



Urban Renewal Authority Regular Meeting Agenda

March 27, 2025 at 5:00 PM

Jeni Arndt, Chair
Kristin Stephens, Vice-chair
Susan Gutowsky
Julie Pignataro
Tricia Canonico
Melanie Potyondy
Kelly Ohlson
Emily Francis
Matt Schild
Kristen Draper
Dan Sapienza

Council Information Center
300 Laporte Avenue, Fort Collins
& via Zoom at
<https://zoom.us/j/98687657267>

Cablecast on FCTV
Channel 14 on Connexion
Channel 14 and 881 on Xfinity

Caitlin Quander
URA Attorney

Josh Birks
Acting Executive Director

Amani Chamberlin
Secretary

URBAN RENEWAL AUTHORITY BOARD MEETING 5:00 PM

A) CALL MEETING TO ORDER

B) ROLL CALL

C) AGENDA REVIEW

Executive Director's Review of Agenda.

D) PUBLIC PARTICIPATION

E) PUBLIC PARTICIPATION FOLLOW-UP

F) COMMISSIONER REPORTS

G) DISCUSSION ITEMS

The method of debate for discussion items is as follows:

- Chair introduces the item number and subject; asks if formal presentation will be made by staff
- Staff and/or Applicant presentation (optional)
- Chair requests public comment on the item (three minute limit for each person)
- Board questions of staff on the item

- Board motion on the item
- Board discussion
- Final Board comments
- Board vote on the item

Note: Time limits for individual agenda items may be revised, at the discretion of the Chair, to ensure all have an opportunity to speak. **If attending in person, please sign in at the table in the back of the room.** The timer will buzz when there are 30 seconds left and the light will turn yellow. It will buzz again at the end of the speaker's time.

1. Consideration of a motion to approve a “term sheet” for a loan and a grant to support the development of a middle-income housing project proposed to be constructed at 302 Conifer Street.

The purpose of this item is to consider authorizing the Acting Executive Director to sign a “term sheet” describing the general terms and conditions of a loan from the URA North College Plan Area fund to the developers of a proposed deed-restricted 76-unit multi-family community for low-moderate and middle-income residents to be constructed at 302 Conifer Street. The proposed loan amount is \$3.22 million and will carry an interest rate of 3.0%. The proposed loan is designed to “revolve” to support future middle-income housing projects, and will leverage other funding sources, including a \$7 million Proposition 123 Equity award from the State of Colorado. Additionally, a Tax Increment Finance (“TIF”) grant of \$100,000 funded by future property tax payments is also proposed. Approval of the term sheet will authorize URA staff, legal counsel, and a third-party loan administrator to negotiate a loan agreement with the developer, which will be reviewed by the URA Board at a meeting in the near future.

H) OTHER BUSINESS

I) ADJOURNMENT

Upon request, the City of Fort Collins will provide language access services for individuals who have limited English proficiency, or auxiliary aids and services for individuals with disabilities, to access City services, programs and activities. Contact 970.221.6515 (V/TDD: Dial 711 for Relay Colorado) for assistance. Please provide advance notice. Requests for interpretation at a meeting should be made by noon the day before.

A solicitud, la Ciudad de Fort Collins proporcionará servicios de acceso a idiomas para personas que no dominan el idioma inglés, o ayudas y servicios auxiliares para personas con discapacidad, para que puedan acceder a los servicios, programas y actividades de la Ciudad. Para asistencia, llame al 970.221.6515 (V/TDD: Marque 711 para Relay Colorado). Por favor proporcione aviso previo cuando sea posible. Las solicitudes de interpretación en una reunión deben realizarse antes del mediodía del día anterior.

AGENDA ITEM SUMMARY

Urban Renewal Authority



STAFF

Andy Smith, Redevelopment Manager
Josh Birks, Acting Executive Director

SUBJECT

Consideration of a motion to approve a “term sheet” for a loan and a grant to support the development of a middle-income housing project proposed to be constructed at 302 Conifer Street, and to authorize the Acting Executive Director to sign the loan term sheet.

EXECUTIVE SUMMARY

The purpose of this item is to consider authorizing the Acting Executive Director to sign a “term sheet” describing the general terms and conditions of a loan from the URA North College Plan Area fund to the developers of a proposed deed-restricted 76-unit multi-family community for low-moderate and middle-income residents to be constructed at 302 Conifer Street. The proposed loan amount is \$3.22 million and will carry an interest rate of 3.0%. The proposed loan is designed to “revolve” to support future middle-income housing projects, and will leverage other funding sources, including a \$7 million Proposition 123 Equity award from the State of Colorado. Additionally, a Tax Increment Finance (“TIF”) grant not to exceed \$100,000 funded by future property tax payments is also proposed. Approval of the term sheet will authorize URA staff, legal counsel, and a third-party loan administrator to negotiate a loan agreement with the developer, which will be reviewed by the URA Board at a meeting in the near future.

