



PRELIMINARY MARKET ANALYSIS

TO: Akia Tanara, Crestone Peak Community Housing

FROM: Benjamin Weiner & Thad Rahn, Prior & Associates

DATE: July 24, 2020

RE: Preliminary Market Analysis – Living Wisdom Village - Crestone, Saguache County, Colorado

The subject of this report is Living Wisdom Village, a proposed senior 20-unit market-rate and affordable rental project in Crestone, Saguache County, Colorado. The development will include a to-be-determined mix of unrestricted market-rate units and income-restricted affordable dwellings at 30%, 50% and 60% of the area median income (AMI). The units will be in detached homes of various sizes with a mix of studio, one-bedroom and two-bedroom units. This analysis considers a mix of one- and two-bedroom age-restricted units, and provides rent and vacancy information for the surveyed comparables and estimates net rental demand within the PMA for market-rate and affordable age-restricted rental units.

I. PROJECT DESCRIPTION

The subject is a proposed senior mixed-income development to have around 20 units in Crestone, Colorado. It will have a mix of 30%, 50%, 60% AMI and market-rate units. The following table shows the maximum Low Income Housing Tax Credit (LIHTC) rents at 30%, 50% and 60% AMI, even though the project will not be developed through the LIHTC program. The LIHTC program, created by Tax Reform Act of 1986 (P.L. 99-514), is one of the largest and broadest policy tools used by the government to assist in producing or maintaining affordable rental units throughout the United States. In return for certain restrictions, the LIHTC program provides developers of a project with a tax credit, typically sold to help finance the property and provide a suitable profit even with lower rents.

UNIT TYPES, SIZES AND RENTS		
<i>Unit Type</i>	<i>% of Median Income</i>	<i>Maximum Gross LIHTC Rent</i>
Studio	30%	\$372
Studio	50%	\$621
Studio	60%	\$745
Studio	Market	---
1BR/1BA	30%	\$399
1BR/1BA	50%	\$665
1BR/1BA	60%	\$798
1BR/1BA	Market	---
2BR/1BA	30%	\$479
2BR/1BA	50%	\$798
2BR/1BA	60%	\$958
2BR/1BA	Market	---

Source: Project Sponsor; HUD; Prior & Associates

The income-restricted units at Living Wisdom Village would be able to target senior renter households with one or two persons and incomes up to \$34,080, while its market-rate units will have no restrictions.

2020 LIHTC INCOME LIMITS			
<i>Persons</i>	<i>30%</i>	<i>50%</i>	<i>60%</i>
1	\$14,910	\$24,850	\$29,820
2	\$17,040	\$28,400	\$34,080
3	\$19,170	\$31,950	\$38,340
4	\$21,300	\$35,500	\$42,600
5	\$23,010	\$38,350	\$46,020
6	\$24,720	\$41,200	\$49,440
7	\$26,430	\$44,050	\$52,860
8	\$28,140	\$46,900	\$56,280

Source: HUD

II. PRIMARY MARKET AREA

Living Wisdom Village, the subject, is in the town of Crestone, which is accessible from County Road T from State Highway 117, at the base of the Sangre de Cristo Range and at the northern tip of the San Luis Valley. The valley covers approximately two million acres of mountainous, prairie and/or agricultural land, half of which is privately owned. Most communities in this area are small, dispersed towns largely due to geographical constraints. The San Luis Valley has an economic focus of tourism, agriculture and healthcare. According to a July 2020 *Center Post Dispatch* article, the San Luis Valley had a 9.0% unemployment rate in June, lower than the state average (10.5%) and the rate in Saguache County (9.8%). However, Saguache County has an employment rate of only 48.3% according to the five-year 2018 American Community Survey from the U.S. Census, a median housing income (MHI) of \$34,410 and a poverty rate of 17.7%. The town of Crestone, like its neighbors Moffat and the Baca Grande, is a spiritual center that draws visitors worldwide mainly for religious events and spiritual explorations. This began from financial backing of Maurice Strong and his wife, who made numerous grants for religious and spiritual projects in the area.

Development of the Baca Grande subdivision, which contains approximately 1,800 homes in an area of around 80 square miles, began in the 1970s as a retirement community. According to the sponsor, approximately 1,500 people live there but it is hard to tell for sure, as many of the

residences are second homes and/or used as vacation rentals. This subdivision is included within the county demographic statistics despite having the same zip code as Crestone.

The town of Crestone is bordered to the west by a broad mountain range, which is also the county boundary. Salida is a larger city to the north connected to Highway 50, which generally stays outside Saguache County and travels on the other side of the Sangre de Cristo Range. The Rio Grande National Forest, consisting of protected open space, consists of nearly half the geographical area of Saguache County and extends further to the west, while the city of Alamosa, which has different socioeconomic characteristics, lies to the south of Saguache County.

These factors suggest that the subject's primary market area (PMA) includes Saguache County and all communities within this region.

The PMA has 6,985 inhabitants, covers 3,170 square miles, and the subject does not have an extended, or secondary, market area.

III. DEMOGRAPHIC TRENDS

A. Total Population

From 2000 to 2010, population increased 0.3% per year in Saguache County, the primary market area (PMA) for the subject. Claritas estimates that the PMA's population rose 1.4% annually from 2010 through 2020, and projects that it will increase 1.2% per year, to 7,424 by 2025.

