

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 19

DATE: January 19, 1999

STAFF: Alan Krcmarik

SUBJECT:

Resolution 99-7 Setting Forth the Intention of the City to Issue Multi-Family Housing Revenue Bonds for the Concorde Capital Corporation Project.

RECOMMENDATION:

Staff and the Affordable Housing Board recommend adoption of the Resolution.

FINANCIAL IMPACT:

The private activity bonds that would be issued by the City for this project cannot be obligations of the City of Fort Collins. The City serves only as the sponsor of the project. The debt service on the bonds would be repaid from revenue generated by the project. The debt service on the private activity bonds does not constitute a debt of the City. The City has an allocation of \$2,684,075 of private activity bonds for 1999. If the City induces the project, the proponents will apply for additional private activity bond allocation from the State of Colorado.

EXECUTIVE SUMMARY:

In early December 1998, representatives from Concorde Capital Construction contacted staff members of the Advance Planning and Finance Departments. Concorde requested the City consider issuing private activity bonds for the purpose of acquiring property, constructing and equipping housing project consisting of ranch style and townhomes (the "Project") in Fort Collins. The Project would qualify as a low-income rental housing project. The project is located in the north part of Fort Collins near the southeast corner of the intersection of Redwood and Conifer Streets. Up to 150 dwelling units will be included in the project. The site is approximately 13.6 acres. Twenty-seven percent of the units will be for individuals or households making no greater than 60% of the area median income. Forty percent of the units will be for households under the 50% median income level. The remaining 33% of the units will be rented at market rates.

Passage of this Resolution will allow the City to issue up to \$11 million in tax-exempt private activity bonds for the purpose of constructing the project. The issuance is contingent on the Project receiving an additional allocation from the State of Colorado. The proposal is consistent with the City's adopted policies regarding the issuance of multi-family rental housing bonds. The Affordable Housing Board reviewed the project at its meeting on January 7, 1999. The Board supports the proposal.

Staff finds that the project is consistent with Council's goal of increasing the quality of affordable housing in the City. The project proponent is in the process of preparing an application to secure an additional Private Activity Bond Allocation from the State of Colorado. Based on Council's action on the resolution, the City will support the project proponent in its application to the State Allocation Board for a State allocation. The deadline for applications to the State for allocations is January 22, 1999.

BACKGROUND:

One of the Council's top priority work plan goals for 95-97 and 97-99 has been to increase the quality and affordability of housing. In 1984 the City adopted policies for the issuance of tax exempt bonds that would acquire, rehabilitate, or maintain the supply of low-income housing. Through the adoption of Resolution 84-179, specific criteria were set to allow the City the opportunity to pursue its commitment to affordable housing in accordance with State and Federal legislation and regulations. The Concorde Project has been evaluated according to the criteria for issuance of multi-family revenue bonds set forth in Resolution 84-179. Below, staff has provided a summary of the project and then the evaluation.

The Project

The Concorde Project is planned to be a 150-unit multi-family project in the north part of Fort Collins. The site is located at the corner of Redwood and Conifer streets(see the attached map). This location is within a qualified census tract.

The project will contain 40 two-bedroom units and 110 three-bedroom units. The project is designed as a combination of ranch and townhouse units. A clubhouse of over 3,000 square-feet will have a large community room for residents' use. The site is a 13.6 acre tract of land.

The site is a triangle shape and has been designated as "hard to develop" by the Department of Housing and Urban Development. This designation qualifies the project for additional tax credits, thereby improving the overall financing of the project.

According to the information received from the Project proponents, the tenancy for at least 60 of the units will be affordable for residents making no greater than 50% of the area median income. Twenty-seven percent of the units will be affordable for residents making no more than 60% of median income. The remaining 33% of the units will be at market rates. For the restricted rental rates units, rents will be restricted to 30% of targeted income and be regulated by deed restrictions of the tax credit allocation.