STAFF RECOMMENDATION

Staff recommends approval of the term sheet and to authorize the Acting Executive Director to sign the term sheet.

BACKGROUND / DISCUSSION

A 76-unit deed-restricted multi-family community for low-moderate and middle-income residents is proposed to be constructed at 302 Conifer Street (“Project”). The Project site is within the North College Urban Renewal Plan Area boundaries. The Project was awarded Prop 123 equity funding, and has attracted additional investments, however a financial gap remains. URA staff have worked with potential financial partners to develop a novel arrangement that may fill the gap and enable the Project to proceed if approved by the URA Board.

The Project is proposed to be a 76-unit multi-family rental community for low-moderate and middle-income residents. 100% of the dwelling units will be income-restricted, with 59 units (77% of the total) restricted to household incomes at 80% or less of AMI. Because these 59 units fit within the City’s definition of affordable

housing, this project may be an affordable housing project for purposes of Land Use Code incentives, if desired by the developer. However, this project will not qualify for traditional affordable housing programs such as Low-Income Tax Credit (LIHTC) financing.

The Szanton Companies (“Szanton”) is the Project developer, an experienced Low Income Housing Tax Credit (LIHTC) developer from Maine who recently relocated their business to Colorado. The estimated total development cost is \$26.2 million, or approximately \$340,000 per dwelling unit. The Project is proposed to be a single 4-story, highly efficient all-electric building.



Financial Gap

The Project currently has a funding gap of \$4.2 million and since June 2024, URA staff have engaged in discussions with Szanton and potential funding partners exploring innovative potential solutions to enable the Project to proceed.

Initially, URA staff considered typical financial arrangements, such as a standard reimbursement of incremental property taxes generated by the project if completed. However, with only five years remaining in the Plan Area’s tax increment revenue collection period and two years (at best) before the Project is actually built, a meaningful impact would be highly unlikely. Thus, given that promotion of new affordable housing in URA plan areas is understood to be a high priority, URA staff continued to explore creative alternatives based on partnerships.

Proposition 123 Equity

The Proposition 123 Equity program (Prop 123) was approved by Colorado voters in November 2022 and authorizes the state to retain money from existing state tax revenue to support affordable housing investment. These funds are split 60/40 between the Office of Economic Development and International Trade (OEDIT) and the Department of Local Affairs (DOLA) through its Division of Housing (DOH), respectively. OEDIT manages the Affordable Housing Financing Fund, in partnership with Colorado

Housing and Finance Authority (CHFA), which serves as Contract Administrator. DOH manages the Affordable Housing Support Fund.

In July 2024, the Project was initially awarded \$5.8 million in the inaugural round of Prop 123 funding by the State of Colorado. Out of 36 applications, the Project was one of six from across Colorado to earn an award, and the only one from Larimer County. Interestingly, as potential gap funding partners (including the URA) have held discussions over the past few months, CHFA agreed to increase the award to \$7.0 million to free-up additional cash flow to service debt provided by potential gap funders such as the URA.

Affordable housing projects in our community are eligible for Prop 123 funding, because on June 12, 2023, the City of Fort Collins filed a commitment with the State of Colorado pledging to increase our local affordable housing supply by 3% each year for three years, for a total of 555 new dwelling units. That commitment was accepted by the State, and the Project will contribute towards that commitment.

General Strategy

Prop 123 funding presents a unique and significant opportunity to develop affordable housing beyond the highly competitive LIHTC process. Specifically, middle-income housing for incomes in the 80-120% AMI range is in very high demand, yet it is not eligible for LIHTC funding which is reserved for projects targeted to household incomes at or below 80% of AMI. With Housing Catalyst being the City's primary developer of LIHTC housing, URA Staff has worked diligently to identify a distinct strategic "lane" and functional role for it to complement the work that Housing Catalyst does well in our community.

Building upon the \$7 million foundation provided by Prop 123 funding, the URA worked with Szanton and following organizations to come up with a potential gap funding plan:

- CHFA
- Community Foundation of Northern Colorado (now NoCo Foundation)
- Weave Social Finance / Colorado Housing Accelerator Initiative ("CHAI")
- Impact Development Fund ("IDF")

It is important to note that while CHAI and NoCo Foundation are not currently involved in the deal, they are mentioned here as an acknowledgement of the time and commitment of all stakeholders to identify a creative solution, as well as a belief they may be involved in future projects.

