



# CITY COUNCIL ACTION FORM

DEPARTMENT	PRESENTED BY	DATE
Community Development	Bill Almquist - Community Development Director	February 18, 2025

## **AGENDA ITEM**

Resolution 2025-07:: A Resolution of the City Council of the City of Salida, Colorado, Approving an Amendment to Section 7, Entitled “Inclusionary Housing,” of the Development Improvements; Subdivision Improvements; and Inclusionary Housing Agreement for the Holman Court Planned Development and Major Subdivision.

## **BACKGROUND**

The Holman Court Planned Development and Subdivision was approved by City Council on April 6, 2021 following recommendation of approval by Planning Commission. The project included 14 units (7 duplex buildings) each of which have subsequently been subdivided into their own lots. The project was approved via a negotiated process through which the applicant received deviations from the underlying R-2 zone district dimensional standards, including minimum lot frontage on a public street, maximum parking/access lot coverage, and minimum landscape area. As part of the negotiation, the applicants, Holman Court LLC, represented by David LaRochelle and Mark Lee, agreed to build two Inclusionary Housing units to be sold at a maximum of 80% AMI. At the time, City policy required 1 built IH unit per 8 total units (the policy also provided an option for a fee-in-lieu of built units, to be assessed on each market-rate unit). The PD approval required that both IH units be built and receive certificate of occupancy prior to the 10<sup>th</sup> market-rate unit.

Project construction began in the summer of 2021 and, on February 21<sup>st</sup>, 2023, the applicants returned to Council to request that the maximum AMIs for the two IH units be increased from the previously agreed upon 80% AMI price level to 120% AMI and 160% AMI, respectively, consistent with the updated Inclusionary Housing policy. The request was related to unexpected construction costs. Council ultimately agreed, via Resolution 2023-09, to amend the Inclusionary Housing agreement to allow the two units to be deed restricted at up to 120% and 140% AMI, respectively, plus to pay a fee equal to .33 of the fee-in-lieu (FIL) at the time (the staff report estimated approximately \$61,000 in total fees for all market units). The additional FIL accounted for the fact that the new policy requires 1 built IH unit for every 6 units in the project, and the two built IH units left a “remainder” of two market-rate units. According to records, only \$16,575 of the FIL has been paid to date, leaving \$44,475 to be paid.

Since the 2023 amendment to the original agreement, the applicants have completed all 14 units. All but one of the market-rate units have sold and the applicants have sold the 140% AMI deed-restricted unit. According to their request detailed in the attached email, however, they have not yet been able to sell the 120% AMI deed-restricted unit. The applicants state that they have tried selling

it for as low as at \$389K, but sales have fallen through for a variety of factors including, but not limited to: loan conditions, eligibility issues, and inability of buyers to afford the mortgage payments with recent interest rate increases.

## **REQUEST**

The applicants are now requesting that City Council waive the requirement to sell the second deed-restricted unit and allow them to pay a fee-in-lieu of the built unit at \$22/SF for the one affordable unit in question, or \$32,142 (according to County Assessor records, the unit in question, 711 Holman Court, is 1461 square feet and  $22 \times 1461 = \$32,142$ ). For clarity, current Inclusionary Housing policy requires that developers build and deed restrict 1 unit for every 6 units in the development (with fees-in-lieu only applying to projects with less than 6 units and to “fractional” remainders). When fees-in-lieu are required, they are applied across *all* applicable market-rate units, not just one, at the effective rate. Below is a summary of the differences between the original agreement, the 2023 amendment to the agreement, the applicant’s current request, and the remaining FIL if just 1 IH unit were to be allowed and fees are applied according to code:

### **2021 Inclusionary Housing Agreement (Approved):**

Market-Rate Units	IH Units	Max. AMI of IH units	Add'l FIL to be paid
<b>12</b>	<b>2</b>	<b>80% &amp; 80%</b>	<b>\$0</b>

### **2023 Amended Inclusionary Housing Agreement (Approved):**

Market-Rate Units	IH Units	Max. AMI of IH units	Add'l FIL to be paid
<b>12</b>	<b>2</b>	<b>120% &amp; 140%</b>	.33 FIL or ~ <b>\$61,000</b> (\$16,575 paid, \$44,475 due)

### **Applicant’s Current Request:**

Market-Rate Units	IH Units	Max. AMI of IH unit	Add'l FIL to be paid
<b>13</b>	<b>1</b>	<b>140%</b>	$\$61,000 - \$16,575 = \$44,475$ <i>plus</i> $\$22.00/\text{SF} \times 1461 = \$32,142$

### **If 1 IH unit were allowed and FILs were applied according to code:**

Market-Rate Units	IH Units	Max. AMI of IH unit	Add'l FIL to be paid
<b>13</b>	<b>1</b>	<b>140%</b>	$\$61,000 - \$16,575 = \$44,475$ <i>plus</i> $\$13.59/\text{SF} \times 1523 \times 8 = \$165,580$

According to the County Assessor, the development currently has 8 units at 1544 SF, 4 units at 1513 SF, and 2 units (the IH units) at 1461 SF. The average square footage for all units is 1523 SF. If we multiplied the current FIL of \$13.59 times the average size of all units, that would result in a FIL of \$20,697.57 for each market rate unit *not* covered by the 1 already-sold and deed restricted IH unit (a total of 8 market rate units under the current code).

$\$13.59/\text{SF} \times 1523 \text{ SF} \times 8 \text{ units} = \mathbf{\$165,580.56}$

## **RECOMMENDATION**

Staff recommends amending the SIA/IH to allow the applicant to pay a fee-in-lieu of the previously agreed upon built IH unit in the amount of \$165,580 plus the unpaid fees-in-lieu from the previous inclusionary housing agreement which allowed for the increase in AMI on the sold IH unit (\$44,475). The total payment would be \$210,055. A more formalized resolution would be drafted up by the City Attorney to reflect the agreed upon terms.

## **FISCAL IMPACT**

The fiscal impact of this Resolution is to forego one deed-restricted workforce unit in exchange for a total contribution of \$210,055 to the affordable housing fund for use in future affordable housing projects.

## **MOTION**

A City Councilmember should state “I move to Approve/Deny Resolution 2025-07, A Resolution of the City Council of the City of Salida, Colorado, Approving an Amendment to Section 7, Entitled “Inclusionary Housing,” of the Development Improvement; Subdivision Improvement; and Inclusionary Housing Agreement for the Holman Court Planned Development and Major Subdivision”, followed by a second and a roll call vote.

### **Attachments:**

- Resolution 2025-07
- Original (2021) Recorded Planned Development Approval Plans
- 2023 Subdivision Improvements/Inclusionary Housing Agreement Amendment Packet Items
- Emails from applicant and applicant’s realtor dated 02/10/25 and 12/19/2024 with request and AMI sheet for IH unit and financial hardship summary