

Family Health West Multifamily Conversion**805 West Ottley Avenue | Fruita CO 81521****RE: PROJECT CONCEPT, CONVERSION SCOPE AND CITY OF FRUITA SUPPORT****The Project Concept**

The Family Health West Multifamily Conversion (“FHW Conversion”) is an assisted living facility to multifamily conversion project in Fruita, Colorado. Headwaters Housing Partners (“HHP”) put the facility under contract in March 2024, with closing scheduled in October 2024.

Located in the heart of Fruita, the facility consists of approximately 96 assisted living units, supportive service and amenity uses, including a community area and a commercial kitchen. The gross building area comprises a total of 32,500 sq. ft. HHP intends to convert the facility into a 45-to-71-unit deed-restricted workforce housing project in response to Fruita’s lack of attainable housing, forcing over 60% of the workforce to be import from elsewhere in the valley. The final unit count will be contingent on optimum unit-type mix and the ability to construct an undetermined number of two-story structures versus the current one-story configuration.

The Property and Conversion Scope

The existing property is a 3.22-acre parcel on the north side of Ottley Avenue. The property has been vacant for the past few years and appropriately maintained by Family Health West. The buildings were designed and constructed during the early 1990s. The superstructures for the residential uses are understood to be unused “man camp” modular units, originally intended to service the oil and gas fields around Parachute, Colorado. Family Health West contracted structural engineering, architecture and civil engineering to design infrastructure and subgrade structural foundations to support the construction of the facility with the modular units and other infill structures for connecting the residential wings and providing the common amenity areas. Although the facility and assisted living units served their purpose over a three-decade lifespan, the units are no longer building code compliant or habitable to current market standards.

A critical design consideration for the proposed FHW Conversion is the reutilization of the existing utility infrastructure and most importantly, the subgrade structural foundations. Extensive due diligence has already been completed and supported by both geotechnical and structural engineering to raze the above grade structures and salvage and reuse the subgrade structure and infrastructure. Outstanding structural reconnaissance is pending in order to determine the viability of constructing two-story structures in areas where appropriate on the site plan with respect to zoning and neighboring property compatibility.

One unresolved consideration with the existing facility is the presence of approximately 2,500 sq. ft. of community space and commercial kitchen uses. HHP is working with market analysts and welcomes any input from the City of Fruita to either incorporate these uses into the programming of the project or eliminate them all or in part to utilize the floor area for additional residential units.

The following summary of the potential build-out and supporting site plan diagram describe and illustrate the proposed reuse of the existing property, surface improvements, and subgrade infrastructure and structural foundations.

Guidance and Support from the City of Fruita

HHP is pursuing the project as a workforce housing solution for the City of Fruita and would be willing to deed restrict the units to a maximum rental rate of 100% AMI per CHFA and HUD standards for Mesa County. HHP is also willing to explore a preference for renting to local workers and residents, pending compliance with all relevant Fair Housing regulations. HHP is looking to the City of Fruita, its Planning Department and the Housing Authority to provide guidance and consider supporting this important project in the following ways.

Planning and Zoning Interpretation: The property is located in the Community Residential zone district, which allows for a variety of residential use types, depending on the context and uses of the existing and surrounding area. Further, the existing use as an assisted living facility qualifies the property as a Large Group Home use, comprising over 90 assisted living units, common use and kitchen areas and accompanying staff. For these reasons, HHP is seeking guidance and interpretation for the proposed 45-71 units of multifamily housing to be deemed appropriate per the administrative authority of the City of Fruita's Planning and Development Director.

Waiver of Development and Impact Fees and Charges: Because of the nature of the existing assisted living facility as a high impact use with a greater unit count than that proposed within the scope of the redevelopment of the property, HHP is looking to the City of Fruita for impact and tap fee waivers to accommodate the final unit count within the projected range of 45-71 units.

Fruita Housing Authority Financial Support: To support the economics of the project as a 100% AMI rental rate restricted workforce housing project, HHP would like to explore and receive guidance on two key areas of indirect and direct financial support from the Fruita Housing Authority:

1. **Special Limited Partnership:** Fruita Housing Authority as a special limited partner within the ownership structure of the property, would provide property tax abatement as well as sale/use tax abatement for the construction of the project.
2. **Land Acquisition Cost:** As a Colorado special district, Fruita Housing Authority has the ability to access local and state level funding for the purpose of building affordable housing. As the property has a market valuation that reflects a "higher and better use" than rent restricted multifamily workforce housing, the procurement of public funds by the Housing Authority to contribute towards the acquisition cost of the property would significantly help make the development of the proposed project economically viable.

We look forward to connecting with you to further explore this important and exciting project for the community of Fruita. The City's collaboration and support will be critical for the sustainable and adaptive reuse of a property that is past the point of its effective lifespan into a new and meaningful housing solution for the workforce of Fruita.

For questions and additional communication, please don't hesitate to contact us.

Adam Roy
adam@headwatershp.com
970-274-0890

Grady Lenkin
grady@headwatershp.com
970-319-3153