



**A G E N D A**  
**October 25, 2016**

**SECOND FLOOR CONFERENCE ROOM**  
**4:00 P.M.**

- A. Call Meeting to Order**
- B. Roll Call**
- C. Approval of Minutes:**
  - 1. March 1, 2016
- D. Officers Reports**
- E. Public Forum**
- F. New Business**
- G. Old Business**
  - 1. Fruitdale Update
- H. Other**
- I. Adjournment**

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**Minutes of Meeting  
March 1, 2016**

**A. CALL THE MEETING TO ORDER**

The meeting was called to order at 5:04 p.m. by Chair Thompson in the Second Floor Conference Room of the Municipal Building, 7500 West 29<sup>th</sup> Avenue, Wheat Ridge, Colorado.

**B. ROLL CALL OF MEMBERS**

Authority Members Present: Thomas Abbott  
Chad Harr  
Janice Thompson  
Jennifer Walter

Authority Members Absent: Tim Fitzgerald

Also Present: Lauren Mikulak, Senior Planner  
Tammy Odean, Recording Secretary

**C. APPROVAL OF MINUTES:**

**1. January 26, 2016**

**It was moved by Ms. Walter and seconded by Mr. Harr to approve the minutes of January 26, 2016 as written**

**Motion approved 4-0.**

**D. OFFICERS REPORTS**

There were no officer's reports.

**E. PUBLIC FORUM**

There was nobody present from the public to speak.

## **F. NEW BUSINESS**

### **1. Audit Exemption**

Ms. Mikulak explained that every year public agencies and cities have to submit an audit to the state or an exemption if they haven't exceeded \$750,000 either in income or expenses. This year the Housing Authority will apply for an exemption because the threshold was raised and the income or expenses did not exceed \$750,000. The signatures of the members on the Governing Body Approval form attest that the financial statements in the exemption application are prepared by a qualified third party.

The present members signed the Governing Body Approval.

## **G. OLD BUSINESS**

### **1. Fruitdale School – PSA Amendment**

Ms. Mikulak gave a brief reminder of the Housing Authority's (HA) approval of a motion authorizing staff to negotiate and execute a purchase contract with Hartman Ely Investment (HEI). This Purchase and Sale Agreement (PSA) was executed and recorded on November 6, 2015, but three amendments are now needed. Within contract there were series of commitments on the HA's behalf, one of which was getting rid of the deed restriction from 1883. The deadline was March 1, 2016 so the proposed PSA amendment will extend this deadline by a couple of weeks. The next amendment is to remove from the PSA the meat company which is no longer a part of the redevelopment scenario. The final amendment relates to the title policy and extended exposure coverage related to the ruling in the quiet title action.

**It was moved by Mr. Abbott and seconded by Mr. Harr to authorize staff to execute an amendment, as described by the staff memo dated February 25, 2016, to the Purchase and Sale Agreement between Fruitdale School Partners and the Wheat Ridge Housing Authority for the purpose of selling the Fruitdale School Property at 10803 W. 44<sup>th</sup> Avenue.**

**Motion carried 4-0.**

## **H. OTHER**

Ms. Mikulak gave a brief update on other Fruitdale news. She stated that City Council approved the Development Agreement on February 22, 2016 by a vote of 7-1. This agreement formalizes the grant and loan commitments from HA and the City. This commitment will help for HEI to secure the commercial loan. The subdivision plat is also being worked on by the surveyor. It along with the zoning case will be heard at Planning Commission on April 7 and City Council on April 25 and May 9. Ms. Mikulak

also gave a brief explanation of the zone change process and the public hearings. The Land Swap agreement is also moving forward.

Mr. Abbott asked about the graffiti that is in the Fruitdale building and wanted to know if the building can be better secured.

Ms. Mikulak stated it appears to be kids doing the graffiti and the access was from a garden level window. The window has been reinforced on the inside and outside with more wood and lag bolts. Also “No Trespassing” signs have been posted and there is police patrolling more during the late night hours.

