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AFFORDABLE HOMES — FREQUENTLY ASKED QUESTIONS



AFFORDABLE HOMES AND PURCHASING PROCESS

Under the terms of the Inclusionary Housing Ordinance (“IHO”), The Coloradan is proud to offer 33 Affordable Homes for sale. Our goal in doing so is to allow more individuals in downtown Denver to have an opportunity to become a part of the exciting and dynamic community forming at The Coloradan. We want The Coloradan to be a place of inclusion and diversity that represents owners from varying income levels and walks of life. As you read through this Frequently Asked Questions (“FAQ”) document, please note that it is a supplement to the existing Coloradan FAQ document and community brochure, and prospective Buyers should reference both to complete a full review of your purchase.

Overview

What are Affordable Homes? These are homes that are deed restricted in accordance with the City of Denver’s IHO. The buyers of these Affordable Homes must be income-qualified, and the Affordable Homes can only be purchased by households that meet the Affordable Housing Guidelines set by the Office of Economic Development (“OED”). These homes are also subject to a Covenant, which determines future sale prices and requires that the homes be sold to qualified buyers for the 25-year period following the initial closing.

How many Affordable Homes are offered at The Coloradan? There are 334 total homes at The Coloradan, 33 of which are Affordable Homes. The 33 consist of 12 one-bedroom and 21 two-bedroom homes.

Frequently Asked Questions

What sizes are the Affordable Homes? The one-bedrooms are 725-730 square feet and the two-bedrooms are 746-878 square feet, based on measurements from the architectural plans. Please understand that there are different methods to measure square footage.

What are the prices of these homes? The one-bedrooms are \$230,751, and the two-bedrooms are \$285,936.

How are the prices determined? The U.S. Department of Housing and Urban Development (“HUD”) sets Area Median Income (“AMI”) levels for various household sizes, and AMI is used within a formula established by the City and County of Denver to determine the prices based on ratios of expected housing costs to income.

What is the expected time frame for construction and delivery? The Coloradan broke ground in August of 2016, and it’s scheduled to be completed in the fourth quarter of 2018.

When can I move into my home? You will work with one of our homeowner liaisons to schedule your exact move-in date, but we expect to begin moving in residents starting the first quarter of 2019.

Where are the Affordable Homes located in the building? They feature both cityside (Union Station) and Wewatta Street views and are located on floors four through seven.

How does parking work at The Coloradan? Parking at The Coloradan will be provided on an unassigned leased basis, meaning that spaces will not be sold with the homes as assigned spaces. Instead, residents have the perpetual right to lease unassigned spaces on a month-to-month or longer-term basis for their use.

How many spaces come with each Affordable Home? Affordable Home owners have the right to lease one parking space. A flexible parking lease will be \$195 per month, and an upper garage parking lease will be \$235 per month initially. There is no obligation to lease a space, and owners at The Coloradan can take full advantage of the walkability of the location and the myriad of transit options offered at Union Station.

How much are the Homeowners’ Association (“HOA”) dues? Current estimates are \$0.55 to \$0.60 per square foot per month. This means a 750-square-foot home would pay between \$412.50 and \$450.00 per month.

Are the monthly HOA dues calculated the same way for everyone in the building? Yes, all 334 homeowners at The Coloradan will pay the same dues on a per-square-foot-per-month basis, and they will all have the same access and obligations per the governing documents.

How are the Affordable Homes different from the other market rate homes? The differences are in the interior finishes, which have been as thoughtfully designed as those elsewhere in the building. The Affordable Homes will also be subject to a Covenant recorded against the home restricting future sale prices and purchaser eligibility. (Note: These homes are income qualified and can only be purchased and resold to households that meet the Affordable Housing Guidelines set by the OED.)



Qualification

What are the steps to purchase?

Here are the 5 steps (each step is described in more detail below):

Step 1 - Prequalification

- a. Confirm with your lender that you meet the City of Denver’s OED criteria and income requirements (e.g., income, total assets, full-time owner).
- b. Receive a loan pre-approval letter from a lender and provide it to a member of The Coloradan sales team.

Step 2 - Lottery to establish selection priority

Once you’ve completed the two prequalification steps, we will then enter your name into a lottery drawing with other qualified households interested in purchasing the home type you have selected (i.e., one-bedroom or two-bedroom). The lottery drawing ensures a fair process, where every qualified purchaser has an equal chance to be first in line to select a home and sign a contract. Every qualified purchaser will receive a priority number from the results of

the applicable lottery drawing. If you are not selected as one of the purchasers for the 33 homes, you will be put on a waitlist with the priority number received, should another contract fall through.

