

**TOWN OF ERIE
TOWN COUNCIL MEETING
April 15, 2025**

SUBJECT: Affordable Housing and Village at Coal Creek

PURPOSE: Discussion only

CODE REVIEW: N/A

DEPARTMENT: Planning and Development

PRESENTER: Sarah Nurmela, Director of Planning and Development
MJ Adams, Affordable Housing Manager

STAFF RECOMMENDATION:

Informational item only.

SUMMARY AND BACKGROUND OF SUBJECT MATTER:

Purpose of Discussion

The Town Council has requested additional information and background to more fully understand the Town's Affordable Housing policies and programs.

Staff are seeking input from Council for updated direction on the Town's affordable housing policy and initiatives. Additionally, staff seek direction on next steps for the Village at Coal Creek development.

Affordable Housing Policy

As presented at the March 4th Council Study Session, the Town's Affordable Housing efforts have been in motion since 2022, following direction from multiple adopted resolutions, plans, and policies including:

- Comprehensive Plan, with the most recently adopted Plan echoing the 2005 and 2015 housing theme of a need for a greater diversity of housing types that serve a broad range of income levels;
- Boulder County Regional Housing Partnership participation, including the regional commitment to strive for 12% of housing to be affordable by 2035;
- Housing Needs Assessment (HNA) with recommendations for Affordable Housing Strategy Options, adopted in 2024;
- Affordable Housing Policies, adopted in June 2024 to guide efforts;
- Special District Policy, encouraging a mix of affordable and attainable units in residential development, adopted in 2022;

- Proposition 123 Program, Erie committed to increasing the number of affordable housing units and also adopted an expedited permitting process for developments with affordable housing that provided for administrative review and approval and increased flexibility on development standards.

Town of Erie Financial Commitments to Support Affordable Housing

The Town allocated a significant portion of the Town's American Rescue Plan Act (ARPA) funds to support affordable housing initiatives. In addition, the Town has allocated General Fund funds towards staffing and incentives to amplify multiple grants received to support affordable housing initiatives and developments.

In 2022, the Town hired its first affordable housing manager and hired a consultant to complete the Housing Needs Assessment. This first year of Affordable Housing activities was fully funded with \$139,444 in ARPA funds. In 2023, the Town added a housing specialist and with staffing and consulting covered by ARPA through the end of 2023. In 2024, these expenses were covered by the General Fund with the exception of project-related consulting and pre-development work, which continued to be ARPA-funded. In summary, from 2022 through the end of 2024, administrative and operations costs for the Affordable Housing Division totaled \$608,369 with \$311,197 of this from Town funds. The following tables include year by year details of the costs associated with the work of the Affordable Housing Division and the public investments in both the Cheesman Residences and Village at Coal Creek developments.

Affordable Housing Division

EXPENSES	2023	2024	2025	2026	2027
	<i>ACTUAL</i>	<i>ACTUAL</i>	<i>BUDGET</i>	<i>PROJECTED</i>	<i>PROJECTED</i>
Staffing	\$112,564	\$250,376	\$297,562	\$301,365	\$301,365
Contracted Services	\$13,985	\$90,000	\$160,000	\$160,000	\$160,000
Regional Hsg Partnership	*	*	*	*	\$70,000**
TOTAL	\$126,549	\$342,376	\$457,861	\$461,365	\$531,365
SOURCES					
Town Funds	\$3,578	\$307,619	\$457,681	\$461,365	\$461,365
ARPA/IHOP	\$122,971	\$34,757	\$0	\$0	\$0
BoCo ARPA	*	*	*	*	\$70,000**
TOTAL	\$126,549	\$342,376	\$457,681	\$461,365	\$531,365
* expenses covered by Boulder County ARPA funds					
** potentially partially funded by Boulder County Affordable/Attainable Housing Tax Admin					

Cheesman Residences

For Cheesman, the Town's contribution towards the total development costs has been \$3,269,849 with \$155,987 in Town's funds and \$3,113,862 in grant funds.

EXPENSES	2023	2024	2025	2026
	ACTUAL	ACTUAL	BUDGET	PROJECTED
Acquisition	\$1,125,019	-	-	-
Pre-Development Expenses	\$11,389	\$132,535	\$2,025	-
Fees	\$0	\$1,892,881	\$106,000	-
TOTAL	\$1,136,408	\$2,025,416	\$108,025	\$0
SOURCES				
General Fund	\$11,389	\$144,598	-	-
ARPA	\$1,125,019	\$880,518	\$108,025	-
DOLA	-	\$1,000,000	-	-
TOTAL	\$1,136,408	\$2,025,416	\$108,025	\$0

Village at Coal Creek

For the Village at Coal Creek the Town's contribution towards the total development costs has been \$7,066,697 with \$3,404,697 from TNACC funds and \$3,662,000 in ARPA funds.