Mr. Abbot also mentioned the article in the Transcript about Fruitdale and stated it was written very well and was nice to see.

## **I. ADJOURNMENT**

**It was moved by Ms. Walter and seconded by Mr. Thomas to adjourn the meeting at 5:24 p.m.**

**Motion carried 4-0**

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**Janice Thompson, Chair**

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**Tammy Odean, Recording Secretary**



**To:** Chair and Members of the Wheat Ridge Housing Authority

**From:** Lauren Mikulak, Senior Planner/WRHA Staff Liaison  
Ken Johnstone, Community Development Director/WRHA Executive Director

**Subject:** Fruitdale School – HEI Redevelopment Update

**Date:** September 22 (for September 27 WRHA meeting)

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**Background:**

At a special meeting on January 12, 2016 the Housing Authority unanimously approved a motion authorizing staff to negotiate a Development Agreement between Fruitdale School Partners (the HEI development team) and the Authority, authorizing a contribution of \$170,000 in WRHA grant funds and \$400,000 in loan funds for the redevelopment, and authorizing the Board Chair to execute the agreement on behalf of the Authority.

The purpose of this memo is to provide an update regarding the Fruitdale Lofts redevelopment and to seek Board support for a possible amendment to the Development Agreement.

**Recent Accomplishments**

Since the January approval of the Development Agreement, the project has continued to move forward with the completion of several critical path items:

- City Council, who is also a party to the development agreement, approved the document in February 2016.
- In March, the Jefferson County District Court issued an order quieting the title and removing the 1883 deed restriction and reverter clause.
- A zone change to Mixed Use-Neighborhood (MU-N) was approved for the property in May.
- Also in May, Jefferson County Community Development provided a letter of support for additional HOME funds, committing \$680,000 in total.
- In June, a land exchange with the school district was finalized, and the approved subdivision plat was recorded.
- The National Park Service and History Colorado (state historic preservation office) approved the redevelopment proposal in June. This makes the project eligible for approximately \$925,000 in federal historic preservation tax credits and \$1,000,000 in

state tax credits.

- In July, HEI selected The Abo Group, a Lakewood-based architectural firm, to begin final construction drawings. Soon after, HEI selected Palace Construction as the contractor for the project.
- WRHA and HEI hosted a community meeting in August to share the project with the public. The turnout was small, but attendees were supportive. In the same month, an article on the project was included in the City's Connections Newsletter.
- In August, HEI secured a written commitment from a St. Louis based bank to purchase the State historic preservation tax credits (over half of the total tax credit amount) at a better syndication rate than projected in the project's pro forma (90% vs 85%).
- A minor amendment to the Purchase and Sale Agreement was executed by the WRHA executive director, pertaining simply to date changes.
- In September, HEI received a Letter of Interest from a Denver real estate group (Pinnacle Real Estate Group) to purchase 50% of the federal historic preservation tax credits (HPTC) at an 80% discount rate. The remaining 50% of the federal HPTC still need to be purchased; however, as a backup plan, those credits will be sold internal to the project and the City loan would then be repaid over a longer period of time. This scenario would require City Council approval of an amendment to the Development Agreement.
- In September, a site plan application was submitted to the City for review, which has been sent out for agency and departmental referral.
- A request has been submitted to Xcel Energy for an extension request for the completion of the solar panels associated with the Solar\*Rewards program and associated tax credits. That request is still pending.

### **Project Financing**

As board members know, the project financing for the Fruitdale Lofts is complicated and involves several sources, including loans and grants from the City and WRHA, state and federal historic preservation tax credits, solar energy tax credits, HOME grants, developer equity, and conventional bank financing. HEI has also committed to exploring any additional grant opportunities. Unfortunately, the project was not selected for a State Historic Fund grant earlier this year, but staff and HEI are working to resubmit an application in October.

