

Proposed Revision to Section 3, Lease Agreement between the City and Vegas 1-Decatur, LLC, entitled, "Term/Option"

Modify heading to reflect, "Term/Funding/Option" and insert the following as Section 3(b)

The City's subsidies referenced in this Section 3(b) are predicated on the Tenant's ability to obtain Low-Income Housing Tax Credit (LIHTC) funding for the development of Phase I, Vegas 1-Decatur Apartments.

The City's combined funding subsidies, \$3,919,000, which represents the maximum percentage of the City's contribution, equates to 34.79% of the total development cost (TDC) \$11,264,913. Should the total development cost decrease, the City's subsidies will decrease proportionately and not exceed 34.79%. Should the total development cost increase, for any reason(s), the City's subsidies will not exceed \$3,919,000.

Therefore, any increase in the total development cost must be borne by the developer and funded by either deferring a higher amount of developer fees, which shall not exceed 60-percent as allowed by the 2012 Qualified Allocation Plan (QAP) for Low Income Housing Tax Credit (LIHTC) projects, or obtaining permanent financing.

Submitted at Redevelopment Agency
Date 4/18/2017 Item 6
By: Bill Arent

SECTION B EXECUTIVE SUMMARY

This Executive Summary contains the most pertinent findings from each of the Market Study sections, as well as Addendum 1 to the QAP Market Study Guide.

Statement of Qualifications/Conflict of Interest Disclaimer

The Reicher Company is fully qualified to prepare this Market Study, easily exceeding the minimum qualifications in all areas. The firm and its principals have prepared Market Studies in support of affordable housing project applications for Tax Credit Allocations and other purposes in the states of Nevada, California and Arizona, including more than 20 studies submitted to the Nevada Housing Division since 2004.

This Market Study is prepared under a fee for services arrangement, and The Reicher Company certifies that neither the firm nor its principals or employees will benefit financially if the subject project receives a reservation or award of Tax Credits.

Description of the Proposed Project

The subject site consists of two currently vacant, flat areas of land located in the northwest area of the City of Las Vegas to the southwest of the intersection of Vegas Drive and Decatur Boulevard in U.S. Census Tract 108. The site is approximately 3.5 miles west of I-15, and less than one mile north of US 95 (Oran K. Gragson Highway).

The proposed project is a 60-unit mixed income project that is open to occupancy by all potential residents, regardless of age (a "General Occupancy" project). The project consists of a series of ten single-story buildings, each containing six one-bedroom units.

Units are targeted to both affordable and market rate prospects, with 40 units in the project for households earning a maximum of 39.99 percent of Area Median Income (39.99% AMI) and 20 units offered without income restrictions. All 60 units are 1-bedroom/1-bath, with 650 square feet of living area. Units can house a maximum of four persons, based on HUD standards allowing two residents per sleeping area, counting the bedroom and the living room as sleeping areas. The community will provide a full range of amenities, including outside lighting, barbecue areas and a clubhouse with theater room, exercise room, computer lab and full kitchen.

The proposed rent for the income-restricted (39.99% AMI) 1-bedroom units will be \$494 per month, while market rate rents will be \$750. All utilities will be paid by the landlord.

Description of the Market Area

The QAP guidelines state that the market area must include an area within a 2.5-mile radius of the subject site, extending to the west of US 95, north to Gowan Avenue, east to Martin Luther King Boulevard and south to Oakey Boulevard. For the purposes of this study, the Primary Market Area (the area from which the proposed project is expected to draw the

Submitted at Redevelopment Agency

Date: 4/18/12 Item: 6-7

By: FRANK HAWKINS

majority of its prospective residents) somewhat wider to the east, north and south, bounded by Craig Road on the north, I-15 on the east, and Desert Inn Road on the south.

While the site itself is vacant, areas around it are mostly developed with a mix of residential and commercial uses. Directly to the east of the site, across Decatur, is Ed Fountain Park (a City of Las Vegas facility) and Las Vegas Golf Course. Directly north of one leg of the L-shaped subject project is Decatur Shopping Center, a small project anchored by a discount goods store. The 2.5-mile radius market area contains a total of 43,004 housing units, with multi-family units (2 or more units per building) accounting for about half of the housing stock.

There are seven affordable projects within the 2.5-mile radius area, including five serving the senior market and one for families. A third project serves the mentally ill. The nearest affordable projects are about one mile from the subject project.

