

AGENDA ITEM SUMMARY

July 18, 2017

City Council

STAFF

Helen Matson, Real Estate Services Manager

SUBJECT

Resolution 2017-068 Approving the Assignment of the Purchase and Sale Agreement Between the City and the Housing Authority of the City of Fort Collins for the Purchase of 1506 West Horsetooth Road, Fort Collins, Colorado, to Village on Horsetooth, LLLP.

EXECUTIVE SUMMARY

The purpose of this item is to consider a request from Fort Collins Housing Authority, dba Housing Catalyst (Authority) to assign its interest in the Purchase and Sale Agreement for the purchase of 1506 West Horsetooth Road, to Village on Horsetooth, LLLP. On March 1, 2016, City Council adopted Ordinance No. 025, 2016, authorizing the conveyance of the property to the Authority. The Ordinance specifically authorized the sale to the Authority.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

The property at 1506 West Horsetooth was the first of the properties included in the Affordable Housing Land Bank program to be released for sale. Staff issued a Request for Proposals (RFP) looking for developers to design and construct a project at the Horsetooth site, complying with the requirements of the Land Bank Program. The timing of the RFP was to allow the selected developer to be able to apply for state tax credits and Community Development Block Grant Disaster Relief funding. Three proposals were received and two developers were interviewed.

The selection committee selected the Authority's proposal that provided for units for households in the 30% AMI and didn't require additional federal grant dollars from the City. City Council approved Ordinance No. 025, 2016 which authorized the conveyance of this property to the Authority.

At the time of approval, a draft Agreement was attached to the Ordinance. The Fort Collins Housing Authority, dba Housing Catalyst submitted its proposal to purchase 1506 West Horsetooth Road as the Authority and they did not alert the City about the need to transfer ownership as part of their financing structure. The Agreement signed by both parties allowed the Authority to assign its agreement only with the City's prior written approval.

Since March 2016, the Authority has been completing design of the planned project for this site, as well as proceeding through the development process. The project has been approved and the Authority is preparing to close with the City. The Authority now needs to assign the contract to a newly created limited liability, limited partnership pursuant to the financing structure required to obtain low income housing tax credits. The Authority proposes to assign this contract to Village on Horsetooth, LLLP. The LLLP will be 99% owned by the Authority's private lender and the Authority will retain a small percentage ownership through a newly formed LLLC. While the ownership is small, it is important to note that in addition to being the Managing General

Partner, the Authority will also be the developer and the Property Manager of this project. In addition, the Authority will become the sole owner of the development after the 15 year tax credit period expires.

CITY FINANCIAL IMPACTS

Allowing the Authority to assign its agreement does not have a financial impact on the City.

RESOLUTION 2017-068
APPROVING THE ASSIGNMENT OF THE PURCHASE AND SALE AGREEMENT
BETWEEN THE CITY AND THE HOUSING AUTHORITY OF THE CITY OF
FORT COLLINS FOR THE PURCHASE OF 1506 WEST HORSETOOTH ROAD,
FORT COLLINS, COLORADO, TO VILLAGE ON HORSETOOTH, LLLP

WHEREAS, the City is the owner of the real property located at 1506 West Horsetooth Road, Fort Collins, Colorado, (the “Property”); and

WHEREAS, the Property was purchased in 2003 as part of the City’s Affordable Housing Land Bank Program (the “Program”), pursuant to Sections 23-350 to 23-355 of the City Code; and

WHEREAS, the purpose of the Program is to help affordable housing providers secure sites for future affordable housing development throughout the City by purchasing sites that will likely appreciate in the future while they are less expensive, and holding them for five to fifteen years; and

WHEREAS, in November 2015, based on the City Council’s expressed interest in developing one or more of the Program properties, the City issued a Request for Proposals (“RFP”) to find a qualified development team to construct an affordable housing development on the Property in accordance with the requirements of the Program (the “Project”); and

WHEREAS, after reviewing the three proposals received by the City, the City selected the Housing Authority of the City of Fort Collins, dba Housing Catalyst (“FCHA”) as its development partner for the Project; and

WHEREAS, on January 26, 2016, the City Council adopted Resolution 2016-008 expressing the Council’s support for the Project, and stating its intent to convey the Property to FCHA subject to the Council’s authorization by ordinance as required by the City Code; and

WHEREAS, on March 1, 2016, the City Council adopted Ordinance No. 025, 2016, authorizing the sale of the Property to FCHA, and authorizing the Mayor to execute an Agreement of Purchase and Sale for the Property between the City and FCHA in substantially the form attached to such Ordinance as Exhibit B (the “Agreement”); and

WHEREAS, the Agreement states that the Property will be conveyed to FCHA and that it can only be assigned with the written consent of the City; and

WHEREAS, FCHA has asked the City for consent to assign its interest in the Agreement to Village on Horsetooth LLLP, a newly-formed limited liability, limited partnership (the “LLLP”); and

WHEREAS, the Managing General Partner of the LLLP, owning a .01% interest in the LLLP, would be Village on Horsetooth, LLC, a limited liability company wholly owned by FCHA that would also be the developer of the Project; and

WHEREAS, the Limited Partner in the LLLP, owning 99.99% of the LLLP, would be USBCDC, LLC, the investor providing equity and receiving tax credits for the Project; and

WHEREAS, this ownership structure is typical for FCHA projects involving outside investors, and will allow FCHA to obtain the financing it needs to complete the Project; and

WHEREAS, FCHA will manage the Project and be able to take full ownership of the Property after the fifteen-year tax credit period; and

WHEREAS, City staff has reviewed the request for assignment of the Agreement and supports the request.

NOW, THEREFORE, BE IT RESOLVED 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 the assignment of the Agreement from FCHA to the LLLP is in the best interests of the City.

Section 3. That the Mayor is hereby authorized to execute a letter consenting to the assignment described above in a form consistent with this Resolution, on such terms and conditions as the City Manager, in consultation with the City Attorney, determines are necessary or appropriate to protect the interests of the City.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins this 18th day of July, A.D. 2017.

Mayor

ATTEST:

City Clerk