

AGENDA ITEM SUMMARY

June 1, 2021

City Council

STAFF

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

SUBJECT

Items Relating to Affordable Housing Fee Credit Requests.

EXECUTIVE SUMMARY

- A. Second Reading of Ordinance No. 070 2021, Authorizing a Fee Credit and Appropriating Prior Year Reserves in the General Fund for the Housing Catalyst Oak 140 Affordable Housing Development.
- B. Second Reading of Ordinance No. 071, 2021, Authorizing a Fee Credit and Appropriating Prior Year Reserves in the General Fund for the Volunteers of America Cadence Affordable Housing Development.

This Ordinance, unanimously adopted on First Reading on May 18, 2021, considers requests from two qualifying development projects for fee credits totaling \$350,000. At the discretion of Council, City Code authorizes a fee credit of \$14,000 per qualifying unit of new affordable housing construction, provided that the proposed credits will not jeopardize the financial interests of the City. Fee credits subsidize the development of affordable housing units serving families that earn up to 30% of AMI (or \$22,600 for a family of two). The Council Finance Committee heard this item at their April 16, 2021, meeting and recommend granting these requests.

STAFF RECOMMENDATION

Staff recommends adoption of both Ordinances on Second Reading.

ATTACHMENTS

- 1. First Reading Agenda Item Summary, May 18, 2021 (w/o attachments) (PDF)
- 2. Ordinance No. 070, 2021 (PDF)
- 3. Ordinance No. 071, 2021 (PDF)

AGENDA ITEM SUMMARY

City Council

May 18, 2021

STAFF

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

SUBJECT

Items Relating to Affordable Housing Fee Credit Requests.

EXECUTIVE SUMMARY

- A. First Reading of Ordinance No. 070 2021, Authorizing a Fee Credit and Appropriating Prior Year Reserves in the General Fund for the Housing Catalyst Oak 140 Affordable Housing Development.
- B. First Reading of Ordinance No. 071 2021, Authorizing a Fee Credit and Appropriating Prior Year Reserves in the General Fund for the Volunteers of America Cadence Affordable Housing Development.

The purpose of this item is to seek Council consideration of requests from two qualifying development projects for fee credits totaling \$350,000. At the discretion of Council, City Code authorizes a fee credit of \$14,000 per qualifying unit of new affordable housing construction, provided that the proposed credits will not jeopardize the financial interests of the City. Fee credits subsidize the development of affordable housing units serving families that earn up to 30% of AMI (or \$22,600 for a family of two). The Council Finance Committee heard this item at their April 16, 2021, meeting and recommend granting these requests.

STAFF RECOMMENDATION

Staff recommends adoption of both Ordinances on First Reading.

BACKGROUND / DISCUSSION

Current Fee Credit Requests

The City has historically provided fee relief for affordable housing, recognizing the difficulty of developing housing that can be priced affordably to low-wage earning residents. The City has received requests for affordable housing fee credits from two affordable housing developments:

1. Housing Catalyst (HC) is developing the Oak 140 project at 140 Oak Street, to be located at the site of the former Elks Lodge at Oak and Remington Streets in downtown Fort Collins. This project will deliver 79 affordable apartment homes and seven of them qualify for fee credits. The request is for a total credit of \$98,000. See HC's request (**Attachment 1**) and attached location map (**Attachment 2**).
 - All 79 new apartments will be affordable.
 - The development will have a mix of studio, one and two-bedroom apartments with the vast majority one bedroom.
 - Apartments will be priced to target households making between 30% and 80% AMI.
 - As stated, seven units qualify for fee credits because they are targeting 30% AMI households.
 - This project, in partnership with the Fort Collins Downtown Development Authority, aims to fill a need for downtown employees that find downtown housing costs a challenge to living near where they work.