From these discussions, a conceptual deal structure emerged whereby the URA may contribute money from the North College Urban Renewal Plan Area fund in the following manner:

- **\$3.22 million** from the URA. The loan would carry a 3% interest rate, and the principal loan amount would be returned to the URA upon the sooner of an approximate 12.5-years term or a significant capital event, such as a sale of the property or cash-out refinance. The returned principal amount is intended to then "revolve" back into other similar deed-restricted affordable or middle-income housing projects
- **An amount not to exceed \$100,000** in the form of a Tax Increment Finance (TIF) grant paid to Szanton, funded by forecasted incremental property taxes generated by the project after completion and through the sunset of the North College Urban Renewal Plan Area TIF revenue collection period. The amount of forecasted TIF revenue generated by the project from the anticipated completion (2027) to the sunset (2029) is approximately \$95,000 and will be finalized prior to actual disbursement to occur at the issuance of a Certificate of Occupancy.

It should be noted that in addition to Prop 123 capital, CHFA is also providing a \$3,000,000 loan to the Project through the Middle-Income Access Program ("MIAP")

Finally, Housing Catalyst has independently agreed in principle to enter into a Special Limited Partnership agreement with Szanton to provide property tax abatement on the 59 dwelling units restricted to 80% and less AMI households. The 17 dwelling units not eligible for property tax abatement would generate property taxes constituting the TIF reimbursement grant pledged by the URA as described above.

Capital Stack Details

SOURCE	\$\$\$	TERMS
Mortgage - Amortizing - Freddie non-LIHTC Forward	10,651,727	6.35%, 10-year term, Amortizing
Mortgage - Amortizing - CHFA MIAP	3,000,000	6%, 30-year term, Amortizing
Mortgage - URA (Administered by IDF)	3,220,000	3%, 12.5-year term, Interest-only
Deferred/Forgone Developer Fee	340,000	No repayment
Federal and State Tax Credits for Energy Efficiency	400,000	No repayment
Proposition 123 Program Equity	7,000,000	Principal must be repaid in 30 years
Sponsor (Developer) Equity	645,176	Repaid through available cash flow
Residual Gap	1,028,340	
TOTAL	26,285,243	

Impact Development Fund’s Role

Impact Development Fund (“IDF”) will underwrite, administer, and service the loan on behalf of the URA. IDF is “a nonprofit Community Development Financial Institution (CDFI) certified by the United States Treasury, and as an approved CRA (Community Reinvestment Act) institution, IDF works with social impact investors, local municipalities, housing and financing authorities, nonprofit organizations such as Habitat for Humanity, partner CDFIs and traditional banks. Impact Development Fund supports projects that bring together multi-faceted community stakeholders including nonprofit organizations, developers, community banks, individuals and local and state government. Starting with strategic planning for future projects, through the application process to ultimately securing financing, we help overcome obstacles to ensure critical community projects can break ground.”

IDF began in Fort Collins more than 20 years ago, known then as Funding Partners. IDF is nationally regarded as a proven leader in affordable housing finance, with significant experience working in partnership with public and private entities.

Big Picture

URA staff began discussions with Szanton and potential funding partners intending to fill the gap faced by the Project at 302 Conifer Street. However, as discussions progressed, it became evident that a replicable tool and partnership model was emerging, potentially paving the way for the URA to support new affordable and middle-income housing as a reliable blight prevention and mitigation tactic. Specifically, a revolving social impact loan fund magnified by financial partners and administered by professionals may provide a legacy for the URA that continues after TIF revenue expires.

Finally, in terms of the housing crisis, the URA may have finally identified a way to promote new workforce housing that does not compete with traditional affordable housing providers for resources such as property tax abatement or tax credit financing. In the broader spectrum of housing affordability, the middle-income segment is critical for economic and community stability but is still in the early stages of financial innovation.

Next Steps

To prepare for the May 22, 2025, URA Board meeting, URA staff and legal counsel will work with IDF and Szanton to negotiate and finalize loan terms generally described in the attached draft term sheet. Additionally, URA staff and legal counsel will negotiate a final agreement with IDF for their administrative assistance.

