

AGENDA ITEM SUMMARY

August 20, 2019

City Council

STAFF

Sue Beck-Ferkiss, Social Policy and Housing Program Manager
Ingrid Decker, Legal

SUBJECT

Second Reading of Ordinance No. 096, 2019, Approving the Waiver of Certain Fees for the Mason Place Affordable Housing Project.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on July 16, 2019, approves Housing Catalyst's request for affordable housing fee waivers for the Mason Place permanent supportive housing project under development at 3750 South Mason Street, currently the site of the Midtown Arts Center. All 60 units of this project target residents making no more than 30% area median income (AMI) and therefore qualify for discretionary fee waivers. The request is to approve the waiver of 100% of the waivable fees up to the amount of \$330,000.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

ATTACHMENTS

1. First Reading Agenda Item Summary, July 16, 2019 (w/o attachments) (PDF)
2. Ordinance No. 096, 2019 (PDF)

AGENDA ITEM SUMMARY

City Council

July 16, 2019

STAFF

Sue Beck-Ferkiss, Social Policy and Housing Program Manager
Ingrid Decker, Legal

SUBJECT

First Reading of Ordinance No. 096, 2019, Approving the Waiver of Certain Fees for the Mason Place Affordable Housing Project.

EXECUTIVE SUMMARY

The purpose of this item is to present Housing Catalyst's request for affordable housing fee waivers for the Mason Place permanent supportive housing project under development at 3750 South Mason Street, currently the site of the Midtown Arts Center. All 60 units of this project target residents making no more than 30% area median income (AMI) and therefore qualify for discretionary fee waivers. The request is to approve the waiver of 100% of the waivable fees up to the amount of \$330,000.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

The Fort Collins Housing Authority, doing business as Housing Catalyst (HC), is a Fort Collins, mission-driven real estate developer that designs, builds and serves affordable communities in Northern Colorado. HC owns and operates a variety of properties located throughout Fort Collins and serves over 2,200 households in need of affordable housing. HC also manages the affordable housing properties owned by Villages, Ltd. HC is an experienced developer and property manager with a good history of running quality developments in Fort Collins.

HC is seeking affordable housing fee waivers of certain development and capital improvement expansion fees for Mason Place, an affordable housing project, as allowed by City Code and the Land Use Code. Mason Place is currently under development and will deliver 60 income restricted units, all of which will be targeted to households making no more than 30% of the area median income (AMI). The request from HC is provided as **Attachment 1**. HC has been awarded competitive 9% low income housing tax credits for the funding of this development. While HC will be the ultimate owner of the building, it is being developed by Housing Catalyst LLC and any fee waiver granted would be to Mason Place LLLP, which is the ownership entity for the tax credit partnership.

Fee Waiver History

For many years, the City provided affordable housing fee waivers for some building permit fees, development review fees and some capital expansion fees as an incentive to encourage the development of affordable housing.

- Prior to 2013, these fee waivers were for improvements or repairs and the amounts were small. City policy was changed after a new construction project received an affordable housing fee waiver of over \$500,000.

- In March 2013, City Council amended its policies on fee waivers for affordable housing to allow for more discretion in determining the kinds of housing projects for which City fees should be waived.
- By adopting Ordinance No. 37, 2013, City Council limited eligibility of fee waivers to the local housing authority and limited what types of units would qualify for fee waivers. Only projects that target homeless or disabled persons, or for households whose income is no greater than 30% of the area median income (AMI) qualify.
- Furthermore, waivers were made discretionary by City Council upon a determination that the proposed waiver will not jeopardize the financial interests of the City or the timely construction of the capital improvements to be funded by the fees for which a waiver is sought.
- In 2017, this policy was broadened by City Council to allow any developer, not only the housing authority, providing qualifying units to be eligible to seek discretionary fee waivers.
- Staff has been working on improving the processing of requests for fee waivers. In addition to working closely with applicant developers to confirm fee amounts, the process was modified to provide two approval options.
 - If the developer needs the certainty that the discretionary fee waiver will be approved by City Council early in the development process, they may apply for approval of the percentage of eligible units even before the fee amounts are finalized.
 - Alternatively, if the waiver request is processed when fee amounts are final, the waiver approval can be for both the percentage of qualifying units and the fee waiver amount.
- This process improvement allows the applicant to decide on the timing of the fee waiver request. This only makes a difference in how the City handles the reimbursement or “backfill” to City departments of capital expansion fees, and appropriations. When the Council is asked to approve a fee waiver after the fee amounts are finalized, the fee waiver ordinance will contain an appropriation for backfilling waiving fees. When a fee waiver ordinance only approves the percentage of fees to be waived, a separate Council appropriation at a later date will be required for reimbursements.

Current Request

Mason Place is a 60-unit affordable housing community being developed at 3750 South Mason Street in Fort Collins. (**Attachment 2**)

Mason Place will be a permanent supportive housing (PSH) development. The total development of 60 units will be dedicated to households making no more than 30% AMI. This will be a community where people can live for an unlimited term and be provided on-site supportive services to help them achieve and sustain housing stability. This is a best practice for housing persons experiencing chronic homelessness, most of whom have disabilities too. This target population qualifies for affordable housing fee waivers from the City pursuant to City Code and the Land Use Code.

