

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT FOR DISCUSSION

Affordable Housing Capital Fund Plan

EXECUTIVE SUMMARY

The purpose of this item is to provide Council with information on proposed uses and outcomes, process to access funding, and funding criteria for the Affordable Housing Capital Fund (CCIP and Quarter Cent Capital Tax). Input from City Councilmembers will inform the development and refinement of an AHCF plan.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the sequencing of investments align with Councilmembers' expectations?
2. Are there potential uses Councilmembers would like prioritized?
3. Do the process and criteria for awarding funds align with Councilmembers' expectations?

BACKGROUND / DISCUSSION

The Affordable Housing Capital Fund (AHCF) is funded by CCIP (2016-2025) and Quarter Cent Capital Tax (2026-2035) sales tax funds. Funding can support the development, preservation, and acquisition of affordable housing in the community. Table 1 summarizes the allocations, used portions, and unused portions of the Affordable Housing Capital Fund, by source.

Table 1. AHCF Allocations and Balances

Source	Allocation	Used	Unused
Community Capital Improvement Project (CCIP) (2016-2025)	\$9 million <ul style="list-style-type: none"> • \$4 million original • \$5 million additional, appropriated Fall 2025 from unspent funds 	\$3.6 million	\$5.4 million <ul style="list-style-type: none"> • \$400,000 appropriated for fee credits • \$5 million to be appropriated
Quarter Cent Capital Tax (2026-2035)	\$10 million	\$1,949,641	\$8,050,359 <ul style="list-style-type: none"> • \$550,359 appropriated • \$7.5 million to be appropriated

The \$5.5 million, approximately, spent from the AHCF has contributed to 10 affordable housing projects composed of 690 total units. Table 2 summarizes investments to-date from the AHCF.

Table 2. AHCF Investments

Year	Amount	Project	Units	Type	Source
2026	\$950,000	Windtrail Park Rehab	50	Direct Subsidy	¼ CCT
2026	\$1,200,000	Village on Eastbrook	73	Direct Subsidy	CCIP + ¼ CCT
2025	\$1,400,000	VOA Switchgrass Crossing	45	Direct Subsidy	CCIP
2022-2023	\$610,000	Oak 140	79	Direct Subsidy	CCIP
2021	\$200,000	VOA Cadence	45	Fee Relief	CCIP
2020-2021	\$876,662	Mason Place PSH	60	Direct Subsidy	CCIP
2019	\$100,000	Mason Place PSH	-	Fee Relief	CCIP
2019	\$541	Village on Redwood	72	Fee Relief	CCIP
2019	\$806	Redtail Ponds PSH	60	Fee Relief	CCIP
2018-2019	\$92,375	Oakridge Crossing	110	Fee Relief	CCIP
2018	\$119,257	Village on Horsetooth	96	Fee Relief	CCIP

Staff anticipate additional investments to Housing Catalyst’s Village on Eastbrook and VOA’s Switchgrass Crossing for fee credits. Fee credits are provided at the rate of \$14,000 per unit for 30% AMI units. VOA intends to provide five 30% AMI units at Switchgrass Crossing, for total estimated fee credits of \$70,000. Housing Catalyst intends to provide seven 30% AMI units at Village on Eastbrook, for total estimated fee credits of \$98,000. Additional projects in the pipeline may also qualify for fee credits.

Current Conditions

Staff began meeting with community partners and developers in Fall 2025 to assess current conditions impacting affordable housing development and understand partners’ perspectives on impactful uses of funds, processes to apply for funding, and fund parameters. Housing and Community Vitality (HCV) staff had one-on-one or small group meetings with Housing Catalyst, CARE Communities, Neighbor to Neighbor, Habitat for Humanity, the Chamber of Commerce, the NoCo Foundation, and Impact Development Fund. HCV staff also facilitated a forum hosted by One Voice for Housing in late February which engaged several aforementioned organizations along with some organizations who do not traditionally build affordable housing. Staff have also engaged with colleagues in the City, including discussing the AHCF plan with the Affordable Housing Executive Team which includes service area and department leaders from across the City. Key themes from these conversations are below:

Development Costs have Increased

Developers relayed challenges associated with the high costs of development which is making it harder to secure necessary funding to complete projects. For context, the statewide average cost to develop an affordable housing unit in 2025 was \$497,900. Table 3 includes regional averages to develop, over the past five years, provided by the Colorado Housing Finance Authority’s Affordable Housing Costs Dashboard.