POPULATION TRENDS							
	2000	Estimate		Projection	Average Annual Change		
		2010	2020	2025	2000-2010	2010-2020	2020-2025
Saguache County (PMA)	5,917	6,108	6,985	7,424	0.3%	1.4%	1.2%
Crestone	85	127	139	150	4.1%	0.9%	1.5%

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

According to the Colorado State Demography Office, net migration for Saguache County is positive from 2010 through 2018, and most population growth will occur via births. The overall population in the county has grown an average of 1.4% annually from 2010 through 2018.

According to the Colorado State Demography Office, the county is forecasted to add 84 persons from 2018 through 2021, the highest projected number, then lose 121 persons through 2025.

The following table shows the age distribution of the population of the PMA in 2000 according to Claritas, the estimate for 2020 and the projection for 2025. Between 2000 and 2020, the 65-74 age cohort accounted for the highest percentage of the population increase. Claritas projects that the 65-74 age group will increase the fastest through 2025. The projected rate of population growth for the 62 and older age group in the PMA (2.9%) is faster than the average annual increase for the overall population (1.2%).

POPULATION TRENDS BY AGE					
AGE	Primary Market Area				
	2000	2020	% Annual Change	2025	% Annual Change
0-14	1,362	1,158	-0.8%	1,177	0.3%
15-24	794	799	0.0%	903	2.5%
25-34	622	574	-0.4%	676	3.3%
35-44	912	708	-1.3%	644	-1.9%
45-54	979	768	-1.2%	764	-0.1%
55-64	613	1,351	4.0%	1,335	-0.2%
65-74	357	1,123	5.9%	1,341	3.6%
75 or more	278	504	3.0%	584	3.0%
Total	5,917	6,985	0.8%	7,424	1.2%

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

B. Total Households

The household data provided by Claritas and Ribbon Demographics utilizes a five-year sample from the American Community Survey (ACS), which is the only survey that provides any income information. According to the U.S. Census, “Single-year and multiyear estimates from the ACS are all “period” estimates derived from a sample collected over a period of time, as opposed to “point-in-time” estimates such as those from past decennial censuses. For example, the 2000 Census “long form” sampled the resident U.S. population as of April 1, 2000. While an ACS 1-year estimate includes information collected over a 12-month period, an ACS 5-year estimate includes data collected over a 60-month period. In the case of ACS 1-year estimates, the period is the calendar year (e.g., the 2015 ACS covers the period from January 2015 through December 2015). In the case of ACS multiyear estimates, the period is 5 calendar years (e.g., the 2011–2015 ACS estimates cover the period from January 2011 through December 2015). Therefore, ACS estimates based on data collected from 2011–2015 should not be labeled “2013,” even though that is the midpoint of the 5-year period.”

While the Census suggests to not label the five-year ACS as 2013, a date needs to be established to delineate household trends from the base year of the Claritas data. As such, because the sample contains five full years of sample data, the mid-point of two and half years is utilized for purposes of determining household growth trends.

Since 2000, the PMA has added an average of 39 households per year. The PMA is projected to gain 43 households per year through 2025. The PMA's projected annual household growth rate (1.4%) is slightly slower than its rate from 2000 through 2020 (1.5%).

HOUSEHOLDS, 2000-2025			
	<i>Households</i>	<i>Annual Increase</i>	<i>Percent Increase</i>
Saguache County (PMA)			
2000	2,311		
Base Year-2011-2015	2,598	21	0.9%
2020	3,086	75	2.7%
2025	3,302	43	1.4%
Crestone			
2000	29		
Base Year-2011-2015	54	2	4.7%
2020	76	3	5.4%
2025	82	1	1.5%
Source: U.S. Census, Claritas, Ribbon Demographics			

Between 2000 and 2020, the PMA gained an average of 55 senior (62+) households per year. The PMA is projected to add 40 senior households annually through 2025, and that age group will account for 44% of the PMA's total households in 2022.

SENIOR (62+) HOUSEHOLDS, PMA			
	<i>Households</i>	<i>Annual Increase</i>	<i>Annual % Increase</i>
Base Year-2011-2015	973	---	---
2020	1,332	55	5.0%
2025	1,531	40	2.8%
Source: Claritas, Ribbon Demographics			

C. Renter Household Size

In 2020, there are 2.21 persons per renter household in Saguache County. Of the PMA's renter households, 44% have one person, 23% two, 23% three or four, and 9% have five or more.

HOUSEHOLD SIZE, PMA 2020				
<i>Persons In Household</i>	<i>Total</i>	<i>% Of Total</i>	<i>Renters</i>	<i>% Of Renters</i>
1	1,053	34.1%	418	43.9%
2	1,063	34.4%	222	23.3%
3	435	14.1%	122	12.8%
4	289	9.4%	101	10.6%
5	174	5.6%	63	6.6%
6 Or More	72	2.3%	27	2.8%
Total	3,086	100.0%	953	100.0%
Source: Claritas, Ribbon Demographics				

Of the PMA's senior (62+) renter households, 71% have one person, 14% have two and 15% have three or more. The subject's age-restricted units are targeted to households with up to two persons, who account for 85% of the PMA's senior renters.