EXPENSES	2023	2024	2025	2026	2027
	ACTUAL	ACTUAL	BUDGET	PROJECTED	PROJECTED
Acquisition	\$6,757,038	-	-	-	-
Pre-Development Expenses	-	\$99,449	\$11,429	-	-
Fees	-	--	\$198,781	-	-
TOTAL	\$6,757,038	\$99,449	\$210,210	TBD	
SOURCES					
General Fund	-	-	-	-	-
TNACC	\$3,404,697	-	-	-	-
ARPA	\$3,352,341	\$99,449	\$210,210	-	-
TOTAL	\$6,757,038	\$99,449	\$210,210	TBD	

*Note: per SN Memo of 3.25.25, \$144K of the 2025 budget number (\$210,210) is unexpended to date (SN 3.25.25 memo).

Capital (CIP) Funding

The 2023 Capital Budget included an initial allocation of \$1M for Affordable Housing of which \$145,000 was expended on reimbursement of use taxes for Cheesman, which was not an ARPA-eligible expense.

The 2025 Capital Budget also included an additional \$500,000 in capital for the Affordable Housing Fund and \$375,000 for additional pre-development site work (warehouse demolition) at the Village at Coal Creek parcel. The warehouse demolition came in below initial cost estimates and was covered with ARPA funds.

	2023	2024	2025
2023 Initial Appropriation	\$ 1,000,000		
2024 Rollover		\$ 1,000,000	
Expended Cheesman S&U Tax Reimbursement		\$ (145,000)	
Remaining Balance		\$ 855,000	
2025 Rollover			\$ 855,000
2025 Appropriation for Affordable Housing Fund			\$ 500,000
2025 Appropriation for V@CC Pre-Development			\$ 375,000
Balance			\$ 1,730,000

Funding Sources to Support Affordable Housing

To supplement Town resources, the following external funding sources have been used and all, but ARPA, may be available in the future to support the Town's affordable housing efforts.

- **ARPA federal grant** – a one-time allocation to communities to recover from pandemic impact. Erie allocated most of its ARPA award to support affordable housing efforts. The Town used the funds to purchase the Cheesman site and help purchase the Village at Coal Creek (Page) site; fund pre-development activities including the demolition of blighted structures on the sites; fund incentives including rebates of impact and development fees; and fund the first two years of affordable housing staffing costs.
- **Special District (metro district) Approvals** – In 2022, Erie implemented a special district policy that requires a developer to provide affordable and/or attainable housing to secure an approval. The policy provides flexibility in how to meet the requirements, including a contribution to the Town's affordable housing fund. The Town currently has a commitment from a developer for \$450,000 towards the fund.
- **Public/Private Partnerships (P3)** -could harness the dynamics of the market to help cover the cost of creating affordable homes. The public sector

provides land, density bonus and/or regulatory flexibility in exchange for a commitment of creating affordable housing by the private sector developer.

- **State and federal housing grants** – are available to assist with the cost of developing affordable housing. Colorado’s Proposition 123 legislation has created a dedicated revenue stream to support affordable housing development in communities that commit to increasing the number of affordable housing units and amending local regulations by January 2027 to expedite the development review process for affordable housing developments.

State and Federal housing grants are also important for preserving the Town’s naturally occurring affordable housing (NOAH). These typically older homes need repairs to remain safe and habitable as owners age in place. Erie recently won a Weld County CDBG grant to help low/moderate income homeowners to make critical repairs, improve energy efficiency, and to increase handicap accessibility of these homes. State and Federal funding sources frequently require a local match to receive the funds.

- **Affordable and Attainable Housing Tax (AAHT/1B)** – Boulder County recently passed a new tax to support affordable and attainable housing. These funds may be available to support new affordable development in the Boulder County portion of Erie.
- **Private Activity Bonds (PABs)** -The Town of Erie receives an annual allocation of Private Activity Bond capacity each year that can be used to support affordable housing tax credit developments. Erie may assign this bond capacity to other developments if Erie does not have a project. In recent years Erie has allocated its PABs to the Willoughby Corner and Spine Road Affordable multi-family developments in Boulder County.
- **Philanthropic/Foundation resources:** Community foundations serving both Boulder and Weld Counties, as well as some national foundations, may have resources available to support affordable housing initiatives.

