



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: LESLIE EDWARDS, FINANCE DIRECTOR
JAMES GORHAM, HOUSING PROGRAMS SPECIALIST
RE: 602 GALENA DEBT ISSUANCE PROCESS UPDATE
DATE: DECEMBER 10, 2024

Summary and Background: The purpose of this memo is to provide background and explain the proposed financing of the housing project to be located at 602 Galena. The Town of Frisco has been working to develop rental workforce housing units on Frisco’s Main Street and Galena Street with the NHP Foundation, a not-for-profit real estate organization with experience preserving and creating multifamily housing affordable to low and moderate income families and beneficial to their communities.

Overall Site Conditions and Existing Land Uses

This project is proposed on a 0.72-acre lot, currently Lots 13-21, Block 3 of the Frisco Town Subdivision. The property housed the Colorado Workforce Center, in a structure dating to 1984. The Town of Frisco purchased the site from the State of Colorado, with the intention of redeveloping the site for workforce housing. As the property lies in the Central Core (CC) District, residential use is fully permitted by right.

Approved Site Plan

Multi-family residential is the sole proposed land use on the site, with a single 34,986 square foot multi-family structure. The building will contain fifty-four (54) deed-restricted, workforce housing units for rent, ranging from 510 to 861 square feet, with an average unit size of 648 square feet. The site plan proposes twenty-one (21) studio units, twenty-one (21) one-bedroom units, and twelve (12) two-bedroom units. Proposed improvements to the streetscape include the construction of twenty-one (21) on-street parking spaces along Galena Street, eight (8) on-street parking spaces along 6th Avenue, and pedestrian connections on and along the site in compliance with the Town of Frisco’s Complete Streets Plan. Between on-site and adjacent parking stalls, this proposed site plan will provide sixty-one (64) parking stalls, four (4) of which will be accessible per ADA standards. The proposed site plan will also include sixty-six (66) indoor bicycle parking stalls, equaling one per bedroom, and several outdoor bicycle parking stalls. The architecture proposed on this site fits the mountain character of Frisco. The project as a whole strives to meet the needs of the community and further the goals of the Community Plan. The design meets all development standards for a fully affordable, deed-restricted development in the Town of Frisco.

Timeline

- October 2021, The property, utilized by the Colorado Workforce Center is approximately 0.72 acres and includes a 4,153-square-foot building that currently houses 11 employees — was appraised at \$3 million.
- August 2022, Summit County entered an intergovernmental agreement with the Town to provide \$1.5 million for the purchase. The property was purchased from the State of Colorado for \$2.49M.
- May 2023, Frisco Town Council approved Ordinance 23-14 concerning the development of two affordable rental housing projects, where the Town of Frisco intended to grant a long-term ground lease at 602 Galena Street to NHP Foundation to facilitate the development of affordable housing units. NHP has also purchased 101 West Main Street to develop affordable housing.
- June 2023, Frisco Town Council passed Resolution 23-22 to create the Frisco Community Housing Development Authority (FCHDA). The Authority's bylaws were adopted by the FCHDA Commissioners in April 2024.
- April 2024, The Town of Frisco was awarded a Strong Communities grant for \$4,000,000 by Colorado Department of Housing for the construction of project infrastructure related to affordable housing projects located at both 101 W Main and 602 Galena.
- May 2024, Frisco Town Council met to discuss modifications to the Development Agreement with NHP Foundation. The Town Council directed staff to negotiate with NHP Foundation regarding the Frisco Community Housing Development Authority owning and financing the project and NHP Foundation taking on a different role in the project.
- July 2024, The Town of Frisco was awarded a More Housing Now grant for \$375,898 by Colorado Department of Local Affairs (DOLA) for the construction of Town owned infrastructure related to an affordable housing project located at 602 Galena.
- May – Dec 2024 Staff and NHP Foundation have held regular meetings to discuss a design/build contract with NHP to manage the construction at 602 Galena. This negotiation regarding the terms of the contract are ongoing.

Analysis:

Proposed Financing Mechanism

An Essential Function Bond (EFB) is a tax-exempt bond issued by a housing authority or other authorized issuer to fund the construction and rehabilitation of affordable housing and other community facilities. EFBs are also known as governmental purpose tax-exempt bonds. EFBs are typically long-term bonds with maturities ranging from 20 to over 40 years. They can be used for a variety of purposes, including: financing affordable housing, developing community and social service centers, upgrading energy systems, and constructing office space.

