



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
BOARD, FRISCO COMMUNITY HOUSING DEVELOPMENT AUTHORITY

FROM: TOM FISHER, TOWN MANAGER

RE: ORDINANCE AND RESOLUTION APPROVING DEVELOPMENT AGREEMENT WITH THE NHP FOUNDATION FOR THE PROVISION OF WORKFORCE HOUSING AT 101 W MAIN STREET

DATE: JULY 23, 2024

Summary:

As a result of changing the financing method around the workforce housing project at 602 Galena Street in Frisco being contemplated with the NHP Foundation (NHPF) and a grant to the Town of Frisco from the Colorado Office of Economic Development and International Trade (OEDIT) in the amount of \$5 million, the previous Development Agreement, as amended, with the NHPF is no longer sufficient to achieve the mutual housing goals and financing goals of Frisco and the NHPF.

The Town Council will be considering a second reading of an ordinance to approve the Development Agreement with the NHPF for the workforce housing project at 101 West Main Street and will also consider approval of the same Development Agreement while convening as the Board of the Frisco Community Housing Development Authority (FCHDA).

Background:

The Town of Frisco has been working with NHPF since early 2023 when NHPF approached Town staff and Council on affordable housing opportunities in Frisco. The mission of the NHP Foundation is:

"The NHP Foundation is a not-for-profit real estate organization dedicated to preserving and creating sustainable, service-enriched multifamily housing that is both affordable to low- and moderate-income families and seniors, and beneficial to their communities."

The NHP Foundation's mission aligns well with the Council's strategic plan to support a thriving economy by increasing workforce housing to appropriate levels and enhancing community inclusivity by offering a variety of housing types to support year-round residents.

The history of the Town's working relationship with NHPF is described below, as well as the history of the 101 W Main Street property. While reviewing the history of the project, it is essential to recognize that the project has evolved partly due to the ongoing pursuit of the 602 Galena Street affordable housing project. Recognizing that there is a strong need for all housing types and rental rates within the Town, the Town is focused on ensuring that the two projects

provide a range of affordable housing options to the community. Based on site location, development, financing mechanisms, timelines, etc., the Town and NHPF have determined that the 101 W Main Street project will be moving forward with low-income rental rates. The 101 West Main project will be moving forward in 2025, dependent on Low Income Housing Tax Credits (LIHTC) funding to be applied for with an application deadline of August 1, 2024 and a possible award in November 2024.

NHPF and the Town originally entered into a development agreement with each other that contemplated that the Town would loan \$2.5 million towards the purchase of the property at 101 W Main Street for the development of low-income workforce housing with NHPF and that NHPF would be the developer and operator of an additional workforce housing project at Town owned property at 602 Galena Street.

Since that time and as the projects have become clearer as to their financing strategy, timeline, development entitlement process, and outside funding opportunities have been secured for the projects, it has become clear that each project needs its own Development Agreement, adopted by ordinance of the Town, to proceed.

101 W Main Street Project:

The NHPF purchased the property at 101 W Main Street, with the assistance of a \$2.5 million loan from the Town of Frisco, for the provision of at least 49 units of low-income workforce housing to be built at the site.

This project worked its way through the development approval process with the Town as a Planned Unit Development, which allowed it to take advantage of provisions of that zoning that would make the project more attractive to the Colorado Housing Finance Authority (CHFA) to be awarded federal Low Income Housing Tax Credits (LIHTC) that will be favorable to financing the overall project.

The application that NHPF must submit for LIHTC financing through CHFA is due August 1, 2024. To make this application complete NHPF must have a Development Agreement with the Town of Frisco that provides positive site control of the property for the project and that supports all the sources and uses of funds in the project to be financed. This Development Agreement will also contemplate grant sources that will allow the Town to purchase the underlying project property and lease that property back to the project for its workforce housing purpose.

The project Site Plan Approval is currently scheduled with the Frisco Planning Commission for approval on June 20, 2024. This is another necessary step to have taken for a LIHTC financing award. The project is described to have 52 units of studio, 1- and 2-bedroom units that will range in AMI from 30% to 80%, with an average of 60%. The project will also have a 1500 square foot commercial condominium space that will face Main Street.

Analysis:

After thorough vetting by our Community Development Director, Housing Programs Specialist, Finance Director, Town Attorney and our contracted Housing Project Attorney, this Development Agreement is ready for Council and the Board of the FCHDA consideration.

Please note that this Development Agreement must be approved, by ordinance, with a first and second reading that should be completed before the LIHTC application deadline mentioned previously. This Development Agreement must also be considered for approval, by resolution, by the Frisco

Financial Impact:

The Town of Frisco has already committed a \$2.5 million loan from the Housing Fund to assist in the purchase of the property at 101 W Main Street with the NHPF. In the overall table of sources and uses for the \$36 million project or the project pro forma, the NHPF foundation is asking for a further loan of \$2 million from the Town's Housing Fund to close a financing gap that is present because the LIHTC financing dollars cannot fund the 1500 square feet of commercial condo space. As a result of this loan, the Town would be granted ownership of the commercial condo space at the occupation of the building.

Essentially, the Town of Frisco would be contributing \$4.5 million to this project: \$3.5 would be a loan that could come back to the Town to further other affordable housing projects or programs out of the proceeds of the project, and a further contribution of \$1 million would result in the ownership by the Town of the 1500 square foot commercial condominium.

Since the Town is financially contemplating contributing up to \$5.5 million in Housing Fund dollars to the approximate 106 workforce units that will be developed with the NHPF between two sites and two projects, that equates to an invest per unit of \$52,000.

Alignment with Strategic Plan:

This project and its resulting 52 units of low-income workforce housing is strategically tied to the goals of the Town Council in the areas of inclusion and vibrant economy.

Environmental Sustainability: The project contemplated in this Development Agreement will meet or exceed our green energy code requirements for the Town of Frisco. In addition, they are in a high availability transit corridor to facilitate less single occupancy vehicle trips.

Staff Recommendation: It is recommended that the Council adopt this Development Agreement by ordinance.

Reviews and Approvals: This report has been reviewed and approved by:

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

Attachments:

Draft Town Council Ordinance
Draft FCHDA Resolution
Draft Development Agreement
Project description materials