



AGENDA ITEM SUMMARY

City Council

STAFF

Beth Rosen, Grants Compliance and Policy Manager
Ingrid Decker, Legal

SUBJECT

First Reading of Ordinance No. 032, 2023, Authorizing the Release of Restrictive Covenants on Property at 1947 Phia Way Developed by Fort Collins Habitat for Humanity.

EXECUTIVE SUMMARY

The purpose of this item is to obtain authorization from Council to release the Agreement of Restrictive Covenants Affecting Real Property on the single-family home located at 1947 Phia Way, which was developed by Fort Collins Habitat for Humanity. The development of this home was initially assisted with funding from the Department of Housing and Urban Development (HUD). At the time of completion, the project no longer met the HUD requirements, triggering a HUD mandated repayment of the funds and cancellation of the project.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

On September 1, 2020, the City of Fort Collins entered into a Development Contract for HOME Investment Partnership (HOME) funding with Fort Collins Habitat for Humanity. The contract provided \$80,000 in HOME funding to support the construction costs of a single-family home built in partnership with the Geometry in Construction program at Poudre High School (PHS). The contract funding was secured by a Promissory Note, Deed of Trust and Agreement of Restrictive Covenants ensuring the home would be transferred to an income eligible buyer and remain affordable for a period of 20 years.

At the time of contracting, an income eligible homeowner had been selected through Habitat's rigorous selection process. The buyer began working with Habitat to complete the necessary sweat equity hours required by Habitat's program. Unfortunately, construction on the home was delayed for the 2020/2021 school year due to the Covid pandemic. PHS students resumed work on the home when they returned to school in the Fall of 2021. It was moved to a permanent foundation at Harmony Cottages in the summer of 2022 where the selected homeowner worked alongside volunteers to complete the home on site. In October of 2021, the City paid \$75,000 of the contracted funds towards eligible construction related costs. The \$5,000 balance was retained until unit completion and final verification of occupancy by the HOME-eligible buyer.

The home was eventually completed in January 2023 and Habitat updated the income verification of the buyer as required by HUD. At that time, the household no longer met the HOME program income

requirements (although the household income is still below the area median income). This triggered the mandatory repayment of the \$75,000 to the City's line of credit with HUD and a cancellation of the project. The Deed of Trust was released upon repayment of the funds. The Release of the Agreement of Restrictive Covenants is the final outstanding item related to the cancellation the project.

CITY FINANCIAL IMPACTS

The \$75,000 in repaid HOME funds will go into the Spring 2023 Competitive Process to be re-allocated to another affordable housing project. Habitat for Humanity continues to build affordable home ownership units and has submitted an application requesting funding to support the development of 4 new units at Harmony Cottages.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Ordinance for Consideration