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

SILVERTON

FEBRUARY 2022



Photo by Dave Hensley

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INTRODUCTION

PROJECT BACKGROUND

The land at Anvil Mountain was purchased in 2003 by San Juan County. Since then, there has been significant work to create a local resident and employee neighborhood. The county led a voluntary environmental clean-up, built streets and extended utilities, and completed an initial phase of rental housing about ten years ago. Homes for sale are now under construction on the site. This report seeks to create a plan for the remaining lots within the site, with the goal of providing an additional 10 townhomes for sale and 14 apartments for rent.



CONSTRAINTS/PROBLEM STATEMENT - WHY IS TA NEEDED?

The existing planning approvals and grant contracts for the Anvil Mountain set expectations for what will happen in this phase of the project, including general guidance on housing types and what level of household income they must serve. This document seeks to navigate the constraints in place, outlining a path forward for conceptual design, financing, process, and roles.

CURRENT HOUSING MARKET

The proposed unit mix and pricing seeks to be responsive to the Housing Needs Assessment - Town of Silverton & San Juan County August 2021, conducted by Root Policy Research. That document identified the following housing needs (bold items are addressed by this plan):

“At a minimum, to accommodate job growth projected by Region 9 Economic Development, in the next three years, the county will need:

- 22 new units for permanent residents, and
- 14 beds for seasonal surge capacity.
- Ideally, 13 units would be affordable for sale, priced under \$525,000;
- 4 units would be deeply affordable rentals, with rents of \$625/month and less; and
- 5 units would be shared 2-3 bedroom market rate rentals, with rents less than \$1,750/month
- 14 are temporary units/beds for seasonal workforce.



To accommodate the current and future needs identified by local employers, the county would need to more than double this production, building at least 50 units in the next three to five years, or between 10 and 15 units per year, in addition to 14 beds for seasonal surge capacity. Reductions in in-commuting would require development of even more units.” (page 10)

Median Incomes and Affordability for San Juan County 2021

| Household | Annual Income | Affordable Purchase | Affordable Rent |
|---------------------|---------------|---------------------|-----------------|
| Two people 125% AMI | \$73,500 | \$324,100 | \$1,838 |
| Two people 60% AMI | \$35,280 | \$155,600 | \$882 |

PROJECT GOALS

- Provide housing for sale and for rent to local residents, employees, and retirees of San Juan County
- Make the most of the infrastructure investments and scarce land, while balancing neighborhood character and enough space for parking, storage, and snow removal.
- Provide a mix of housing units at affordable prices (rent payments less than 30% of household income), with an emphasis on two bedroom units.
- Plan and build for solar access, energy efficiency, and good indoor air quality
- Meet or exceed the affordability targets set in current funding agreements (125% AMI and 80% AMI, see “regulatory agreements” below)
- Attempt to be shovel ready in 2022

REGULATORY AGREEMENTS

The site has a deed restriction with Colorado Division of Housing which requires that 60% of units are under 125% AMI and 60% of those under 80% AMI. Based on what has been built to date.

| Target AMI | Deed Restriction Target | Required Units ¹ | Build-to-Date | Remaining to be Built |
|--------------|-------------------------|-----------------------------|---------------|-----------------------|
| Unrestricted | 40% | 22 | 18 | 4 |
| <125% | 24% | 15 | 10 | 5 |
| <80% | 36% | 23 | 8 | 15 |
| Total | 100% | 60 | 36 | 24 |

PROCESS

SCOPE



- Kickoff meeting/ Site visit
- Roles and Process discussions
- Concept design
- Design Feasibility
- Financial Feasibility
- Client Next Steps for Success

¹The required units for the 125% and 80% AMI ranges were rounded up to the nearest whole unit.

