



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL

FROM: JAMES GORHAM, HOUSING PROGRAMS SPECIALIST

RE: WORK SESSION: 8TH & PITKIN RFP DISCUSSION

DATE: OCTOBER 8, 2024

Summary:

In July 2024 Town staff released a Request for Proposals (RFP) for two contiguous parcels owned by the Town, located at 406 S. 8th Avenue & 810 Pitkin Alley, also known as the 8th & Pitkin site ("site"). Goals for the RFP were to gather information regarding the development opportunities that exist on the site given its complex nature, and to give the Town a vision for what housing possibilities could exist.

The purpose of the October 8th work session is to provide an overview regarding responses received to the Request for Proposals (RFP) and receive feedback on the next steps for this potential project so that staff can be guided in awarding this project.

Staff is requesting feedback from the Council on the following questions:

1. Does the Council agree with developing a deed restricted, for-sale project on this land?
2. Does Council prefer to sell, lease or own the underlying land for this project?
 - a. Final land arrangement would be a decision before the Council or the Housing Authority.
3. Does the Council prefer a townhome style product or a stacked multifamily condominium type project?
 - a. Staff notes that the project to the north is stacked multi-family condominiums and the product to the south are townhomes.
4. Would you prefer AMI income eligibility to guide towards a lower or higher income project?

Staff is prepared to fully explain each question at the work session to ensure that the Council understands the options before them.

Background:

On May 31, 2022 the Town purchased the property at 406 S. 8th Avenue for \$1,353,000 from Kent & Vicki Adney. The 0.24-acre property contains a 3-bedroom, 1-bathroom single-family residence which is currently being used for Town employee housing and storage.

On July 29, 2022 the Town purchased the property located 810 Pitkin Alley for \$1,600,323 from Lawrence Feldman. The 0.322-acre property contains no residential structures but does contain a 10' utility easement running along the east property line, which increases in size as it approaches the alley right-of-way.

The properties combined in size are approximately 0.56 acres with an 8th Avenue frontage. Two additional street right-of-ways border the properties on the north and south sides, those being Frisco Street to the north and Pitkin Alley to the south.

Illustration 1: 406 S. 8th Avenue and 810 Pitkin Alley Properties



Analysis:

Potential Development Program: Initial thoughts towards what development should be on the parcel have been guided by the property location recognizing that there is the elementary school to the south, single-family residential units to the west, and multi-family units to the north of the property. The property is located with proximity to mass transit (Summit Stage stop on 7th Avenue) and is in proximity to the Marina and Peninsula Recreation Area. Some of the development parameters that could be included in the project scope are discussed below.

- The property is zoned RL – Residential Low Density, which allows for residential density at 8 dwelling units per acre. Using the parcel size of 0.56 acres, the base residential density is 4 units. Maximum lot coverage is 50% with a maximum building height at 30 feet. The property abuts MU – Mixed Use zoning to the north and RL – Residential Low Density zoning to the south.
- Depending on development parameters and limitations, the number of units could be substantially increased if the applicant were to apply and receive a Planned Unit Development (PUD) District request.
- Constraints related to residential development are site planning requirements such as

parking and snow storage, and development standards related to building design including step backs, bulk plane, and roof and façade designs.

- For preliminary development consideration and cost estimating purposes, a range of 12-18 apartment and townhome style residential units with approximately 500-1,000 square feet per unit have been considered.

Preliminary Project Development Costs: As previously stated, the Town has already invested \$2,953,323 into these properties at purchase. The 2025 budget has set aside \$700,000 for design purposes for the project, and another \$2,000,000 for construction/unit purchase in 2026. If funds were utilized to their budgeted capacity, including previous land purchases, the Town could invest over \$5.6 million in the project.

Request for Proposal: On July 12th Town staff released a Request for Proposal (RFP) for the site. The RFP requested five responsibilities for developers to demonstrate:

1. Develop a vision for the project.
2. Create a development plan and business strategy for implementation of the project in partnership with the Town.
3. Prepare a site-specific master plan, exterior and interior architectural designs, suitable parking plans, and all necessary civil engineering and landscape plans.
4. Facilitate public outreach, and all required regulatory approvals including entitlements which may include rezoning, a sketch plan submittal and final site plan approval, with the goal to commence final design in 2025.
5. Financing, construction, and marketing of the project.

Teams were also requested to create no more than two Development Concepts which would need to demonstrate how their proposal would not only be cohesive with the neighborhood and meet Town code, but to also provide a creative and cost-effective program for site development, long term management, and maintenance of their project. Developers were also given the opportunity to consider rental and ownership products, or a combination of the two.

Received RFPs: The submittal deadline for RFPs was August 12th, giving development teams 30 days to create their proposals. Five proposals were received, those being from:

- Allen Guerra
- Brikwell
- Dutch Mountain Company
- Summit Homes Team
- Tributary Development

Staff evaluated each proposal against the goals and objectives stated in the RFP, pro forma inventiveness, and proposed Town contributions. Four of the five teams were selected to continue to the interview stage. The team from Brikwell was not requested to interview due to the proposed financing structure as the Town/Housing Authority would be required to issue debt for the project.

In late August, teams were given 30-minute interviews to describe their proposal and answer any questions the evaluation team had. After interviews the team narrowed down the number of

proposals to move forward to two firms: Dutch Mountain Company & the Summit Homes Team. Both of which have developed in similar sized mountain communities.

