

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT FOR DISCUSSION

Remington/Oak Parking Lot Update

EXECUTIVE SUMMARY

The purpose of this item is to review the history and nature of discussions on the property with Housing Catalyst (HC) to date and provide greater clarity on why and when staff recommend resuming discussions.

In 2022, the City entered a Memorandum of Understanding (MOU) with Housing Catalyst (HC) to develop the city owned property at Block 122 (also known as the Remington/Oak Parking Lot). The MOU outlined the intent to partner on a mixed-income redevelopment of the property that would include a minimum of 50% affordable housing serving households at 80% AMI or below. Since the MOU was signed, the City and HC have continued to discuss the redevelopment of the Site. At the beginning of this year, staff began drafting a Purchase and Sale Agreement (PSA) for Council to consider. The PSA would have initially been presented to the Council Finance Committee in April. After delaying the presentation two months, staff chose to pause discussions with HC until after the conclusion of the ongoing Parking Optimization study

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions does Council have regarding the status of the Remington/Oak Parking Lot and its potential disposition?
2. What other feedback do councilmembers have as staff approaches this work moving forward?

BACKGROUND / DISCUSSION

The City of Fort Collins currently owns Block 122 (a.k.a. the Remington/Oak Parking Lot) in Downtown Fort Collins, bounded by Oak Street on the North, Remington Street on the East, Olive Street on the South, and Montezuma Fuller Alley on the West (see **Attachment 1 - Location Map**; the Property). The 1.3-acre site has functioned as a surface parking lot for several decades.

HISTORY

Original financing: In 1976, General Improvement District No. 1 (GID No. 1) issued \$1.1 million in General Obligation Bonds “for the purpose of constructing and installing off-street parking, and street and mall improvements.” The bonds matured in 1996 and were completely paid off. No additional record exists of outstanding debt based on GID No. 1 revenue. Approximately \$126,000 of the bonds were used in 1977 to acquire the Property. The property has operated as off-street surface parking from shortly after acquisition to today – nearly 5 decades.

Historic Redevelopment Interest: The Property has received a significant amount of interest over the years from the private sector and even included a public/private partnership to redevelop the parking lot as a hotel, which failed due to the 2008 financial crisis. Past discussions have always included a 1:1 replacement of the existing available public parking.

Existing MOU: In April 2022, the City and Housing Catalyst (HC), the City’s housing authority, signed a Memorandum of Understanding (MOU) outlining the intent to partner on a mixed -income redevelopment of the Remington lot that would include a minimum of 50% affordable housing serving households at 80% AMI or below. Since the MOU was signed, the City and HC have continued to discuss the redevelopment of the site. At the beginning of this year, staff began drafting a Purchase and Sale Agreement (PSA) for Council to consider. The draft PSA did not require a 1:1 parking replacement.

DISCUSSIONS WITH HOUSING CATALYST

Early Discussions. In late 2021, as information about housing related American Rescue Plan Act (ARPA) funding opportunities were released, staff from HC, DDA, and the City began to discuss the potential for partnering on a redevelopment of the Property. At that time, HC was pursuing funding from Operation Turnkey, a funding program offered by the Colorado Department of Local Affairs, Division of Housing, Office of Housing Finance and Sustainability and the Office of Homeless Initiatives (collectively DOLA). The funding program was intended, in part, for the acquisition of land and/or existing properties suitable for the purpose of providing or developing affordable housing for extremely low to moderate income individuals and families (DOLA Funding).

MOU Purpose & Additional Details. To pursue the DOLA Funding, HC needed to demonstrate some form of site control of the Property. To meet this requirement, City staff and HC drafted an MOU, which was subsequently considered and approved by City Council (*Resolution 2022-033, February 15, 2022*). In addition to the items outlined above, the MOU included the following stipulations:

1. Parties (City and HC) acknowledged that DOLA Funding may not be available, or appropriate. Accordingly, the Parties agree to work in good faith towards identifying and pursuing other appropriate sources of funding.
2. Parties agreed to work in good faith toward an agreement on the amount and sources of funding for the potential project.
3. The City stated its intent to provide HC the option to enter into a long-term ground lease with the City for the Property with a term of ninety-nine (99) years. The lease was to be subject to Council approval by ordinance.
4. Preservation or replacement of all existing public and permitted parking spaces existing on the Property – then 152 spaces, along with adequate parking for the proposed development.
5. Allowed for termination under several conditions:
 - a. HC did not apply for funding in 2022.

- b. Denial of HC's application(s) for funding.
- c. Despite reasonable and good faith efforts, the Parties are unable to reach agreement on any matter for which the future agreement of the Parties is necessary for completion of the project.
- d. Either party is unable to fulfill its obligations under the MOU or otherwise complete the Project as envisioned in the MOU.