SENIOR (62+) HOUSEHOLD SIZE, PMA, 2020				
<i>Persons In Household</i>	<i>Total</i>	<i>% Of Total</i>	<i>Renters</i>	<i>% Of Renters</i>
1	648	48.6%	198	71.5%
2	537	40.3%	38	13.7%
3	115	8.6%	41	14.8%
4	13	1.0%	0	0.0%
5	13	1.0%	0	0.0%
6 Or More	6	0.5%	0	0.0%
Total	1,332	100.0%	277	100.0%
Source: Claritas, Ribbon Demographics				

D. Household by Tenure

In 2020, renters comprise 30.9% of all households in the PMA. Claritas projects that the renter rate in the PMA will remain at 30.9% in 2025 and that the PMA will gain an average of 13 renter households annually over the next five years, all of which are senior (62+) households.

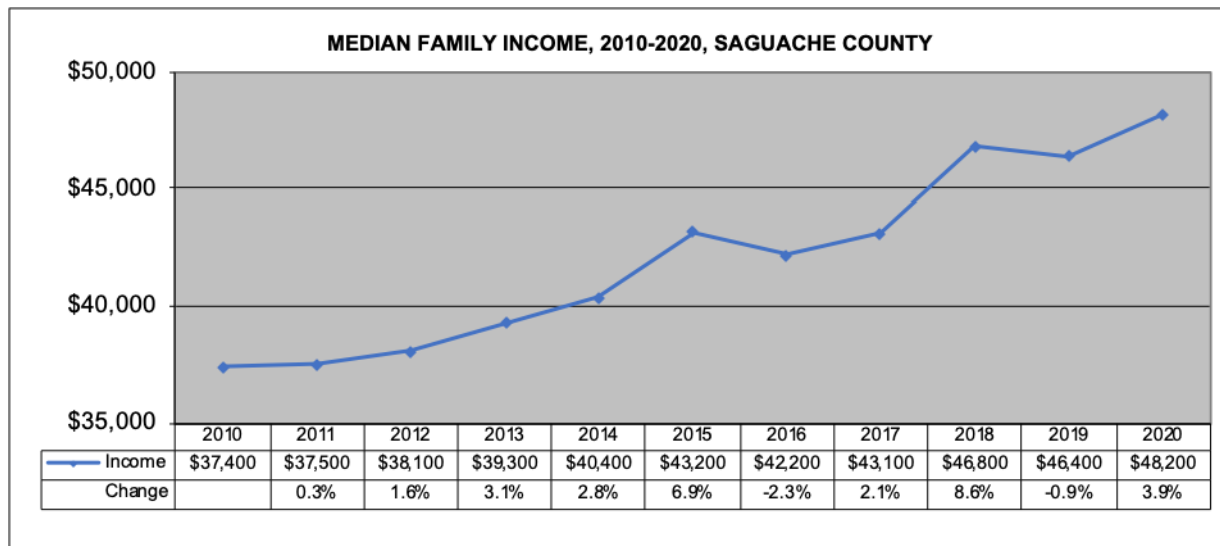
HOUSEHOLD TENURE, PMA			
	2020	2025	Annual Change
Total Households	3,086	3,302	43
Owners	2,133	2,282	30
Renters	953	1,020	13
% Renter	30.9%	30.9%	0.00%
Source: Claritas, Ribbon Demographics			

In 2020, renters comprise 20.8% of all senior (62+) households in the PMA. Claritas projects that the senior tenure rate in the PMA will increase to 22.3% by 2025. As shown in the following table, this suggests that the PMA will gain an average of 13 senior renter households annually over the next five years.

SENIOR (62+) HOUSEHOLD TENURE, PMA			
	2020	2025	Annual Change
Total Households	1,332	1,531	40
Owners	1,055	1,190	27
Renters	277	341	13
% Renter	20.8%	22.3%	0.30%
Source: Claritas, Ribbon Demographics			

E. Renter Household by Income

The U.S. Department of Housing and Urban Development (HUD) estimates that the Saguache County 2020 median family income, which is used to set income and rent limits, is \$48,200. From 2010 to 2020, the median family income increased 2.6% per year. In 2018, the median family income increased 8.6%, followed by a decline of 0.9% in 2019 and an increase of 3.9% in 2020. This HUD median income is used to determine maximum rents and incomes in the county. However, it is likely that the HUD numbers are overstated, as the 2018 five-year ACS from the Census has a median income of \$34,410.



The gross maximum 30% studio rent is \$372. Households with annual incomes above \$8,928 can qualify for these units without spending more than 50% of their income for rent and utilities. The subject will appeal to households with incomes between this amount and \$35,000, which is the highest income at surveyed market-rate properties in January 2020, as this information was not obtained in July 2020. The managers at three surveyed market-rate properties noted tenant incomes ranging from \$10,000 to \$35,000 per year. As a result, we used \$35,000 as the highest annual income for qualified senior renter households in the PMA. The two-person 60% AMI maximum income for Saguache County is \$34,080, suggesting overlap in market-rate and 60% AMI target income ranges. These units are income targeted to 60.0% of PMA elderly renter (62+) households. By applying the specific income range for each renter household size, we determined that the PMA has 151 age-, income- and size-qualified renter households, or 54.5% of PMA senior renters.