Table 3. Average Development Costs

Area	5-year Average Per Unit Development Cost	5-year Average Per Square Foot Development Costs	2025 Average Per Unit Development Cost
Larimer/Weld	\$373,707	\$392	No data available
Denver Metro	\$411,159	\$389	No data available
El Paso/Teller	\$323,208	\$337	No data available
Statewide	\$394,685	\$382	\$497,900

Uncertainty Related to Federal Regulations

Several federal regulations and changes are creating uncertainty in the development landscape. First, affordable housing projects receiving federal funds (e.g., HOME) must comply with Build America Buy America (BABA) regulations, which require developers to use American-produced construction materials or seek waivers. Compliance is adding costs to projects and contributing to project delays. There are national efforts to change BABA requirements or exempt affordable housing projects, but regulations are still in place, creating additional challenges and uncertainty for local developers right now.

There have also been recent changes to the Low Income Housing Tax Credit (LIHTC) program, the full effects of which will be seen in the coming years. Projects seeking 4% tax credits have historically been required to secure Private Activity Bonds to cover 50% of project costs. This 50% threshold has now been lowered to 25% in federal regulations. While this enables more projects to seek tax credit financing, those projects may see gaps that require additional funding, such as Affordable Housing Capital Funds. In addition, more funding is now available for 9% LIHTC projects, which are prioritized for housing special populations. VOA's Switchgrass Crossing, serving seniors, is the most recent affordable housing project in Fort Collins that will be developed using 9% tax credits. While more funding is available nationally, it is unknown how many additional 9% LIHTC projects may be developed in Fort Collins and how many of those projects may require additional gap funding.

Flexibility and Transparency is Important

Developers emphasized the need for flexible funding to fill gaps in new development or preservation projects, as well as for the acquisition of housing. In addition, they communicated a desire for a transparent application process and clear feedback if a funding request is not awarded. In conjunction with conversations around creating a flexible and transparent process for the AHCF, staff have also considered how all City funding for affordable housing can be streamlined, creating a more efficient funding process for the community. Additional information on proposed changes to the funding process is included in a later section of this AIS.

Overview of Outcomes, Uses, and Tradeoffs

Funding can be used to achieve different outcomes depending on the use. This section includes information on four different outcomes and uses, including considerations for tradeoffs. While there is more funding available through the AHCF now than has ever been available, the total amount of funding in the AHCF is minimal in the context of housing development costs. All projects will require additional funding sources, and City contributions will be a small portion of any projects funding stack.

Ensure Affordable Projects can be Built or Acquired, Without Delay

The first outcome focuses on supporting projects underway and providing funding in a timely manner so as to reduce project delays or accelerate the project's timeline. This would be accomplished through providing project subsidy or gap funding directly to developers. The most recent three AHCF awards align to this outcome and use:

1. VOA Switchgrass Crossing: This project had a gap remaining in its funding stack due to increased cost estimates associated with BABA compliance and unexpected costs related to developing on a challenging infill site. An AHCF award of \$1.4 million was approved by Council in November 2025, enabling the project to proceed with a Spring 2026 closing. If not awarded AHCF, the project would have to apply for additional funds through the City's competitive process, with awards made in Summer 2026, delaying the project by months.
2. Housing Catalyst Village on Eastbrook: This project requested \$1.2 million in AHCF in February 2026 to swap out with federal HOME and CDBG funds. This funding swap enabled Housing Catalyst to avoid

BABA regulations, thereby accelerating their project timeline and avoiding an estimated \$700,000 - \$1.7 million in associated compliance costs.

3. CARE Communities Windtrail Park rehabilitation and preservation: This project unexpectedly lost anticipated funding due to funding sources not materializing or changes in funder guidelines for maximum funding requests. In addition, revised estimates incorporating BABA compliance increased the project cost. These factors resulted in a project gap. The project would have been delayed if CARE Communities had needed to apply for additional funding through the City’s competitive process. City Council approved a \$950,000 AHCF request, enabling the project to proceed without delay.