Ongoing Discussions 2022-2024. By late, 2022, it was clear that the additional anticipated DOLA Funding was not imminently available. By **January 2023**, HC shifted focus to a different funding source – Transformational Affordable Housing Funds requiring a submittal by May of 2023. At that time, HC provided an estimate for replacing parking 1:1 on site that it could cost the project as much as \$8.0 million. City staff began discussions internally about the 1:1 parking replacement. **HC did not pursue this funding source.**

In **June 2023**, City staff met again with HC staff. The targeted funding source had shifted to a competitive tax credit application to be submitted in 2024. All “special” funding sources had now vanished, and the project was going to need to pursue more typical affordable housing funding sources. To support a potential competitive application, the Parties agreed to target June/July 2024 for a letter of intent (LOI) to transfer/lease the property. The LOI would address a minimum affordable housing requirement and refine the parking replacement expectation.

Significant work began to make an application in 2024. This included the City of Fort Collins Parking Services conducting some basic parking utilization analysis of the Property. That data was shared with Housing Catalyst. In addition, HC took several steps to prepare for an application as well.

In **January 2024**, staff met with HC to get an update on the preparations for an application later in the year. As part of HC's due diligence work, they shared the findings from their efforts to redevelop the parking lot while meeting the 1:1 parking replacement condition. Several headwinds to this approach were shared, including:

- 1. Replacing the parking spaces on-site would render the project financially infeasible.
- 2. Construction of the parking garage would require a complicated condo arrangement (similar to that at the Firehouse Alley); and
- 3. The public parking portion of the project would not be eligible to receive Low Income Housing Tax Credit (LIHTC) funding and would thus only add cost to the project without benefiting the affordable housing development.

At this time, HC requested a shift in approach to focus on the northern portion of the property only as a 100 percent affordable housing project without a requirement to mitigate the lost parking on-site.

In **June 2024**, the Colorado Housing and Finance Authority (CHFA) announced a new round of LIHTC funding that would be non-competitive. The round would run from September to November 2024 and be rolling, meaning that the sooner an application was submitted the more likely it is to receive the credits. City staff and HC began to work diligently to prepare to support an application in the 1st or 2nd week of September.

In **July 2024**, HC decided not to pursue an application for this LIHTC round. This was based on intelligence that the accelerated state credits were oversubscribed and highly competitive. Additionally, they were not able to obtain a letter of commitment from the Division of Housing for a nonaccelerated application. As a result, the project still faced a significant funding gap of several million dollars.

In **September 2024**, City staff met with HC to discuss an update to the MOU, which at that point was over 24 months old. The Parties agreed that an update would be in order and should address: (1) geography (a shift to focusing on only the northern portion of the property), (2) removing the 1:1 parking replacement

requirement and instead requiring a parking mitigation plan, (3) update the timeline, and (4) require that 100% of the now smaller property be developed as affordable housing.

Staff began to prepare redlines to the existing MOU with the intent of presenting it to Council for consideration.

Shift to Purchase and Sale Agreement. In January 2025, Staff met with HC to discuss the ongoing discussion regarding a revised MOU. During an early meeting, HC presented a new market rate partner that had an interest in developing the southern portion of the property. This development would include four (4) middle-income deed restrict condos and a variety of market rate units. The project once again shifted directions. All agreed that an updated MOU was no longer needed and that give the timeline for a LIHTC application later in the year it would be appropriate to shift to developing a Purchase and Sale Agreement (PSA).

Staff in partnership with the City Attorney's Office (CAO) began to develop the terms of a PSA. At the same time, Staff commissioned an updated appraisal of the property based on a fee-simple sale of the northern portion to HC. On **March 5, 2025**, Staff shared the draft PSA with HC in anticipation of getting feedback in advance of an April Council Finance Committee (Committee) meeting.

On **March 18, 2025**, Staff at the request of HC postponed the presentation of the PSA to the Committee until May. HC wanted to conduct additional outreach efforts before the item was considered by the Committee.

DOWNTOWN DEVELOPMENT AUTHORITY INPUT & CONCERNS

In **January 2025**, the Downtown Development Authority (DDA) raised concern regarding the GID No. 1 original purchase of the Remington Street parking lot and its relationships to HC and their private partner redevelopment concept. The concern focused on the original purpose for the purchase of the property and its acquisition with GID funds. The CAO reviewed GID statutes, and nothing appears to exist impeding the legal transfer of this property to HC. Furthermore, nearly 5 decades of off-street surface parking operations have clearly delivered the original intent of the acquisition.

In **February 2025**, Staff shared the CAO's findings and the City's perspective that DDA, City, and GID all share multiple aligned and competing interests for Downtown. Parking and Housing being two of the largest aligned and competing interests. The DDA continued to express concerns regarding the displacement of downtown parking and the challenges it would present to all of Oldtown, including the small businesses that own and operate in the area.

