



# WORKFORCE HOUSING



**HO2 Walsenburg LLC:** Colorado Limited Liability Company – subsidiary of Housing O2 LLC

**Established:** 2021

**Mission** – enable low-income workers to attain homeownership and support community economic recovery.

**Goal** – Build as many workforce housing units as soon as possible on the site

**Site** – ‘Old football field behind the old high school’ – West Elm Street and Walsen Avenue, Walsenburg, Colorado

**Principals**

- Karl Dakin
- Mark Pacheco
- Tom Pantan

**Investment to Date** - \$100,000

**Status**

Application to the City of Walsenburg for rezoning pending.

**Contact**

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<http://www.HousingO2.com>

## HO2 WALSENBURG OPPORTUNITY BRIEFING

Housing O2 has established HO2 Walsenburg LLC as a subsidiary dedicated to development of workforce housing in Walsenburg, Colorado.

### Walsenburg

The City of Walsenburg is in south central Colorado. It is the county seat of Huerfano County. With a population of approximately 3,000 people, the City is located 2.5 hours of driving time south of Denver at the intersection of Interstate 25 and US Highway 160.



## Market

The City of Walsenburg is a rural community within a HUBZone (0855960600). It is targeted for New Market Tax Credit investments for Severe Economic Distress. The average age of housing is 76 years. The US Census reports that 19.9% of the population lives in poverty with a median household income of \$40,255. With reported near net zero to net zero housing inventory, local officials estimate needed affordable housing at 200 to 300 housing units.

Discussion with the largest local employers supported the need of housing for teachers, healthcare workers, government workers and both large and small businesses. A shortage of housing is particularly acute for individuals earning between \$16 and \$30 per hour. Housing O2 was invited to tour available building sites by City and County officials.

## Property Site

Housing O2 selected as a development site a 3-acre property known as the 'old football field behind the old high school' (now the Spanish Peaks Library).



Sewer and water lines run to and under the property. Broadband internet access is available through local providers.

Nearly all the property lies within a flash flood 100-year flood plain that was imposed by FEMA after the community was built.

## Business Model

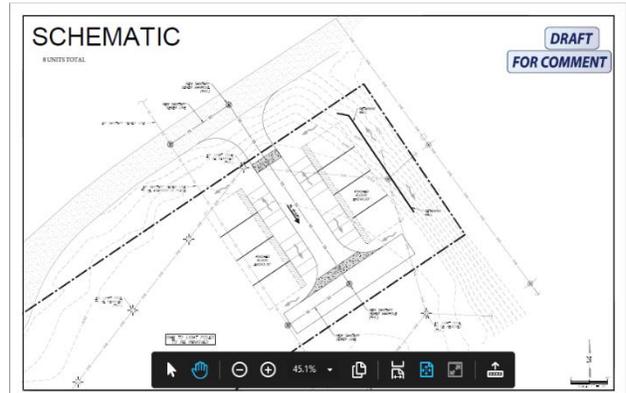
The property site in Walsenburg will employ the following business model:

1. Property Candidates - Identify a property that presents a suitable candidate for workforce housing development and/or related building development.
2. Form Subsidiary - Create HO2 Walsenburg as a subsidiary to develop the property site.

3. Obtain First Stage Funding – HO2 Walsenburg obtained \$100,000 in debt funding for acquisition and entitlement activities.
4. Obtain Control of the Property - Housing O<sup>2</sup> acquired the property. A security interest in the property was granted to investors in First Stage Funding.
5. Entitlement Activities – HO2 Walsenburg is working with the City of Walsenburg to obtain all needed re-zoning, subdivision authorization, and building permits to construct workforce housing. Workforce housing is intended to advance regional planning and economic development. HO2 Walsenburg will contact local employers and solicit letters of intent to participate in a rent-to-own workforce housing development. Employers will agree to purchase one or more workforce housing units at a date five years after completion of construction. Employers will arrange for a designated employee to rent the housing unit for a five-year term. The employer commitment within the letter of intent will be converted into a formal agreement when HO2 Walsenburg completes Second Stage Funding.
6. Raise Second Stage Funding – HO2 Walsenburg will raise capital for Construction Activities. Funding will typically take the form of a capital stack with a portion in equity or equivalents and a portion in debt financing. The creditworthiness of the participating employers and the commitment to acquire the housing units five years following construction make investment attractive to investor candidates seeking low-risk opportunities in real estate. This funding will include money to repay First Stage Funding with interest.
7. Pre-sale Workforce Housing Units – HO2 Walsenburg will enter into formal real estate sales agreements with participating employers. The agreements incorporate the terms of the Letters of Intent with employers acquiring the housing units five years after construction at a price point 10% below the appraised market value and reselling the units to their employees at total market value while making a down payment on behalf of their employees equal to the price discount.
8. Complete Land Improvement - With Second Stage Funding, HO2 Walsenburg will arrange utility hookups, prepares the land, and install utility stubs resulting in finished lots ready for vertical construction.
9. Construct Workforce Housing Activities – HO2 Walsenburg will engage contractors to perform all activities leading to workforce housing units ready for occupation. Construction will take the form of installing manufactured or prefabricated housing on built foundations.
10. Rent Workforce Housing Units – HO2 Walsenburg will enter into five-year rental agreements with employees designated by their participating employers. Rental rates will be set as low as possible based upon available Second Stage Funding. It is anticipated that rental rates and associated utility costs will rise each year throughout the rental term.
11. Manage Workforce Housing Units – HO2 Walsenburg will manage the property for a five-year term. Management fees are included within monthly rental charges to employee tenants.
12. Sell the Workforce Housing Units - At the end of the five-year term, HO2 Walsenburg will complete the sale of the workforce housing units to participating employers that will, in turn, resell them to their employees at the then appraised market value.
13. Distribute Sales Proceeds – HO2 Walsenburg will use proceeds of the sale of the workforce housing units to pay off all mortgage financing and any associated outstanding expenses, return capital to any equity investors with their share of profits.

