Partnership Criteria Policy
Approved: February 2, 2019

Introduction

It is the mission of the Housing Authority of the City of Aurora (“AHA”) to develop and promote quality housing while supporting and encouraging economic opportunities leading to self-sufficiency and independence. AHA believes this mission includes the creation of additional affordable housing units through strategic development partnerships.

- AHA will consider participation proposals for the development of affordable and/or low-income housing, in order to expand the opportunities for suitable living environments free from discrimination.
- If requested, AHA will review preliminary applications and issue a letter of support prior to CHFA application.
- A partner fee, calculated as a percentage of the overall value of our partnership participation, will be expected at closing.

This policy provides guidance to both non-profit and private affordable housing developers (“Developers”) regarding internal evaluation procedures. This application process is not competitive: each project will be evaluated on its individual merits. AHA reserves the right to accept or reject any proposal, and/or to revise, change, modify, or eliminate this policy at any time, in its sole and absolute discretion.

Background

Properties owned by the Housing Authority of the City of Aurora are exempt from all local and municipal taxes. The Colorado Revised Statues, Section 29-4-227, as amended in 2016, provides that projects in which an authority has an ownership interest are “exempt from both property tax and, during construction, from the payment of sales tax and use tax to the state or any county, city and county, municipality, or other political subdivision of the state in proportion to the percentage of the project that is for occupancy by person of low income.”

This exemption is a privilege; thus, AHA wants to ensure that any partnership into which it enters is in alignment with the AHA mission, and provides benefits to the community and residents. Because AHA has limited staff and financial resources, it is necessary to establish the procedures and criteria that AHA staff will use to evaluate and recommend proposals submitted by developers for approval by the AHA Board of Commissioners.
**Partnership Selection Criteria**

The proposed project must meet the following minimum threshold criteria to be considered:

1. Must be located in the City of Aurora;
2. Must serve low-income households;
3. Must demonstrate the proposed project is not financially viable without AHA participation. AHA will not participate in a project solely to increase the developer’s profit margin; and
4. Must have received a tax credit award from CHFA.

**Evaluation Criteria**

The proposed project will be evaluated on the following elements:

1. At least 50% of units must serve households earning less than 60% of AMI (in consideration of mixed use developments and income averaging);
2. Target low-income units at 30% and 40% of AMI;
3. The Land Use Restriction Agreement conforming to CHFA’s minimum requirements (30 years).
4. Opportunity for ownership by AHA, either due to elimination of the General Partner, or at the end of the LIHTC compliance period.

**Procedure for AHA Review**

1. Developer must provide AHA with a Proposal Request to include a cover letter introducing your development team, an approved CHFA tax credit application, narrative, addendums and current proforma.
2. Developer must pay a non-refundable Application Fee in the amount of $5,000 to reimburse AHA the costs associated with review and analysis of proposal.
3. Proposals must be received by the 10th day of the month to be considered by the Board for the following month.
4. AHA staff may consult with other city, state or local authorities prior to making a recommendation to the AHA Board of Commissioners.
5. AHA staff will perform an initial review and evaluation of the proposal.
6. AHA staff will calculate and recommend a Partnership Fee for Board approval.
7. The Board of Commissions will review the proposal and make a formal recommendation to approve or deny the partnership request.
SLP Fee Calculation

Using the permit fee calculator on the City of Aurora’s website, AHA will determine the value of the Permit Fee and Sales Tax Waiver. This total, combined with the 15-year real estate tax estimate will be added together. The total value of the partnership will be multiplied by 10 percent. This will constitute the Special Limited Partnership (SLP) Fee payable to the Authority upon closing of the Partnership.

Example:

<table>
<thead>
<tr>
<th>Building Construction Fee Estimates (Construction Budget = $20M)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="https://www.auroragov.org/cms/one.aspx?portalId=1881221&amp;pageId=3668644">https://www.auroragov.org/cms/one.aspx?portalId=1881221&amp;pageId=3668644</a></td>
<td></td>
</tr>
<tr>
<td>Permit Fee/Paid before partnership closes</td>
<td>N/A</td>
</tr>
<tr>
<td>Plan Review Fee</td>
<td>$86,349</td>
</tr>
<tr>
<td>Sales Taxes, Materials</td>
<td>$375,000</td>
</tr>
<tr>
<td><strong>Subtotal Permit and Sales Tax Waivers</strong></td>
<td>$461,349</td>
</tr>
<tr>
<td><strong>Adams County Property Valuation = $18.5M</strong></td>
<td>$18,500,000</td>
</tr>
<tr>
<td>Property Taxes/Annual (7.2% Assessment + Ave Mill Levy)</td>
<td>$121,713</td>
</tr>
<tr>
<td><strong>Taxes x 15 years</strong></td>
<td>$1,825,692</td>
</tr>
<tr>
<td><strong>Total Value of Partnership</strong></td>
<td>$2,287,042</td>
</tr>
<tr>
<td>Housing Authority SLP Fee</td>
<td>$228,704</td>
</tr>
</tbody>
</table>

Commitment

- If the AHA Board of Commissioners approves the proposed partnership, AHA will issue a Term Sheet detailing the requirements for the partnership to be formed and/or request additional information.
- The Board will authorize the Executive Director to take all necessary steps to enter into partnership documents for the transaction.
- If the Board denies the request, the Executive Director will issue a letter to the Developer clarifying the Board's decision. Prior to entering into a partnership, AHA legal counsel will review a potential partner’s financial statements, and provide assurance to the Board regarding liability issues. The partner’s legal counsel will be responsible for document preparation, and AHA legal counsel will review. All legal fees associated with AHA legal review will be borne by the Developer.

On-Going Partnership Commitments

All partnerships will require that regular and pertinent information be provided to AHA, including but not limited to:

- An annual partnership fee of $2,500
- All property inspection reports by compliance monitoring agencies
- Annual audited financial statements for property
- Annual audited financial statement of partner/guarantor