The market area offers an abundance of public facilities serving the area's residents. Within 2.5 miles of the subject site, there 24 grocery outlets (including two markets and two convenience stores within a mile); 11 pharmacies (one major chain within one mile); 14 bank branches and 24 ATM's(two bank branches within one mile); two public parks; a municipal golf course; a post office; 27 schools (including three public schools serving elementary, middle and high school students within one mile); and ten major shopping facilities.

Within 0.25 miles of the site are seven bus stops, two ATMs, three houses of worship and a public elementary school. All of these facilities qualify for points consideration under Section 27A of the QAP.

Analysis of Housing Demand

A portion of the proposed project (40 units) will be targeted to households earning a maximum of 39.99% AMI; 20 units will be offered without income restrictions. The Reicher Company projects average annual demand throughout the Northwestern Las Vegas Primary Market Area for 214 *new* rental housing units each year from 2012 through 2016. Importantly, this does not represent total leasing volume, which includes both new unit demand (from market growth) as well as turnover demand (from tenants moving out of their existing homes and into another unit at a different location).

For households within the narrowly defined income limits for the project (from a minimum qualifying income of \$11,856 at a 2.0:1 qualifying ratio to a maximum of \$23,754), annual demand in the PMA for *new* units will average 176 per year, with an additional 13,203 units of leasing volume as a result of turnover, so that altogether there will be demand within the income-limited band for a total of 13,379 rental units. If absorbed in 12 months, the subject project's 40 income-restricted units require a capture of 0.3 percent of this volume.

Looking at the senior market without restrictions on income, annual new unit growth will provide 553 units of demand in the PMA, with another 41,452 units from turnover, for a

total of 42,005 units. The subject's 20 units of unrestricted housing represents 0.1 percent of this total.

Competitive Assessment of Comparable Projects in Market Area

Based on a ReisReports study of the Las Vegas Metro Area and the North Submarket area, over the past five years, asking rents have shown an uneven pattern. Although rents have increased compared to five years ago (by 1.3 percent in the North Submarket and 0.6 percent for the Las Vegas Metro), in more recent years the trends have been that rents generally have been dropping. On the other hand, vacancy rates have been decreasing steadily over the same time periods. As of the end of Fourth Quarter 2011, the average monthly rent in the Submarket area was \$776, while overall vacancy stood at 10.8 percent.

In the 2.5-mile radius area, The Reicher Company surveyed a total of nine market rate rental projects and six affordable projects, all of them located within the 2.5-mile radius around the subject project. The six affordable projects generally were doing well, with an average occupancy level well above 90 percent. One project, Shepherd Hills, recently converted from an affordable status to market rate.

Assessment of Project Impacts on Housing Market

As the newest affordable project in a market with high occupancy levels, the proposed project is well positioned to capture at least its fair share of the market for affordable units, and will also be competitive in the market rate segment. **Based on the demand and rent positioning analyses in this report, it is projected that the subject units will be absorbed at a rate of between 4 and 8 units per month, reaching full absorption of its 60 units within approximately 7 to 15 months from the start of its leasing program.**

Given the relatively small size of total project and the income-restricted portion of the proposed project (40 affordable units, compared to a total existing stock of close to 2,000 affordable units), it is unlikely that the subject project will have any impact on vacancy or rental rates at the existing affordable projects, and thus there will be no financial impacts on those projects.

The PMA employment base includes 50 companies with at least 300 employees each, and a total of more than 143,000 jobs. The closing of any single business in the area would not have any lasting impact on the viability of the market area, or of the subject project.

Conclusions

The proposed project contains units targeted to both low income and general market prospects. In addition, it is the newest project in an area that has exhibited strong demand for rental apartments, particularly in the affordable ranges.

The subject site is well-located relative to population-supporting amenities and employment centers, and is immediately adjacent to shopping, transportation and recreation amenities. Potential residents will be able to choose from one bedroom plans that are larger than many comparable units in the market area.

The proposed 60-unit project will offer 40 of its units on an income-restricted basis (39.99% AMI), targeted to income ranges significantly lower than the area's competitive affordable senior projects. Rents and unit sizes are strongly competitive, priced at or below both affordable projects. As a result of this pricing strategy and the fact that these will be the only new affordable units in the market, the subject project should receive excellent market acceptance.

The Reicher Company projects that the new units will be absorbed at a rate of between 4 and 8 units per month, resulting in full absorption of the 60 units within 7 to 15 months from the start of the leasing program.

