



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: LESLIE EDWARDS, FINANCE DIRECTOR
DON REIMER, COMMUNITY DEVELOPMENT DIRECTOR
RE: GRANITE PARK FINANCE DISCUSSION
DATE: NOVEMBER 8, 2022

Summary and Background: Increasing access to local workforce housing has been identified as a top priority of Frisco Town Council. Current market conditions do not provide enough rentals or opportunities for ownership to meet current or future housing needs. Over the last year, staff has met with the Town Council several times to discuss the housing program.

On August 25, 2020, Town Council approved the Workforce Housing Planning Agreement between the Colorado Department of Transportation (CDOT) and the Town of Frisco to develop a workforce housing project on the land owned by CDOT located at 619 Granite Street, Lots 18-24, Block 12 in the Town of Frisco. The Agreement lays the foundation to jointly undertake all necessary actions to design and develop 22 workforce housing units by requiring CDOT and the Town to share all costs 50/50 (excluding each agency's staffing and personnel costs). On January 11, 2022 Town Council approved the employment of Butler Snow, LLP as bond counsel in connection with workforce housing projects and related certificates of participation. At the February 8, 2022 Strategic Plan discussion with Council, it was suggested that Staff present to Council a financial plan for existing SCHAs (5A) funds. On March 8, 2022, Town Council discussed the future of the housing program with the presentation of a 10-year financial pro-forma intended to guide Council in housing decisions for years to come. At the May 10, 2022 Town Council meeting, Council approved a resolution authorizing reimbursement for capital expenditures related to the Granite Park housing project, from the proposed financing proceeds.

The goal is to ensure that there is continued momentum to move our community to a better balance of locally occupied housing units to vacation units. A better balance is critical to ensuring housing is available for the local workforce and for the local families who sustain our economy and our community.

Analysis: Attached for your review, this proposed 10-year financial plan is intended to be a fluid document that will become a part of a more comprehensive action plan and will evolve as conditions change, and new practices, challenges, or opportunities emerge. We intend to review this draft, along with a short presentation to solicit your feedback regarding the financing of the 22-unit Granite Park rental housing development. The version that is presented as an

attachment is intended to provide a glimpse into what this financial plan could look like for the Town. The pro-forma is intended to be a living document that will be continuously updated based upon Town Council decisions and discussed annually as a part of the Town's budget presentation.

What are Certificates of Participation?

A Certificate of Participation (COP) is a type of financing (usually tax exempt) in which an investor purchases a share of the lease revenue of an agreement made by a government entity. This form of municipal lease financing enables a government body to spread costs over time rather than a pay-as-you go basis, which can restrict the amount of immediate benefit current year revenues provide to the community. With this option, the Town can take advantage of cost-effective financing for the acquisition and construction of property over time rather than depleting existing resources, including the new voter approved tax on short term rentals. The alternative is to extend the time frame for the voters to see the results of this new tax revenue in the form of additional workforce housing in the community.

Available Expertise

In January 2022, the Town retained Dee Wisor, of Butler Snow, as bond counsel. Bond Counsel is an important member of the debt issuance team who is retained by the Issuer (the Town) but represents the interests of the shareholders. Along with his team, Mr. Wisor is able to provide a legal opinion as to whether the Town is authorized to issue proposed municipal securities and has met all legal and procedural requirements necessary for issuance and assist the Town in developing the preliminary official statement for investors to review. The Butler Snow team has extensive experience working with mountain and resort communities and understands the unique credit story that needs to be communicated to the rating agencies and investors regarding these issuers.

Additionally, the Town has worked with Stifel Public Finance on a prior borrowing for the Marina; Stifel has substantial experience with Certificates of Participation for housing specific projects (see attached case studies). Stifel's banking team, including Todd Snidow, is in the market underwriting Colorado COP transactions more than any other firm. Stifel has recently served as underwriter or placement agent to the Town of Grand Lake, Town of Winter Park, Fraser Valley Park and Recreation District, City of Steamboat Springs, Town of Breckenridge, City of Aspen, Town of Telluride, Town of Pagosa Springs, Town of Glenwood Springs, Roaring Fork Transportation District, Gunnison Watershed School District, Eagle County Schools, and Pitkin County.

Financial Impact: The adopted 2023 budget includes \$10,410,000 in construction costs for Granite Park and \$3,530,000 in partner contributions estimated to be received in 2023 from CDOT and DOLA (grant); additional partner contributions would be expected in 2024. While this is expected to fund the total construction cost of Granite Park, without financing, an ending Housing Fund balance of \$18,662 is projected as of 12/31/2023. Such a position would force the Town to cease progress on future housing projects, including the Galena Street project that the Town is obligated to complete, as related to the land purchase from the State of Colorado.

While, Staff has not yet received a Guaranteed Maximum Price (GMP) from a contractor, the proforma is based upon an estimate of \$12M. Current market conditions are providing for rates of approximately 3.9% on 30-year Certificates of Participation, of course this is subject to change. Considering the \$1,500,000 DOLA grant and 50% partner contributions from CDOT, the annual debt service is estimated to be \$338,000. The net operating income on Frisco's half

of the project (11 out of 22 units) is estimated to be \$165,000 annually.

If the financing option is approved by Town Council, Staff would request a supplemental appropriation for the debt service expenditure (approximately \$338k), as well as the revenue expected from the Certificates of Participation (approximately \$6M).

Alignment with Strategic Plan: The construction of 22 rental units at Granite Park will help the Town to meet the Inclusive Community goal of increasing residents to 50%, as well as the creation of a 5-year housing plan. Additionally, adding workforce housing to the community supports the goal of Thriving Economy, as ensuring housing for our workforce is the greatest economic development driver for the Town.

Staff Recommendation: Staff requests that Council review the attached housing pro-forma and provide high-level feedback to Staff on next steps. Staff would like to review the plan, and to solicit feedback from Council regarding financing of the project.

Along with Staff, Dee Wisor and Todd Snidow will both be available to answer any questions Town Council may have regarding the financing of Granite Park and other future projects. If Town Council wishes to move forward with Certificates of Participation, Staff will request formal action in February 2023, once a GMP has been received for Granite Park.

Approved By:

Tom Fisher, Town Manager

Diane McBride, Assistant Town Manager

Attachments:

10-year Financial Pro-forma

Case Study – Eagle County Schools

Case Study – Town of Breckenridge Block 11 Apartments