



FRUITA
COLORADO

AGENDA ITEM COVER SHEET

TO: FRUITA HOUSING AUTHORITY

FROM: DALTON KELLEY, SPECIAL COUNSEL TO THE FRUITA HOUSING AUTHORITY

DATE: FEBRUARY 4, 2025

AGENDA TEXT: Resolution FHA 2025-02 - A Resolution of the Fruita Housing Authority Concerning a Loan to 805 Ottley Avenue LLC for the Acquisition of Property to Serve as the Site of the Oaks Project. Dalton Kelley, Special Counsel to the Housing Authority).

BACKGROUND

The City of Fruita and Headwaters Housing Partners (“HHP”) aim to redevelop the Family Health West (“FHW”) property at 805 West Ottley Avenue ("the Oaks") to create long-term, rent-restricted apartments. This project seeks to provide affordable housing options in Fruita for essential local workers, including teachers, healthcare providers, City staff, and service employees. At the August 20th, 2024 regularly scheduled Council meeting, HHP presented the project overview to Council with a request of support from the City and FHA. Since then, the City has reviewed the request and directed negotiators to bring back to Council the terms reflected in the packet. At the December 17, 2024 meeting, the City Council approved an initial term sheet for a contribution to the project. A summary of the term sheet is provided here:

Summary of Project and Term Sheet:

- **Property:** 805 West Ottley Avenue, currently owned by Family Health West, previously an assisted living facility.
- **Proposal:** HHP plans to convert this property into workforce housing for the City of Fruita.
- **Deed Restriction:** Units will be deed restricted to a maximum rental rate per CHFA and HUD standards for Mesa County.
- **Local Preference:** HHP is open to giving preference to local workers and residents, while ensuring compliance with Fair Housing regulations.
- **Financial Assistance:** HHP is seeking a limited partnership with the Fruita Housing Authority for the purpose of tax exemption and direct cash contributions from the City in order to reduce project costs to a level where the project can be successful while charging reduced rental rates.

This agenda item outlines how the Housing Authority’s contribution will be protected throughout the project. Essentially, the Loan will be evidenced by a promissory note and secured by a deed of trust to be recorded in the real property records of Mesa County. The loan will convert to an equity contribution to the Project and the note will be canceled upon the closing on the construction loan for the construction of the project.

FISCAL IMPACT

The term sheet outlines the mutually agreed-upon terms for a redevelopment agreement to ensure the successful redevelopment of 805 W. Ottley. The fiscal impact of this resolution is \$400,000, which has already been appropriated in the 2025 Budget and is funded through lodging tax revenues (\$325,000) and American Rescue Plan Funds (\$75,000).

APPLICABILITY TO CITY GOALS AND OBJECTIVES

The City's long-range planning aims to promote housing affordability across all income levels while aligning with the City's housing goals outlined in the Comprehensive Plan and Land Use Code. Below are relevant sections from the City's Comprehensive Plan that emphasize the importance of supporting housing-related goals.

With regards to the Master Plan, Fruita is an exceptional community. Throughout the comprehensive plan process, residents brought up how much they love living in Fruita, its small-town character, and their desire to preserve the community's most desirable qualities into the future. The plan starts by declaring what makes Fruita special. In turn, these community values are the foundation of the plan—shaping the plan vision, goals, policies, and actions. Two community values represented include:

- Fruita is a place where you run into neighbors, friends, and acquaintances at local stores and restaurants, parks, and the Community Center. (Community Values, Page 2, Comprehensive Plan)
- Fruita is a community where people are invested and constantly work to make the community better. (Community Values, Page 2, Comprehensive Plan)
- Fruita is committed to a land use pattern and supporting policies that promote access to housing across the income spectrum of its residents. (Community Values, Page 2, Comprehensive Plan)

Influenced by the community values expressed on page 2 of the Comprehensive Plan, the Plan Vision states, "The City of Fruita values quality of place. It's an inclusive city, with a small-town feel and vibrant downtown, surrounded by public lands. People love to live, work, and play in Fruita because the City facilitates community, safe neighborhoods, family-friendly events, and walking and biking. The City governs in a way that's responsive to its citizens and prioritizes high-impact services and projects. Fruita fosters a fun and funky ambiance around the arts, agriculture, and recreation."

OPTIONS AVAILABLE TO COUNCIL

1. Approve Resolution FHA 2025-02 - A Resolution of the Fruita Housing Authority Concerning a Loan to 805 Ottley Avenue LLC for the Acquisition of Property to Serve as the Site of the Oaks Project.
2. Deny Resolution FHA 2025-02

RECOMMENDATION

- **APPROVE RESOLUTION FHA 2025-02 - A RESOLUTION OF THE FRUITA HOUSING AUTHORITY CONCERNING A LOAN TO 805 OTTLEY AVENUE, LLC FOR THE ACQUISITION OF PROPERTY TO SERVE AS THE SITE OF THE OAKS PROJECT.**