62+ RENTER HOUSEHOLD INCOME BY SIZE, PRIMARY MARKET AREA, 2020							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
Less than \$10,000	44	0	0	0	0	0	44
\$10,000-\$20,000	56	15	16	0	0	0	87
\$20,000-\$30,000	68	0	0	0	0	0	68
\$30,000-\$40,000	0	13	0	0	0	0	13
\$40,000-\$50,000	9	2	15	0	0	0	26
\$50,000-\$60,000	0	5	0	0	0	0	5
\$60,000-\$75,000	2	0	0	0	0	0	2
\$75,000-\$100,000	9	1	9	0	0	0	19
\$100,000-\$125,000	0	0	0	0	0	0	0
\$125,000-\$150,000	7	2	0	0	0	0	9
\$150,000-\$200,000	3	0	1	0	0	0	4
\$200,000 or more	0	0	0	0	0	0	0
Total	198	38	41	0	0	0	277
Source: Claritas, Ribbon Demographics							

Although the subject's target income range is likely to change over the next two years, we use the income range from the previous analysis to estimate the number of income-qualified renters in the PMA for its units in 2022. With the projected changes to the income stratification of renters in the PMA, the subject's units would be income targeted to 59.2% of PMA elderly

renter households. In 2022, there will be 164 age-, income- and size-qualified renter households in the PMA for the subject's units, accounting for 54.2% of PMA senior renters.

62+ RENTER HOUSEHOLD INCOME BY SIZE, PRIMARY MARKET AREA, 2022							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
Less than \$10,000	48	0	0	0	0	0	48
\$10,000-\$20,000	64	17	16	0	0	0	97
\$20,000-\$30,000	69	0	0	0	0	0	69
\$30,000-\$40,000	0	16	0	0	0	0	16
\$40,000-\$50,000	9	2	15	0	0	0	26
\$50,000-\$60,000	0	5	0	0	0	0	5
\$60,000-\$75,000	2	0	0	0	0	0	2
\$75,000-\$100,000	10	1	10	0	0	0	21
\$100,000-\$125,000	0	0	0	0	0	0	0
\$125,000-\$150,000	9	3	1	0	0	0	13
\$150,000-\$200,000	4	0	1	0	0	0	4
\$200,000 or more	0	0	0	0	0	0	0
Total	214	45	43	0	0	0	303
Source: Claritas, Ribbon Demographics							

F. Capture and Penetration Rates

1. Income and Size Qualification Criteria

The subject will appeal to households who have sufficient incomes to pay the proposed rents and want one of the unit types that the subject will offer. Commercial underwriters and owners of conventional market-rate projects generally require that the monthly contract rent should not exceed one-third of a tenant's income. They increase the ratio to 40% for income-restricted projects and occasionally 50% for developments targeted to low-income elderly households. This analysis uses a 50% rent-to-income ratio, typical for a senior household in a low-income area.

This analysis assumes that studio units have one person and one-bedroom units have one or two persons and two-bedroom dwellings have two people. The subject will have studio, one- and two-bedroom units and can target senior renter households with one or two persons.

2. Required Capture Rate

The following table calculates the number of income- and size-qualified renter households in the primary market area by applying the specific income threshold for the subject's units at each renter household size. The table below lists the number of income-eligible renter households for each household size. This calculation is applied to both existing renter households and two years of projected growth. These two figures are added together to give the total number of income- and size-eligible senior renter households for the subject's units in 2022.

The 50% AMI gross maximums are similar to the surveyed market-rate rents and the 60% AMI gross maximums are higher, meaning the subject's proposed rents might need to be lower to provide an adequate rent advantage for low-income senior tenants in the PMA. This is especially relevant considering that HUD's median family income might be overstated. As a

result, we used the 50% AMI gross maximum rents to determine the number of qualified households for the 60% AMI and market-rate thresholds. These are estimates and more certainty would require a detailed rent determination analysis.

The subject will have market-rate units, so to determine the highest maximum income for qualified households, we looked at the annual incomes reported by surveyed properties in January 2020, as Prior & Associates did not collect this information in July 2020. Three market-rate properties had tenants with incomes ranging from \$10,000 to \$35,000 per year. As a result, we used \$35,000 as the highest annual income for qualified senior renter households in the PMA. However, since the two-person 60% AMI maximum income for Saguache County is \$34,080, there is significant overlap in the income-restricted and conventional target market.

The capture rate analysis indicates that Living Wisdom Village, the subject, using gross maximum LIHTC rents and the highest surveyed annual income of \$35,000, would have to attract 12.2% of the income-, age- and size-qualified renter households in the PMA to attain stabilized occupancy. This required market share is average for a primary market area and attainable, considering the lack of multifamily properties in the town of Crestone, an aging-in-place population and a low vacancy rate at surveyed market-rate and affordable properties, both in and outside the PMA. In addition, one surveyed manager for several subsidized and affordable properties in Center noted demand for senior housing in the area. The number of qualified renter households is slightly understated as the analysis uses the maximum gross LIHTC rents, which does not account for any tenant utility expenses. In addition, even without being fully advertised in traditional ways, as of July 2020, there was a waitlist of 21 applicants for the potential subject, more than the development can accommodate. This includes 14 residents in the Baca Grande subdivision looking to downsize and others who had lived in the area before and are interested in relocating back. In August, Living Wisdom Village will be announced in the local paper and the waitlist will likely increase as a result.