Criterion #1

The City's policy requires a minimum of 20% of the units be rented to families at or below 70% of median income. The state guidelines are more restrictive, requiring at least 40% of the units to be rented to households at 60% of the area median income. The materials presented for the project indicate that 67% of the units will be affordable to households at 60% of area median income or lower. Therefore, the first policy criterion is met by the project.

Criterion #2

For restricted units, the rents must be set at 30% of 70% of median income. As stated above, 67% of the units will be at 30% of 60% of area median income.

The project meets this criterion.

RENT CALCULATIONS**Concorde Capital Corporation Project Rent Calculations**

Number of Bedrooms
(Assumes an average of 1.5 people per bedroom)

<u>Income</u>	<u>2 Bedrooms Rent</u>	<u>3 Bedrooms Rent</u>
60% of Median Income	\$697	\$794
50% of Median Income	\$572	\$662

Criterion #3

The City's policy is to request that the owner of the projects provide an additional rent subsidy for the 20% restricted units. (The rent subsidy is provided in lieu of collection the City's normal issuance fee.) The project applicant has targeted households with 50% of area median income for 40% of the units thereby meeting the additional rent reduction.

Criterion #4

This criterion requires the use of #2 and #3 to calculate the actual rents for the restricted units. The proponent has agreed to do so.

Criterion #5

This criterion requires final approval for the project by the Planning and Zoning Board. Further, any rights for appeal need to have expired. The underlying zoning for the subject property supports the proposed land use.

Criterion #6

This criterion requires that amenities for the low-income units be the same as other units in the project. The proponent states that access to complex amenities are open to all residents. All units will have the same features and quality.

This criterion will be met.

Criterion #7

The owner of the project must meet all Federal and State requirements for the bonds. It is the applicant's intention to meet all requirements. The bond documents for the project will comply with the requirements.

This criterion will be met.

Criterion #8

Monitoring of the project management to meet the Federal and State requirements will be assigned to the bond trustee. Bond documents will be drafted with this stipulation.

Criterion #9 and #10

These criteria allow the City to deny a project even if all criteria are met or to vary criteria #1 through #4.

Recommendation

The project has been presented to the Affordable Housing Board and received its approval. Staff recommends adoption of the Resolution as it supports Council's goal of increasing the quality and affordability of housing and is consistent with the adopted policies for multi-family housing private activity bonds.

RESOLUTION 99-7
OF THE COUNCIL OF THE CITY OF FORT COLLINS,
SETTING FORTH THE INTENTION OF THE
CITY TO ISSUE MULTI-FAMILY HOUSING REVENUE BONDS
FOR THE CONCORDE CAPITAL CORPORATION PROJECT

WHEREAS, representatives of Concorde Capital Corporation (the "Company") have met with officials of the City of Fort Collins, Colorado, (the "City"), and have advised the City of the interest of the Company in acquiring, constructing, and equipping a ranch and town home project (the "Project") to be near the corner of Redman and Conifer Streets, Fort Collins, Colorado, subject to the City's financing the Project by the issuance of multi-family housing revenue bonds, pursuant to the Colorado County and Municipality Development Revenue Bond Act constituting Article 3, Title 29, Colorado Revised Statutes, as amended (the "Act"); and

WHEREAS, the Project is within the municipal boundaries of the City; and

WHEREAS, the Company has represented to the City that the Project will qualify as a "project" within the meaning of the Act; and

WHEREAS, the Council has considered the proposal and has concluded that the benefits to be derived therefrom by the City will be substantial; and

WHEREAS, the Council has determined that the Project is consistent with the goals and objectives of the City; and

WHEREAS, the Company and the City staff are working with the State of Colorado, seeking to increase the City's private activity bond allocation sufficient to permit the issuance of multi-family housing revenue bonds for the Project; and

WHEREAS, the Council desires to indicate its intent to proceed with financing the Project through the issuance of such revenue bonds, if the State of Colorado approves the necessary additional allocation for the City to use in connection with the Project.