PROJECT DEVELOPMENT INFORMATION

SECTION 38 MAXIMUM PER UNIT DEVELOPMENT COST AND COST REASONABLENESS STANDARD

The maximum per unit development cost for projects submitted under the QAP will be based upon the average cost per unit in a project, calculated by dividing the *total development cost* of the project (including developer fee) by the total number of units in the project (regardless if the units are restricted/non-restricted). The average cost per unit for the project will be compared to the NHD maximum cost per unit of **\$204,500**. The maximum cost per unit figure is based upon a cost analysis of all new construction projects submitted under the 2010 QAP. Maximum cost per unit is applicable to all project types and set-asides.

For projects with more than 50 units (restricted/non-restricted), there will be a one point deduction in the total project score for every **\$5,000** increment exceeding the per unit limit identified above. For projects with 50 units or fewer (restricted/non-restricted), there will be a one point deduction in the total project score for every **\$7,500** increment exceeding the per unit limit shown above.

SECTION 39 OPERATING EXPENSES

Project operating expenses between **\$250.00** and **\$325.00** per unit/month are typical for projects in Nevada and considered acceptable by the Division. Applications for project with operating expenses outside this range must include an explanation of why the expenses are higher or lower. The Division reserves the right to adjust Tax Credits on projects with operating expenses greater than the **\$250.00 - \$325.00** range.

SECTION 40 ESTIMATION OF UTILITY ALLOWANCE

At the time of application, the Project Sponsor must estimate the amount of utility allowance applicable to each unit, considering the square footage of the unit and the proposed source of energy in accordance with Treasury Regulations Section 1.42-10. The Project Sponsor assumes the risk that these estimates are reasonable and supportive. At the time the project is placed in service, the Project Sponsor must provide evidence that the utility allowance conforms to the requirements of the Code and Treasury Regulation. Failure to do so will result in forfeiture of the Tax Credits.

The Project Sponsor may provide a survey of actual utilities being paid in the area or use the PHA utility allowance for the area, or with NHD staff approval, use the HUD Utility Model or an alternate method allowable per the Utility Allowance Regulations contained in the Federal Register, Volume 73, No. 146, July 29, 2008. Surveys must: (1) have been conducted within 12 months of the application; (2) sampled units must be located within a radius of 50 miles from

Dated: 04/10/2012

**PUBLIC PURPOSE/IMPACT ANALYSIS:
CITY GROUND LEASE AND AGENCY GROUND LEASE TO VEGAS 1-DECATUR, LLC**

A. "AS IS" MARKET VALUES PER TWO APPRAISALS:

Property	Appraiser	"As Is" Market Value of Land	"As Is" Annual Market Rent	Present Value of "As Is" Market Rent
Westmoreland/Laurelhurst (City's Property)	Britton-Adamo Group/ROI Appraisal	390,000	38,971 ²	\$1,416,964 ^{1,2}
Westmoreland/Laurelhurst (City's Property)	Lubawy & Associates	410,000 ²	32,800	\$1,192,590 ¹
1501 N. Decatur Blvd. (Agency's Property)	Britton-Adamo Group/ROI Appraisal	1,060,000 ²	106,000 ²	\$3,854,103 ^{1,2}
1501 N. Decatur Blvd. (Agency's Property)	Lubawy & Associates	920,000	73,600	\$2,676,056 ¹

B. CALCULATION OF BENEFIT TO VEGAS 1-DECATUR, LLC:

Property	Present Value of HIGHEST "As Is" Market Rent*	Present Value of Lease Rent from Vegas 1-Decatur	Benefit to Vegas 1-Decatur
Westmoreland/Laurelhurst (City's Property)	\$1,416,964	36.36	\$1,416,928.12
1501 N. Decatur Blvd. (Agency's Property)	\$3,854,103	36.36	\$3,854,066.33
Totals:	\$5,271,067	\$72.72	\$5,270,994.45

C. CALCULATION OF RDI DEPOSIT DUE FROM VEGAS 1-DECATUR, LLC:

Property	Benefit to Vegas 1-Decatur	RDI Deposit Requirement	Required RDI Deposit	
Westmoreland/Laurelhurst (City's Property)	\$1,416,928.12	10%	\$141,692.81	(City Ground Lease)
1501 N. Decatur Blvd. (Agency's Property)	\$3,854,066.33	10%	\$385,406.63	(Agency Ground Lease)

¹ **Assumptions:**

- 75 year lease term
- Lease rent paid monthly
- 2.235% Discount rate (yield on 10 Yr. Treasury @ 3:58 PM EDT on 4/4/12 per WSJ online) at Redevelopment Agency

