

To: Peter Brixius, City Manager for the City of Craig (City)  
From: David Dragoo, Woodbury Housing Authority, LLC (WHA)  
About: Meadows Apartments - Request for Fee Reductions  
Date: October 16, 2024

Colorado is facing a housing affordability crisis for its low and middle-income households. Newly developed and renovated projects charge rents not attainable for Colorado's middle-income earners. Solving this problem requires partnerships between the public and private sectors, and we appreciate your interest in exploring a public-private partnership to help the Craig community.

*The Meadows* is a new workforce housing apartment project within the City of Craig created by developing a five-acre vacant site (the Carpenter-Leasing site). The site is walkable to Downtown Craig and Woodbury Park and within a desirable neighborhood. Amenities at the apartments include a new multi-modal transit stop, two parking spaces per unit, and easy access to recreation amenities and community gathering spaces.

Construction - anticipated completion in winter 2026

- 96 units ranging from studios to 3 bedrooms.
- Multi-modal transit stop along Mack Lane.

*The Meadows* will serve the middle-income demographic, with income levels targeted between 70% and 120% of the Area Median Income, with an average of 90% (see Appendix I) to match the requirements of Colorado's Proposition 123 ("Prop 123").

This workforce housing project represents the culmination of focused efforts by the City of Craig, CHA, and WHA. Along the way, the City and WHA have been awarded grants and competitive state equity through Prop 123.

WHA believes that this critical portion of the workforce is woefully underserved. Traditional housing inventory in Craig is nearly two generations old and does not meet the needs of the local and regional workforce.

The market rate is generally much higher priced, at 100-120%+, and is financeable by charging higher rents. However, the middle class is left behind, with almost no new statewide units for our teachers, firefighters, nurses, and small business owners.

*The Meadows*, in partnership with the City of Craig and the CHA, seeks to address the lack of options for the "missing middle" at the center of Moffat County's workforce.

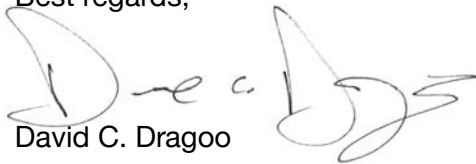
The requested fee waivers and grants for the construction of the Meadows involving WHA include:

- Congressionally Directed Spending (CDS): Allocation of \$472,000 in CDS funds toward the project.
- Fee Waivers: City municipal fee waivers for Building Permit (\$85,935), Street Cut (\$3,300), and Capital Investment/Tap Fee (\$117,025); WHA to pay Plan Review, Plumbing and Mechanical Fees (\$65,000).

- All terms and conditions related to the attached Letter of Intent (EXHIBIT A) shall also apply as signed by the parties.

Thank you for considering this Letter of Interest. Solving the middle-income affordability crisis requires partnerships between the public and private sectors, and we appreciate your efforts in this regard.

Best regards,

A handwritten signature in black ink, appearing to read "David C. Dragoo". The signature is stylized with a large "D" and a long, sweeping underline.

David C. Dragoo

*Woodbury Housing Authority, LLC*

### Appendix I

#### *2024 CHFA AMI Limits for Moffat County*

| <b>County</b> | <b>AMI</b> | <b>Studio</b> | <b>1 BR</b> | <b>2 BR</b> | <b>3 BR</b> | <b>4 BR</b> |
|---------------|------------|---------------|-------------|-------------|-------------|-------------|
| MOFFAT        | 120%       | 1,980         | 2,121       | 2,544       | 2,940       | 3,279       |
| MOFFAT        | 110%       | 1,815         | 1,944       | 2,332       | 2,695       | 3,006       |
| MOFFAT        | 100%       | 1,650         | 1,767       | 2,120       | 2,450       | 2,732       |
| MOFFAT        | 90%        | 1,485         | 1,591       | 1,908       | 2,205       | 2,459       |
| MOFFAT        | 80%        | 1,320         | 1,414       | 1,696       | 1,960       | 2,186       |
| MOFFAT        | 70%        | 1,155         | 1,237       | 1,484       | 1,715       | 1,913       |
| MOFFAT        | 60%        | 990           | 1,060       | 1,272       | 1,470       | 1,639       |