STAFF'S EVOLVING PERSPECTIVE

Between **February 2025** and early **May 2025**, Staff continued to reflect on the advancing an affordable housing development on the Property. Throughout this period, staff received pertinent information regarding the property, including: (1) a revised appraisal at a significantly higher amount than previously anticipated; (2) additional input from Parking Services about the changing nature of downtown parking demand and impacts of displacing parking at the Property, (3) input from a variety of business owners in Oldtown, and (4) clarification on the timing and output from the Downtown Parking Optimization Study Parking Study.

Evolving Downtown Parking Information. In 2024, Parking Services conducted several windshield surveys of parking utilization at the Remington/Oak Parking Lot. This suggested that utilization at the Property was primarily tied to Permitted Parking during the day. Similar data was supported by HC's own internal parking study completed by Walker Parking. However, it was later revealed that the parking studies had not evaluated evening, late-evening, or weekend parking fully. The utilization of the Property for parking is highly variable and depends on the time-of-day and day-of week. Taking a broader perspective

indicates that the loss of unmitigated parking could have an impact at certain peak times and days of the week.

Since 2021, staff have been committed to reaching an agreement with HC that could deliver affordable housing at the Property. That commitment, unfortunately, led staff to skip over several common steps in a public/private partnership of this scale: (1) engaging important downtown development partners, such as the DDA and GID; (2) considering a broad set of opportunities for the use of a key asset site such as the Property, and (3) not engaging stakeholders early and often. These oversights have resulted in a process that does not meet City standards for this scale of project and opportunity.

Furthermore, the active Downtown Parking Optimization Study will provide important information regarding the health both financially and operational of Oldtown parking. This information will be invaluable in determining the right solution for mitigating the loss of parking by developing the Property.

As a result, staff concluded that a break in the discussions with HC was the most appropriate course of action. It allows the Downtown Parking Optimization Study to complete providing useful insight. Additionally, it can allow for implementation of key recommendations from the study to advance and stabilize before making a significant change in parking inventory through development of the Property.

While this delay means a loss in momentum for the proposed affordable housing project. It does not mean a reduction in commitment to affordable housing. Ample opportunities to partner with HC and other affordable housing partners remain available across the community. However, there is only one Remington/Oak Parking Lot, and any development of the site will be with the community for many decades to come. It is the view of staff that this is a time to get it right rather than get it done fast.

Housing Catalyst Request. On May 20, 2025, HC presented City Manager DiMartino with a letter requesting a no-interest loan for the costs incurred related to the Oak/Remington redevelopment project. The letter cites the City's decision to withdraw consideration of the PSA, "without sufficient consultation or resolution" as the reason for the request. However, it should be noted that the City and HC remain engaged in a MOU. The terms of the MOU indicate: "If either party terminates this MOU, each party shall be responsible for its own costs related to its performance pursuant to this MOU." Staff believe this aspect of the MOU makes it clear that both parties entered the good faith discussions regarding redevelopment, understanding they each would be responsible for their own costs associated with those discussions. The City has not taken action to terminate the MOU but would be within its rights under the MOU to do so.

REFLECTIONS

Staff have reflected on how the organization arrived at this point – where significant time has been invested by both the City and HC on a project that now should be paused for a length of time.

The Key Reflection. Staff is pausing the project as it shifted and changed over time, such as when the unique funding opportunities of the ARPA- and pandemic-period ceased to be available. 2023, when the funding did not materialize was the first opportunity to step back and undertake a more wholistic look at the site, to engage key downtown partners, to evaluate a range of possibilities, to engage stakeholders, and to consider more deeply the impacts on parking from developing the site. Another key moment was in 2024 when HC indicated they could not mitigate lost parking, which was substantially different from the then approved Council MOU.

The Lesson Learned. The commitment and passion of staff to achieve a significant affordable housing project at the Property has driven our engagement with HC. It has also meant that we fell prey to "spotlighting" – focusing on a singular outcome as the most appropriate and best course of action. Taking a step back may have led us to a different development strategy. It may have resulted in a better outcome.

NEXT STEPS

Staff is pausing discussion with HC until at least when the Parking Study is completed later this year. In addition, staff is recommending setting specific triggers to define when discussions regarding the development of the Property should resume. Those triggers include:

1. Review and consideration by staff or Council of the recommendations from the Parking Study;
2. Implementation of the Parking Study recommendations; and
3. Allowing sufficient time for the recommendations to impact the operations of parking in downtown and resident behaviors, so that we can re-evaluate the impact of developing the Property on parking supply.

It is difficult to estimate when these triggers will occur. However, it is likely to take at least a year and potentially two before all three triggers occur. In the meantime, staff remain committed to affordable housing and development partnerships to deliver on this top community and Council priority.

ATTACHMENTS

1. Location Map
2. Presentation