

Memorandum

We make lives better through connections.



To: Board of Directors

From: Debra A. Johnson, General Manager and CEO

Date: June 3, 2024

Subject: 29th and Welton Property Transit-Oriented Development (TOD) Affordable Housing Project – Update

In August 2021, the Board of Directors authorized me, as the General Manager and CEO GM/CEO, to negotiate and execute the disposition of the real property located at 2907-2915 Welton Street in Denver. Through a successful Request for Qualifications (RFQ) in 2022 for an affordable condominium project, staff selected Shanahan Development (Shanahan) as the project developer and Elevation Community Land Trust (ECLT) as the ultimate landowner and long-term property manager.

After two years of staff's diligent work, Shanahan has assembled broad financial support and is poised to receive funding from the City and County of Denver (CCD), the State of Colorado (State), the Denver Urban Renewal Authority, and others to finance 62 units that will be sold at below-market rates to qualifying buyers. ECLT will manage initial and future sales of the units, holding ownership of the land and leasing it under restricted conditions to the 62 households.

Over the past two years, staff have worked with the developer to review project plans and facilitate connections with funding sources. The State's Department of Local Affairs (DOLA), Denver's Department of Housing Stability (HOST), Denver's Urban Renewal Authority (DURA) and Shanahan's non-profit partner, ECLT, believe in the project and its ability to succeed, and are all contributing financially. For example, after determining that Shanahan had exhausted their financing options, HOST committed nearly \$5 million in grants, and low interest loans may follow if needed. Moreover, HOST notes that the need for affordable homeownership is immense and that Shanahan and ECLT are uniquely qualified to complete the project, and unlike affordable rental homes, there is no federal financial support for income-restricted homeownership projects. Without RTD's willingness to be flexible on the land price based on guidance from its Equitable Transit-Oriented Development (eTOD) Policy, approved by the Board in April 2021, Denver believes the project would not come to fruition.

After purchasing the .43-acre parcel in 1993 for approximately \$150,000, RTD first proposed a potential affordable housing project more than a decade ago. Now, under the authority granted by the Board's action in 2021, I have approved the sale of the property at a price of \$1.5 million. By discounting the value of the land, RTD shows its commitment to the Board-adopted eTOD Policy, which aims to promote affordability in joint development projects. A lower price is also consistent with the Strategic Plan priority of Community Value, supports local and state housing policy goals, and demonstrates RTD's role as a regional partner. RTD is in an excellent position of being able to have a positive impact on local housing needs in an historically under-served and segregated area of Denver. Additional project details are provided on the following page.

The developer anticipates closing on the property this summer and beginning construction immediately. A groundbreaking will be held, and the Board will be invited to participate when a date is set.



Project Details

- The vacant parcel is used for community parking; it is not a transit facility.
- RTD purchased the land for ~\$150,000 in 1993.
- RTD spends ~\$10,000+/year maintaining the parcel.
- CCD and the Five Points neighborhood requested affordable condominiums on the site to combat gentrification and displacement.
- The Board approved disposition of the parcel in 2021 based on language that permits a discount in connection with the development of affordable housing: "The final lease or purchase price for the Property will be based on a fair market value appraisal of the Property with *a potential for reductions in purchase price or rent in exchange for affordable housing development* or other benefits to the agency pursuant to the eTOD Policy."
- In 2022, the parcel's appraised value was \$3 million.
- In 2024, the appraised value increased to \$4.45 million; however, in the current market, RTD would be highly unlikely to find a market-rate developer to pay that price, much less an affordable developer.
- Due to the complexity of financing permanently affordable condos, staff deemed it necessary to sell rather than lease the parcel.
- State and CCD policy strongly support both affordable housing and TOD.
- By Board policy, all revenue from land sales/leases is deposited in the FasTracks Internal Savings Account (FISA).

Shanahan's Proposed Project Finance Package:

- DOLA
 - \$3.1 million in grant funds (\$50,000 per unit)
 - Loan for up to \$5 million at 2% interest for construction
 - Strong Community Infrastructure Grant – \$2.5 million for City-required in-street upgrades
- DURA – \$2 million from Tax Increment Financing
- HOST
 - ~\$5 million grant
 - Possible low-interest construction or bridge loan
- Developer Fee – In Low-Income Housing Tax Credit (LIHTC) affordable rental deals, the developer's standard fee is set at 12% of project cost. Shanahan has reduced the fee to 6.25% on this project to reach feasibility.

The 29th and Welton project is a representative example of how working collaboratively and cooperatively with jurisdictions, associated entities and developers can bring about how affordable housing projects. Moreover, it provides RTD the opportunity to demonstrate its commitment to being part of the solution to the region's affordable housing crisis.

Thank you.