### Appendix II

#### *Meadow Apartments Proposed & Estimated Unit Mix*

|        | <b># Units</b> | <b>Market</b> | <b>Subject</b> | <b>Subject AMI</b> | <b>Delta</b> |
|--------|----------------|---------------|----------------|--------------------|--------------|
| Studio | 12             | 1,490         | 1,320          | 80%                | -11%         |
| 1 BR   | 12             | 1,600         | 1,414          | 80%                | -12%         |
| 2 BR   | 24             | 1,600         | 1,590          | 90%                | -1%          |
| 2 BR   | 24             | 2,165         | 1,908          | 90%                | -12%         |
| 3 BR   | 24             | 2,475         | 2,450          | 100%               | -1%          |
|        | <b>96</b>      | <b>1,946</b>  | <b>1,829</b>   | <b>90%</b>         | <b>-6%</b>   |

## **EXHIBIT A**

Letter of Intent  
(11 additional pages)

**Letter of Intent  
(Carpenter Project Site)**

This Letter of Intent ("LOI") is made as of August 6, 2024, by and between Woodbury Housing Authority, LLC, a Wyoming limited liability company ("WHA"), the Craig Housing Authority, a body corporate and politic ("Housing Authority"), and the City of Craig, a home rule municipal corporation ("City").

**RECITALS**

- A. The Parties, collectively defined as WHA, the Housing Authority, and the City, desire to work collaboratively and in good faith for the purposes set forth below.
- B. The Parties agree that this LOI will be the basic structure for a future full development agreement.

**Purpose.** The purpose of the project is to complete a new +/- 96 unit apartment complex located on a 5 acre parcel identified as *Carpenter* located in the Meadowwood Subdivision, Lot 2 (the "Property"), currently owned by *Carpenter Leasing, Inc.*, primarily with the utilization of federal and state development loans, acquisition grants and loans, and other funds, and to take any other actions allowed under the applicable laws that are necessary or desirable for the redevelopment of the property as workforce rental housing (the "Project"). "Workforce rental housing" shall be defined as housing rental costs ranging from 80% of the area median income (AMI) to 140% of the AMI. The final unit size and rental mix shall be determined by the Parties utilizing the housing study completed by Prior and Associates (the "Market Study").

**Financing.** The Property purchased by WHA may be donated or transferred to the Craig Housing Authority (subject to board approval), or a newly formed entity, for the purpose of gaining access to long-term tax and fee incentives, as well as utilization of grant funding for the project. All financing shall be obtained, identified, and controlled by WHA; provided, however, the Housing Authority shall, with the assistance of WHA, cooperate with WHA's efforts to apply for any loans, predevelopment and acquisition funds, or any grants, as needed. For any grant application(s), the Housing Authority or the City may agree to be the applicant, and WHA agrees to provide grant support free of charge. WHA shall reimburse the City or Housing Authority for reasonable out-of-pocket costs up to \$2,000 related to the review and negotiation of each grant or loan agreement as discussed in the Predevelopment Section. Should WHA request any state or federal donation forms to be signed (i.e. IRS form 8283), both the Housing Authority and/or City will sign all necessary paperwork subject to board or City Council approval. The donation value must be supported by an appraisal. All such donation costs shall be born by WHA.

**Guarantees.** If necessary, WHA or affiliates shall provide loan guarantees if required by Project's lender(s).



**Predevelopment.** WHA shall pay predevelopment costs related to the Property development. WHA (possibly through a predevelopment loan or grant) shall provide initial working capital funds for the Project, including legal, engineering and architectural fees required to be paid prior to closing of Project's financing, and any application fees related to financing and equity. WHA has also negotiated a closing concession from Carpenter Leasing, Inc. in the amount of \$15,000, to be used to support costs incurred by the City for studies conducted to support the sale and development of the property. WHA may receive reimbursement of such initial working capital funds from the construction loan closing, and or grant funding, including its costs of funds advanced for predevelopment purposes. Any pre-development financing expended by WHA may also be repaid when the Project financing closes. The City will initially cover costs of an ***ALTA/TOPO survey, Environmental Phase I Report, and Geotechnical Study and Report for the Property***. Based on the legal expense estimate from both the City and Housing Authority, said legal expenses will be capped at a total \$20,000, plus an additional \$2,000 each for further subrecipient agreement(s).