There are some unique benefits of Living Wisdom Village. According to the sponsor, retirees will often move to the mountains and build a dream home, but lose the ability to maintain it as they age, including declining mental health from isolation. The subject will allow local residents to age in place and provide more communal benefits associated with a somewhat higher density environment, like shared activities and gatherings. Further, instead of traveling to higher-care residences outside the area, the subject provides a local alternative.

The subject's units at 30% AMI have a total of 48 income- and size-qualified senior renter households, meaning it could have five units at 30% AMI for a capture rate just over 10%.

SUBJECT'S TARGET INCOME RANGE BY HOUSEHOLD SIZE, UNITS AT 30% AMI							
	Minimum Rent	Minimum Income		Maximum Income			
1 Person	\$399	\$8,928		\$14,910			
2 Person	\$399	\$9,576		\$17,040			
62+ RENTER HOUSEHOLD DEMAND BY INCOME AND SIZE, PMA, 2020							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
Less than \$10,000	5	0	0	0	0	0	5
\$10,000-\$20,000	27	11	0	0	0	0	38
Total	32	11	0	0	0	0	43
62+ RENTER HOUSEHOLD DEMAND FROM GROWTH, PMA, 2020-2022							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
Less than \$10,000	0	0	0	0	0	0	0
\$10,000-\$20,000	4	1	0	0	0	0	5
Total	4	1	0	0	0	0	5
Sum of Income and Size Qualified Renter Households from Growth & Existing							48
Other Demand							0
Total Income and Size Qualified Renter Households							48

There are 67 qualified senior renter households for the subject's units at 50% AMI, meaning it could have seven units at 50% AMI for a capture rate of around 10%.

SUBJECT'S TARGET INCOME RANGE BY HOUSEHOLD SIZE, UNITS AT 50% AMI							
	Minimum Rent	Minimum Income		Maximum Income			
1 Person	\$621	\$14,904		\$24,850			
2 Person	\$665	\$15,960		\$28,400			
62+ RENTER HOUSEHOLD DEMAND BY INCOME AND SIZE, PMA, 2020							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
\$10,000-\$20,000	29	6	0	0	0	0	35
\$20,000-\$30,000	33	0	0	0	0	0	33
Total	62	6	0	0	0	0	68
62+ RENTER HOUSEHOLD DEMAND FROM GROWTH, PMA, 2020-2022							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
\$10,000-\$20,000	4	1	0	0	0	0	5
\$20,000-\$30,000	1	0	0	0	0	0	1
Total	5	1	0	0	0	0	6
Sum of Income and Size Qualified Renter Households from Growth & Existing							74
Other Demand							0
Total Income and Size Qualified Renter Households							74

Using the gross maximum 50% AMI rents and the 60% AMI maximum incomes, the subject could have 11 units at 60% AMI for a capture rate of 10%, as there are 114 income- and size-qualified senior renter households.

SUBJECT'S TARGET INCOME RANGE BY HOUSEHOLD SIZE, UNITS AT 60% AMI							
	Minimum Rent	Minimum Income	Maximum Income				
1 Person	\$621	\$14,904	\$29,820				
2 Person	\$665	\$15,960	\$34,080				
62+ RENTER HOUSEHOLD DEMAND BY INCOME AND SIZE, PMA, 2020							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
\$10,000-\$20,000	29	6	0	0	0	0	35
\$20,000-\$30,000	67	0	0	0	0	0	67
\$30,000-\$40,000	0	5	0	0	0	0	5
Total	96	11	0	0	0	0	107
62+ RENTER HOUSEHOLD DEMAND FROM GROWTH, PMA, 2020-2022							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
\$10,000-\$20,000	4	1	0	0	0	0	5
\$20,000-\$30,000	1	0	0	0	0	0	1
\$30,000-\$40,000	0	1	0	0	0	0	1
Total	5	2	0	0	0	0	7
Sum of Income and Size Qualified Renter Households from Growth & Existing							114
Other Demand							0
Total Income and Size Qualified Renter Households							114

We calculated the capture rate for the subject's market-rate units using the 50% AMI gross maximums and the highest surveyed annual income of \$35,000. There are 118 qualified senior renter households at this threshold, meaning the subject could have 12 market-rate units for a capture rate of just above 10%.

