



## AGENDA ITEM SUMMARY

City Council

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### STAFF

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

### SUBJECT

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**Second Reading of Ordinance No. 122, 2022, Making Supplemental Appropriations in the General Fund of Grant Proceeds from the Colorado Department of Local Affairs for the Kechter Townhomes Project.**

### EXECUTIVE SUMMARY

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This Ordinance, unanimously adopted on First Reading on November 1, 2022, appropriates unanticipated grant revenue in the General Fund. In November of 2021, the City sold a property from the Land Bank Program located at 3620 Kechter Road to Kechter TWG, LLLP for the purpose of building 54 permanently affordable townhomes. The City applied for and was awarded a grant from the Colorado Department of Local Affairs (DOLA) to support water and wastewater utility costs associated with this development. A resolution authorizing the execution of the intergovernmental grant agreement was adopted on November 1, 2022 with First Reading of this Ordinance.

### STAFF RECOMMENDATION

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Staff recommends adoption the Ordinance on Second Reading.

### BACKGROUND / DISCUSSION

The City applied for and was awarded an Affordable Housing Development Incentives Grant from DOLA in the amount of \$2.2 million to mitigate water and wastewater costs for the Kechter Townhomes development currently under construction at 3620 Kechter Road. To formally accept this grant funding, Council needs to take two actions: 1) approve an Intergovernmental Grant Agreement between the State and the City, and 2) appropriate unanticipated grant revenue to enable disbursement of the grant proceeds.

#### **Affordable Housing Development Incentives Grant Background:**

Colorado House Bill 21-1271 created the Affordable Housing Development Incentives Grant program to provide grants to local governments to develop one or more affordable housing developments in their community that are livable, vibrant, and driven by community benefits.

These grants can be used for infrastructure and amenities that support affordable housing projects. This grant program is funded through the State's American Recovery Plan Act (ARPA) allocation and must be spent by June 2024.

Funding of approximately \$37,728,000 is available in phases. A first round for Catalyst projects was launched for projects that exceeded grant requirements, were ready to implement quickly and had

demonstration value. The goal of this Catalyst round is to complete exemplary and innovative examples of affordable housing projects or programs, to celebrate local governments who have made strong commitments in reducing barriers to affordable housing development, and to support time-sensitive projects ready for investment that will serve as examples for applicants in the main round of funding. The Kechter Townhomes development was one of 14 projects awarded funding in the Catalyst round.

#### **Fort Collins Grant Milestones:**

- Staff submitted the Kechter Townhome project for consideration under the Catalyst round of the Affordable Housing Development Incentives Grant Program for funding on October 21, 2021 through an initial Letter of Intent because the project:
  - exceeded grant guidelines,
  - was shovel-ready but still had a funding gap due to increased costs, and
  - had demonstration value for future affordable home ownership projects.
- On January 21, 2022, the City was formally invited to apply to the Catalyst round of funding.
- On February 15, 2022, City Council passed Resolution 2022-029 supporting a grant application for the Kechter Townhomes project and an application was submitted in March.
- In May 2022 the City was awarded the full \$2.2 million request to mitigate water and wastewater costs associated with the construction of affordable housing at Kechter Townhomes. Award Letter attached.
- The State's Intergovernmental Agreement, attached as an exhibit to the Resolution, requires City Council's approval and the Mayor's signature. Additionally, an appropriation is sought to allow for the use of these funds.

#### **Project History:**

The Kechter Townhomes project is the result of a 2017 Council priority seeking to develop a property held in the City's Affordable Housing Land Bank Program as permanently affordable for-sale homes. After two Request for Proposal (RFP) processes, a partnership team was assembled in 2019 for the purpose of developing 54 permanently affordable for-sale townhomes, now known as Kechter Townhomes. The partnership is led by TWG (developer) and includes Elevation Community Land Trust (ECLT) and Housing Catalyst (HC).

Following formation of this partnership, the City sold the 5 acre land bank parcel for \$25,000 in order to use the value of the land to subsidize the development via Ordinance No. 128, 2021. The value of the land has also been used as the required in-kind match for this State grant funding. A summary of subsidy for the project before this grant, including the City's contributions to date, is included below:

Investor	Per Unit	Typical Subsidy Amount	Total Subsidy
Elevations Community Land Trust (cash)	\$48,500	\$30,000	\$2,619,000
Division of Housing (cash)	\$27,500	\$15,000	\$1,485,000
City of Fort Collins (in kind - land value)	\$21,759	\$38,970 (\$50K for for-sale)	\$1,175,000
	\$97,759 total subsidy per unit		\$5.28M total subsidy

Despite the efforts of all partners to acquire needed subsidy for the project, escalating construction costs resulted in a significant gap in the project’s financing. This State grant funding will pay utility costs and reduce the funding gap, ensuring that the project is able to complete construction without unnecessary delay. Construction on Kechter Townhomes began in April 2022 and is expected to take 18 months. When completed, the development will be sold to ECLT who will retain ownership of the land and sell the homes to generations of income-qualified buyers. This innovative partnership will result in the first permanently affordable for-sale homes in the City’s affordable housing inventory.

**Policy Alignment:**

This grant implements the City’s Housing Strategic Plan and vision that “everyone has healthy, stable housing they can afford” by funding the first permanently affordable for-sale homes in the City’s affordable housing inventory. It specifically supports Strategy 19 – Bolster city land bank activity by allocating additional funding to the program. This project addresses housing stability, the escalating costs of building housing, leverages City funding with unanticipated revenue, and provides needed affordable homes that will be permanently affordable for generations of income-qualified households.

**CITY FINANCIAL IMPACTS**

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The City has been awarded a state-funded grant from DOLA in the amount of \$2.2M to provide cash incentives for fees for construction of new affordable housing at Kechter Townhomes. The grant will be administered on a reimbursement basis; funds will be spent and reimbursed to the General Fund monthly or as expended. The City will receive an interim reimbursement payment in the amount of \$2,090,000 and a final payment of \$110,000 upon substantial completion of the project and all required reports, for a total award of \$2,200,000.

The City’s in-kind contribution of the 5-acre land bank parcel satisfies the matching requirement for the grant. The City sold the property to the project for \$25,000. This contribution is valued at \$1,175,000.

There is no additional financial impact to the City of Fort Collins. These funds will directly benefit the Kechter Townhome development and will be cost neutral to the City.

**BOARD / COMMISSION / COMMITTEE RECOMMENDATION**

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At the February 3, 2022, meeting, the Affordable Housing Board supported the application for this grant.

## **PUBLIC OUTREACH**

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This matter was discussed at the February 3, 2022, meeting of the Affordable Housing Board which was open to the public. The Resolution supporting the grant application was on the Consent Agenda for the February 15, 2022, Council meeting that was also open to the public. No additional outreach was conducted on this grant award.

## **ATTACHMENTS**

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First Reading attachments not included.

1. Ordinance for Consideration