



CITY COUNCIL ACTION FORM

DEPARTMENT	PRESENTED BY	DATE
Administration	Drew Nelson - City Administrator	September 20, 2022

ITEM

Request for Funding – Chaffee Housing Trust

BACKGROUND

The City of Salida is a fiscal and land partner with the Chaffee Housing Trust (CHT) on a project to construct six (6) affordable workforce housing units on a property owned by the City (but to be donated to the CHT) located at the intersection of 3rd and M Streets in Salida. Due to construction cost increases, labor shortages, and supply chain issues, the overall budget for the project has increased by \$110,000 (see attached letter).

On Tuesday, September 13, the Chaffee County Board of County Commissioners approved a request to fund \$55,000 of the cost overruns, and challenged the Salida City Council to fund the remaining half for the project. The BOCC is allocating funding from their remaining American Recovery Plan Act (ARPA), and the City of Salida still has approximately \$143,000 in ARPA funds remaining.

As noted in the attached letter, CHT anticipates completion of the project in October should funding be made available. Four of the homes are already secured for qualified local buyers at 80% or less than the local Area Median Income (AMI). The remaining two units are projected to be rented by CHT at 100% or less than AMI until such time as a family can purchase the entirety of the property. Having six deed-restricted affordable units come into the marketplace in the next 6 weeks would be a boon to the local workforce and hopefully stem some of the loss of workers that may occur during the fall months.

FISCAL NOTE

\$55,000, to be provided from ARPA funds that are currently unallocated. It should be noted, however, that the remaining ARPA funds were projected to be used for workforce housing purposes through the demolition of the dilapidated structures located at 1st and D Streets

STAFF RECOMMENDATION

Staff recommends that the City Council approve the funding request from the Chaffee Housing Trust of \$55,000 for the purpose of completion of the CHT project located at 3rd and M Streets.

SUGGESTED MOTION

A City Councilperson should state, "I move to approve the allocation of \$55,000 in ARPA funds to the Chaffee Housing Trust for completion of the workforce housing project at 3rd and M Streets", followed by a second and a roll call vote.



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May 5th, 2022

Greg Felt, Chair
Chaffee Board of County Commissioners
144 Crestone Ave
Salida, CO 81201

RE: Request for ARPA funds for infrastructure to complete affordable housing in Salida

Dear Commissioner Felt,

The process for developing affordable housing at the M&3rd site in Salida has been complicated by COVID-related challenges, as well as unanticipated site challenges. The CHT is seeking support from the County in the form of American Rescue Plan Act (ARPA) funds.

In 2020, the CHT initiated the process of acquiring a City of Salida owned parcel that was underused. To make the site shovel-ready, the CHT partnered with the City to move a sewer line and other infrastructure at a cost of \$49,000 to the CHT as budgeted in the development pro forma. The goal was to maximize the use of this public asset to benefit residents by providing workforce housing limited to households earning less than 80% Area Median Income. A section of East Crestone Ave was vacated and street improvements made, creating a 1/3-acre buildable lot. Per City code, five homes plus an accessory dwelling unit were allowed by right. The maximum number of units was needed to get the project to pencil out,

Four of the homes have qualified buyers in waiting, including two families with 2-3 kids, and a person with a disability who will purchase the fully ADA accessible unit. These sales will pay off the bulk of construction financing, leaving permanent debt of \$244,000. The fifth home and ADU were intended to be rentals so that the rental income would pay down the debt until such a time as the remaining balance could be paid off by a sale of that home + ADU. Since this would need to be a single sale (an ADU cannot be split off from the principal unit), the CHT intends to find a young family, ideally with kids and elderly grandparents, so that they can live in close proximity near downtown, but in separate, attached homes. The Colorado Division of Housing supported this financing structure, and awarded the CHT a \$180,000 grant. This is evidence of the creativity required to get projects financed and built. As a local organization, the CHT is uniquely positioned to bring these resources together to make it all happen.

Then the consequences of COVID hit. Materials costs soared, labor became scarce, and the cost of the homes manufactured in a factory in Pueblo (indieDwell.com) increased by \$222,700. This added expense consumes the contingency and developer fee, with some loss to the CHT. Given



the widespread severity of COVID-related economic consequences that we have all experienced, this was considered a cost of doing business for the CHT.

To meet ADA requirements for access to the parking lot and storage, a retaining wall is needed on the back property line. The original budget line item was \$20,000. When ground work was initiated on site in fall 2021, it became apparent that the soils were an anomaly, almost exclusively comprised of sand. The retaining wall was re-engineered to a height of six feet, and additional tiers of shorter retaining walls were added to bring grades up to meet accessibility requirements. After several rounds of bids, the final cost of the retaining wall will be \$130,144, a cost over-run of \$110,144.

Given the severe need for affordable housing, specifically shovel-ready projects, the M&3rd project will proceed despite the budget shortfalls (factory price increase and retaining wall increase). Homes are fully engineered and approved by the State with factory production set for July and delivery of modules in late August. The CHT foresees C.O.'s in October, with sales immediately following. Future project budgets have been adjusted to accommodate the conditions in the building and labor markets. The M&3rd project funding and financing is already set, and relief is not available. The use of ARPA funds to address the infrastructure issues that are impeding this project would make the difference in getting it to the finish line this year, without further delay.

Your consideration of this request is greatly appreciated.

Sincerely,



Read McCulloch
Executive Director
(719) 239-1199
read@chaffeehousing.org



From: [Robert Christiansen](#)
To: [Drew Nelson](#)
Cc: dshort@chaffeecounty.org
Subject: CHT Funding Approved
Date: Tuesday, September 13, 2022 9:29:15 AM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.png](#)
[image005.png](#)

Drew:

The BOCC approved \$55k for the CHT Request for 3rd and M street project using ARPA funds and challenges Salida to match this amount for this project.
Let me know if you need anything more on this.

Regards

Bob



Robert Christiansen

County Administrator
Chaffee County Government
719.539.2218
bchristiansen@chaffeecounty.org



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www.ChaffeeCounty.org

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This message has been scanned for viruses and dangerous content by [MailScanner](#), and is believed to be clean.

From: [Read McCulloch](#)
To: [Nelson Drew](#)
Subject: M&3rd funding followup
Date: Wednesday, September 14, 2022 1:47:44 PM
Attachments: [PastedGraphic-1.tiff](#)

Drew,

Yesterday, the BOCC approved allocation of \$55,000 to the CHT for the M&3rd project from ARPA funds received to help mitigate the cost increases realized as a result of COVID. They verbally issued a challenge to the City of Salida to match their support.

Please let me know if, how, and when the City might be able to consider such a match.

Thanks, Read

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