The financial commitments of the City and Housing Authority are outlined in the Development Agreement that was approved in the beginning of the year. The agreement includes the following obligations:

- The City will contribute a grant of \$470,000 and a bridge loan of \$1.9M to enable HEI to redevelop the project.
- Interest will be paid on the City's loan at a rate of 1.5%, commensurate with current interest rates on City investments.
- The City's loan will be repaid immediately upon receipt of tax credits and HOME funds and no later than December 31, 2018.
- WRHA will contribute a grant of \$170,000 and a loan of \$400,000.
- Interest will be paid on the WRHA loan at a rate of 5% beginning seven years after completion (in 2023).
- HEI's cash-on-cash return has been capped at 22%, and any amount exceeding this rate will be returned to the WRHA and City to repay outstanding loan balances.

- If the property is sold or refinanced in the future, the City, WRHA and developer will share proceeds through a waterfall structure as funds permit and in the following order:
  1. Any outstanding balance on the Authority's \$400,000 loan will be repaid.
  2. Any outstanding balance on the City's loan will be repaid. (It is anticipated that the City loan will be long since repaid from the receipt of tax credits and HOME funds in the first few years of the project development).
  3. The developer will be allotted up to \$200,000 toward physical improvement to the property that may be needed at that time.
  4. The developer will be due \$200,000 in a deferred development fee if it has not already been paid out from cash flow.
  5. WRHA will be paid 5% annual simple interest as a return on its patient capital investment (interest on this loan will otherwise not be paid for the first seven years).
  6. If any net proceeds remain, they will be split equally between the developer and WRHA, with WRHA receiving up to \$470,000 (the equivalent of their initial grant and incurred costs).

As described above, the City's loan was intended to be a short-term loan to be repaid by tax credit proceeds, while WRHA's commitment was envisioned as a longer term loan. HEI is requesting consideration of a potential amendment to the development agreement related to the historic preservation tax credits. As noted earlier, HEI was successful in securing a written commitment for the state tax credits which are valued at \$900,000. It has been more difficult, however, to identify an investor for the federal tax credits because of their relatively small size and the complexity of the associated IRS regulations. HEI has contacted over 45 investors, brokers, and banks; and only recently did they obtain a letter of interest from a potential investor to purchase 50% of the federal tax credits.

If HEI is unable to secure a tax credit investor for the remaining 50% of the federal tax credits, they have proposed applying the tax benefit to their own personal income tax obligation. Under this scenario, repayment would occur over multiple years. With this "Plan B" in mind, HEI has proposed a potential amendment to the Development Agreement that would extend the term of repayment for the City loan beyond December 31, 2018, for an undetermined amount of time. That amendment request has not yet been presented to City Council for discussion or action.

While the amendment does not affect the repayment of the WRHA loan, the Authority is a party to the development agreement and would need to approve any potential amendment. The City Manager has conveyed to HEI that the short-term nature of the City's loan was based on the desire to minimize risk and because the City has limited cash flow because of other commitments. Depending on the outcome of the November sales tax question, the City's cash flow situation could improve.

HEI has agreed to wait until November to propose a specific amendment to the Development Agreement. This will allow more time for HEI to potentially finalize an agreement with an investor (potentially making an amendment unnecessary). This time will also allow Council to assess the cash flow impacts based on the ballot results.

### **Proposed Action**

The purpose of this memo is twofold: 1) to provide a general update to the Board on the progress being made to execute the various terms of the Fruitdale Redevelopment Agreement; and 2) to

update the Board on some of the fine tuning and adjustments that may be necessary in the final pro forma and associated Development Agreement that may need to be reviewed and acted upon by City Council and WRHA Board.

In order to keep moving forward on all fronts on implementation, HEI is seeking a motion from the Board acknowledging that the Housing Authority is committed to work through these final refinements to the Development Agreement in a mutually agreeable way.