Step 3 - Execute a Purchase and Sale Agreement (“PSA”)

If your name is chosen for one of the 33 homes through the lottery, you will select a home in the order of your priority and execute a PSA within the time frame and requirements described more fully below.

Step 4 - Income verification with the City

Within 15 calendar days after you sign a PSA, you will be required to complete the OED’s Income Verification and Eligibility Form and submit the completed form to the City. You will then have another 45 calendar days to gain the City’s approval.

Step 5 - Homeownership Counseling Class

Within 60 calendar days of signing the PSA, you will be required to complete a free homeownership counseling class, as described below. The certificate of completion received after taking the class should be submitted to the City as part of the income verification process. (Note: If you aren’t able to complete steps 4 and 5 within 60 calendar days, the PSA will terminate.)

Further Detail on the 5 Steps

Step 1a - Confirm that you fall within the criteria set forth by the City

Household income must be between 50% and 95% of Denver’s AMI for your household size.

%AMI	HOUSEHOLD SIZE					
	1 PERSON	2 PERSONS	3 PERSONS	4 PERSONS	5 PERSONS	6 PERSONS
50%	\$31,500	\$36,000	\$40,500	\$44,950	\$48,550	\$52,150
60%	\$37,800	\$43,200	\$48,600	\$53,940	\$58,260	\$62,580
80%	\$50,350	\$57,550	\$64,750	\$71,900	\$77,700	\$83,450
90%	\$56,700	\$64,800	\$72,900	\$80,910	\$87,390	\$93,870
95%	\$59,850	\$68,400	\$76,950	\$85,405	\$92,245	\$99,085

Households may not own one or more homes. If a household currently owns a home, they must provide proof of sale prior to closing on the Affordable Home.

**Step 1a (continued)**

Households may not hold assets in excess of one-and-a-half (1.5) times the amount of the sale price. For example, if the purchase price of the home is \$200,000, you may not hold assets of more than \$300,000. However, the City of Denver may allow certain exemptions for retired or permanently disabled applicants. Also, if you are selling a home to purchase an Affordable Home, a portion of those sale proceeds will not be counted within your assets. Please contact the City if you have questions regarding this process and the amount that would be included.

Per the City's definition, assets may include, but are not limited to, the following:

- Amounts in savings and checking accounts
- Stocks, bonds, savings certificates, money market funds, and other investment accounts
- Trusts and/or the cash value of trusts that may be withdrawn by the household
- Individual Retirement Account ("IRA"), Keogh, and similar retirement savings accounts even if withdrawal would result in a penalty
- Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims

Step 1b – Secure a preapproval letter from a lender

All applicants must provide a preapproval letter from a lender. We recommend using one of our preferred lenders, as they are familiar with the building and the approval process with the City. The Developer has no affiliation with any of the preferred lenders and provides no assurance that you will qualify for a loan, or any other assurance regarding the lender or possible loan.

Do you have a list of lenders who have approval to lend on the Affordable Homes in The Coloradan? Yes, the following preferred lenders have already gained approvals to lend in The Coloradan. That said, you are welcome to use other lenders with whom you have a relationship.

Universal Lending – Sandy Levy. 303-759-7402. slevy@ulc.com

Fairway Mortgage – Claudia Gutierrez. 720-261-5841. cgutierrez@fairwaymc.com

Step 1b (continued)

Are there down payment assistance programs available? Yes, please contact one of our preferred lenders to learn more about the types of financing available and down payment assistance programs.

What types of loans are available for these homes? Please ask your lender about a conventional loan through Fannie Mae (“FNMA”) or Freddie Mac (“FHLMC”), as Federal Housing Administration (“FHA”) and Veterans Administration (“VA”) loans are not approved to purchase an Affordable Home at The Coloradan.

Can my parents or a family member provide the down payment? Gift funds are restricted to 20% of the purchase price of the Affordable Home. Buyers can purchase the home with cash but must still be income verified. Gift funds must be solely used toward the purchase of an Affordable Home (i.e., down payment), and a gift letter must be provided, including the following information: who is receiving the gift funds; the name and relationship of the person giving the gift funds; the exact dollar amount of the gift funds; and a statement that no repayment is required and that the gift funds will be used solely for the purchase of a Denver Affordable Home.

Can someone cosign my loan? Yes, but they cannot have ownership in the home unless they are part of your household. All household members must be income verified by the City.