**Grant Commitments.** The City has been awarded both Congressionally Directed Spending CDS-HUD funds for affordable/workforce housing infrastructure ("CDS Funds") and DOLA EIAF grant funds for the Project ("DOLA"). The City and Housing Authority will allocate at least \$450,000 of the CDS Funds to the Project for use and payment of costs, subject to City Council and HUD approval. Additionally, the City of Craig will use all the \$1,931,283 DOLA funds towards the Project subject to compliance with the DOLA grant agreement and City Council approval of a subrecipient agreement.

**Fee Waivers and Project Incentives.**

- The City of Craig zoning code allows the following incentives for affordable housing:
  - Fee reductions
  - Expedited review.
  - Fee reductions for permit and plan Review Fees would be limited to in-house review fees and exclude 3<sup>rd</sup> party plan review fees.
- The City may also waive or reduce permit, plan review, and capital investment fees for commitments from WHA to hire qualified local subcontractors and suppliers of materials. The qualification of "local" and the final waiver or reduction of fees must be approved by City Council resolution and in accordance with its municipal code.
- Reducing and eliminating capital investment fees (primarily water and sewer fees) is a substantial incentive and the City would need to be prepared for the budget gap that this provision for these improvements could create. The City of Craig would require a housing development to contain affordable units to qualify for fee waivers or reductions. The City will waive permit, plan review, and capital investment fees subject to compliance with the City's zoning code and City Council approval.

**Rezoning & Utilities.** As of the date of this Agreement, the City guarantees that the zoning and utilities on the Property are sufficient to build 96 apartments units as provided herein, subject to the customary City site development application. The City has provided both a zoning letter and utility will-serve letter

allowing the Project to be built on the Property as shown in draft form on EXHIBIT B. As part of this Agreement, the City will provide an estimate of all municipally imposed Project Fees. The City or Housing Authority is expected to apply for both pre-development grants related to the Project, and, if successful and subject to City Council and Housing Authority Board approval, shall use these funds to pay for any eligible reports on the Project.

**Public-Private-Partnership.** Subject to final approval by the Housing Authority's Board of Commissioners, the Housing Authority will become the Limited Partner of the new Partnership, with an ownership interest of 0.01% (one-tenth of one percent). WHA shall be the General Partner, and own the remaining 99.99% interest. This structure will allow the Limited Partnership to be exempt from sales and use tax during construction, property taxes during construction, and property taxes throughout the Partnership Term in accordance with state statute.

Subject to the legal expense cap in the Predevelopment section, WHA will reimburse the City and Housing Authority for reasonable out-of-pocket costs related to the negotiation of the partnership agreement and Deed Restriction agreement.

The Special Limited Partnership shall be in effect for a term of at least fifteen (15) years ("Partnership Term"). During this time, Deed Restrictions will be enforced limiting the maximum rent that can be charged for a unit to an agreed-upon mix of units including those at or below 80% and up to 140% of Average Median Income (AMI) as determined by the Colorado Housing and Finance Authority. The specific terms of these Deed Restrictions will be determined by the parties in a separate Limited Partnership agreement and recorded affordability covenant.

The Housing Authority will have the Right of First Refusal (ROFR) to acquire the remaining 99.99% of the Partnership. The ROFR will be memorialized in a Right of First Refusal and Purchase Option Agreement between the Housing Authority and WHA at the closing of the financing for the Project. WHA may sell its general partnership interest subject to the prior written consent of the Housing Authority, which the Housing Authority shall not unreasonably withhold.