Proposed Next Steps

Town Staff seeks feedback from the Town Council on the following proposed next steps, which will require future legislative action with estimated timing:

January 2025

FCHDA Contracts: Design/Build contract with NHP, Owner's representative contract,
Financing contracts: underwriter & bond counsel

FCHDA Reimbursement Resolution to allow for reimbursement from future project financing, starting on the date of the resolution through the closing of project financing.

February 2025

Town of Frisco Credit Pledge aka Moral Obligation to be provided from the Town of Frisco to the FCHDA for the financing in order to provide the Town's excellent credit rating of Aa1 to the project. This credit pledge should provide a lower interest rate for project financing.

March 2025

FCHDA Authorization of Essential Function Bonds which sets maximums amounts for interest rate, principal amount, annual repayment, and total repayment.

Town of Frisco approval of supplemental budget appropriations for project sources and uses. As a blended component unit of the Town of Frisco, the FCHDA budget is blended with the Town of Frisco budget and financials.

April 2025

FCHDA Resolution to approve form of Preliminary Official Statement and authorize the preparation of the final Official Statement. The Official Statement is a document that describes the project and financial position of the FCHDA for potential investors in the essential function bonds.

Financing Closing

Spring/Summer 2025

Demolition and Construction start of infrastructure and vertical construction

Time Constraints

More Housing Now grant requires the Town owned infrastructure project to be put out to bid within 120 days after the effective date of the grant agreement. This deadline is **January 29, 2024**. The project will be put out to bid by the Town's Public Works Department.

Project financing can take up to 90 days to close. Interest rates are predicted to be most favorable in the **1st or 2nd quarter of 2025**. Additionally, funds will be required for construction estimated to begin in Spring 2025. However, the Reimbursement Resolution allows reimbursement of construction costs that may occur prior to the closing of financing funding.

The Strong Communities grant requires proof of substantial completion and final financial statement due to DOH by **August 31, 2026**.

More Housing Now Project Final Report is due to DOLA by **January 29, 2027**.

Financial Impact: Due to fluctuations in a rapidly changing market environment, it is impossible to accurately predict at this time what the interest rate the Town will have to pay to sell the bonds. However, the goal is for the project's proforma to remain unchanged from the May 2024 presentation. This proforma contemplates the Town providing \$2,000,000 in cash to the project in addition to funding reserves required by the underwriters related to financing. Rental income is projected to cover the annual debt expense and ongoing maintenance costs of the project. Until negotiations and contracts are finalized there are still many variables of the project contemplated in these estimates and the projections could change. Staff will keep the Town Council apprised of any changes to the proforma.

Alignment with Strategic Plan:

Inclusive Community

The primary goal of this project is to provide 100% workforce housing, which supports the Inclusive Community principle. By bringing this project to fruition, an example will be set for collaboration to "develop a diverse portfolio of workforce housing programs to support a broad range of housing needs". This redevelopment will contribute to a positive balance of full-time residents. This redevelopment will enrich the character and scale of the town core with attractive architecture that matches and enhances the aesthetic character of Frisco. With a built condition which reaches out to and faces the adjacent streets, and the proposed site plan will engage pedestrians and restore Frisco's historic street grid to "retain the character and walkability of the town core."

Thriving Economy

The workforce housing proposed by this redevelopment will support local businesses, employees, residents, and visitors alike. A common community goal will be met by providing much needed housing for local workers. This project will support local business by providing affordable housing resources in proximity to Main Street, encouraging local workers to remain employed in Frisco or pursue employment in Frisco. This project will set another precedent for "supporting efficient regulations and processes that foster a supportive business environment."

Vibrant Recreation

With the project's new construction, the pedestrian network in the central core will be improved. Additionally, this project proposes publicly accessible passive space with benches and landscaping, as well as bike storage for residents and visitors alike. This site already offers residents access to Frisco's recreational resources such as Pioneer Park.

Staff Recommendation: Staff recommends that Town Council provide direction to Staff regarding proposed next steps.

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

Tom Fisher, Town Manager
Diane McBride, Assistant Town Manager

Attachments:

n/a