



South Metro Housing Options

**Housing Authority of the City of Littleton d.b.a.
South Metro Housing Options**

Special Limited Partner Criteria Policy

Introduction

It is the mission of the Housing Authority of the City of Littleton, dba South Metro Housing Options (“SMHO”) to seek to strengthen the community by offering a variety of housing options. Our affordable, high-quality housing responds to the needs of residents and the broader community, while upholding ethical stewardship of public funds and assets. SMHO believes this mission includes the creation of additional affordable housing units through strategic development partnerships.

- SMHO will consider participation proposals for the development of low-income housing, in order to expand the opportunities for suitable living environments free from discrimination.
- If requested, 60 days before application, SMHO will review preliminary applicant credentials and issue a conditional letter of support prior to CHFA application.
- A partnership fee, calculated as a percentage of the overall value of our partnership participation, will be expected at closing or paid over an agreed amount of time.

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.

SMHO 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 South Metro Housing Options are exempt from all local and municipal taxes. The Colorado Revised Statutes, 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, SMHO wants to ensure that any partnership into which it enters is in alignment with the SMHO mission and provides benefits to the community and residents. Because SMHO has limited staff and financial resources, it is necessary to establish the procedures and criteria that SMHO staff will use to evaluate and recommend proposals submitted by developers for approval by the SMHO Board of Commissioners.

Partnership Selection Criteria

Project location	The Project must be located within Littleton City limits, or unincorporated Arapahoe County.
Partnership Interest	SMHO to acquire a 0.01% non-managing/non-controlling partnership interest.
Project Qualifications	The Project’s income average must be at or below 60% of the Area Median Income. Preference will be given to those Projects that target: <ul style="list-style-type: none"> • Low-income units at 30% and 40% of the AMI • Permanent Supportive Housing (PSH)
	The Project must be non-viable without the SLP; we will not improve an Applicant’s bottom line. SMHO will expect to see at least 30% of developer fee deferred in the project proforma.
	The Project must have received tax credit award from CHFA.
Application Fee	The Applicant must pay a \$4,000 application fee.
Asset Management Fee	The Applicant must pay a yearly Asset Management Fee of \$100/unit, increasing at 3% yearly increments.
Right of First Refusal	SMHO to receive right of first refusal after the end of the LIHTC compliance period or if partner exits or defaults early.
Legal & Administrative Expenses	Applicant will reimburse all legal and administrative expenses to SMHO.

PARTNERSHIP FEE

If the Special Limited Partnership with SMHO for the project is approved by the SMHO Board, Developers can choose between two options for the Partnership fee.

Option 1: The Partnership fee may be paid annually for the duration of the 15-year compliance period from the project’s operating budget and will be set at 10% of the net

present value of exemptions and will escalate by 3% annually. This does not replace the asset management fee which must be paid in addition to the Partnership fee.

- Net Present Value of Exemptions: This value will be determined with input from the Arapahoe County Tax Assessors office and shall take into account the planned improvements.
- Duration: to be paid annually as long as the project continues to receive tax exemption benefits through its partnership with SMHO.
- Example Calculation: 90 Unit Development
 - Estimated annual property tax exemption - \$135,000
 - Annual Fee: $\$135,000 \times 10\% = \$13,500$ escalating at 3% annually

Option 2: The one-time Partnership fee will be due in full to SMHO at financial closing. The Partnership fee will either be the greater of \$50,000 or the calculation detailed below using a percentage of the net present value of the exemptions secured through SMHO's involvement.

- Net Present Value of Exemptions: This value will be determined with input from the Arapahoe County Tax Assessors office and shall take into account the planned improvements.
- % of Exemption: The % used to calculate the exemption will be based on the average affordability or depth of income targeting using the below:
 - 10% Fee – for projects with average AMI between 56-60%
 - 8% Fee – for projects with average AMI between 51-55%
 - 6% Fee – for projects with average AMI between 46-50%
 - 4% Fee – for projects at or below average AMI of 45%
- Regulatory Compliance Period: 15 years
- Example Calculation: 90 Unit Development
 - Average AMI – 53%
 - % of exemption based on average AMI – 8%
 - Estimated annual property tax exemption - \$135,000
 - Exemption compliance period – 15 Years
 - One Time Partnership Fee: $\$135,000 \times 15 \text{ Years} \times 8\% = \$162,360$

SUBMITTAL REQUIREMENTS

General Support for a Project (Letter of Support)

Proposals seeking general support for a project must submit a letter to the SMHO Executive Director including the following information:

- Name of Development Firm
- Primary Contact Name and Contact Information
- Project Name
- Project Location (address or cross streets) including maps
- Type of Development (e.g., new construction, rehabilitation)
- Building Type (e.g., multifamily, townhome, single family)
- Number of units and unit details including income mix, number of bedrooms,
- Population to be served
- Services to be offered
- Anticipated financial sources
- Anticipated partnership structure
- Include site plan, conceptual design of proposed project, elevations
- Any other information the applicant deems pertinent

Procedure for SMHO Review

1. Applicant must provide SMHO with a Proposal Request including :
 - a cover letter introducing your development team,
 - an approved CHFA tax credit application, (narrative, and proforma),
 - CHFA 4% initial determination letter or 9% LIHTC notification letter,
 - current financial statements prepared by an independent accounting firm,
 - a list of current projects in development,
 - and contact information for the senior project management and property management (resumes and LIHTC experience forms from LIHTC application).
 - List of closed LIHTC transactions with investor contacts.
2. Applicant must pay a non-refundable Application Fee in the amount of \$4,000 to reimburse SMHO the costs associated with review and analysis of proposal.
3. Proposals must be received by the 1st day of the month, and SMHO staff will require 60 days to review.
4. SMHO staff will review applicant's current financial statements and confirm ability of organization to meet liquidity thresholds.
5. Staff will determine if applicant has done prior development in Littleton and if there is City of Littleton support in the form of soft funds or PAB awards.
6. SMHO staff will ask applicant about any current or pending litigation.
7. SMHO staff may consult with other city, state, or local authorities prior to making a recommendation to the SMHO Board of Commissioners.
8. SMHO staff will perform an initial review and evaluation of the proposal, and a development representative must present their project at the scheduled SMHO Board of Commissioners meeting.
9. SMHO staff will calculate and recommend a Partnership Fee for SMHO Board of Commissioners approval.
10. The SMHO Board of Commissioners will review the proposal and take action by way of a resolution to approve or deny the partnership request at a regularly scheduled board meeting.

If at any time the applicant sells the property while SMHO is a special limited partner, the applicant will be required to reimburse SMHO for all of SMHO's actual legal expenses incurred to exit the partnership or renegotiate the required partnership agreements for the new ownership entity.

Developer must commit to provide annual inspection reports completed by any monitoring agencies, annual audited financial statements for the property, and annual audited financial statements for the partner/entity. SMHO reserves the right to request additional documentation related to the operation and maintenance of the property and of the entity and such request will not be unreasonably withheld

Upon Board approval to proceed, staff will complete due diligence including, but not necessarily limited to obtaining the following information:

- Written narrative and diagram explaining the proposed partnership structure including SMHO
- By-laws and Articles of Incorporation of development entity
- Listed on Certificate of Insurance
- Certificate of Good Standing
- Detailed information regarding partners, investors, and development team members involved in the development
- Development schedule
- Name and experience of property management company
- Other information pertaining to completing the project

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