



TO: FRUITA HOUSING AUTHORITY

FROM: MIKE BENNETT, CITY MANAGER & FRUITA HOUSING AUTHORITY
EXECUTIVE DIRECTOR

DATE: APRIL 4, 2023

AGENDA TEXT: RESOLUTION FHA 2023-02 – A Resolution of the Board of Commissioners of the Fruita Housing Authority Concerning Becoming a Limited Partner in the Owners of the Fruita Mews Project.

BACKGROUND

IndiBuild has presented on the two proposals regarding the Fruita Mews development (“the development”) as summarized here.

Fruita Housing Authority

In May of 2022, IndiBuild was awarded 9% Low Income Housing Tax Credits by the Colorado Housing Finance Authority (CHFA) to develop 44 of the units as affordable housing units with rents ranging from 30% to 60% of the Average Median Income (AMI) with the remaining 6 units at 120% of AMI. IndiBuild has furnished the Fruita Housing Authority (“FHA”) their 15 year cash flow model for the project. IndiBuild is requesting that the FHA enter into a special limited partnership (“SLP”) with IndiBuild. This SLP would provide the following benefits to the project:

- 1) Sales/use tax exemption on building materials, and
- 2) Exemption from property taxes

If the FHA is interested in becoming a SLP with IndiBuild for the Fruita Mews Project, Resolution FHA 2023-02 is attached for consideration.

FISCAL IMPACT FOR FHA

If the FHA were to participate as a SLP, the estimated fiscal impact for the project is as follows:

- 1) Sales & Use Tax Abatement of 8.27% for the entire 50 unit development :

8.27% (State, County and City)	\$465,046
3.00% (City - Fruita portion):	\$168,699
- 2) Property Tax Abatement for the entire 50 unit development over the 15 year cash flow analysis period based on an estimated \$15 million market value:

All taxing entities:	\$1,069,447
IndiBuild estimates:	\$ 390,000
Fruita portion:	\$ 130,853

It is important to note that said sale/use and property taxes would not otherwise be collected if the project were not to develop.

Pursuant to C.R.S. 29-4-227, the determination by an authority of the percentage of the project that qualifies for the exemptions from payment of property taxes and sales and use taxes may be made on the basis of either the relative square footage or cost and is presumed valid absent manifest error.

If the FHA were to participate as a SLP, the FHA would receive the following benefits:

1. First right of refusal for purchase of the property after 15 years (details be determined)
2. Annual fee of \$5,000 (adjusted 3% annually) for total of \$92,995 over the 15-yr period.
3. Reimbursement of out-of-pocket legal expenses of the FHA estimated at \$50,000.

OPTIONS AVAILABLE TO THE COMMISSION

1. APPROVE RESOLUTION FHA 2023-02 AS PRESENTED OR WITH AMENDMENTS DIRECTING THE EXECUTIVE DIRECTOR TO WORK WITH THE FHA ATTORNEY TO EXECUTE A LIMITED LIABILITY PARTNERSHIP AGREEMENT WITH INDIBUILD AND MAKE A DETERMINATION AS TO THE PERCENTAGE OF THE DEVELOPMENT THAT WILL QUALIFY AS LOW INCOME AS REQUIRED BY C.R.S 29-4-227
2. TAKE NO ACTION AND DECLINE TO BE A PARTICIPANT IN THE SPECIAL LIMITED LIABILITY PARTNERSHIP WITH INDIBUILD

RECOMMENDATION

It is the recommendation of staff that the Fruita Housing Authority move to:

APPROVE RESOLUTION FHA 2023-02 DIRECTING THE EXECUTIVE DIRECTOR TO EXECUTE A LIMITED LIABILITY PARTNERSHIP AGREEMENT WITH INDIBUILD AND MAKE A DETERMINATION AS TO THE PERCENTAGE OF THE DEVELOPMENT THAT WILL QUALIFY AS LOW INCOME AS REQUIRED BY C.R.S 29-4-227