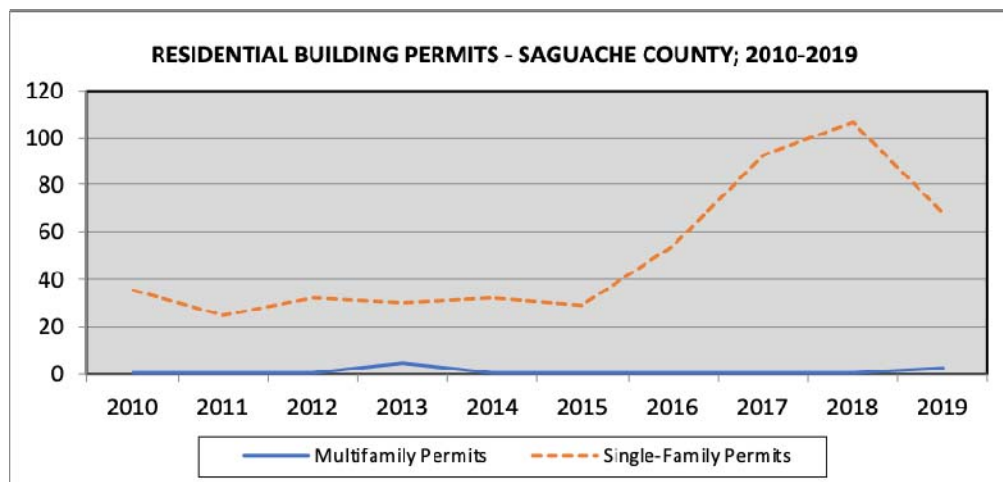
SUBJECT'S TARGET INCOME RANGE BY HOUSEHOLD SIZE, MARKET-RATE UNITS							
	Minimum Rent	Minimum Income		Maximum Income			
1 Person	\$621	\$14,904		\$35,000			
2 Person	\$665	\$15,960		\$35,000			
62+ RENTER HOUSEHOLD DEMAND BY INCOME AND SIZE, PMA, 2020							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
\$10,000-\$20,000	29	6	0	0	0	0	35
\$20,000-\$30,000	68	0	0	0	0	0	68
\$30,000-\$40,000	0	7	0	0	0	0	7
Total	97	13	0	0	0	0	110
62+ RENTER HOUSEHOLD DEMAND FROM GROWTH, PMA, 2020-2022							
	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Total
\$10,000-\$20,000	4	1	0	0	0	0	5
\$20,000-\$30,000	1	0	0	0	0	0	1
\$30,000-\$40,000	0	2	0	0	0	0	2
Total	5	3	0	0	0	0	8
Sum of Income and Size Qualified Renter Households from Growth & Existing							118
Other Demand							0
Total Income and Size Qualified Renter Households							118

IV. HOUSING TRENDS AND CONDITIONS

A. Housing Trends

From 2010 to 2019, Saguache County authorized the construction of 511 new residential dwellings. It had five multifamily permits in 2013, two in 2019 and zero in the other years from 2010 through year-to-date 2020, reflective of very limited multifamily development in the county over the past ten years.

The number of single-family permits issued in the county averaged 50 per year from 2010 to 2019. They fluctuated between 25 and 35 from 2010 to 2015, increased to 106 in 2018 and declined to 68 in 2019. There were no single-family permits authorized so far in 2020.



B. Income-Restricted Inventory

Saguache County, the subject's PMA, has a total of nine properties with 238 income-restricted units, including one senior LIHTC property, Cielo Vista Center Elderly, with 24 units that would directly most compete with the affordable units at Living Wisdom Village in terms of income and age restrictions. While these properties are apartments and the subject will consist of detached homes, because of the similarities in age- and income-restrictions, a senior LIHTC project will be competitive with the subject.

INCOME RESTRICTED UNITS IN THE PMA BY AMI THRESHOLD										
<i>Project Name</i>	<i>Type</i>	<i>Deep Subsidy</i>	<i>20%</i>	<i>30%</i>	<i>40%</i>	<i>50%</i>	<i>60%</i>	<i>70%</i>	<i>80%</i>	<i>Total</i>
Existing Units										
Casa de Cortez	LIHTC/515	23	0	0	0	0	0	0	0	23
Valle Vista Center Family	LIHTC/USDA/515	20	0	0	0	0	0	0	0	20
Sangre De Cristo Center Family	LIHTC/515	16	0	0	0	0	0	0	0	16
Cielo Vista Center Elderly	Sr. LIHTC	0	0	0	0	6	18	0	0	24
Tierra Nueva I	SRO/515	72	0	0	0	0	0	0	0	72
Tierra Nueva II	Section 515	25	0	0	0	0	0	0	0	25
Tierra Nueva III	Section 514/516	30	0	0	0	0	0	0	0	30
Blue Water Haciendas	Public Housing/Sub	12								12
Puerto Del Norte Haciendas	Public Housing/HOME						16			16
Total Existing, July 2020		198	0	0	0	6	34	0	0	238
Total Existing Senior, July 2020		0	0	0	0	6	18	0	0	24

Source: CHFA; Survey by Prior & Associates, July 2020

C. Comparable Projects

In July 2020, Prior & Associates surveyed four rental projects in the PMA that contain a total of 138 rental units and seven just outside the PMA to the south, in Monte Vista and Alamosa. There are no large-scale multifamily developments in Crestone and the subject, if completed, would be the newest and one of the largest projects in the community. The projects outside the PMA are included due to the very limited supply of apartments in the PMA and to provide additional insight to the region's rental market. These properties are shown in the following table and include one Class C market-rate property built in 1955, renovated in 2000 and in below average condition, and three Class B and C deeply-subsidized properties built from 1998 to 2006 that are in average or above average condition. Additionally, Prior & Associates obtained vacancy information for the seven properties outside the PMA in Monte Vista and Alamosa, including two Class B and two Class C market-rate properties built from the 1950s to 2013 that are in below average to above average condition, a senior LIHTC/subsidized property, Mount Blanca View, which was built in 1988 and 1993, renovated in 2016 and is in average condition, and two Class B and C subsidized properties that were built in 1998 and 2005, respectively, and are in average or above average condition.