Because Mason Place will house the lowest income category, rents collected will mostly be used for operation and maintenance of the facility. Very little income will be available to manage debt on a development of this kind. Therefore, it is important to have as much up-front subsidy as possible in constructing this type of development project. The City has committed Affordable Housing Capital Fund funds of almost \$900,000 as direct capital assistance as well as Competitive Process funds in excess of \$1.1 million to this project. This project has been awarded highly competitive 9% Low Income Housing Tax Credits from the Colorado Housing and Finance Authority.

HC is seeking the waiver of certain fees for those 60 qualifying units. The total fees for this \$18.7 million development project are estimated to be in excess of \$686,000. The request is for 100% of eligible fees, about \$325,000 (currently calculated at \$324,714, **Attachment 3**), to be waived. Of that amount, about \$264,000 (currently calculated at \$263,244) are for capital expansion fees which the City has traditionally reimbursed. The fees for this project are not as high as new construction because it is adaptive reuse, so some fees have been previously collected for this location and are credited to the project. Because the plans for this development could still change slightly, HC has requested that Council approve the percentage to be waived at this time. The fee amounts are not expected to change significantly, but by approving the percentage, more time is provided

to finalize the fee amounts. The request is seeking approval of 100% of the waivable fees for the Mason Place project, not to exceed \$330,000.

Assuming a fee waiver of no more than \$330,000, see below for the City's total investment in Mason Place, as well as a comparison to other waiver approved projects. The number of qualifying units is shown first with total units second after the project's name. For example, 60 units qualify at Mason Place out of a total of 60 units (60:60). These projects all have 30% AMI targeted units but serve different demographics. Both Mason Place and Redtail Ponds are PSH. Oakridge Crossing serves income qualified seniors. The Village on Redwood and the Village on Horsetooth serve a range of household sizes and ages.

Project	Total City Investment	Total Development costs	% City Support	Total Waiver Amount	Waiver per qualifying unit
Mason Place (60:60)	\$2,330,000	\$18.7 M	12%	\$330,000	\$5,500
Redtail Ponds (40:60)	\$1,702,262	\$12.5 M	14%	\$288,000	\$7,200
Village on Redwood (13:72)	\$2,858,182	\$19.4 M	15%	\$100,708	\$7,747
Village on Horsetooth (43:96)	\$1,711,019	\$26.5 M	6%	\$352,319	\$8,193
Oakridge Crossing (13:110)	\$90,923	\$22 M	4%	\$90,923	\$6,994

The 2019 income limits published by the U. S. Department of Housing and Urban Development for 30% of the Fort Collins AMI is \$18,350 for a household of 1 and \$20,950 for a household of 2. The units at Mason Place will be primarily one-bedroom units with a few two-bedroom units. Households at this income level are some of the City's most vulnerable residents. Most of the residents will be escaping homelessness and have disabilities.

The City has established affordable housing production goals in the 2015-2019 Affordable Housing Strategic Plan (Plan). The need for financial support for these goals to be met is also stated in the Plan. The annual production goal for the current 5-year plan is 188 units. This project will deliver 60 units which is 32% of the City's current annual goal. Since the City does not develop housing, development partners are relied upon to bring this necessary housing products to the community. This project will increase the inventory of affordable rental units and is targeting housing with supportive services for special needs populations, which are two of the strategies listed in the Plan.

As stated earlier, the City has historically used unrestricted funds to reimburse the appropriate fee funds for any capital expansion fees waived. For Mason Place, the waived capital expansion fees will be about \$264,000. Traditionally the reimbursement of capital expansion fees has come from General Fund reserves. Funds from the Affordable Housing Capital Fund (AHCF) that was approved by the voters as part of the City Capital Improvements Program have also been used to partially match the general fund reserves to reimburse waived capital expansion fees. This fund will accumulate \$4 million over ten years. While most of the current balance in the AHCF is already committed to this project, \$100,00 was withheld for the purpose of matching general fund reserves for the purpose of fee waiver reimbursements. This project is the first to seek fee waivers this year.

CITY FINANCIAL IMPACTS

If the fee waivers are granted, the City will forgo the amount of the waived fees not to exceed \$330,00 and will reimburse the appropriate fee funds for Capital Expansion Fees of about \$264,000. The Council Finance Committee recommends that \$100,000 be used from the AHCF for this reimbursement and that the balance be paid from General Fund reserves. The City Council will be asked to approve an appropriation at a later date.

BOARD / COMMISSION RECOMMENDATION

At it's June 6, 2019 meeting the Affordable Housing Board voted to support this waiver request. **(Attachment 4)**

At it's June 19, 2019 meeting the Council Finance Committee supported granting the waiver request. **(Attachment 5)**

PUBLIC OUTREACH

While extensive public outreach was done on the issue of waivers for the City's Housing Affordability Policy Study, the Affordable Housing Strategic Plan, and the expansion of eligibility to all developers producing units targeting households with incomes no more than 30% AMI, outreach beyond the Affordable Housing Board meeting and the Council Finance Committee meeting has not been conducted specifically on this request.