**Development Responsibility.** WHA will act as the developer for the Project, taking lead responsibility for all aspects of the development process. Development fees generated by the Project shall be payable to WHA as agreed upon with the Housing Authority. The Housing Authority will not participate in the cash flow or disposition proceeds of the Project except as negotiated in consideration for tax exemption benefits and asset management and monitoring expenses.

#### **Roles of the Parties:**

**Role of WHA:** WHA, at its sole discretion, shall select all architects and general contractors to determine the feasibility of the Project; prepare preliminary budgets and modify them as needed



during the development process; solicit proposals from and select qualified engineers, consultants, general contractors and other related firms to assist in the Project's development process, select Project attorneys, and coordinate the services of all third party providers; prepare and submit loan applications and negotiate the terms of construction and permanent loans for the Project; negotiate and review the construction loan agreement and all documents related thereto; and supervise construction of the Projects. WHA shall have the right to designate affiliates to provide consultation including property management and other services. All of the foregoing activities are subject to the Housing Authority's prior approval, which the Housing Authority will not unreasonably withhold or delay.

**Role of Housing Authority:** The Housing Authority shall assist with the review of the Project's capital needs and grants, review and provide comments on the proposed scope of work, operating budget and generally participate, at WHA's request, in meetings with potential lenders and equity investors; help secure the support of local government officials, including CHFA and DOLA; be involved in establishing relationships with any external service providers to obtain social services for residents; monitor community improvement goals and advise on any programs or opportunities which the Housing Authority identifies that could enhance the performance of the Project and contribute to the welfare of the residents, provided such prospective residents also meet the qualifications established by the Project and WHA in compliance with fair housing law; and facilitate public relations efforts and community relations programs with government officials, community groups and other interested parties. The Housing Authority may provide an exemption from state and local taxes under state statute, subject to entering into a payment-in-lieu-of-taxes agreement in a form and substance acceptable to the Housing Authority. This would include the Housing Authority signing all appropriate grants, agreements, applications, etc. required to properly finance and qualify the property.

**Role of City:** At WHA's request, the City will participate in development meetings with potential lenders and equity investors, including HUD and any State Agency; be involved in establishing relationships with any external service providers to obtain social services for residents; monitor community improvement goals and advise on any programs or opportunities with the Housing Authority; assist with the application and submission of the Project's capital needs and grants; provide comments on the proposed scope of work and operating budget; and provide access maintenance for the benefit of the transit stop to include all sidewalks and street areas necessary for the new design and within a reasonable proximity of the transit stop.

**Consideration:** As consideration for entering into this contract, the Parties agree to record a rental AMI limitation on the Property ("Property Restriction"). The Property Restriction will limit the rents charged per the CHFA AMI ranges of 80% to 140% for Moffat County. WHA also agrees that if it has not begun construction on the Project within three (3) years of the City's execution of this LOI, then the City and Housing Authority have the right to Terminate this LOI.



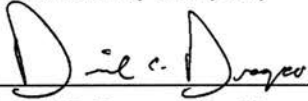
**Daily Affairs during Development.** Day-to-day affairs of the Project shall be undertaken by WHA during the development process, through WHA's role as the named project developer. WHA shall have authority to make all decisions regarding financial issues, construction change orders and related matters, and any issues relating to any guarantees provided by WHA or affiliates.

**Daily Affairs during Operations.** WHA will select the property manager (or be the property manager). If WHA or an affiliate serves as the property manager, the management fee will not exceed limits as set forth by CHFA. The property manager will propose an annual operating budget for the Project.

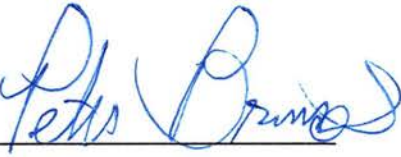
**Withdrawal.** WHA may withdraw from the Project prior to closing upon written notice to the Housing Authority for any reason whatsoever. Notwithstanding the foregoing, in the event WHA withdraws from the Project, including for convenience, or in the event the City is unable to deliver proper zoning and entitlements, both parties bear the responsibility for their own costs and fees as determined by the executed LOI.