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

Section 1. That in order to induce the Company to undertake the Project, the City shall, subject to the provisions hereof, and, contingent upon the City obtaining sufficient additional private activity bond allocation from the State of Colorado, take all necessary and advisable steps to effect the issuance of multi-family housing revenue bonds (the "Bonds") pursuant to the Act in the maximum aggregate principal amount of Eleven Million Dollars (\$11,000,000) or such lesser amount as shall be determined and agreed upon by the Company and the City to finance the Project. The Bonds will not be general obligations of the City. Neither shall the Bonds, including interest thereon, constitute the debt or indebtedness of the City within the meaning of any limitation of the

Constitution or statutes of the State of Colorado or the Charter of the City, not give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers. The Bonds shall be payable solely from and secured by a pledge of revenues derived from and payable by the Company pursuant to financing agreements with the City.

Section 2. That no costs or expenses whether incurred by the City or any other party in connection with the issuance of the Bonds or the preparation of any documents by any legal or financial consultants retained in connection herewith shall be borne by the City. All such costs or expenses shall be paid from the proceeds of the Bond or otherwise borne by the Company.

Section 3. That prior to any execution of a financing agreement, mortgage, indenture of trust, bond purchase agreement or any other necessary documents and agreements in connection with such Bonds, such documents and/or agreements shall be submitted for approval to the City, and, if satisfactory to the City, their execution shall be authorized by ordinance of the Council pursuant to law.

Section 4. That prior to any further action by the Council, the Company shall provide the City with an opinion of a qualified bond counsel, supporting the legality of the financing of the Project and the utilization of bond proceeds for said Project.

Section 5. That nothing contained in this Resolution shall constitute the debt or indebtedness of the City within the meaning of any limitation of the Constitution or statutes of the State of Colorado or the Charter of the City, not give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

Section 6. That all commitments of the City contained herein are subject to the condition that within twelve (12) months of the date hereof, or such shorter period of time available under applicable law, unless otherwise extended by agreement between the City and the Company, the Bonds to be issued pursuant hereto shall be issued and sold. In the event that said Bonds to be issued pursuant hereto are not issued within twelve (12) months, or such shorter period of time available under applicable law, the City of Fort Collins shall be under no obligation to perform any of the terms and conditions contained herein. Nothing contained herein shall constitute a warranty or representation by the City that the Bond will be received from the State of Colorado any necessary allocation of a portion of the private activity bond limit authorized for the State of Colorado pursuant to the Internal Revenue Code of 1986, as amended. If an allocation for the Project is necessary, the City shall use its best efforts to secure from the State of Colorado such an allocation authorizing the issuance of the Bonds from the State of Colorado private activity bond limit.

Section 7. That all resolutions or part thereof concerning the subject matter hereof in conflict with the Resolution are hereby repealed to the extent of such conflict. This repealer shall not be construed to revive any resolution or part thereof, heretofore repealed.

Section 8. That the agreements of the City set forth above are expressly conditioned upon the ability and willingness of the City to issue the bonds as tax exempt obligations under the Federal Income Tax laws existing on the date of the issuance of the bonds. Nothing contained in this

resolution shall be construed as requiring the City to issue the bonds and the decision to issue the bonds shall be in the complete discretion of the City.

Section 9. That if any section, paragraph, clause, of provision of this Resolution with the exception of any section, paragraph, clause or provision limiting the City's financial obligation shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