- March 27, 2025: *URA Board – Approve general terms*
- May 22, 2025: *URA Board – Approve final documents*
- Summer 2025: *Project Groundbreaking*
- Summer 2026: *Project Ribbon-Cutting*

URA FINANCIAL IMPACTS

The North College Urban Renewal Plan Area fund currently has an estimated \$8.1 million in unrestricted funds. A potential bond issuance was discussed confidentially in URA Finance Committee Executive Session on January 9, 2025, and will be presented to the URA Board for consideration in April or May.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

URA staff presented evolving working drafts of the proposed loan and grant to the URA Finance Committee on December 12, 2024, and again on February 13, 2025. The URA Finance Committee indicated general support for the proposal and directed staff to continue negotiations and refinements for consideration by the full board.

Notable differences between terms previously presented to the URA Finance Committee and terms currently under consideration by the URA Board include:

Payments: Previously, the interest payments to the URA were considered “hard” loan debt service, meaning that payments were due regardless of Project cash flow. However, the senior lender, Freddie, counts hard debt payments against debt service coverage ratios, and in this case, would jeopardize the ability to obtain Freddie financing. The current term sheet calls for the annual interest payment to be based on cash flow, and senior (before) equity partners (Szanton and Prop 123) receive distributions. In the event Szanton is unable to make a full annual interest payment, the amount due will be added to the payment due the following year. In other words, Szanton and the Prop 123 program receive no payments until URA interest payments due have a zero balance.

The URA will receive tax returns on an annual basis and will also receive Project financial statements if a loan payment is not made.

Term: Previously, a 10-year term had been contemplated. However, Freddie, the senior lender requires subordinate debt to not mature (become due) until after their debt matures. Since the Freddie loan does not mature until 10 years after Project completion (which is approximately 12-18 months after construction

begins), the URA loan will mature approximately 6 months after the Freddie loan matures, estimated to be 12.5 years.

Refinance: Senior loans may only be refinanced with URA approval, and only for improvement in interest rate and/or terms. No equity can be withdrawn without URA approval.

PUBLIC OUTREACH

Briefing with the North College CAG (Citizen Advisory Group)

Internal discussions and consultations with City of Fort Collins housing staff have been ongoing.

ATTACHMENTS

1. Attachment A: Final Draft Term Sheet



Urban Renewal Authority
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970.416.2517
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 fcgov.com

March 20, 2025

The Szanton Company
 4100 E. Mississippi Ave.
 4th Floor,
 Denver, CO 80246

RE: Term Sheet --302 Conifer Street Development

Dear Partners at Szanton Company,

Thank you for the opportunity to discuss the permanent financing structure needed to complete the 302 Conifer Street, middle income development (the “**Project**”), located in Fort Collins, Colorado. The terms and conditions presented herein represent those under which the project loan application is eligible. Final approval of the proposal is solely at the discretion of the Fort Collins URA Board of Commissioners and will be based on the availability of funds.

SUMMARY OF PROPOSED TERMS AND CONDITIONS

1. **Lender:** Fort Collins Urban Renewal Authority.
2. **Borrower:** The Szanton Company, or a single asset entity owned by the Szanton Company.
3. **Administrator:** Impact Development Fund (“**IDF**”)
4. **Loan Amount:** \$3,220,000 (Three Million Two Hundred Twenty Thousand Dollars and No Hundreds) (the “**Total Loan Amount**”).
5. **Loan Purpose:** Borrower will use the loan proceeds for the construction and permanent financing of 76 income-restricted units, collectively known as 302 Conifer.
6. **Property:** The Property is located at 302 Conifer in Fort Collins, CO 80524 (the “**Property**”).
7. **Closing:** Occurs upon the exchange of all executed Loan Documents (defined below) following Lender’s satisfaction of all conditions precedent to the making of the Loan to Borrower. Closing shall occur on a date determined by Lender and Borrower prior to the Loan Closing Deadline (defined below).
8. **Loan Closing Deadline:** Not later than December 31, 2025.
9. **Disbursement Schedule:** At Closing, the loan proceeds will be placed in an escrow account controlled by Lender and IDF. Incremental draws will be permitted monthly upon presentation and satisfactory review of draw requests by Lender and any inspecting architect engaged by IDF, and subject to other terms and conditions as set forth in the Loan Documents.
10. **Commitment Fee, Paid to IDF:** 1.00% of the Total Loan Amount.