Allen Guerra & Tributary Development submitted a response to the RFP but Staff did not continue pursuing them after interviews due to the large financial commitment required by the Town, and the financial uncertainty that the proposals required for grant funding.

Proposals

Dutch Mountain Company – The Dutch Mountain Company is a partnership between Studio Shed of Louisville, Colorado and financiers from Minnesota. The development team proposes:

Design:

- 12 one-bedroom units built using Studio Shed's panelized system.
- Units would be a 2-story townhome design of approximately 600 sq. ft.
- 15 off street parking spaces located in the middle of the site.
- Utilization of neighboring Pitkin Alley & Frisco Street right of way would be vacated.
- Due to Studio Shed's manufacturing process, there is flexibility in designing the shape & look of the structures to be cohesively integrated into the neighborhood.
- Would request rezoning to a PUD to increase density.

Construction:

- A significant portion of the construction process will take place in Studio Shed's Louisville factory. The buildings will be assembled and completed on site.
- On-site construction should take a team of 10 roughly four months to complete the project.

Ownership Model:

- Originally proposed as a 100% rental project but is open to a mixture or selling units; whatever the Town thinks would best meet the community's needs.
- If the project becomes an ownership model of units at or above 100% AMI instead of rental, the proposal's request for Town incentives, except for land, could be eliminated. The Town would then have the option to purchase units at 100% AMI or \$298,110/unit.
- Developer stated the project is much easier to finance as ownership than rental.

Pro forma:

- Plans to finance the project through a combination of traditional sources of equity and a construction loan.
- No grant requests to CHFA or DOLA.
- Team is willing and able to provide guarantees to ensure access to financing.
- Requests of the Town
 - Purchase of the town-owned land for \$1.00 with a stipulation of deed restricting the units and a Town option to purchase units if desired.
 - Approximately \$300,000 in financial incentives such as fee waivers, grant money, tax abatements, or a combination thereof. As previously mentioned, if the ownership model were to change, this request could be eliminated.
 - Town would have the option to purchase the number of units it desires at a 100% AMI

new build cost. Example: 6 units = \$1,788,660

Illustration 2: Dutch Mountain Company Townhome Design



Summit Homes Team – Summit Homes Construction is a partnership between Summit Homes Construction, Arapahoe Architects, Norris Design, and Ten Mile Engineering. The development team proposes:

Design:

- 18 units: Six 1-bedroom units & Twelve 2-bedroom units.
- One three story building separated into three “pods”, each centered around a common staircase.
- Ground floor comprises two 1-bedroom units and two tuck-under parking spaces per pod.
- 32 off street parking spaces – 12 “tuck” spaces under the units and 20 surface spaces.
- Utilizes Pitkin Alley as a “potential park area”.
- Would request rezoning to a PUD to increase density.

Construction:

- Stick construction with all work done onsite.
- Construction could be done in approximately 10 months.

Ownership Model:

- Proposed as a For Sale model at 110% AMI.
- Town would purchase the number of units it wants.

Pro forma:

- Plans to finance through conventional financing methods.

- No grant requests to CHFA or DOLA.
- Town Requests
 - Land would be sold to team for \$1.00.
 - Requests fee waivers and subsidy for TAP fee, but is open to discussion based on AMI limits.
 - Town would have the option to purchase the number of units it desires at the determined AMI new build cost.

Illustration 3: Summit Home Team Staked Multi-Family Condominium Design



Housing Strategic Plan Reference:

Numbers from the draft Housing Strategic Plan show a development “catch-up” gap for needed Ownership units as follows:

Ownership AMI	Units Needed	Pipeline	Development Gap
80%-100%	12	0	12
101%-120%	22	12	10
121%-150%	16	0	16

Next Steps:

At the October 8th work session, Staff is requesting Council provide feedback on the following questions:

1. Does the Council agree with developing a deed restricted, for-sale project on this land?
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 - Final land arrangement would be a decision before the Council or the Housing

Authority.

3. Does the Council prefer a townhome style product or a stacked multifamily condominium type project?
 - Staff notes that the project to the north is stacked multi-family condominiums and the product to the south are townhomes.
4. Would you prefer AMI income eligibility to guide towards a lower or higher income project?

Financial Impact:

Each proposal requests the sale of the property to the potential developer for \$1.00, along with the consideration of waiving all development and TAP fees. Based on interview discussions with the teams it would be possible, based on a for-sale AMI mix scenario, for the fee waiver request to be recalled. Also as detailed in the RFP, the Town would have the right to purchase units from the developer based on a unit's AMI percentage, which would need to be appropriately budgeted.

Alignment with Strategic Plan: The 2024 Strategic Plan, includes the strategic objectives of “Enhance Community Inclusivity” & “Support a Thriving Economy”. Within these priorities, it is stated to:

- *Workforce and Community Support: Increasing workforce housing to appropriate levels*
- *Diverse Housing: Offering a variety of housing types to support year-round residents*
- *Lasting Social Sustainability: Considering equity, inclusivity, sustainability, and accessibility in all that we do*

Reviews and Approvals:

Leslie Edwards, Finance Director
Diane McBride, Assistant Town Manager
Tom Fisher, Town Manager

Attachments:

Attachment 1 - Dutch Mountain Company Proposal
Attachment 2 - Summit Homes Team Proposal