



**FRUITA**  
COLORADO

## AGENDA ITEM COVER SHEET

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**TO:** JOINT MEETING OF FRUITA CITY COUNCIL & FRUITA HOUSING AUTHORITY

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

**DATE:** APRIL 4, 2023

**AGENDA TEXT:** PRESENTATION - IndiBuild Presentation to Fruita City Council and Fruita Housing Authority on Proposals Regarding Fruita Mews.

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### BACKGROUND

In May of 2022, IndiBuild was awarded 9% Low Income Housing Tax Credits by the Colorado Housing Finance Authority to develop 44 affordable housing units ranging from 30% AMI – 60% AMI. IndiBuild has furnished the Fruita Housing Authority (“FHA”) Board of Commissioners with their cash flow analysis for the development. IndiBuild will present the two proposals regarding the Fruita Mews affordable housing development as summarized here.

#### Fruita City Council

IndiBuild has requested that the Fruita City Council:

1. Development impact fees:
  - a. Waive development impact fees as enumerated below; or
  - b. Accept payment of impact fees, but then lend the payment back to the project as a long-term, low-interest subordinate loan.
2. Public improvements:
  - a. Accept dedication of internal roadways as public improvements after City staff reviews and approves the revised construction plans and specifications.

#### Fruita Housing Authority

IndiBuild is requesting that the FHA enter into a special limited partnership (“SLP”) with them that would provide the following benefits to the Mews Project:

1. Exemption from sales/use tax on building materials and
2. Exemption/Abatement of property taxes.

If the FHA is interested in becoming a special limited partner for the Fruita Mews Project, a resolution (FHA 2023-02) is included for consideration.

## FISCAL IMPACT FOR FRUITA HOUSING AUTHORITY

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.

## FISCAL IMPACT FOR CITY OF FRUITA

1. Request for City to waive payment of all, a portion of the development impact fees, or allow the fees to be paid over time at a low interest rate in a subordinate position.
  - a. Open Space Fee      \$ 93,000
  - b. Transportation Impact Fee      \$172,225  
(includes a per unit credit of \$2,223 for improvements to K 4/10 Rd.)
  - c. Chip Seal Fee      \$ 20,927  
(IndiBuild estimate with dedication of internal roads – currently \$4,850  
based on exterior K.4 Road only)
  - TOTAL**      **\$270,750**
2. Acceptance of internal roadways as public improvements:
  - a. Additional maintenance and improvements cost to internal roadway network

## OPTIONS AVAILABLE TO THE COMMISSION AND CITY COUNCIL

After the presentation from IndiBuild, the Fruita Housing Authority and the Fruita City Council may adjourn to executive session to discuss these proposals. Upon reconvening from executive session both entities will reconvene into open session for further discussion and possible action.