Agreed and accepted by the Parties signatures below:

Woodbury Housing Authority, LLC,  
an Wyoming limited liability company

By:   
Its: David C. Dragoo, Its Manager

Dated: 07 / 30 / 2024

The City of Craig   
By: Peter Brixius  
Its: City Manager  
Dated: 8/6/24

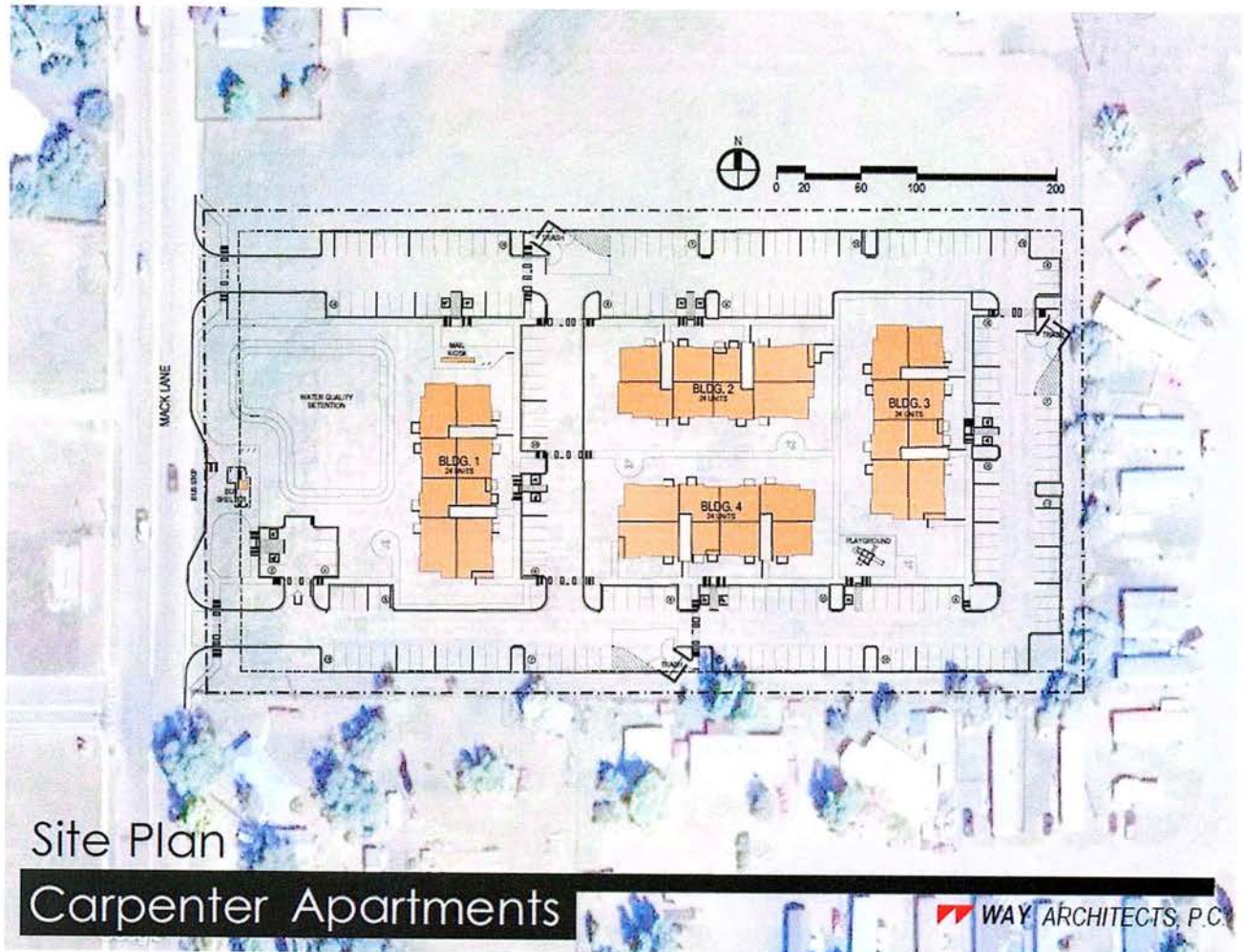
Craig Housing Authority,  
a body corporate and politic

