALS

During the site visit described below the project sponsor team identified the following goals and priorities for the project:

- 15-20 units of rental housing
- Most units should serve 80% AMI and below, with some housing available for up to 120% AMI
- Incorporate units that can serve some seasonal workers
- Style compatible with mountain setting and heavy snow load
- Incorporate view into site design, with a common area or other community amenity space
- Could accommodate future transit passthrough or roundabout
- Mixed use development

1 Assumes a 6.15% interest rate

PROCESS

SCOPE

Stake Holder Meetings
& Site Visit

Concept Design
& Masterplanning

Project Financing
& Action Plan

Reporting

- Kickoff meeting/ Site visit
- Concept designs
- Design Feasibility
- Financial Feasibility
- Client Next Steps for Success

SITE VISIT

The CHFA SHIP team and project stakeholders conducted a site visit and design workshop on October 6th, 2022. The discussion covered site constraints, planning and zoning, desired outcomes, and discussion of a series of preliminary design ideas. Participants included:

- Kim White, Community Development Director
- John Murray, Planning Commission
- Steve Kudron, Mayor
- Tim Reinen, Consultant
- Jonathan Cappelli, Consultant
- Augustina Remedios, Consultant



SITE ANALYSIS

Description	Existing
Zoning	Planned Development District (PD)
Allowed Uses	TBD in PD Plan
Minimum Lot Area	No minimum lot size
Setbacks	No minimum; dependent on adequate access and fire protection
District Perimeter	Permanent open space at least 20' in width along the the Route 34 right of way
Parking	1 space/ 1 bd unit; 1.5 spaces/ 2 bd unit; 1 space/350 sf commercial

SURVEY & INFRASTRUCTURE

The Town has an As-Built Plat for the site showing the utility information, site coordinates, and elevations. The site is already equipped with 16 sewer taps, 14 water taps, as well as hydrants.