² **HIGHEST Fair Market Value of TWO independent appraisals per NRS 268.059**

Date: 4/18/12 Item: 6-7
By: FRANK HAWKINS

ATTACHMENT "B"
Low-Income Housing Tax Credits Comparative Analysis, 2009 - 2012

Funding Year	Project	Total Project Cost	Number of Units	Cost per Unit	Tax Credit Equity / Awards	Developer Fee	Deferred Developer Fee / %	City Funding (HOME/RDA)	City's Percentage of Overall Funding	Land Contribution (Y/N)	Subsidy per Affordable Unit	Number of Affordable Units	Number of Market Rate Units
2009	Silver Sky at Deer Springs	12,686,607	90	140,962	8,736,608	1,700,000	0	0	0	Yes	0	90	0
2009	McKnight Senior Village III	5,079,426	24	211,643	3,040,433	441,119	0	997,204	19.63%	No	41,550	24	0
2010	Decatur Pines	11,944,739	75	159,263	7,663,814	1,119,000	0	1,125,000	9.41%	Yes	18,750	60	15
2010	Sky View Pines	18,785,673	144	130,456	1,462,866	1,535,000	0	500,000	2.66%	Yes	3,875	129	15
2010	I Street, Phase II	2,804,123	18	155,785	1,993,711	282,542	282,542 / 100%	892,919	31.84%	Yes	49,606		
2010	Westcliff Heights	10,086,947	80	126,087	4,494,721	1,130,313	264,395 / 25.15%	500,000	4.96%	Yes	10,204	49	31
2011	Decatur Pines II	10,458,900	75	139,452	7,902,853	1,150,000	455,626 / 39.62%	1,500,000	14.34%	Yes	20,000	75	0
2011	Lone Mountain Senior Apartments	10,673,819	75	142,318	8,329,167	992,000	0	1,250,000	11.71%	No	19,230	65	10
2012	Vegas 1-Decatur	11,264,913	60	187,749	*2,849,693	1,343,220	221,681 / 16.5%	3,919,000	34.79%	Yes (Lease)	97,975	40	20
2012	Westcliff Pines II	10,962,400	80	137,030	*8,711,271	987,000	347,904 / 35.24%	1,500,000	13.68%	No	18,750	80	0

*Projected, awaiting Tax Credits funding decisions.

NOTE: Nevada Housing Division views Deferred Developer's Fee as funds remaining in the project after its completion/final drawdown.

Submitted at: Nevada Housing Agency
 Date: 4/18/12, page 6-7
 By: Frank Hawkins



PUBLIC HEARING FOR PROPOSAL BY VEGAS-1 DECATUR, LLC

1501 North Decatur Boulevard
Vacant land on Laurelhurst and Westmoreland

Presented: April 18, 2012
Redevelopment Agency Item #6





Today's Presentation

- Proposed Project
- Assistance Requested by Developer for Project
- Value for purposes of AB312 requirement
- Staff Recommendation
- Council Actions Required for Approval