By:   
Peter Brixius  
Its: Executive Director

Dated: 8/6/24

## EXHIBIT A

### Approximate Property Site Plan & Approximate Boundary Line (dashed black line)



**Exhibit B**

**Zoning Letter & Utility Will-Serve Letters**





July 18, 2024

Doug Draggoo  
Woodbury Housing Authority LLC  
PO Box 1267  
Montrose, CO 81402

**Steamboat Springs Office:**

Local Phone: 970-879-1160  
Toll Free: 1-888-873-9832  
Fax: 970-879-7270  
32 Tenth St.  
P.O. Box 771218  
Steamboat Springs, CO 80477  
[routt@yvea.com](mailto:routt@yvea.com)

**Craig Office:**

Local Phone: 970-824-6593  
Fax: 970-824-7134  
3715 East US HWY 40  
Craig, CO 81626  
[moffat@yvea.com](mailto:moffat@yvea.com)

Re: Carpenter Site/Woodbury Park

SUBJECT: Electric Service Availability

Dear Doug,

1. Electric service is available to the property at Carpenter Site/Woodbury Park in Craig, CO, under the terms and conditions of YVEA Line Extension Policy.
2. Service shall be furnished to the property upon execution of the proper documents and payment of any necessary fees to YVEA by the owners. No fees will be waived for this project.

Sincerely,

  
Emma Mortenson  
Engineering Services Specialist



6/25/2024

Woodbury Housing Authority, LLC  
PO Box 1267  
Montrose, CO 81402  
ATTN: Doug Drago

RE: Availability of Natural Gas or "Will Serve" notification regarding proposed PROJECT at approximately "Parcel Number 085501200023" in the Town of Craig, County of Moffat, and State of Colorado.

To whom it may concern:

Atmos Energy Corporation is willing and able to construct the necessary natural gas distribution infrastructure to serve the proposed/planned development located at "Parcel Number 085501200023", Town of Craig, County of Moffat, and State of Colorado. The cost to extend or construct the natural gas line infrastructure, including individual lot service lines, are borne by the developer/owner requesting the extension of the natural gas line infrastructure. The developer/owner requesting natural gas service, including requests for new developments, of such a size and magnitude as to affect the integrity and reliability of the natural gas distribution system without additional reinforcement shall be responsible for the reinforcement costs and said costs will be included as part of the overall Main Extension and Service Line cost.

The developer/owner will be responsible for providing utility easements necessary for the installation of the natural gas infrastructure if not already provided in the utility easement within the road right of way. At the time of installation, the utility easements for the natural gas main extension and/or service line(s) shall be to final grade with clear access to the easements and all property pins should be visible and clearly marked. If necessary, all sleeves for road crossings shall be installed prior to the installation of the natural gas main extension as per specifications provided by Atmos Energy Corporation.

The construction and installation of all natural gas infrastructures will adhere to Atmos Energy Corporation specifications and Tariff on file with the [Colorado Corporation Commission](#) and are subject to State and Federal Regulatory and Pipeline Safety oversight.

If you have any questions, please contact Bethany Nitzel at 970-415-2185.

Sincerely,

A handwritten signature in black ink that reads "Bethany Nitzel". The signature is written in a cursive style and is underlined.

Bethany Nitzel  
Sr. Account Representative



Water and Wastewater Department, 300 W 4<sup>th</sup> Street, Craig, CO 81625

2/2/2024

### Will Serve Notice

The Woodbury Housing Authority wishes to construct a housing development on the east side of Mack Lane within the city limits of Craig, Colorado. The City of Craig can and will serve the development with potable water and receive domestic waste from the property. Service is conditioned upon development approval through the City's land use process, execution and payment of any associated agreements, and City approval of final site design and utility connections.

Outstanding items needing final approval include:

1. Construction of a water lines to serve the development.
2. Construction of sewer lines to serve the development.

Carl R. Ray  
Water and Wastewater Director  
Office: (970) 826-2022  
Mobile: (970) 326-5620