SITE CONSTRAINTS

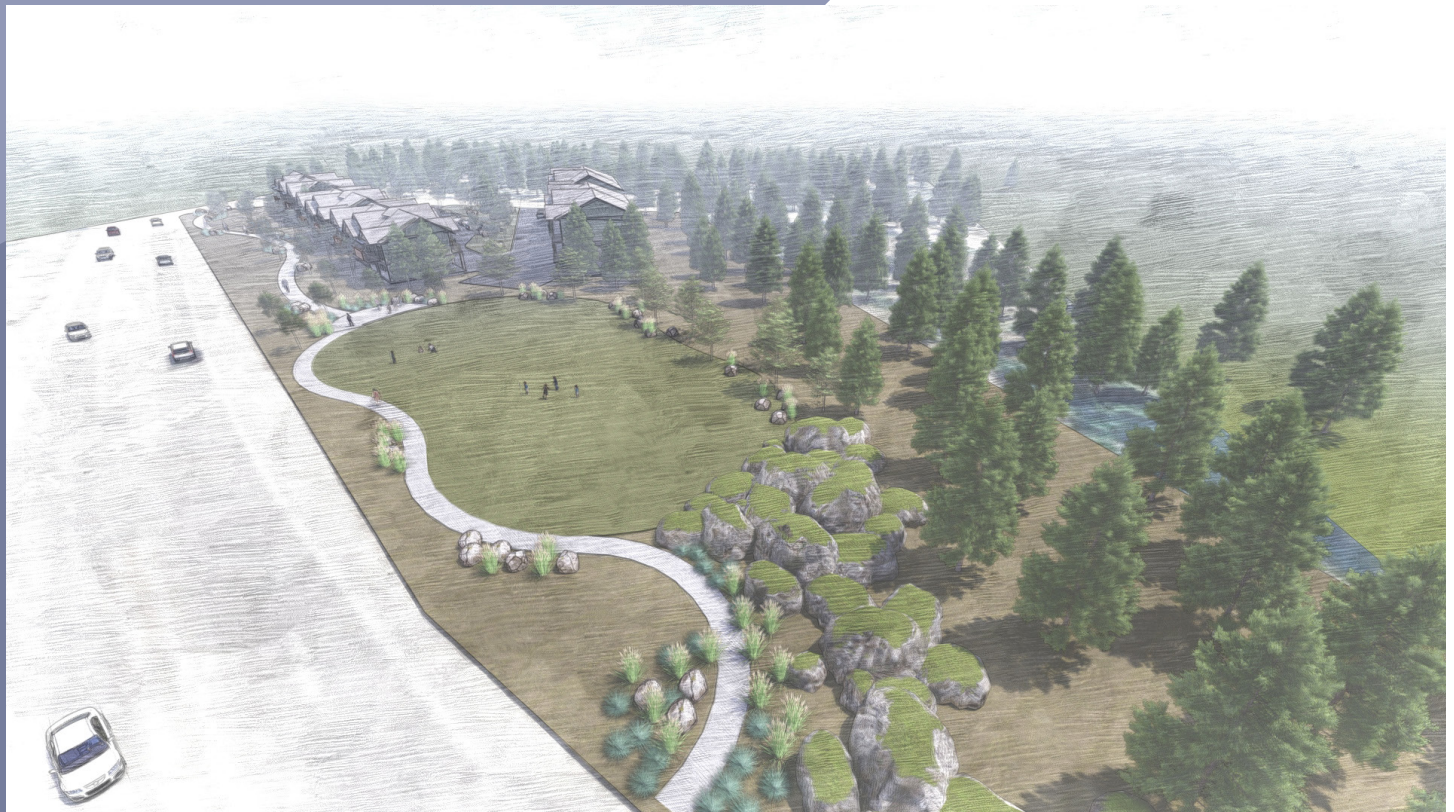
The site has easements on two sides, one being for the Rocky Mountain National Park sewer, and the other is owned by the Colorado Department of Transportation (CDOT). Additionally, the site proximity to Route 34 may require working with CDOT to determine the need for a dedicated turn lane or other strategies to mitigate traffic turning on and off of the highway. The Town is undertaking a traffic study to better inform what may be needed to address the traffic impacts of the development.

PROPOSED PROJECT SUMMARY

Unit Type	Units	Size	Proposed Rent	Income Level
1 bed; 1 bath	4	475sf	\$908/mo	55% AMI
1 bed; 1 bath	12	475sf	\$1,322/mo	80% AMI
2 bed; 1 bath	6	950sf	\$1,586/mo	80% AMI
Commercial	N/A	1,900sf	TBD	
Total	22	15,200sf	Ann. \$348,144	

CONCEPT DESIGN

**Note: These images are for conceptual design only, and should not be used for construction purposes*





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PROJECT FINANCING

PROFORMA

A proforma is an analysis used to determine the financial feasibility of a development project.

The first component of this analysis is an estimation of development costs. This is done by researching the current costs for development including 'hard costs' that include the physical materials that go into the building and the construction labor, and 'soft costs' which include permitting costs and the fees of professionals such as architects and engineers who are needed to ensure a structurally sound project.

The second component of the proforma is a forecast of the revenue that can be generated by the development and the operating expenses that will be incurred annually once the project is up and running. There are several ways to approach this, but knowing the goal of this development is to create housing that is affordable to local residents, the anticipated rent amounts for the residential units are set based on the Colorado Housing and Finance Authority's 2022 Maximum Rent Tables based on the area median income for Grand County. Operating expenses are forecasted based on other projects with similar characteristics.

Together, these inputs illustrate how much of the project can be financed through a conventional loan and how much of a gap remains between the development costs and the identified sources of funding. Once it is clear how much additional money is needed, the project developer can begin looking for other funding sources in the form of grants, loans, or tax credits.

