



AGENDA ITEM SUMMARY

City Council

STAFF

Sue Beck-Ferkiss, Social Policy and Housing Programs Manager
Ingrid Decker, Legal

SUBJECT

Second Reading of Ordinance No. 101, 2022, Authorizing the Release of a Restrictive Covenant on Property at 331 North Howes Street Owned by Villages, Ltd.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on September 20, 2022, authorizes the release of the Agreement of Restrictive Covenants Affecting Real Property for the property located at 331 North Howes Street. This property is owned by Villages, Ltd, a 501(c)(3) non-profit corporation managed by Housing Catalyst. In exchange for repaying the original \$3,000 in Community Development Block Grant (CDBG) loan funds, the City will allow early release of a restrictive covenant which would otherwise expire in 2023.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

BACKGROUND / DISCUSSION

Over the last decade, Villages, Ltd., a 501(c)(3) affordable housing non-profit managed by Housing Catalyst, f/k/a/ the Fort Collins Housing Authority (FCHA), the City's housing authority, has been liquidating aging, scattered site, single family homes and duplexes from its portfolio due to the high operating and maintenance costs associated with this type of housing. Upon sale, the proceeds leverage funding to preserve multifamily housing and to build additional new affordable housing in Fort Collins.

On October 1, 2001, FCHA received a grant from the City of \$174,931 in CDBG funding to rehabilitate 41 rental dwelling units in 11 buildings. At the completion of the rehabilitation projects, FCHA recorded a Restrictive Covenant on all 41 units, enforceable by the City, requiring FCHA to maintain the units as affordable rental housing for twenty years.

- The property at 331 North Howes Street is one of these buildings. This Covenant is scheduled to be released on October 1, 2023, which is 20 years from project completion.
- Seven of the properties encumbered by this Covenant have already repaid their portion of the grant and the City has released the Covenant with respect to those properties. They have been sold with the sales proceeds leveraged into multifamily housing that is more efficient and easier to maintain long-term. This happened over time, starting in 2009 and through 2013.
- The remaining three properties are multifamily units that will remain in the restricted inventory.

The property located at 331 North Howes Street received \$3,000 of the initial grant for building rehabilitation. See attached map. This property currently has extensive long-term capital needs. (Attachment 2-3). It is currently vacant. It is in a desirable location and close to other public housing that has been sold. The affordable rent structure does not support the ongoing operations of this property. For that reason, Villages, Ltd., through Housing Catalyst, has offered to repay the \$3,000 City investment in exchange for the early release of the Restrictive Covenant, which would otherwise expire in October of 2023. See attached Request to Release Restrictive Covenants. The funding returned to the City would be added to the funds distributed in Social Sustainability's annual competitive grant process.

Villages, Ltd. is currently strategically liquidating inventory, such as this single family scattered-site home, that are hard to operate as affordable rentals. Housing Catalyst has not specifically identified a buyer for this property. Housing Catalyst is selling some of its public housing units to Elevation Community Land Trust to provide permanently affordable for-sale affordable homes and continues to communicate with Elevation about properties that fit Elevation's requirements when liquidating inventory. Regardless, Housing Catalyst will select the buyer based on furthering its mission while meeting the needs of the community. Sales proceeds will be used to leverage funding for Housing Catalyst's extensive pipeline of both rehabilitation projects and new construction of affordable housing.

CITY FINANCIAL IMPACTS

The removal of the Restrictive Covenant one year prior to original expiration will initially result in the loss of one single family unit of affordable housing; however, Villages, Ltd. is not currently leasing the unit because of its condition. The \$3,000 repayment of Community Development Block Grant funding will be returned to the City's Competitive Grant Process and will be available to fund future affordable housing projects. Approval of this request will lessen the financial burden experienced by Villages, Ltd., related to the operation of a scattered-site single family unit with extensive long-term capital needs.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The Affordable Housing Board supports this request.

PUBLIC OUTREACH

The Affordable Housing Board meeting where this was discussed was open to the public. No additional public outreach was done for this request.

ATTACHMENTS

First reading attachments not included.

1. Ordinance for Consideration