What documentation will I need to provide to the lender? Examples of requested documentation include, but are not limited to:

- Two years of federal income tax returns
- Two months of your most recent paystubs for each household member age 15 years and older who is currently employed
- Two months of complete and recent bank statements
- Asset statements

Please also contact your lender for further details, as their requirements may be different from that of the City.

What closing costs will I have to pay? Closing costs include, but are not limited to, three months of HOA dues (paid toward the association’s working capital), prorated property taxes, prorated monthly HOA dues, a 0.5% transfer fee to The Coloradan Community Foundation, closing and title fees, and all lender-related fees based on your loan.

**Step 2 - The Lottery**

Prior to the lottery, how can I learn more about The Coloradan? Reach out to a member of our Sales Team to schedule an appointment to visit our Sales Center, or come to one of our scheduled informational events.

What happens after I qualify? Once you’ve successfully completed the two prequalification steps, we will enter your name in a lottery to establish a purchasing order for the 33 homes.

When is the lottery? The lottery is tentatively scheduled for June 19, 2018.

Will there be separate lotteries for one-bedroom and two-bedroom plans? Yes, we will enter all qualified one-bedroom candidates into a one-bedroom lottery and all qualified two-bedroom candidates into a two-bedroom lottery. Some candidates may qualify for both lotteries based on their income and lender preapproval. From there, we will hold an unbiased, random lottery to establish priority selection order. If your name has been selected for purchase of both a one-bedroom and a two-bedroom, you will, of course, be permitted to select and purchase only one residence and shall forfeit your priority status on the other residence.

What happens after the lottery? Based on the order established by each lottery, we will schedule individual contract appointments for specific homes beginning June 21, 2018. When we reach out to schedule your contract appointment, you have 24 hours to respond and confirm your appointment date and time. Your failure to do so or to attend your scheduled appointment may result in a termination of your right to purchase an Affordable Home, at the option of the Developer. The Developer reserves the right to permit an exemption from this timing requirement and to reprioritize your priority status based upon the timing of your rescheduled appointment, but the Developer is under no obligation to do so.



Step 2 (continued)

What happens at the contract appointment? At your contract appointment, you will select a home and execute a PSA for that specific home. And, as part of executing the PSA, you will be required to pay the earnest money deposit required by the agreement. After signing the PSA, you will have a 5-business-day document review period. Any failure to submit a signed, unmodified agreement or pay the deposit on time shall terminate your right to purchase a residence.

What happens after I go under contract? We will notify the City and then, as mentioned above, you will work with the City to complete the income verification process. We will work closely with you throughout this process, and your lender will be a tremendous asset as well. The verification form and required submittals must be submitted to the City within 15 calendar days after signing the PSA.

How do I have my income verified by the City? Here is a link to the City's Income Verification form: <https://www.tfaforms.com/4624103>.

Note that you are required to have a lender preapproval letter and a signed purchase contract to complete this form. Each household member over the age of 15 years must provide the requested information and documents, as applicable. Requested documents include tax returns, tax transcripts, verification of employment, 2 months of paystubs, etc. You will also be required to submit a certification to the City of your completion of the homeownership counseling class, as described below.

What if I'm not one of the first 33 names chosen? If you are not one of the initial 33 approved buyers chosen by the lottery, you will be added to the waitlist. If any qualified purchasers choose to terminate their PSA, the residence they had chosen will become available to the next person on the waitlist who will have the right to a contract appointment and selection of that home.

Step 3 - Purchase and Sale Agreement ("PSA") Details

How can I review the PSA and the related documents? It is important to us that you have plenty of time to understand the PSA, Master Covenant for the Occupancy and Resale of For Sale Units at The Coloradan, Memorandum of Agreement, and all of the documents discussed in the agreement, including all of the association formation documents and title information. You can access these documents on our website here: thecoloradan.com/affordable-homes/

What is the Master Covenant for Occupancy and Resale of For Sale Units at The Coloradan? By signing the Covenant, you are agreeing to make the home your primary residence (live in it and not rent it), become income verified, only sell your home to someone else through the City's resale process if you sell prior to the 25-year expiration date, and lastly, you are agreeing to all of the City's rules and enforcement mechanisms.



Step 3 (continued)

How much is the earnest money deposit? It's \$2,000 for a one-bedroom and \$2,500 for a two-bedroom home.

Is the earnest money refundable? After signing the PSA, you will have (1) a 5-business-day document review period during which earnest money deposits are refundable and (2) a 60-calendar-day income qualification period during which earnest money deposits are refundable if you are unable to secure a verification letter from the City despite your diligent efforts to do so. Also, if you are unable to qualify for a loan within 60 calendar days of signing the PSA, the earnest money deposit will be refundable. After these simultaneous periods, the earnest money deposit will become nonrefundable.