The City’s primary role as a housing funder has been through project subsidies, and developers have come to rely on the City filling this role. This use allows the City to invest in projects that are planned for development or rehabilitation as well as respond to unexpected opportunities, such as an acquisition opportunity. By reducing project timelines and avoiding delays, projects can be built more quickly which can bring new units online more quickly and lock-in lower prices that are only anticipated to increase in coming years, contributing to higher development costs over time. Project subsidies are one-time investments; funding does not usually revolve or return to the City. However, over the life cycle of any project’s investment, dozens households will be served in each unit.

Offset Costs for More Affordable Development

The City offsets some development costs by providing fee credits to 30% AMI units. The current fee credit amount (\$14,000 per unit) typically covers less than half of fees. Fee credits are directed at the lowest AMI units because these units produce low rents that cannot support the overall project and providers are unable to develop many 30% AMI units without additional support. This approach of directing more resources into the lowest AMI units that are the hardest to produce is outlined in the City’s Housing Strategic Plan.

City Councilmembers have previously inquired whether increasing fee credits could be one strategy to further support affordable housing development. The conversation around fee structure and fee relief extends beyond the AHCF plan. However, fee credits are currently paid for from the AHCF and expanding fee credits would have a pronounced effect on the availability of AHCF for other uses. For an illustration of this estimated impact, Table 4 includes estimates of the average annual cost of fee credits, utilizing production figures from the past seven years (2018 – 2025).

Table 4. Estimated Impacts of Increasing Fee Credits

Scenario	Average Estimated Annual Cost
\$14k/unit for 30% AMI (current)	\$297,500
\$14k/unit for 50% AMI	\$682,500
\$14k/unit for all affordable	\$1,610,000
\$28k/unit for 30% AMI	\$595,000
\$28k/unit for 50% AMI	\$1,365,000
\$28k/unit for all affordable	\$3,220,000

The \$28,000 figure is used as an illustration of costs to double the current allocation per eligible unit and cover closer to all fees for a unit. All affordable units include rental units up to 80% AMI and homeownership units up to 100% AMI.

Any changes to the fee credit structure would require a code change. In addition, this use will largely benefit new development and would provide fewer resources to support preservation, acquisition, or other fund uses.

Developers have relayed that while fee credits help, using the AHCF for fee credits impacts the ability to use those funds for other purposes, specifically project subsidy that may be necessary to move a project

forward. Developers have raised questions about the structure of fee relief for affordable housing and the source of fee credits; these are questions that can be considered in forthcoming broader discussions related to development fees and opportunities to provide fee relief. In addition, there may be alternative methods to direct funding into the lowest income units in a more streamlined and simplified manner, such as awarding a set subsidy for each eligible unit rather than a fee credit. These opportunities will also be explored in future discussions.

Accelerate Land Bank Deployment

Land Bank parcels are typically purchased at a time when the land is relatively affordable because the parcel and surrounding areas lack infrastructure or amenities to make development feasible and attractive. As more development moves into the area, the parcel becomes more developable.

The Land Bank program holds five parcels for future development. There are known issues on some parcels that are impeding the City's ability to deploy. For example, a portion of one parcel is currently in a floodplain. AHCF could be used to provide site or infrastructure improvements allowing for speedier deployment and development.

This use accelerates the deployment of land for affordable housing, leveraging another valuable City resource. Using funding for this purpose will leave fewer funds for other projects underway. In addition, some developers have relayed that if the City can provide land for free, that may provide enough benefit to the project, even if the parcel is challenging and improvements on the donated land will add to project costs.

Staff are also examining other opportunities to unlock the full development potential of Land Bank parcels through code and programmatic updates. Through these updates and potential site investments, the City can maximize the capacity and utility of the Land Bank parcels.

