

AGENDA ITEM SUMMARY

City Council



STAFF

Vanessa Fenley, Sr. Housing Manager

SUBJECT

Resolution 2025-102 Authorizing the Execution of a Funding Agreement with Volunteers of America for a Loan of Funds from the Affordable Housing Capital Fund for Switchgrass Crossing.

EXECUTIVE SUMMARY

The purpose of this item is to approve an agreement with Volunteers of America (VOA) through which the VOA will access \$1.4 million from the City's Affordable Housing Capital Fund in the Community Capital Improvement Program (CCIP) to support a new age-restricted, income-restricted housing development (Switchgrass Crossing). CCIP funds have been appropriated for the general purpose of supporting affordable housing development; this item authorizes the City to enter a funding agreement with VOA.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

Background on CCIP Affordable Housing Capital Fund

The 2015 Community Capital Improvement Program (CCIP) package includes \$4 million, over 10 years, for the Affordable Housing Capital Fund (AHCF). The AHCF has been used for fee relief and "last in" gap financing for projects that are ready to proceed if fully funded. This support is provided as direct subsidy and/or fee credits. Funding provided as direct subsidy is structured as a due-on-sale loan; given the developers awarded funding do not intend to sell the development, the City does not anticipate any funding from the AHCF awarded to-date to be returned.

While funding has been appropriated for the general purpose of supporting affordable housing developments, specific requests have been approved by Council through resolutions or ordinances. A summary of AHCF awards is included in Table 1.

Table 1. Projects Awarded Funding from the AHCF

Year	Amount	Project	Units	Type
2022-2023	\$610,000	Oak 140	79	Direct Subsidy
2021	\$200,000	VOA Cadence	55	Fee Relief
2020-2021	\$876,662	Mason Place PSH	60	Direct Subsidy
2019	\$100,000	Mason Place PSH	-	Fee Relief
2019	\$541	Village on Redwood	72	Fee Relief

Year	Amount	Project	Units	Type
2019	\$806	Redtail Ponds PSH	60	Fee Relief
2018-2019	\$92,375	Oakridge Crossing	110	Fee Relief
2018	\$119,257	Village on Horsetooth	96	Fee Relief

The AHCF has approximately \$2 million available and appropriated to support affordable housing development. This includes \$400,000 set aside to provide fee credits for eligible units through the City's administrative process, leaving \$1.6 million available for direct subsidies or additional fee credits.

Applications for funding from the AHCF are accepted on a rolling basis to best respond to developers' requests in the timeframe needed. Ideally projects first seek funding through the City's competitive funding process. If the project still needs gap funding or the project timeline does not line up with the competitive process, a request to the AHCF is available. Requests are made through a written request submitted to the Housing and Community Vitality Department. Staff review requests, including re-reviewing applications for projects that also sought funding through the competitive process and requesting additional or updated information from applicants as needed.

VOA Switchgrass Crossing Request

Volunteers of America has requested \$1.4 million in last-in gap financing to support development of Switchgrass Crossing. Switchgrass Crossing will be located at 3800 S. Mason St and comprise 45 units, including 39 1-bedroom units and six 2-bedroom units. The project will serve adults 55 years of age and older in the area median income range of 30% - 60% (currently between \$26,820 and \$53,640 for a one-person household). The total estimated project cost is \$25.3 million.

Other sources of funding include 9% Low Income Housing Tax Credits, a \$1.2 million award from the City's 2025 affordable housing competitive funding process (federal HOME and CDBG funding), and almost \$1 million in gap financing from the State Division of Housing.