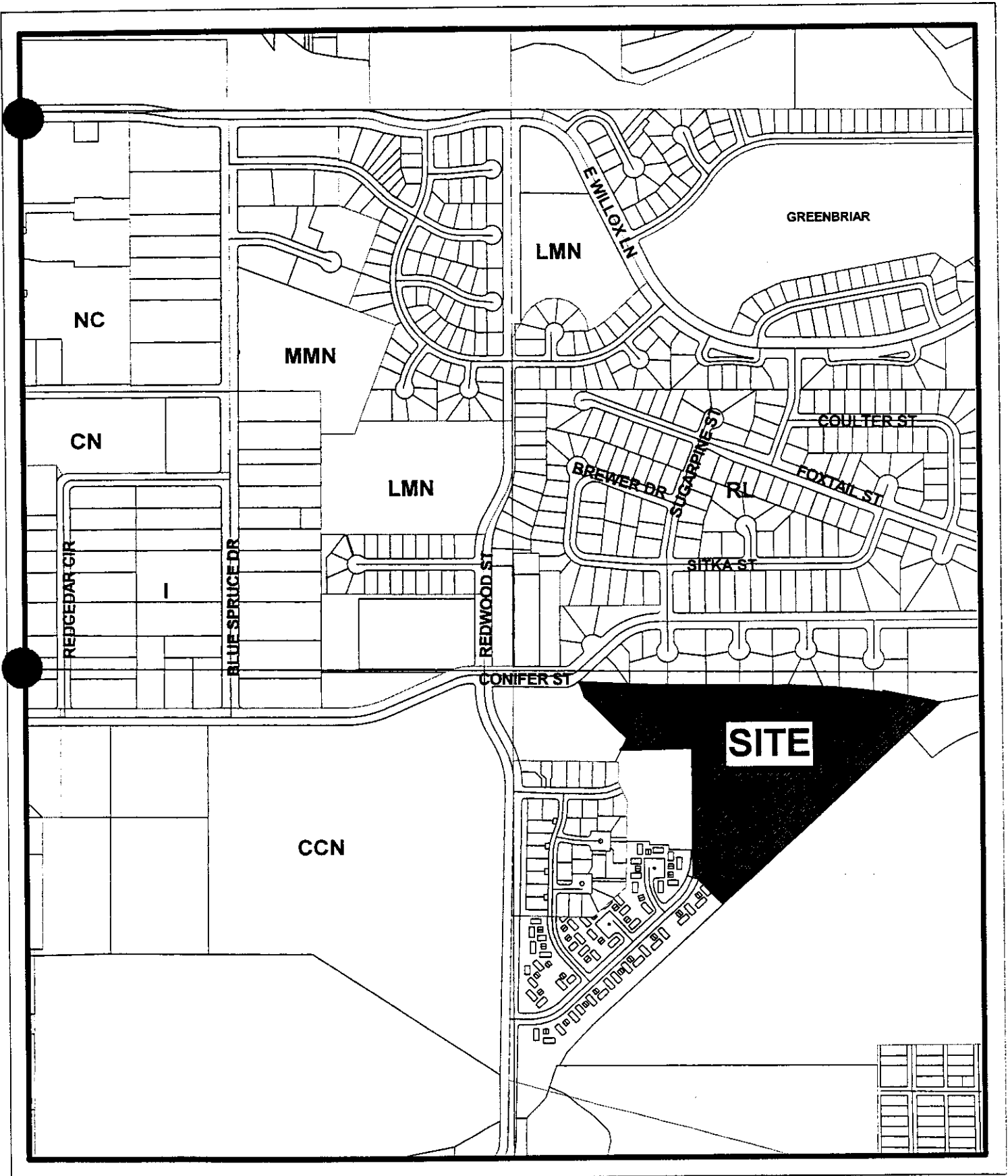
Section 10. That this Resolution shall take effect immediately upon its introduction and passage.

Passed and adopted at a regular meeting of the City Council held this 19th day of January, A. D. 1999.

Mayor

ATTEST:

City Clerk



Vicinity Map

01/12/99

Concorde Capital Corporation Project Resolution 997

1" = 600'



**CITY OF FORT COLLINS
AFFORDABLE HOUSING BOARD
Meeting Minutes
(Specific to discussion involving Concorde Capital)
December 3, 1998**

**Bob Browning, Vice Chair
Ken Waido, Staff Liaison
Chuck Wanner, City Council Liaison**

The meeting of the Affordable Housing Board was called to order by Chairman Bob Browning, beginning at 4:10 p.m., at 281 North College Avenue, Fort Collins, Colorado. Board members present included: Bob Browning, Kay Rios, Bruce Croissant, David Danforth, Isabel Garity, Joanne Greer, Stacy Overton, and Mickey Willis. Staff present: Ken Waido and Ann Watts. City Council Liaison present: Chuck Wanner. Others present: Joe Frank, Greg Byrne, Alan Krcmarik, Krista Moberly, Lou Stitzel, and Betty Malone.