Establish a Sustainable Source of Funding

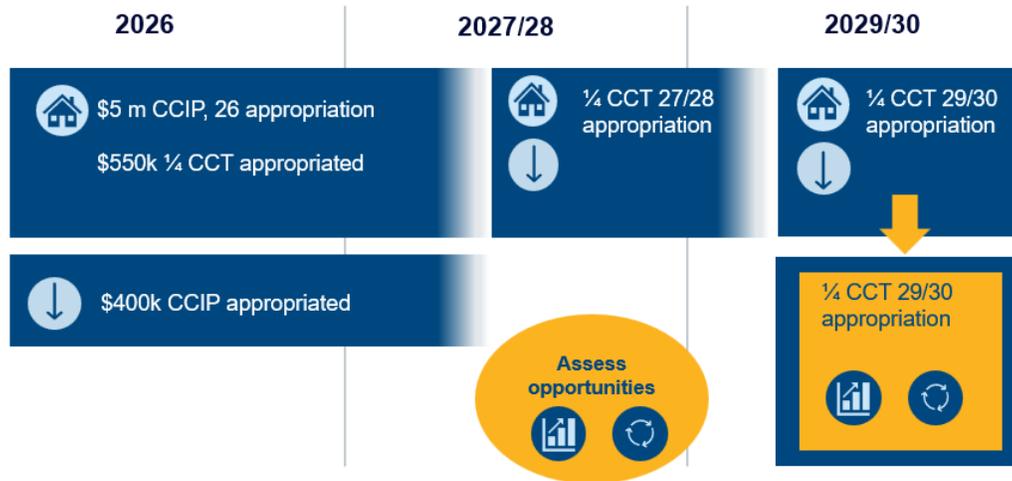
The 2025 ballot language for the Quarter Cent Capital Tax specifies "funding can be used to establish an ongoing revolving fund to provide loans at a low-interest rate." The NoCo Foundation is leading an effort to establish a regional revolving loan. In the near-term, the fund would provide low-cost short-term loans to developers. As more seed capital is secured, funds revolved, and the fund balance grows, larger and longer-term loans could be made. If the City chose to contribute to the regional fund, the City could set parameters for how funds are used (such as geographic restrictions on use).

Participating in the revolving loan fund enables the City to contribute to a regional housing initiative. However, staff anticipate projects applying for loans through the fund may also still have a need for gap funding, which projects often seek through City sources, including the AHCF. In addition, Impact Development Fund currently offers low-interest loans to developers; it is unknown how the regional fund will increase usage of these product types or open up new opportunities for developers since access to similar products currently exists. It is also early in the process of establishing the regional revolving loan fund; projected impact of the fund will depend on the amount of seed funding secured. If the fund is operating with a relatively small pool of funds, deployment and recycling of funds will be slower.

Proposed Uses and Sequencing of Investments

Considering current development conditions and input from community partners and developers, staff have identified a pathway to quickly deploy AHCF, with the potential to use all AHCF as soon as possible. Given development costs are only expected to increase in the coming years, this pathway prioritizes allocating funding quickly to projects to speed development now. This involves prioritizing deploying AHCF for project subsidies, maintaining the current fee credit structure, and re-assessing opportunities to invest in other uses (e.g., Land Bank parcels or the revolving loan fund) in the future. This pathway is illustrated in Figure 1 below, with additional description of the timing of deployment following.

Figure 1. Sequencing and Use of Funds



2026

In 2026, an additional \$5 million appropriation from unspent CCIP funds is expected. In addition, the AHCF has \$400,000 appropriated and set aside for fee credits and approximately \$550,000 from Quarter Cent Capital Tax funds appropriated. Staff anticipate a significant portion of these funds can be used in 2026 and into 2027 for project subsidy. As an illustration of the demand for project subsidy, the City has received over \$7 million in requests for funding for the 2026 housing competitive process, which allocates federal HOME and CDBG funds along with some general funds. Around \$3.2 million will be available for awards. Additional information on aligning these funding sources is included in a later section of this AIS.

2027/2028

Staff propose appropriating Quarter Cent Capital Tax funds to the AHCF for the 2027-28 budget cycle (specific amount to be determined). Again, staff anticipate a significant portion of these funds can be used in 2027-28 and possibly extending into 2029 for project subsidy or fee credits.

In 2027-28, City staff can assess opportunities to invest funds either in improvements to a Land Bank parcel or a revolving loan fund. Considerations may include:

- Current spend-down of the AHCF
- Anticipated project subsidy needs, based on projects in the pipeline
- Updated estimates of Land Bank parcel infrastructure needs and associated costs
- Readiness to deploy Land Bank parcels, outside of site improvements needed (e.g., proximity of other community amenities)
- Seed funding secured for and performance of the regional revolving loan fund

2029/2030

Staff propose appropriating Quarter Cent Capital Tax funds to the AHCF for the 2029-30 budget cycle (specific amount to be determined) and anticipate this could be the final appropriation into the AHCF, with all funds potentially allocated to projects as soon as the end of 2030, dependent on the project pipeline.