2. Volunteers of America (VOA) is developing Cadence, a 55-unit age-restricted affordable housing development at 2555 Joseph Allen Drive, near the corner of Drake Road and Timberline Road. This project will have 55 apartment homes and 18 of them qualify for fee credits. Their request is for a total of \$252,000. See VOA's request (**Attachment 3**) and attached location map (**Attachment 4**).
 - All 55 new apartments will be affordable.
 - Apartments will be priced to target adults 55+ making between 20% and 80% AMI.
 - As stated above, 18 units qualify for fee credits because they target households at or below 30% AMI. Including 20% AMI targets is unusual and will serve extremely low-income households.
 - The location of this community is near a bike path, a bus route and a supermarket which are well suited to the special population (seniors) targeted by this project.

A separate Ordinance for each of these requests has been included for Council consideration.

Fee Credit and Fee Waiver History

The City's form of this relief has evolved over time. Fee credits replaced the City's prior fee waiver program in 2020 and are currently the City's only mechanism to specifically incentivize units serving households that earn 30% or less of AMI. Most mechanisms to incentivize affordable housing are available for units that serve up to 80% of AMI. Affordable units for households at or below 30% AMI are the hardest to develop. Rents need to be affordable to these extremely low-income households and cannot support the cost of development without substantial subsidy. For instance, a household of two cannot make over \$22,600 annually to qualify. The table attached illustrates the 2021 AMI thresholds for the Fort Collins - Loveland MSA (**Attachment 5**).

Fee waivers were previously calculated based on the sum of eligible fees, prorated by the percent of the development's total units which are restricted to serve $\leq 30\%$ AMI. Fees historically considered eligible for waiver include:

- Development Review Fees
- Building Permit Fee
- Capital Expansion Fees (including those for Fire, Police, Streets, and Parks)

Other fees collected by the City that were not considered eligible for waivers include fees which are collected on behalf of other agencies (such as Larimer County or Poudre School District) and fees for utilities.

In 2020, Council changed this subsidy from a waiver to a credit and fixed the amounts of subsidy to \$14,000 per unit for newly constructed units and \$5,500 per unit for adaptive reuse units where the project gets the benefit of prior fees paid on the property. While this greatly simplified the administrative process in determining exact amounts of subsidy, these requests are still subject to Council discretion and based upon a finding that granting the request will not jeopardize the financial interests of the City. If granted by Council, the credits may be used by the developers for any fees owed the City. This process allows all City fees to be paid and removes the need to reimburse certain departments that are part of the administrative burden of the former fee waiver process.

CITY FINANCIAL IMPACTS

The two requests to be considered here are the first requests under the new process. Both requests are for qualifying new units of construction. Therefore, the flat fee to be applied to these requests is \$14,000 per unit. The total of the two requests is \$350,000: \$98,000 for Housing Catalyst's Oak 140 Affordable Housing Development, and \$252,000 for Volunteers of America's Cadence Affordable Senior Community Development.

In the past, fee waiver reimbursements were primarily funded from General Fund Reserves and/or the Affordable Housing Capital Fund (AHCF), which is part of the Community Capital Improvement Project funding. Often the cost was split between these two sources. The balance of the AHCF is currently \$810,359. Guidance from the

Council Finance Committee supported splitting the cost of the current fee credit request between General Fund Reserves (\$150,000) and the AHCF (\$200,000).

The \$200,000 in funds from the AHCF was previously appropriated and is available for this purpose. Accordingly, Ordinance No. 070, 2021 would appropriate \$98,000 of General Fund Reserves for fees for the Oak 140 project, and Ordinance No. 071, 2021 would appropriate \$52,000 of General Fund Reserves for fees for the Cadence project.

BOARD / COMMISSION RECOMMENDATION

The Affordable Housing Board recommends providing fee credits to both projects. **(Attachment 6)** The Council Finance Committee recommends providing fee credits to both projects. **(Attachment 7)**

PUBLIC OUTREACH

The Affordable Housing Board and Council Finance Committee meetings were noticed and open to the public. No additional specific outreach was conducted on these requests.