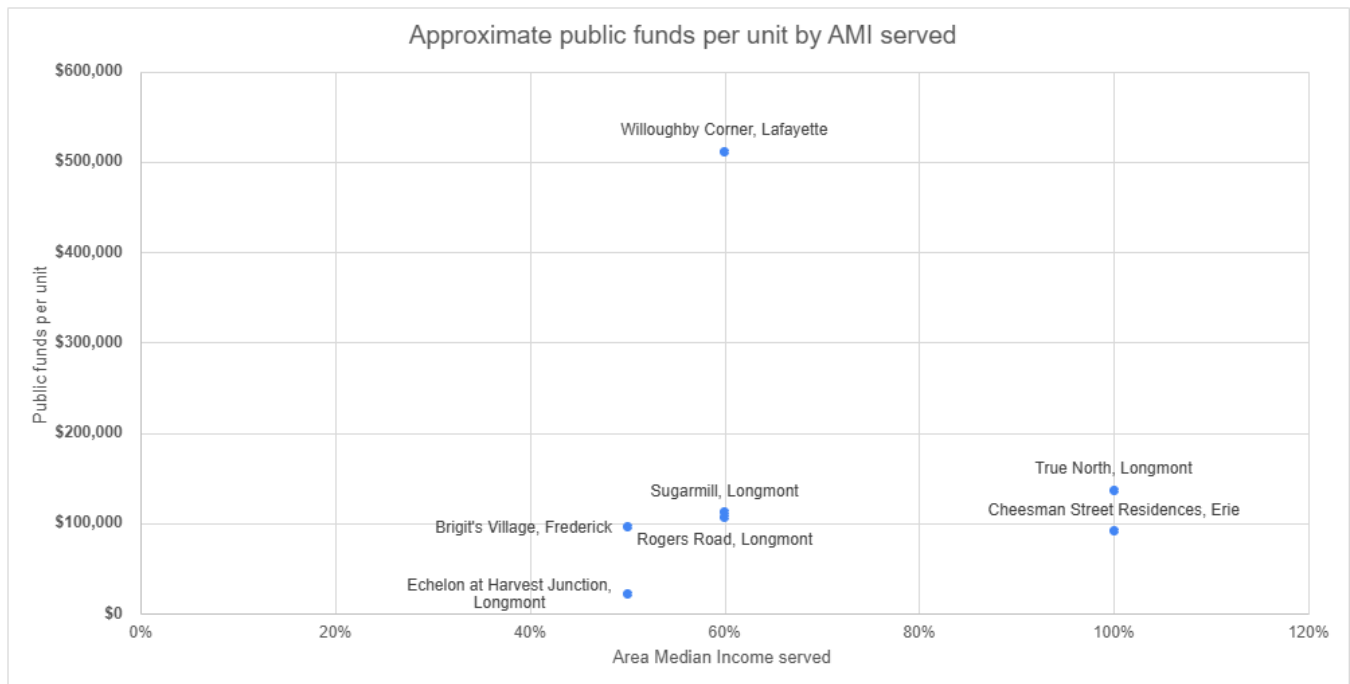
Cost of Public Investment in Creating Affordable Housing

Public investment in affordable housing is required to bring a project to fruition. This investment is often a combination of sources from local, State, and Federal grants and funds. The amount of investment varies based on factors like local/regional household incomes, location and land costs, infrastructure needs and site challenges, tenure (ownership vs rental), and the level of incomes that will be met by the project.

Typically, this combined investment ranges between \$50,000 to \$150,000/unit, although these numbers are on the rise as construction costs and interest rates increase. In 2024, the Cheesman Residences project used approximately \$92,000/unit in combined ARPA, State grant funds and Town funds to create 35

homes affordable to households earning an average of 100% AMI (\$146,000 family of 4). Nearby in Lafayette, public investment in the 400-unit Willoughby Corner reached \$512,000/unit, serving an average of 60% AMI for rental and up to 120% AMI for ownership units, however, it should be noted that Willoughby Corner had an unusually high level of public infrastructure in their development costs. The level of public investment needed increases as the level of affordability strives to serve lower income households.

The chart above provides additional affordable housing public investments in and around the Town of Erie.



Cheesman Residences Update

The Town's Housing Needs Assessment highlighted a lack of attainable homeownership opportunities in Erie, in addition to a need for greater housing diversity and rental options. As part of a multi-pronged approach to create more housing opportunities in the community, the Town used ARPA funds to acquire the 2-acre Cheesman Residences site. After issuing a Request for Proposals seeking a developer to create affordable ownership units in the 80-110% Area Median Income (AMI) range, the Town selected Vertikal Development to build 35 homes affordable to families earning less than 90% and 110% AMI. Each home will have a deed restriction limiting resale to up to 140% AMI for 20 years. Funding from the Town's ARPA grant funds and General Fund were supplemented by a \$1,000,000 grant from Colorado Department of Local Affairs (DOLA) resulting in a public investment of approximately \$92,000/unit to create each affordable home.