Project subsidies would likely comprise the largest portion of funding allocated. Depending on the results of the assessment of opportunities completed in 2027-28, investments into other uses in 2029-30 may be proposed.

Application Process

Staff have discussed options for updating the process to apply for the AHCF, specifically for project subsidy, to create a clearer, more transparent process for developers. This has included examining opportunities to better align funding application and award processes between the competitive process and AHCF.

The proposed application and award process for AHCF project subsidy provides three pathways for projects to seek AHCF funding.

1. The City's competitive process serves as the gateway to access City funding, including the AHCF if funding is available.

Projects recommended for funding through the competitive process but not awarded funds due to a lack of funding available from competitive process sources (HOME, CDBG, and Affordable Housing Funds [general funds]) will be considered for AHCF funding. Recommendations for AHCF funding will be made in late Q2, closely aligned with the timeline for award announcements from the competitive process.

This pathway leverages the work completed by City staff, the Affordable Housing Board, and the Human Services and Housing Funding Board to review applicant materials and assess project viability and readiness. It is anticipated staff will have follow-up conversations with an applicant that did not receive competitive process funding to determine if they need to be considered for AHCF funding immediately or if they could return to the competitive process the following year without creating significant project delays or other challenges. Recommendations for AHCF funding will be brought to Council for consideration.

2. The City can open a second window for AHCF in Q3, with funding decisions made in Q4, if funding is available.

This pathway may apply to projects requiring last-in funding, if a funding gap has emerged for the project, or to projects ineligible to apply for funds through the competitive process. Projects that have previously accessed funds through the competitive process may be asked to update portions of their application. Projects that have not submitted a funding application previously to the committee will be asked to complete an application for AHCF (application to be developed). A small staff committee can review applications and recommend applications for funding. Staff may request the Affordable Housing Board review applications and provide a recommendation. Recommendations for AHCF funding will be brought to Council for consideration.

3. Additional requests will be received on a rolling basis for unexpected opportunities where timeliness is a factor.

This pathway allows developers and the City to respond to emerging opportunities, such as acquisitions, that require a quick decision. A staff committee can review applications and recommend applications for funding. Staff may request the Affordable Housing Board review applications, if time permits, and provide a recommendation. Recommendations for AHCF funding will be brought to Council for consideration.

Requests for funding for other uses in future years, such as improvements to a Land Bank parcel or an investment in the regional revolving loan fund, would also be considered by a staff committee and the Affordable Housing Board prior to being brought forward to Council for consideration.

Fund Criteria

Community partners have emphasized the importance of flexibility in the AHCF, particularly since local funds will not come with some of the same restrictions as federal funding. However, establishing some funding criteria can ensure staff can effectively assess project applications and make informed recommendations, and can bring clarity for developers around project eligibility. These criteria should include the following:

- **Eligible uses:** Staff recommend allowing applications for new development, preservation, and acquisition to maximize flexibility and opportunities for investments.
- **Proportion affordable:** AHCF funding has historically been used for fully affordable, deed-restricted housing projects. Staff recommend clarifying that AHCF could be used in substantially affordable mixed income projects, as long as AHCF funds provided are proportional to the affordable units produced.
- **Deed restriction:** Staff recommend requiring a deed restriction on any units supported with AHCF funding.
- **Geographic limits:** It is not clear whether AHCF funds can be used outside City limits in the GMA. Federal funds awarded through the competitive process cannot be used outside City limits; allowing AHCF funds to support projects in the GMA may open up funding to areas and projects without access to other City resources. If Councilmembers are supportive of using AHCF funds in the GMA, HCV staff will work with the City Attorney's Office to confirm funds can legally be used in the GMA prior to finalizing fund criteria.

NEXT STEPS

Staff will incorporate Councilmembers' feedback and draft a funding plan to be shared with Council. Depending on Councilmembers' direction, this could be accomplished through a memo or staff report. Staff will also work to develop accompanying materials, such as a funding application. Information on applying for funds will be updated on the website, disseminated through HCV email lists and the housing newsletter, and communicated to agencies applying for funding through the competitive process.

ATTACHMENTS

1. Presentation