ATTACHMENTS

1. Oak 140 Fee Credit Request (PDF)
2. Location Map - 140 East Oak Street (PDF)
3. VoA Cadence Fee Waiver Request (PDF)
4. Location Map - 2555 Joseph Allen Drive (PDF)
5. Income Limits 2021 (PDF)
6. Affordable Housing Board Minutes (excerpt) (PDF)
7. Council Finance Committee Minutes (draft) (PDF)

ORDINANCE NO. 070, 2021
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AUTHORIZING A FEE CREDIT AND APPROPRIATING PRIOR YEAR RESERVES IN
THE GENERAL FUND FOR THE HOUSING CATALYST
OAK 140 AFFORDABLE HOUSING DEVELOPMENT

WHEREAS, the Fort Collins Housing Authority, doing business as Housing Catalyst (“HC”), is currently developing Oak 140, a 79-unit affordable housing project at Oak and Remington Streets in downtown Fort Collins (the “Project”); and

WHEREAS, on November 17, 2020, the City Council passed Ordinance No. 137, 2020, establishing a flat, per-unit fee credit for the construction of qualifying affordable housing units, now codified in Chapter 7.5, Article VIII of the City Code (the “Fee Credit Ordinance”); and

WHEREAS, pursuant to the Fee Credit Ordinance, a developer of affordable housing units, prior to the issuance of certificates of occupancy, may apply to the City for funding that the City will use, at the direction of the developer, to pay all or a portion of City development and capital expansion fees on behalf of the developer; and

WHEREAS, the City Council may, by ordinance, approve a credit if the City Council determines that:

- (1) the affordable housing units are intended to house homeless or disabled persons, as such terms are defined by the United States Department of Housing and Urban Development, or households with an annual income that does not exceed 30% of the area median income (AMI) for the applicable household size in the Fort Collins-Loveland metropolitan statistical area; and
- (2) the proposed credit will not jeopardize the financial interests of the City.

WHEREAS, the maximum amount of the credit is \$14,000 per affordable unit for new construction projects and \$5,500 per affordable unit for adaptive reuse projects; and

WHEREAS, seven of the units in the Project qualify for fee credits because they will target households at or below 30% AMI, so HC has requested a fee credit of \$98,000, which amount is proposed to be appropriated from reserves in the General Fund; and

WHEREAS, this appropriation benefits public health, safety and welfare of the residents of Fort Collins and serves the public purpose of supporting the development of affordable housing for low-income residents in the downtown area; and

WHEREAS, the Affordable Housing Board and the Council Finance Committee have both recommended providing the fee credit described herein; and

WHEREAS, Article V, Section 9 of the City Charter permits the City Council, upon the recommendation of the City Manager, to appropriate by ordinance at any time during the fiscal

year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated; and

WHEREAS, the City Manager has recommended the appropriation described herein and determined that this appropriation is available and previously unappropriated from the General Fund and will not cause the total amount appropriated in the General Fund to exceed the current estimate of actual and anticipated revenues to be received in that Fund during this fiscal year, and will not jeopardize the financial interests of the City.

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 the fee credit of NINETY-EIGHT THOUSAND DOLLARS (\$98,000) requested by HC is for affordable housing units that are 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 and will not jeopardize the financial interests of the City.

Section 3. That there is hereby appropriated for expenditure from reserves in the General Fund the sum of NINETY-EIGHT THOUSAND DOLLARS (\$98,000) for a fee credit for the Project.

Section 4. That pursuant to Section 7.5-102 of the City Code, the funds appropriated herein are to be deposited into a trust account held by the City for the benefit of HC, from which HC may direct the City to pay balances due to the City for development review fees and capital expansion fees for the Project.

Introduced, considered favorably on first reading, and ordered published this 18th day of May, A.D. 2021, and to be presented for final passage on the 1st day of June, A.D. 2021.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 1st day of June, A.D. 2021.