11. **Withdrawal/Denial Fee:** Paid to IDF: In the event of loan withdrawal or denial, Borrower shall remit the full commitment fee.
12. **Loan Term:** An estimated 150 months (12.5 years), interest-only.
13. **Maturity Date:** The earlier of a) a capital event such as a sale or refinance, or b) 180 days (6 months) after the Maturity Date of the senior loan issued by Freddie (“**Freddie**”) estimated to occur approximately 150 months (12.5 years) from the Date of Loan Closing. A refinance of the Senior Loans (defined below) solely intended to secure a lower interest rate or improved loan terms (aka, “rate and term”, or “no cash out” refinance) shall not be considered an event deemed to have caused the Maturity Date. The Maturity Date, as defined by the original Freddie loan, may not be extended without consent of Lender.
14. **Extension of Maturity:** If approved by Lender, up to 24 months, with a 0.25% extension fee payable to IDF.
15. **Interest Rate:** 3.00% fixed
16. **Default Rate:** Unpaid principal and interest, to the extent due and owing, shall bear interest at an additional 2.00% above the Interest Rate upon the occurrence of an event of default, as set forth and defined in the Loan Documents (“**Event of Default**”).
17. **Loan Payments:** Upon project stabilization, as defined by Freddie’s loan documents, which occurs at the conversion of the construction loan to a permanent loan, interest shall accrue based upon daily outstanding balance and shall not compound. Borrower shall make annual interest payments with payments due on the first day of July each year (“**Loan Payments**”), which shall commence upon project stabilization. All outstanding principal, accrued but unpaid interest, and any applicable fees, costs, or charges, shall be due and payable upon the Maturity Date. Loan Payments will be paid from cash flow, before any cash flow is distributed to equity providers (sponsor and Prop 123). If Borrower fails to make a Loan Payment due to insufficient cash flow, such failure to pay shall not be considered an Event of Default, the amount due will be added to the outstanding principal balance, and Loan Payments will be made from future cash flow before any cash flow is distributed to equity providers. In the event of failure to make Loan Payments, Borrower will provide a 12-month profit and loss statement, rent roll, and a current balance sheet to Lender. Borrower agrees to provide tax returns to Lender annually, within 60 days of filing.
18. **Prepayment Penalty:** None; provided, however, Borrower must provide 45 days’ prior written notice of each prepayment.
19. **Principal Amortization Schedule:** Up to 40 years.
20. **Recourse:** The loan shall be full recourse to the Borrower throughout the construction period only, with personal and corporate guarantees as required.
21. **Guarantor:** The guarantor for this loan will be both personal (all personal parties with 20% or greater ownership interest in the borrowing entity), as well as corporate, contingent on the borrower’s organizational chart; final determination based on underwriting. Guarantor(s) shall be responsible for project completion and financial compliance during the construction term.
22. **Real Property Collateral/Deed of Trust:** Borrower will grant to Lender a deed of trust encumbering the Property. The deed of trust will be in third priority, junior to a loan from Colorado Housing and Financing Authority (“**CHFA**”) and a loan from Freddie (collectively, the “Senior

Loans”). Lender will enter into a subordination agreement with CHFA and Freddie with respect to the Project. As a condition precedent to closing, Lender must enter into an intercreditor agreement satisfactory to Lender with any senior lender. Maximum CLTV of 90%. *Lien will not be subordinated to equity providers.

23. **Other Closing Conditions:** All other customary closing conditions apply.
24. **Documents and Legal Requirements:** Borrower will be required to execute a Note, Deed of Trust, Loan Agreement, and all applicable Affordability Covenants (Land Use Restriction Agreements), and customary closing incumbency or similar certificates (collectively, with the guarantees, “Loan Documents”) associated with the specific terms and conditions of the comprehensive capital stack, and to furnish these and such other documents and made a part hereof. Borrower agrees that the Loan and this Term Sheet are subject to such additional documentation and legal requirements as may be deemed necessary by Lender's counsel.
25. **Affordability Requirements:** The Property must meet the minimum affordability requirements as stipulated in the awarded Proposition 123 equity award guidance, and any other applicable affordability conditions, requirements, and use covenants imposed by governing bodies with jurisdiction over the Project.
26. **Senior Loan Refinancing:** Buyer may not incur additional indebtedness secured by the Project to refinance one or more of the Senior Loans without the consent of Lender, which consent shall not be unreasonably conditioned or denied
27. **Equity Withdrawal:** Borrower may not withdraw any equity from the Project without the consent of Lender. For the avoidance of doubt, repayment of deferred developer fee and cash flow distributions to Borrower, after current and outstanding loan payments have been satisfied, shall not constitute the withdrawal of equity from the Project.

The above outlines the proposed terms we intend to administer on behalf of the Fort Collins Urban Renewal Authority and any additional future investors. These terms are contingent on formal review and approval by all contemplated investors and do not constitute any form of financial investment commitment on behalf of IDF.

Sincerely,

Josh Birks, Acting Executive Director