## Development Design

HO2 Walsenburg engaged the services of Atencio Engineering. A hydrologic study showed that the maximum housing units that may be constructed on the site and comply with FEMA and City of Walsenburg regulations is 16 housing units. To complete construction, fill will be used to raise the finished structures one foot above the projected flood plain elevation. Fill would be limited to the housing structures and will not extend to the roadways or parking to limit the increase in the flood elevation levels.



## Buildings

As currently planned, HO2 Walsenburg will build four structures used manufacturing housing made by indieDwell of Pueblo, Colorado. <https://www.indiedwell.com/>. Each building will be a fourplex comprised of stacked duplexes. All homes are move in ready, including Microwave, Stove / Oven, Refrigerator, Hot Water Heater, and HVAC.

Housing O2 is exploring all available housing manufacturers and will make a final selection upon raising construction funding based upon price and projected time of delivery.

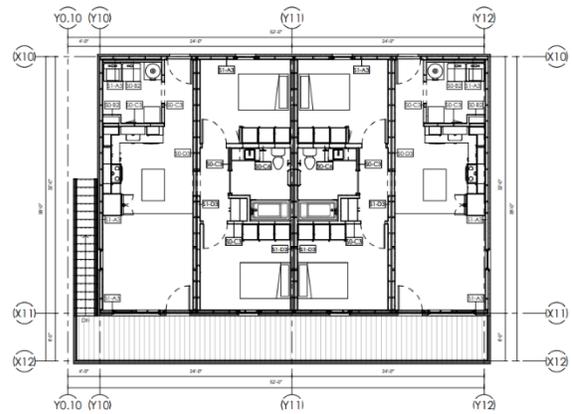
This building designs offers the Company an opportunity to provide a variety of home sizes that can better fit the needs and income of different workers.

As currently planned, each housing unit will be two bedrooms with 768 square feet of space with a projected market value of \$250,000.

Construction will require land improvements on concrete pads upon which the housing units may be craned into position and stitched together. Onsite assembly is projected at less than two weeks.

## Project Status

HO2 Walsenburg applied for a change in zoning status on April 3, 2022 from A-O to R2 which allows for multifamily housing. The application is currently pending.



## Opportunities

HO2 Walsenburg currently offers the following opportunities:

- Employers – Upon completion of re-zoning, HO2 Walsenburg will seek letters of intent from local employers to participate in the project with a commitment to purchase and resell completed housing units to their employees five years after construction. Letters of intent will be converted to purchase agreements upon obtaining Second Stage Funding. [HO2 Walsenburg has already obtained a letter of commitment for two units from Chae Manufacturing.]
- Contractors – HO2 Walsenburg will seek a general contractor to complete horizontal land improvements that will include the construction of housing pads and hookup of utility hubs.
- Housing Manufacturers – HO2 Walsenburg will seek a building manufacturer that can provide quality structures within a reasonable time following delivery of a down payment.
- Investors – HO2 Walsenburg will seek Second Stage Investors of debt financing and/or equity funding for construction and rental of properties for a term five years until the properties are sold. Investment may be supplemented or matched with CPACE or Opportunity Zone funding.

For more information, contact:

Karl Dakin, Manager / Chief Community Officer

Housing O2 LLC

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Or

Visit our website:

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