Construction started in summer 2024 and continues with the first homes expected to be ready for occupancy in July 2025. Seventy-two (72) potential buyers have submitted pre-applications to date, of which 23 have been offered reservations. Most applicants have incomes in the 70 to 110% AMI income range. Several live or work in Erie, with most of the balance from surrounding communities. Occupations range from public servants, professionals, tradespeople, and retail/sales/service with a few retired families among the applications.

Council Direction on Policy Updates

Following the March 4 and April 15 study session discussions, staff are seeking direction from Council on policy updates. Specifically,

1. As directed, staff are moving forward to rescind the expedited review and flexible standards for affordable housing developments adopted in July 2023. Only one development utilized this process – the Cheesman Residences – a 100% affordable homeownership development. The code changes will require a consultation with the Planning Commission (scheduled in May) to seek a recommendation to Town Council. A public hearing for the Town Council to consider and vote on the code changes is currently on the agenda for June 2025.

Direction from Town Council re-evaluating how the Town could meet the Proposition 123 requirement for expedited development review for affordable housing developments. This evaluation will include the percentage of affordable units, standards, and definitions. Staff anticipate returning to Council with this evaluation in early 2026.

2. Town Council adopted the Town of Erie Affordable Housing Policies in June 2024, formally implementing the tools and strategies identified by the Housing Needs Assessment and Affordable Housing Strategy. These policies have served as the direction for the Town's work on affordable housing initiatives and should be revised if Council's approach to how the Town supports/participates in the creation of affordable housing is to change.
3. The Town's Housing Needs Assessment was completed in February 2023 and amended in 2024 to better identify gaps in the Town's housing inventory to target and identify priorities. New State legislation requires all communities to complete a Housing Needs Assessment by 2026 and to create a Housing Action Plan by 2028. The State has indicated that the combination of our Housing Needs Assessment and the DRCOG subregional housing needs assessment meets Erie's requirement to meet the housing needs requirement. Erie will, however, need to complete a Housing Action Plan that addresses the needs identified in the HNA by January 2028.

Council Direction on Village at Coal Creek

Included in the Board Packet for the April 15, 2025 study session is the March 25th Memo on the Village at Coal Creek project. Also attached are Natural Area Inventory maps of Habitat Quality and Wildlife to provide perspective on open space quality and value throughout the site.

Staff are seeking direction on how to proceed with the Village at Coal Creek project. Although the original intention for the residential portion of the project was to be a mixed-income development with all units at or below 120% AMI, there is flexibility on the type of housing (tenure and affordability level) as well as the timeline for construction.

Given the combination of goals, opportunities, and constraints on funding sources, the following options could be considered by Council.

Options		Description	Zoning			Parks facilities	Required Actions**
			AGH	AG/OS and/or PLI	Full PD*		
1	Planned Project	Neighborhood; Complete trails; parks facilities					None
2	Reduced Scope - A	Neighborhood; Complete trails; NO parks facilities					No bldg feasibility analysis
3	Reduced Scope - B	DELAY neighborhood; Complete trails; parks facilities					Modify DIG scope/ Council approval
4	Minimum Action	DELAY neighborhood; Complete trails; NO parks facilities					Same as Reduced B plus no psa-facilities

AGH: Agricultural Holding **PLI:** Public Lands and Institutional **PD:** Planned Development

* Full PD would include development standards, uses and building typologies, circulation, and trails.

** Modify scope of contract with DIG Studios. Cancel unsigned professional services agreement for park facility building feasibility study.

The one aspect of this project that is time-sensitive is the development of a conceptual plan and PD funded with approximately \$200,000 in funds ARPA that must be fully expended by December 2026. Approximately \$134,000 of the funds for the conceptual plan have not yet been expended. Also, approximately \$11,000 of the funds for the balance of work for the environmental analysis have not been expended. All of the Village at Coal Creek options (listed in table above) will require some additional conceptual planning, including the layout of the trail network.

ATTACHMENT(S):

1. Staff Report
2. Presentation
3. Village at Coal Creek March 25, 2025 Sarah Nurmela Memo
4. ARPA Reporting and Compliance Email from Sara Hancock March 11, 2025
5. Village at Coal Creek Summary of Site Walk by Jon Mortellaro
6. Natural Area Inventory of Habitat and Wildlife