



# AGENDA ITEM SUMMARY

City Council

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## STAFF

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Beth Rosen, Grants Compliance and Policy Manager

## SUBJECT

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**Second Reading of Ordinance No. 035, 2024, Authorizing the Release of Restrictive Covenants on Property at 2850 Sykes Drive, Developed by Fort Collins Habitat for Humanity.**

## EXECUTIVE SUMMARY

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This Ordinance, unanimously adopted on First Reading on February 20, 2024, authorizes the termination of the HOME Investment Partnership Funding Development Contract with Fort Collins Habitat for Humanity (Habitat) and release the Agreement of Restrictive Covenants Affecting Real Property on the single-family home located at 2850 Sykes Drive. Termination of the contract and release of the Agreement of Restrictive Covenants is required for Fort Collins Habitat for Humanity to move forward with the sale of the home to the buyer.

## STAFF RECOMMENDATION

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Staff recommends adoption of the Ordinance on Second Reading.

## BACKGROUND / DISCUSSION

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On April 13, 2023, the City entered into a Development Contract for HOME Investment Partnership (HOME) funding with Fort Collins Habitat for Humanity. The contract provided for the payment of \$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 agreement 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.

Funds were to be provided as a reimbursement of eligible construction costs to reduce the purchase price of the home for the income qualified buyer. No payments have been made under the terms of the contract.

At the time of contracting, an income eligible homeowner had been selected through Habitat's rigorous selection process. The selected buyer has since completed all program requirements and contributed the required sweat equity towards the building of the home. However, on January 5, 2024, Habitat submitted a letter to the City of Fort Collins requesting termination of the contract so they can sell the property to the buyer because the buyer no longer meets applicable income restrictions. Termination of the contract and release of the Agreement of Restrictive Covenants would allow Habitat to move forward with the sale of the unrestricted home to the buyer.

If approved, this home will not receive any investment of City or federal funds and will not be a part of the long-term affordable housing inventory. Habitat will retain a first right of refusal to purchase the home back from the owner and may seek future funding to subsidize the home for a subsequent buyer.

### **CITY FINANCIAL IMPACTS**

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The \$80,000 in unexpended HOME funds will go into the Spring 2024 Competitive Process to be allocated to another affordable housing project. Habitat for Humanity continues to build affordable home ownership units and will apply for funding to support the development of four new units at Harmony Cottages. Funding recommendations related to the reallocation of funds will be presented to Council in June as part of the 2024 Competitive Process Funding Recommendations.

### **BOARD / COMMISSION / COMMITTEE RECOMMENDATION**

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The Human Services and Housing Funding Board voted to recommend this request at its regular Board meeting held on January 10, 2024.

The Affordable Housing Board voted to recommend this request at its regular Board meeting held on February 1, 2024.

### **PUBLIC OUTREACH**

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None.

### **ATTACHMENTS**

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First Reading attachments not included.

1. Ordinance for Consideration