Several factors have contributed to the Switchgrass Crossing's gap:

- The project is relatively small which has impacted its ability to realize economies of scale seen in larger developments.
- The building is designed to meet and exceed sustainability standards for the City; delivering a building of the quality and with the sustainability features desired has contributed to higher costs.
- Switchgrass Crossing will be developed on a small infill parcel currently used for surface parking. VOA has encountered some unexpected challenges with this parcel, including needing to develop a more sophisticated stormwater retention and drainage system than originally anticipated.
- The project exceeds accessibility standards and has incorporated accessible building features, such as automatic sliding doors at the entrance, to best meet the needs of an older population. These features contribute to higher building costs.
- Development and construction costs have increased for affordable housing projects. Switchgrass Crossing has reported additional increases due to Build America Buy America (BABA) requirements. BABA was passed as part of the 2021 Infrastructure Investment and Jobs Act. It requires federally-funded infrastructure projects to use construction materials produced in the United States.
- Soft costs, such as fees, legal expenses, and interest rates on financing, have increased. By comparison, soft costs for Switchgrass Crossing are approximately \$76,000 higher per unit than for Cadence, a similar affordable housing project developed by VOA that closed on financing four years ago.

VOA has identified and implemented strategies to decrease costs, including reducing the size and quality of windows, reducing the building and unit square footage, and using more economical materials when possible. VOA estimates they have saved approximately \$500,000 from the total project cost with these changes.

Additional information regarding Switchgrass Crossing and this funding request is included in the attached letter from Volunteers of America. Staff presented this request to the Council Finance Committee and the Affordable Housing Board who both support forwarding this request for City Council consideration.

Staff Review and Analysis

VOA was awarded funds through the 2025 competitive process. As part of this process, staff review each application and summarize key details from the project application as part of the Human Services and Housing Fund Board's funding packet. The Human Services and Housing Fund (HSHF) Board and the Affordable Housing Board reviews and ranks each the project application, which includes information on anticipated use of funds, alignment with the City's Housing Strategic Plan, status of project (such as whether the developer has site control and status of other financing/funding requested from other sources), and project budget documents. Ultimately the HSHF Board forwards a funding recommendation to City Council for consideration.

The primary potential issue for Switchgrass Crossing staff identified during the competitive process was an unknown readiness to proceed given VOA was still awaiting a LIHTC award and likely would require additional gap funding. The project was recommended for funding by the Human Services and Housing Funding Board and ultimately awarded \$1.2 million in the Spring 2025 competitive process.

By the time VOA submitted their CCIP AHCF request in late August, Switchgrass Crossing had been awarded 9% tax credits. In addition, on October 21, the State Housing Board approved VOA's application for an additional \$1 million in gap funding from the Division of Housing. Notification of these awards resolve staff questions regarding the project's readiness to proceed identified during the competitive process.

Upon receiving VOA's request for funding from the CCIP AHCF, staff reviewed project information submitted during the competitive process. Staff presented an overview of VOA's request to Council Finance Committee (CFC) at the October meeting. Based on the discussion and questions raised by CFC, staff requested additional information from VOA regarding project costs and opportunities for project savings. VOA's responses to those questions have been incorporated into this AIS and were considered when developing the staff recommendation for this item. Staff also presented this request to the Affordable Housing Board at their September Regular Meeting. Attached is the Affordable Housing Board's Memo to Council in support of this request.

VOA is aiming to close on project financing in Spring 2026. Given this timeline, VOA is unable to seek additional funding through the City's 2026 competitive process and is requesting support from the CCIP AHCF. Based on the information and materials provided by VOA, staff have determined this is a viable request and recommend City Council approve the authorization of a funding agreement with VOA to support Switchgrass Crossing.

CITY FINANCIAL IMPACTS

Funding is available within the CCIP Affordable Housing Capital Fund to support VOA's request of \$1.4 million in direct subsidy. The current fund balance is \$2 million, including \$400,000 allocated for fee credits and \$1.6 million available for direct subsidy or fee credits.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The Affordable Housing Board reviewed this request for funding. Their memo of support is included as an attachment.

Council Finance Committee discussed this request at their October 2, 2025, meeting.

PUBLIC OUTREACH

Public outreach was conducted as part of the 2015 CCIP process. No public outreach was conducted for this specific request.

ATTACHMENTS

1. VOA Request Letter, August 20, 2025
2. Memo of Support from Affordable Housing Board, September 8, 2025
3. Council Finance Committee Meeting Minutes, October 2, 2025 (draft excerpt)
4. Resolution 2025-102