



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL

FROM: DON REIMER, COMMUNITY DEVELOPMENT DIRECTOR
DANELLE COOK, HOUSING PROGRAM MANAGER

RE: INTERGOVERNMENTAL AGREEMENT BETWEEN THE STATE OF COLORADO DEPARTMENT OF TRANSPORTATION (CDOT) AND THE TOWN OF FRISCO TO CONSTRUCT THE 619 GRANITE STREET WORKFORCE HOUSING PROJECT

DATE: MAY 10, 2022

Summary and Background: The Town of Frisco entered into a partnership with CDOT to develop a workforce housing project on the lot owned by CDOT located at 619 Granite Street, Lots 18-24, Block 12 in the Town of Frisco. The agreement was first approved in 2020, with an amendment in January 2021 to increase the funds that could be spent under the agreement. Under the agreement, the design team selected by the Town and CDOT would complete 80% construction drawings and a project cost estimate prior to December 31, 2021. The amended agreement authorized each party to expend up to \$150,000 each (\$300,000 total) for the design and related services necessary for the design, such as surveys and title research.

In January 2021, the Town entered into a design contract with Studio Architecture, and the design team completed the 80% drawings and cost estimate by December 2021, meeting contract requirements. As the project evolved, both CDOT and Town of Frisco confirmed the need for this project and affirmed their commitment to get the project built and occupied as soon as possible. The Town and CDOT entered into a second contract with Studio Architecture in January 2022 to complete construction drawings in preparation for going to bid for construction. Final construction drawings were completed in April 2022.

In February 2022, the Town issued a Request for Proposals, soliciting a qualified owner's representative to manage construction of the 619 Granite Street Workforce Housing project and Diversified Consulting Solutions, Inc. was selected as the top candidate. The Owner's Representative contract is set for consideration by Town Council as another item on this Council meeting agenda. However, the project will not be able to go to bid for construction until an intergovernmental agreement between the State of Colorado Department of Transportation and the Town of Frisco is executed.

The attached intergovernmental agreement establishes the roles and responsibilities for construction and allocation of costs, as well as future operation and ownership of the property. If approved, the agreement would become effective upon execution and expire on June 30, 2024.

Analysis: The attached agreement describes responsibilities of each party that would be carried out in three phases:

1. During Phase I, CDOT will transfer ownership of the 0.58-acre parcel to the Town. The appraised value of the property will constitute a portion of CDOT's financial contribution to the project.
2. In Phase II, the Town will contract for construction of the project. The Town will be the lead agency for the purposes of contracting, with consultation and consent of CDOT for any significant decisions or change orders. The Town will condominiumize the new buildings and execute a deed restriction covenant for each unit.
3. In the final phase of the agreement, the Town will transfer ownership of half of the units (11 out of 22) to CDOT. All units will be subject to the deed restriction, ensuring that they remain permanently affordable.

The agreement defines affordable workforce housing as *“a unit that is restricted in perpetuity to occupancy by individuals meeting the income limitations and occupancy standards as established by the Town and State. At minimum, these restrictions shall include a maximum household income equivalent to 100% Area Median Income or less, and a minimum occupancy restriction of employed in Summit County on average a minimum of 30 hours per week on an annual basis.”* Per the density bonus provisions in the Town Code, at least 7 of the 22 units must be deed restricted. However, it is CDOT and the Town's intention to deed restrict all 22 units.

For cost allocation purposes, a per-unit construction cost will be determined by dividing the sum of all project costs by the total combined square footage of all units. The resulting per square foot cost will be applied to the square footage of the particular units owned by each party in order to determine the allocation of construction cost for each unit.

On September 28, 2021, Studio Architecture estimated the construction expenses for this project would be \$6,202,480. On December 20, 2021, another construction cost estimate was prepared, increasing anticipated costs to \$6,747,017. Increases in material costs and site work account for the majority of the increase in costs. Additionally, an appraisal for the property was completed and provided a land value of \$2,438,694, giving a current project cost estimate of just under \$9.2 million.

Per the agreement, CDOT is responsible for 49.1% (\$4,604,732.53) of the construction expenses while the Town is responsible for the remaining 50.9% (\$4,773,541.47). Since the 22 units are not equal in size or bedroom count, these contribution percentages were determined based on the square footages of the units owned by each party. The 2022 budget allocated funds in the amount of \$5 million for the 619 Granite Street project. Recognizing that material and labor costs remain unstable, Town staff will consider adding contingency funds to account for potentially increasing costs. Additionally, the Town received notice on May 2, 2022, that grant funds in the amount of \$1,500,000 have been awarded by the Colorado Department of Local Affairs (DOLA) for the project. Per the terms of this agreement, any grant funds obtained will be allocated to reduce the financial contribution of each party equally.

Financial Impact: This intergovernmental agreement will not have an unbudgeted financial impact at this point, as funding in the amount of \$5 million was included in the 2022 budget for the 619 Granite Project. Staff recommended to Town Council at a meeting on March 8, 2022, that Council consider financing for the project. A Reimbursement Resolution related to potential project financing is set as a separate agenda item on this Town Council agenda.

Alignment with Strategic Plan: Increasing the number of workforce and affordable housing units remains one of the Town Council's highest priorities. Implementation of the Town Council's goals

requires addressing housing through multiple channels including the proposed agreement between two public agencies. Continuing to move this project forward will propel the construction of a much-needed housing project in the Town's central core area.

Environmental Sustainability: The project has been designed to exceed the requirements of the Summit Sustainable Building Code, is zero-energy ready, and includes opportunities for installation of photovoltaics to offset energy use.

Staff Recommendation: Staff recommends approval of the attached Intergovernmental Agreement, establishing responsibilities, cost allocation, and ownership of units, between the Town and CDOT in order to proceed with development and construction of the workforce housing project located at 619 Granite Street.

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

Don Reimer, Community Development Director

Leslie Edwards, Finance Director

Diane McBride, Interim Town Manager

Attachments:

Attachment 1: Intergovernmental Agreement

Attachment 2: Resolution 22-13