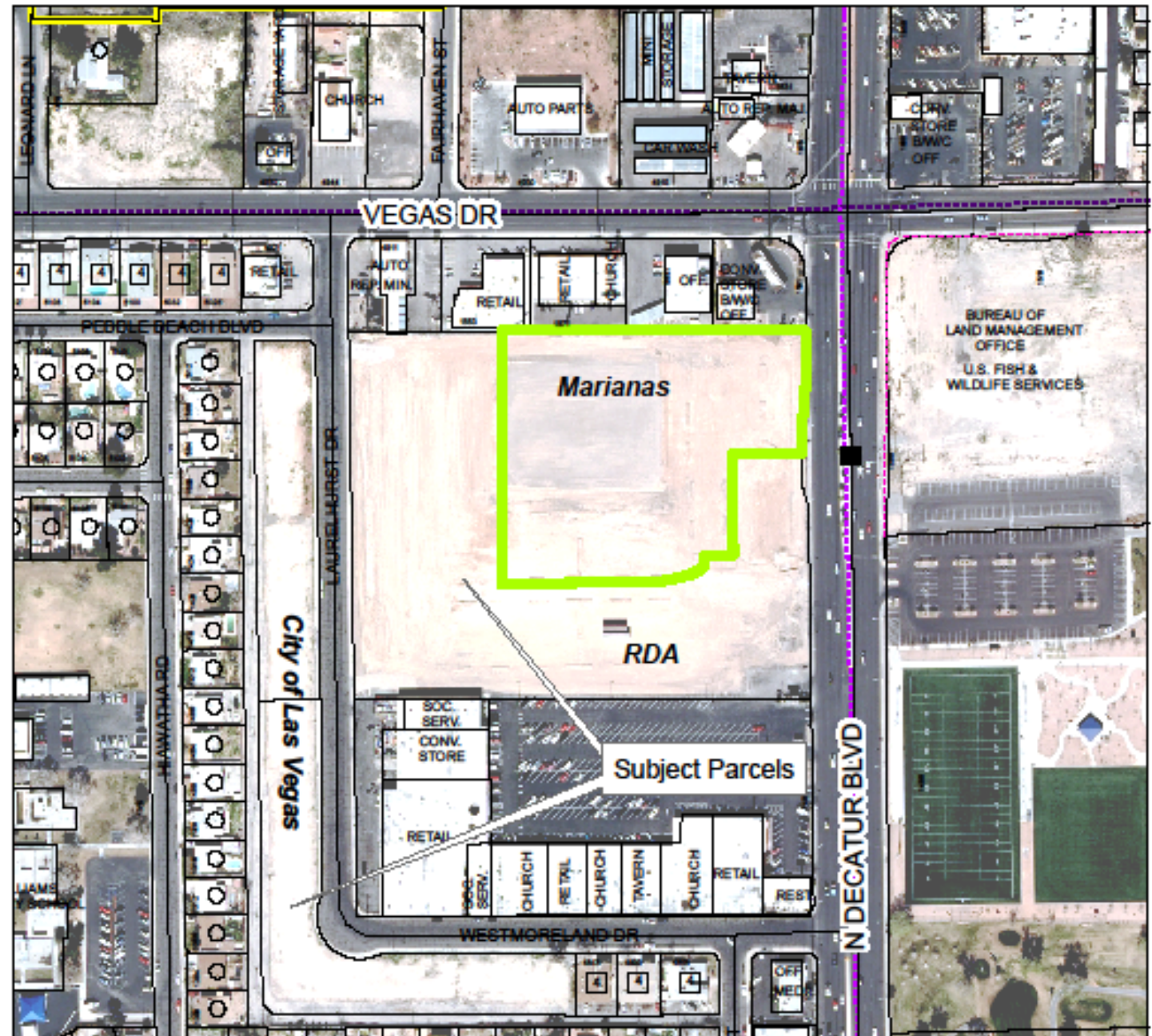


Proposed Project

- Developer is proposing a 196-unit, mixed-income housing project to be developed in three phases
- Phase 1 would feature 60 units in ten 6-plex buildings and a clubhouse
 - *40 units would be low-income, 60% AMI households*
 - *Remaining 20 units would be market-rate*
- Phase 2 would feature a four-store building containing 72 senior units and a clubhouse
- Phase 3 would be 64 senior units in a 4-story complex



1501 Decatur Site





Assistance requested by Developer

- Developer is seeking 75-year land lease for \$1 per year
- Developer is seeking \$3,919,000 in grant funds (RDA Set-Aside, HOME) for Phase 1 construction
- Other funding sources for Phase 1 are:
 - *\$7,124,232 in Investor Equity from Low Income Housing Tax Credits (requires State approval)*
 - *\$221,681 Deferred Developer Fee*
- Phase 1 Total Project Cost is \$11,264,913





Value of Land (AB312)

- State law requires sales or leases below the higher of two appraised values to meet redevelopment or economic development exemption
- RDA's 6.1-acre parcel was appraised at \$1,060,000 and \$920,000
- City's 3.34-acre parcel was appraised at \$410,000 and \$390,000
- City's capital investment in entire development site (including Mariana's parcel) is \$8,122,800





Staff Recommendation - Denial

- The Developer does not have sufficient experience, and its owner had defaulted on the prior project
- The highest and best use of the RDA parcel is commercial given the location and C-1 zoning
- The City grant subsidy of \$97,975 per unit is considerably higher than other tax credit projects
- No proof of financing has been offered for future phases





Conditions if Approved

- City's grant funding and ground lease are contingent on Developer securing State tax credits by 9/1/2012
- Phase 1 must start within 6 months of tax credit award
- Phase 2 is contingent on:
 - *Phase 1 completion*
 - *Developer capital contribution of \$1.8M*
 - *Developer good faith effort to acquire Mariana's site*
- Employment Plan required for all three phases





Council Items for Consideration

- RDA Item 6: Disposition and Development Agreement (DDA) and 75-year ground lease for phased project
- RDA Item 7: AB312 Resolution finding sale meets redevelopment/ economic development exemption
- CC Item 59: Allocation of \$2.8M in RDA Set-Aside Funds, and \$1.119M in HOME Funds for Phase 1
- CC Item 60: DDA and 75-year ground lease for phased project
- CC Item 64: AB312 Resolution finding sale meets redevelopment/ economic development exemption





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