600 MARY DRIVE ASSUMPTIONS

USES AND SOURCES OF FUNDS		
Uses of funds		
Acquisition Costs	-	Purchase price for the land and existing units
Site Improvements	\$330,00	Grading, parking, & drainage
Construction	\$4,180,000	\$275/sf
Professional Fees	\$313,500	Estimated @7.5% of hard costs
Construction Finance	\$195,920	6% @ 60% accrual over 1 year; 65% LTC
Permanent Finance Loan Orig.	\$29,400	Estimated @ 1% of loan amount
Soft Costs	\$1,522,400	\$100/sf
Developer Fee/Profit	\$171,072	3% of hard and soft costs
Reserves	\$157,720	6 mo. of expenses and debt; 350/unit in replacement reserves
Total Development Expenses	\$6,893,835	
Sources of Funds		
First Mortgage	\$2,940,000	4%; 40 year Amortization; DSCR 1.16
Second Mortgage	-	
DOH Grant	\$2,200,000	\$100,000/unit
Town Affordable Housing Fund	\$143,000	Covering water taps
Total Sources	\$5,283,000	Gap - \$1,610,835 Per Unit Gap - \$73,220

Operations		
Annual Rental Income	\$348,144	75% AMI; not inclusive of commercial rent
Vacancy Rate	7%	Per CHFA guidelines for multifamily; if fewer than 10 units this increases to 10%
Other income	\$100	Anticipated application fees
PUPA OpEx	\$6,936	Annual operating expenses/unit

FINANCING

Because the planned development is modeled with rents affordable to the local workforce, the project can finance approximately 40% of the overall development costs, the balance of project costs will need to be funded through grants and philanthropy.

POTENTIAL SOURCES

There are several options to fill the gap between the development costs and the available financing. Items with asterisks are currently modeled in the proforma:

- Colorado Division of Housing grants - \$100,000/unit; for a total of \$2,200,000*
- Grant Funds from HB22-1304 Transformational Affordable Housing, Homeownership, and Workforce Housing Grant Program
- Funding through Proposition 123
- Philanthropic funds through local, regional or state fundraising
- The development site is in an area eligible for USDA Multi-Family Housing Direct Loans which can be used as an alternative to conventional financing
- Colorado Housing and Finance Authority also provides competitive loans for housing in small rural communities

A more detailed description of each funding source and application steps are listed in the Grand Lake Funding Map.

ACTION ITEMS/ NEXT STEPS

OVER THE NEXT YEAR, THE FOLLOWING ACTION STEPS ARE RECOMMENDED:

- Host a community meeting to gather feedback on the preliminary design concept.
- Determine project roles:
 - a. Who will be the applicant and guarantor for funding?
 - b. Who will lead development work and oversight of a general contractor?
 - c. Who will lead tenant/buyer eligibility, selection, and contacting?
 - d. Who will manage the rentals for the long term?
 - e. Assign a project manager/owner's representative to coordinate the project and keep momentum.
- Further explore and confirm funding sources, including CHFA, Colorado Division of Housing, Colorado Health Foundation, ARPA, Colorado Trust, and Rural Philanthropy.
- Create a tenant selection plan in coordination with local government entities and the Colorado Division of Housing. Examples from peer communities such as Gunnison and Basalt can help to inform this process.
- Research prefabrication, in-kind donations of labor and materials, and other cost-saving measures to address high construction costs.
- Continue to refine the financial projections.
- Apply to the Colorado Division of Housing for grant funding.
- Apply to lenders for construction and permanent loans.
- Select a contractor through a competitive process

YEAR 2

- Construct the project.
- Coordinate lease-up to eligible households.

ACKNOWLEDGMENTS

- Kim White, Community Development Director
- John Murray, Planning Commission
- Steve Kudron, Mayor
- Margie Joy, Community Relationship Manager, Colorado Housing and Finance Authority
- Mary Coddington, Principal, Cappelli Consulting
- Augustina Remedios, Associate, Cappelli Consulting
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