ATTACHMENTS

1. Housing Catalyst Fee Waiver Request for Mason Place (PDF)
2. Mason Place Location Map (PDF)
3. Mason Place Fee Sheet (PDF)
4. Affordable Housing Board Minutes June 6, 2019 (PDF)
5. Council Finance Committee Minutes June 17, 2019 (Draft) (PDF)

COPY

ORDINANCE NO. 096, 2019
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROVING THE WAIVER OF CERTAIN FEES FOR THE
MASON PLACE AFFORDABLE HOUSING PROJECT

WHEREAS, by adoption of Ordinance No. 065, 1999, the City Council exempted from the imposition of the City's capital improvement expansion fees the land development projects of housing authorities formed pursuant to the provisions of Section 29-4-101, et seq., and specified various other City fees from which such projects are also to be exempted; and

WHEREAS, the financial impact of such fee waivers on the City can be substantial, depending upon the size of the project that is exempted, and whether the lost fee revenues need to be replaced by the City; and

WHEREAS, on March 19, 2013, the City Council adopted Ordinance No. 037, 2013, making amendments to the City Code and Land Use Code limiting the types of projects for which housing authorities could request fee waivers, and specifying that those waivers are to be granted at the discretion of City Council upon a determination that proposed waivers will not jeopardize the financial interests of the City or the timely construction of capital improvements to be funded by the fees; and

WHEREAS, on November 21, 2017, the City Council adopted Ordinance No. 148, 2017 (the "2017 Ordinance"), which further amended the City Code and Land Use Code to create an incentive for all developers to provide housing units affordable to those making less than 30% of the area median income (AMI) by allowing all developers of units targeting that income bracket to request fee waivers for the affordable portions of their projects; and

WHEREAS, the 2017 Ordinance states that the City Council can waive, by ordinance, fees that would otherwise be imposed for an affordable housing project only if the City Council determines that: (1) the project is intended to house homeless or disabled persons, as such terms are defined by the Department of Housing and Urban Development (HUD), or households with an annual income that does not exceed 30% of the AMI for the applicable household size in the Fort Collins-Loveland metropolitan statistical area, as published by HUD; and (2) the proposed waiver will not jeopardize the financial interests of the City or the timely construction of the capital improvements to be funded by the fees for which a waiver is sought; and

WHEREAS, the Fort Collins Housing Authority, doing business as Housing Catalyst ("HC") is seeking the waiver of certain development and capital improvement expansion fees for Mason Place, an affordable housing project in Fort Collins that will provide 60 income-restricted units, all targeted to households making no more than 30% of AMI (the "Project"); and

WHEREAS, the City has established affordable housing production goals in the 2015-2019 Affordable Housing Strategic Plan with an annual production goal for this five-year plan of 188 units; and

WHEREAS, the Project will deliver 60 units, 32% of the City's current annual goal for new affordable housing units; and

WHEREAS, 100% of the Project units will be dedicated to households making no more than 30% of AMI; therefore, HC is requesting waivers for 100% of the total waivable Project fees based on the number of units eligible for such fee waivers; and

WHEREAS, the total fees for the Project are currently estimated at \$324,714, but this amount could change as the Project plans are finalized, so HC is asking that the City Council approve a waiver of 100% of the waivable fees for the Project but not to exceed \$330,000; and

WHEREAS, the Project fits the definition of a project eligible for fee waivers under the City Code and Land Use Code as amended by the 2017 Ordinance; and

WHEREAS, City Finance staff has determined that waiver of these fees will not jeopardize the financial interests of the City or the timely construction of the capital improvements to be funded by the fees for which the waiver is sought; and

WHEREAS, the Affordable Housing Board at its regular meeting on June 6, 2019, voted to support this waiver request; and

WHEREAS, the Council Finance Committee at its regular meeting on June 17, 2019, supported this waiver request.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That the City Council hereby makes and adopts the determinations and findings contained in the recitals set forth above.

Section 2. That the City Council hereby finds that 100% of the Project is intended to house households with an annual income that does not exceed 30% of the area median income for the applicable household size in the Fort Collins-Loveland metropolitan statistical area, as published by HUD.

Section 3. That the City Council further finds that the fee waiver requested by HC will not jeopardize the financial interests of the City or the timely construction of the capital improvements to be funded by the fees for which a waiver is sought.

Section 4. That the City Council hereby approves the waiver of eligible fees for the Project in an amount not to exceed \$330,000, currently calculated as follows:

Development Review Fees	\$ 28,693
Building Fees	31,977
Capital Improvement Expansion Fees	<u>264,044</u>
Total:	\$ 324,714

Section 5. That the City Council hereby directs the City Manager, once the Project fees are finalized, to bring forward an ordinance appropriating funds to reimburse the appropriate funds for the fees waived by this Ordinance.

Introduced, considered favorably on first reading, and ordered published this 16th day of July, A.D. 2019, and to be presented for final passage on the 20th day of August, A.D. 2019.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 20th day of August, A.D. 2019.

Mayor

ATTEST:

City Clerk