SITE VISIT

The CHFA SHIP team and project stakeholders conducted a site visit and design workshop on November 16, 2021. The discussion covered site constraints, planning and zoning, desired outcomes, an initial conversation on proposed roles and process, and discussion of a series of preliminary design ideas. Participants included:

- Gloria Kaasch-Buerger, Town Manager, Silverton
- Willey Tookey, County Administrator
- (NAME?) County Commissioner
- Beth Kramer, Executive Director, San Juan Economic Development
- Lisa Adair, Senior Planner for Silverton and San Juan County
- Chris Lopez, Community Relationship Manager, Colorado Housing and Finance Authority
- Tim Reinen, Principal, Reinen Consulting
- Willa Williford, Principal, Williford LLC

Zoning

The current site assemblage consists of lots that are appropriately sized for townhome units and multifamily units. The final approved subdivision plans for Anvil Mountain dated March 2012 are used as the basis for design, which requires a PUD approval of the Planning Commission

Survey

The consultant team is utilizing the approved Final Plat drawing dated March 2012, for property and lot lines consisting of 6 designated lots.

Infrastructure

Water and sanitary sewer are available within the right of way adjacent to the three parcels. There are overhead power lines that may need to be addressed in development of the rental housing.

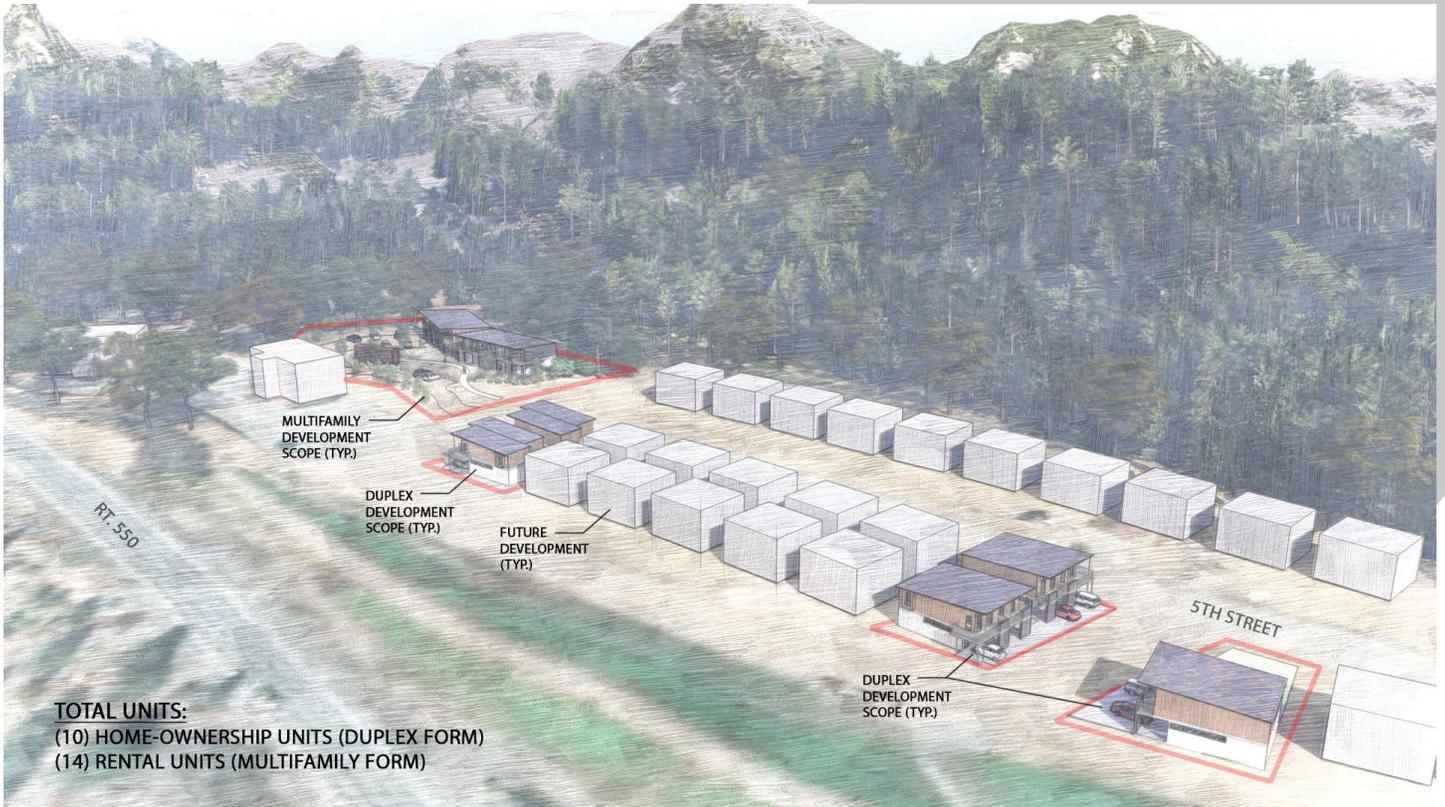
Other constraints

Infrastructure was funded through the Colorado Department of Local Affairs. The funds came with requirements to serve households at specific income levels, including 60% of units for households under 125% AMI and 60% of those for households under 80% AMI, as noted above.