We were unsuccessful in obtaining information for the following additional properties that would have otherwise been included in the report. On July 22, 2020, Prior & Associates left a voicemail for Blue Water Haciendas and Puerto Del Norte, public housing developments managed by the Saguache County Housing Authority, and on July 21, left voicemails for Valle Vista, Valley Grande Apartments and Sierra Vista Apartments, USDA-RD deeply-subsidized

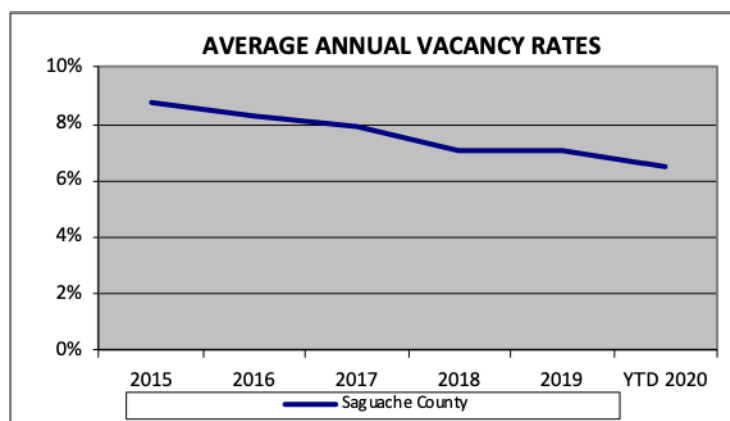
properties in Center and Alamosa. We also made several phone calls to Cielo Vista, a senior LIHTC property in Center, as well as to Sangre de Cristo and Casa De Cortez, LIHTC and USDA deeply-subsidized properties in Center.

COMPARABLE PROJECTS				
<i>Comp Number</i>	<i>Name</i>	<i>Type</i>	<i>City</i>	<i>Distance From Subject</i>
1	Warden Street Apartments	Market	Center	28.0 Miles
2	Tierra Nueva I	Dormitory/Subsidized	Center	28.4 Miles
3	Tierra Nueva II	Subsidized	Center	28.4 Miles
4	Tierra Nueva III	Subsidized	Center	28.4 Miles
5	Mount Blanca View*	Sr. LIHTC/Disabled/Sub	Alamosa	37.4 Miles
6	Kiva Apartments*	Market	Alamosa	38.1 Miles
7	Southside Apartments*	Market	Alamosa	38.3 Miles
8	Alamosa Plaza Apartments*	Market	Alamosa	37.5 Miles
9	Morris Street Apartments*	Market	Monte Vista	38.1 Miles
10	Tierra Nueva Apartments*	Subsidized	Alamosa	38.2 Miles
11	Casita De Sol*	Subsidized	Alamosa	38.3 Miles

*Outside PMA

D. Vacancy Trends

According to CoStar, from 2015 through July 22, 2020, the average apartment vacancy rate in the Saguache County, the subject's PMA, decreased from 8.8% to 6.5%, lowering each year during that period. CoStar only has four properties with 88 units in its inventory for the county.



Overall, surveyed property managers noted little impact from COVID-19 in terms of occupancy. In July 2020, only one property in the PMA had vacant units, which the manager said is typical due to its seasonal farmworker target market. Similarly, two market-rate properties in Alamosa were at 96% occupancy and one senior/disabled LIHTC/subsidized project was at 90%, and all other surveyed properties outside the PMA were at 100%.

The manager for the senior LIHTC property, Mount Blanca View, said that COVID-19 has slowed the ability to fill units. A representative at Century Property Management said that there has been no negative impact at Alamosa Plaza Apartments, a surveyed Class C market-rate property outside the PMA, but there has been impacts at the other properties they manage, while the manager for Warden Street Apartments, another market-rate property outside the PMA, indicated that while some tenants are struggling to pay and have fallen behind on rent, there

have been no evictions or skips. Casita De Sol, a subsidized property outside the PMA, has had fewer applicants and lower turnover due to the pandemic, while the remaining surveyed properties have had no impact from COVID-19.

In July 2020, the overall surveyed vacancy rate in the PMA was 2.9%. All four vacant units were at the dormitory farmworker property, Tierra Nueva I.

VACANCY RATES OF SURVEYED RENTAL UNITS			
<i>Unit Type</i>	<i>Number</i>	<i>Vacant</i>	<i>Vacancy Rate</i>
Studio	72	4	5.6%
One Bedroom	20	0	0.0%
Two Bedrooms	20	0	0.0%
Three Bedrooms	17	0	0.0%
Four Bedrooms	9	0	0.0%
Total	138	4	2.9%
Source: Survey by Prior & Associates, July 2020			

The surveyed Class C market-rate property, Warden Street Apartments, was built in 1955, renovated in 2000 and is in below average condition. It was 0.0% vacant.

The surveyed Class B subsidized properties, Tierra Nueva II & III, were built in 2006 and are in above average condition. They were 0.0% vacant.

The surveyed Class C farmworker dormitory subsidized property, Tierra Nueva I, was built in 1998 and is in average condition. It was 5.6% vacant, or four vacant units, which the manager attributed to typical seasonal fluctuations from its target market.