The following excerpt of minutes relates solely to the presentation by Concorde Capital.

Concorde Capital

Phil Brown reported for Concorde Capital, a developer of affordable housing based on Columbus, Ohio, presently building in Colorado Springs. Mr. Brown requested the Board's recommendation of City Council approval to induce Private Activity Bonds for a 150-unit project at the corner of Conifer and Redwood. Following are the salient portions of the discussion:

Concorde Capital is a smaller company than some of the developers who have entered the Fort Collins market. Concorde has done rehabs and SROs at the 30-40 percent AMI bracket. That AMI level is generally difficult to serve, and Concorde is willing to work with local nonprofits to help address that situation. Their philosophy is to build value housing that provides the most space for the least amount of money. Mr. Brown distributed a packet with information on Concorde.

Concorde is currently studying market rates and AMI levels for Fort Collins. Since they are based in the Ohio State area, they are familiar with the impact that student housing has on market rates. Mr. Brown's preliminary indication was a market rate of \$700-800 for a two- or three-bedroom unit.

In response to questions, Mr. Krcmarik noted that the City has \$2.7 million of Private Activity Bond allocation for 1999. If City Council were to induce this project, then the developer would go to the State for additional bond and tax

credit financing. At 25 percent equity on a \$14.2 million project, the amount of bond financing needed from the State would be close to \$8 million.

Board members and Staff discussed that the City inducement would be needed to leverage the project; and that no other viable applicants were under consideration.

In response to questions by Board members, Mr. Brown stated that Concorde was interested in Fort Collins as the kind of smaller, close-knit market that they were accustomed to, and enjoyed, dealing with. Concorde has ties to Colorado financing institutions. The proposed project is planned for ranch and townhome units. Ranch units are attractive to senior residents. Concorde desires a mix of housing types and residents.

Concorde originally had planned a project in Fort Collins but could not proceed due to site and planning approval difficulties. At that point, through discussions with Ms. Watts, they were further encouraged to proceed with affordable housing in Fort Collins.

In response to questions by Board members, Staff members stated that this appeared to be the best proposal yet made for the bond inducements. If the project does not proceed, the inducements would revert to the City for use in another project, should one occur. Although the deadline is in September, the inducements can be carried forward for an ongoing project. Cooperative efforts with CHFA provide another possible avenue should the project be delayed.

In response to questioning by Mr. Krcmarik and Ms. Watts, Mr. Brown noted that HUD has designated parts of Fort Collins as "difficult-to-develop" and as "qualified census tracts." This project's site has both designations. If a Private Activity Bond allocation from the City and State were received, these designations would increase the project's eligible basis for tax credits by 30 percent. Therefore Concorde could receive more equity for the project from investors. This particular incentive is what allows private development to address AMI levels below 60 percent.

In response to questions by the Board, Mr. Brown stated that he believed the term of affordability to be at 20 years. Due diligence is being performed on the 13-acre site; no site plan has yet been prepared. The site plan will be developed by March due to State deadlines. Ms. Watts noted that a conceptual review meeting would be held on January 25th and she invited any interested Board members to attend.

Discussion was held over the viability of Private Activity Bond financing for rehab projects. Although it is an eligible use, the State is not interested in that type of participation at this time. CHFA is looking at other ways to stimulate rehab activity.

Comments by Board members: Combining market-rate and affordable units is a desirable strategy, where the affordable units are supported by the market-rate units. The project appears to be a good one in concept.

Moved by Ms. Rios, seconded by Ms. Greer: To recommend approval of the issuance of Private Activity Bonds for the proposed 150 unit project to be developed by Concorde Capital, Inc. near the corner of Conifer and Redwood Streets in northern Fort Collins. Motion approved unanimously.

(End of discussion concerning Concorde Capital.)