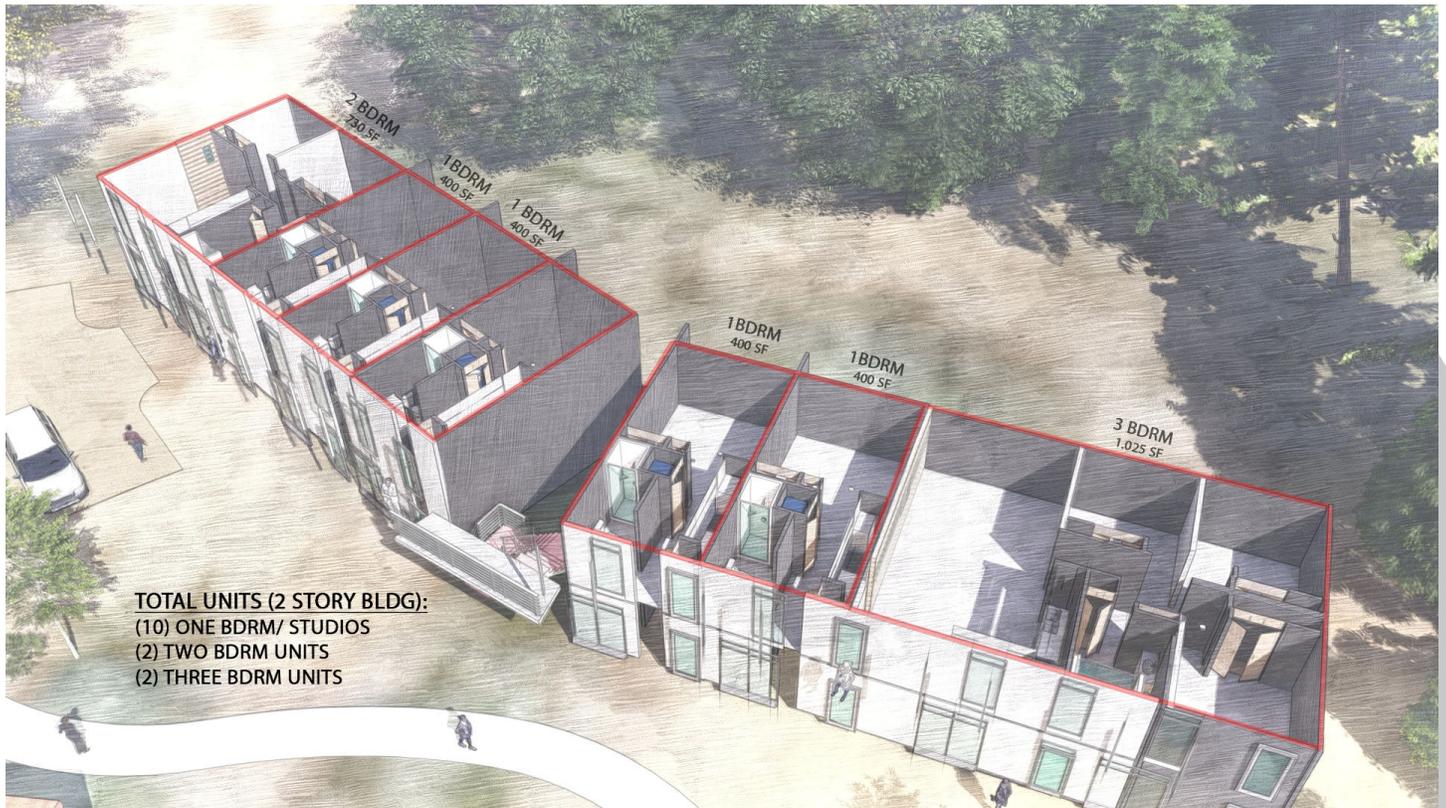


CONCEPT DESIGN

**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 varies depending on whether the model is used for for-sale or rental. When modeling for-sale, the estimated purchase price of the units should cover the development costs, otherwise subsidy for the project will need to be identified.

When modeling rental, the second component 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 2021 Maximum Rent Tables which are based on the area median income for San Juan 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.

Silverton Assumptions - For Sale

| Development | | |
|----------------------|--------------------|--|
| Land | \$0 | In-kind from San Juan County |
| Site Improvements | \$0 | Site Improvements are already complete |
| Hard Costs | \$2,260,000 | \$200/sf |
| Soft Costs | \$565,000 | \$50/sf |
| Professional Fees | \$113,000 | 5% of hard costs |
| Construction Finance | \$65,930 | 4% @ 60% accrual over 1 year; 65% LTV |
| Developer Fee | \$127,125 | Modeled low at 5% of hard and soft costs |
| Brokerage Fee | \$74,635 | 2.5% of sales price |
| Total | \$3,204,690 | \$321,053 per unit |

| Home Size | AMI Level | Square Feet | Sale Price |
|--------------------|--------------|-------------|------------|
| 3 bedroom/1.5 bath | Unrestricted | 1,130 | \$500,00 |
| 3 bedroom/1.5 bath | 124% | 1,130 | \$321,900 |
| 3 bedroom/1.5 bath | 79% | 1,130 | \$205,100 |

Sales prices were modeled in several different combinations that would all meet the requirements set forth by the Department