Mayor

ATTEST:

City Clerk

ORDINANCE NO. 071, 2021
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AUTHORIZING A FEE CREDIT AND APPROPRIATING PRIOR YEAR RESERVES IN
THE GENERAL FUND FOR THE VOLUNTEERS OF AMERICA CADENCE
AFFORDABLE HOUSING DEVELOPMENT

WHEREAS, the Volunteers of America (“VOA”) is currently developing Cadence, a 55-unit age-restricted affordable housing development at 2555 Joseph Allen Drive, near the corner of Drake Road and Timberline Road in Fort Collins (the “Project”); and

WHEREAS, on November 17, 2020, the City Council passed Ordinance No. 137, 2020, establishing a flat, per-unit fee credit for the construction of qualifying affordable housing units, now codified in Chapter 7.5, Article VIII of the City Code (the “Fee Credit Ordinance”); and

WHEREAS, pursuant to the Fee Credit Ordinance, a developer of affordable housing units, prior to the issuance of certificates of occupancy, may apply to the City for funding that the City will use, at the direction of the developer, to pay all or a portion of City development and capital expansion fees on behalf of the developer; and

WHEREAS, the City Council may, by ordinance, approve a credit if the City Council determines that:

- (1) the affordable housing units are intended to house homeless or disabled persons, as such terms are defined by the United States Department of Housing and Urban Development, or households with an annual income that does not exceed 30% of the area median income (AMI) for the applicable household size in the Fort Collins-Loveland metropolitan statistical area; and
- (2) the proposed credit will not jeopardize the financial interests of the City.

WHEREAS, the maximum amount of the credit is \$14,000 per affordable unit for new construction projects and \$5,500 per affordable unit for adaptive reuse projects; and

WHEREAS, 18 of the units in the Project qualify for fee credits because they will target households at or below 30% AMI, so VOA has requested a fee credit of \$252,000; and

WHEREAS, \$200,000 of the requested amount was previously appropriated in the Affordable Housing Capital Fund account within the Community Capital Improvement Project Fund and is available to be used for this Project; and

WHEREAS, the remaining \$52,000 is proposed to be appropriated from reserves in the General Fund; and

WHEREAS, this appropriation benefits public health, safety and welfare of the residents of Fort Collins and serves the public purpose of supporting the development of affordable housing for older low-income residents; and

WHEREAS, the Affordable Housing Board and the Council Finance Committee have both recommended providing the fee credit described herein; and

WHEREAS, Article V, Section 9 of the City Charter permits the City Council, upon the recommendation of the City Manager, to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated; and

WHEREAS, the City Manager has recommended the appropriation described herein and determined that these appropriations are available and previously unappropriated from the General Fund and the Community Capital Improvement Fund, as applicable, will not cause the total amount appropriated in the General Fund and the Community Capital Improvement Fund, as applicable, to exceed the current estimate of actual and anticipated revenues to be received in these funds during this fiscal year, and will not jeopardize the financial interests of the City.

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 the fee credit of TWO HUNDRED FIFTY-TWO THOUSAND DOLLARS (\$252,000) requested by VOA is for affordable housing units that are 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 and will not jeopardize the financial interests of the City.

Section 3. That there is hereby appropriated for expenditure from reserves in the General Fund the sum of FIFTY-TWO THOUSAND DOLLARS (\$52,000) for a fee credit for the Project.

Section 4. That pursuant to Section 7.5-102 of the City Code, the funds appropriated herein, as well as TWO HUNDRED THOUSAND DOLLARS (\$200,000) previously appropriated in the Affordable Housing Capital Fund account within the Community Capital Improvement Project Fund are to be deposited into a trust account held by the City for the benefit of VOA, from which VOA may direct the City to pay balances due to the City for development review fees and capital expansion fees for the Project.

Introduced, considered favorably on first reading, and ordered published this 18th day of May, A.D. 2021, and to be presented for final passage on the 1st day of June, A.D. 2021.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 1st day of June, A.D. 2021.

Mayor

ATTEST:

City Clerk