Step 4 - Complete Income Verification and Eligibility Form with the City

The final step in the City's process is to complete the OED's Income Verification and Eligibility Form. You will not be able to submit this form until you have a signed PSA. More information can be found here: <https://www.tfaforms.com/4624103>

Note: Once you are verified, you are eligible for one year.

Step 5 - Homeownership Counseling Class

These classes are required by the City and are hosted by various nonprofit organizations. They're free to attend, and they include information on how to choose a real estate broker and lender, how to prepare for homeownership, loan product information, closing process information, home maintenance, possible down payment assistance, etc. Please contact any of the following providers to attend an approved homeownership counseling class. We have included links to each organization's list of upcoming classes. Also note that you do not have to use the providers below. You may use any HUD-certified, nonprofit housing counseling agency. You will receive a certification after completing a class.

Brothers Redevelopment 303-202-6340

www.brothersredevelopment.org/HousingCounseling/FirstTimeHomebuyerCounseling/tabid/499/Default.aspx

Colorado Housing Assistance Corporation 303-572-9445

www.chaconline.org/education-and-counseling/classes/

Del Norte Neighborhood Development 303-477-4774

www.delnortendc.org/homeownership-services/

Denver Housing Authority 720-932-3000

Please call to obtain class times.

NEWSED Community Development 303-534-8342

www.newsed.org/wp-content/uploads/2017/12/2018-Class-Schedule.pdf

Northeast Denver Housing Center 303-377-3334

www.nedenverhousing.org/site/epage/114316_933.htm

Southwest Improvement Council 303-934-2181

Please call to obtain class times.

How long are these classes and when are they typically held? Classes typically run 5-6 hours and they are often after work on weekdays or from morning to early afternoon on Saturdays. Some classes include refreshments.

Are these classes available online? Some of the organizations listed above offer online classes. However, there is typically a fee (for example, NEWSED charges \$99). Please call or visit the website of the non-profits listed above for more information.



Ownership

Can I rent my home or a bedroom in it? The home must be your primary residence. An owner may not rent their home without obtaining a temporary exception that is approved in writing by the Denver OED. In this case, any rent beyond the mortgage and HOA dues must be paid into the special revenue fund. If you obtain a temporary exception, the rental is still subject to the HOA restriction of a 30-day minimum lease. The exemption only applies in extreme hardship circumstances, has a variety of restrictions, and is not guaranteed to be granted. If you want to buy a two-bedroom with a roommate that will help you pay your mortgage, this person must be listed as part of your household during your income verification process and their income will be counted as well.

What does Deed Restriction mean? The Affordable Homes are subject to various requirements regarding the prices that the homes may be sold for and the amount of appreciation that an owner can keep at sale. The deed restricts the acquisition and the transfer of the property. The goal is to ensure that the home is not sold or occupied in a manner that is inconsistent with the goals of the Denver Affordable Housing Program. The new buyer must also be pre-qualified with the City.

How long will the Affordable Homes be Deed Restricted? 25 years.

What happens when I want to sell my home? Please review the Covenant for the details regarding the sale of your home. The City sets maximum home prices based on your Covenant terms. In general, if you sell your home within 15 years of the date of the initial purchase, the maximum sale price the home can be listed for is the original purchase price plus a yearly increase (which is not to exceed 3.5% for any given year). If you sell the home after 15 years of owning it, but before 25 years (when the deed restriction ends), there is a market rate component, and a portion of the profits must be paid to the OED. There is a detailed formula, which can be found in the Covenant, but roughly 50% of profits from the sale are paid to the OED in order to continue to keep housing affordable in the future.

When you go to sell your home, you may market your home through traditional methods if you wish, but all affordable for sale homes must also be listed on www.coloradohousingsearch.com.

After 25 years, you may keep all profits upon sale, and deed restriction is lifted permanently.

IMPORTANT NOTE: This FAQ is provided as a convenience to persons interested in acquiring a residence at The Coloradan under the Affordable Housing Program of the City and County of Denver. It is not intended as a substitute for full and careful review of all documents related to such purchase, including the Notice of Voidable Title Transfer and Master Covenant for the Occupancy and Resale of For Sale Units at The Coloradan, the Purchase and Sale Agreement for the residence and its related disclosures, the form of Parking Lease and the association and other documents of The Coloradan as referenced in the Purchase Agreement. Information contained in this FAQ is non-binding and subject to the terms of the actual affordable program documents and City ordinances and of the actual documents governing The Coloradan. Information may change without notice.

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