of Local Affairs discussed above. Depending on how prices are set, the project may generate a profit (4 units at market rate, 5 units at 125% AMI, and 1 unit at 80% AMI), or there may be a gap of approximately \$11,000 per unit (8 units at 125% and 2 units at 80%). Even at these price points, the townhomes may be priced higher than what is affordable for the households the Town aims to support.

Silverton Assumptions - Rental

| Development | | |
|-------------------------------------|--------------------|---|
| Land | \$0 | In-kind from San Juan County |
| Site Improvemnts | \$300,000 | Grading and powerline |
| Hard Costs | \$1,865,000 | \$250/sf |
| Soft Costs | \$373,000 | \$50/sf |
| Professional Fees | \$93,250 | 5% of Hard costs |
| Construction Finance | \$36,731 | 4% @ 60% Accrual over 1 year; 65% LTV; 1% orig |
| Permanent Finance | \$17,800 | 1% Origination |
| Developer Fee | \$111,900 | Modeled low at 5% of hard and soft costs |
| Operating/DSC Reserves ² | \$80,210 | 6 mo. of operating expenses and debt service |
| Replacement Reserves | \$4,900 | \$350/unit |
| Operating Expenses | \$56,000 | Est. \$4,000 per unit per annum; may be lower with in-kind work |
| Total | \$2,882,791 | \$205,914 per unit |

If rents are modeled at the 80% AMI range, this development can drive \$1,780,000 in conventional financing, leaving a \$1,102,791 gap (\$78,771/unit). The 80% AMI rental rates may still be too high for the residents the Town is hoping to support; to make the units affordable at lower price points, more gap financing will need to be sourced.