VACANCY RATES OF SURVEYED RENTAL UNITS				
<i>Unit Type</i>	<i>Total</i>	<i>Class C Market</i>	<i>Class B Subsidized</i>	<i>Class C Farmworker Dormitory Subsidized</i>
Studio	5.6%	---	---	5.6%
One Bedroom	0.0%	0.0%	0.0%	---
Two Bedrooms	0.0%	0.0%	0.0%	---
Three Bedrooms	0.0%	0.0%	0.0%	---
Four Bedrooms	0.0%	---	0.0%	---
Total	2.9%	0.0%	0.0%	5.6%
Source: Survey by Prior & Associates, July 2020				

The surveyed properties outside the PMA were 3.0% vacant in July 2020, including 3.3% at Kiva Apartments and Southside Apartments, Class B market-rate projects, 0% at Class C market-rate and Class B and C subsidized properties, and 10.0% at Mount Blanca View, a Class B senior/disabled LIHTC/subsidized property.

VACANCY RATES OF SURVEYED RENTAL UNITS					
<i>Unit Type</i>	<i>Total</i>	<i>Class B Market</i>	<i>Class C Market</i>	<i>Class B Senior/Disabled LIHTC/Subsidized</i>	<i>Class B/C Subsidized</i>
One Bedroom	4.7%	3.3%	0.0%	10.0%	---
Two Bedrooms	1.6%	3.3%	0.0%	---	0.0%
Three Bedrooms	0.0%	---	---	---	0.0%
Four Bedrooms	0.0%	---	---	---	0.0%
Total	3.0%	3.3%	0.0%	10.0%	0.0%
Source: Survey by Prior & Associates, July 2020					

E. Projects Planned or Under Construction

According to CoStar, research by Prior & Associates and Amber Wilson, Land Use Administrator for Saguache County, in addition to the subject, there is a senior facility planned near the town of Saguache. Ms. Wilson noted that while it is more of a center for daytime activities, there could be some short- or long-term care slots. However, because there is no confirmed information on the number of potential rental units, if any, this development is not considered in the PMA's rental development pipeline. There are no other multifamily rental developments in the county that are under construction or planned.

As noted in the following table, completion of Living Wisdom Village would increase the PMA's rental inventory by 20 units over the next two years.

UNITS IN THE PIPELINE – PMA					
<i>Name</i>	<i>Construction Status</i>	<i>Project Type</i>	<i>Units</i>	<i>Market-Rate Units</i>	<i>Affordable Units</i>
Living Wisdom Village (Subject)	Planned	Mixed-Income	20	N/A	N/A
Total			20	N/A	N/A
Source: Saguache County Planning Dept., Research by Prior & Associates, CoStar, CHFA					

V. CONCLUSIONS

The subject will be the first multifamily property in Crestone and one of few non-subsidized rental properties in the PMA. There appears to be demand for an age-restricted rental project, as evidenced by the low vacancy rate, aging-in-place population, all renter household growth being seniors and a statement from a surveyed property manager, the subject's remote location may hinder its marketability. The subject, a proposed 20-unit mixed-income, age-restricted project, will be able to attain its required market share for the following reasons:

- According to the sponsor, retirees will often move to the subdivision to build a dream home, but lose the ability to maintain it as they age, including declines in mental capacity from isolation. The subject would provide local residents with an alternative to moving outside the area, with unique benefits of aging-in-place, retaining relationships and encouraging more communal activities and gatherings.
- Without being fully advertised, as of July 2020, there was a waiting list of 21 applicants, more than the development can accommodate. Of the 14 local households on the waitlist, five currently own a home in the Baca Grande subdivision and cited reasons including downsizing, being closer to town and their friends and peers. In August, Living Wisdom Village will be announced in the local paper and the waitlist will likely increase as a result. This supports the non-quantitative pent-up demand for senior housing and is a very strong positive for the subject's feasibility. Prior & Associates expects the subject to receive continued demand from aging-in-place retirees in the Baca Grande subdivision.
- The projected rate of population growth for the 62 and older age group in the PMA (2.9%) is faster than the average annual increase for the overall population (1.2%).

Furthermore, 93% of the projected annual household growth is elderly and all 13 renter households projected to be added in the PMA per year over the next five years will be senior.

- There are very few age-restricted rental units in the PMA for the subject's target market, and there are no multifamily properties planned or under construction in the area to account for the renter household growth, which consists entirely of seniors.
- The aging-in-place population and population growth of nearly all seniors supports the subject's proposed development as an age-restricted property, the most appropriate for the market if anything was to be built.
- There will be approximately 164 age-, size- and income-qualified renter households in the PMA for the proposed subject. This is slightly understated as it uses maximum gross LIHTC rents, which do not account for any tenant utility expenses. Given the lack of rental housing similar to the proposed subject and the low capture rate of 12.2%, there are sufficient senior renter households to account for the subject.
- In July 2020, the overall surveyed vacancy rate in the PMA was 2.9%, and all four vacant units were at the dormitory farmworker property due to its seasonal target market. The surveyed properties outside the PMA were 3.0% vacant in July 2020. These rates are below the balanced threshold of 5%, suggesting pent-up demand for rental housing in the PMA.
- The lack of precedent for a rental property in Crestone or a mixed-income age-restricted property in the county means a larger size could be problematic, and the subject's smaller development of 20 units is appropriate for the market.

In conclusion, there appears to be sufficient demand in the PMA for a 20-unit age-restricted affordable and market-rate rental property. There are some concerns related to the lack of traditional, large-scale shopping healthcare and other services in Crestone, as well as the distance to the closest facilities. However, the 21-person waitlist for the potential project before even starting construction suggests that this issue is not significant for many potential senior tenants for Living Wisdom Village and would not keep it from achieving its required market share.