POTENTIAL SOURCES

- Options to fill the gap between the development costs and the available financing include:
- Colorado Division of Housing grants
- 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
- HB 21-1271 is a new funding source through Colorado Division of Housing that might have potential for this site
- Philanthropic funds through local, regional or state fundraising
- Local general funds or passthrough sources such as American Rescue Plan
- In-kind work by San Juan Economic Development Council, Town of Silverton, and San Juan County has already supported this project development, and may continue to do so.

Additional information on potential funding sources is attached in the funding map appendix.

²Debt Service Coverage

ROLES

| Anvil Mountain Housing | Rental | For-Sale |
|--|---|---|
| Lenders | TBD, CHFA | |
| Grant Funders | CO Division of Housing, And? And? | |
| Land Use Approvals | Town of Silverton | |
| Developers/ Owner's Rep/ Contractor | San Juan Economic Development Corp | |
| Builder Developer | TBD through RFP | |
| Compliance | <i>Property Manager</i> Town or Housing Authority? | <i>Deed Restriction</i> Town or Housing Authority? |
| Land Owner/Applicant | San Juan County transfer to town of Silverton | |
| Long Term Owner | Town or Housing Authority? | Resident occupants |

ACTION ITEMS/NEXT STEPS

The stakeholder team has determined that proceeding with the for-sale townhome portion of this proposal is the immediate next step. The rental development is proposed to proceed within three years.

ANVIL MOUNTAIN - TOWNHOUSE - DEVELOPMENT PROCESS

| Action Steps | 2022 | | | | 2023 | | | | 2024 | | | |
|--|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Predevelopment | | | | | | | | | | | | |
| Define structure, roles, duties | | | | | | | | | | | | |
| Establish funding and development plan | | | | | | | | | | | | |
| Select and refine design concept | | | | | | | | | | | | |
| Submit/Process Annexation Application | | | | | | | | | | | | |
| RFP for development partner | | | | | | | | | | | | |
| Complete design | | | | | | | | | | | | |
| Complete financing | | | | | | | | | | | | |
| Development | | | | | | | | | | | | |
| Building permits | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | |
| Sales | | | | | | | | | | | | |

Other recommendations include:

- Further refining project roles.
 - » Who will lead tenant/buyer eligibility, selection, and contacting?
 - » Assign a project manager/owner's representative to coordinate the project and keep momentum.
 - » Who will coordinate the predevelopment of the future rentals project, so that it is ready for development in 2023 or 2024.
- Host a community meeting to gather feedback on the preliminary design concept and proposed process.
- Proceed with annexation of the site into the Town of Silverton, if possible.
- Finalize and issue a request for proposals for a developer/builder to participate in a public/private partnership.
- In coordination with the selected developer, apply to grant funders and lenders. Further explore and confirm funding sources, including CHFA, Colorado Division of Housing, Colorado Health Foundation, ARPA, Colorado Trust, and Rural Philanthropy.
- Create a tenant/homebuyer selection plan in coordination with local government entities and the Colorado Division of Housing. Examples from the processes used to date at Anvil Mountain and 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.
- Develop marketing materials, provide regular updates to the community on project progress and keep an interest list of potential buyers.
- Consider options for unit layouts. Townhomes can be 2 or 3 bedrooms w/ additional bathroom fixtures as the developer sees fit. Final design for multifamily should have exterior stairs covered from elements.

ACKNOWLEDGMENTS

Chris Lopez, Community Relationship Manager, Colorado Housing and Finance Authority

Gloria Kaasch-Buerger, Town Manager, Silverton

Beth Kramer, Executive Director, San Juan Economic Development

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