



Section 108 Project-Specific Loan Application Draft

Construction of the Colorado Springs Senior Center
Located at Golf Acres Complex, Colorado Springs, CO

Draft for Public Review

October 3, 2023

Please send any questions or comments by November 3, 2023
to

CityHousingandCommunityVitality@coloradosprings.gov

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GENERAL INFORMATION

Applicant: Housing and Community Vitality Department, City of Colorado Springs

Current CDBG Allocation: \$3,082,164.00

Amount Requested: \$6,000,000.00

Applicant Information:

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HUD Region: HUD Region VIII, Denver CO

Congressional District: 5th Congressional District of Colorado

Executive Summary

The City of Colorado Springs is requesting a Section 108 Loan in the amount of Six Million Dollars (\$6,000,000) to support the redevelopment of the Golf Acres Shopping Complex and construction of a new city-owned Senior Center located at 1514 Hancock Ave, Colorado Springs CO 80903. The loan proceeds will be used to support direct construction costs as well as Section 108 financing fees. Total project costs are estimated to be Sixteen Million Dollars \$16,000,000. The requested Section 108 Loan Funds will be leveraged by Ten Million Dollars \$10,000,000 of American Rescue Plan Act (ARPA) funds. Loan Funds will be administered by the City's Housing and Community Vitality Department (HCVD) and will be repaid through the annual Community Development Block Grant (CDBG) allocation. The City of Colorado Springs proposes to close on the Section 108 loan in early 2024. Funds would be paid over 20 years at a projected 5.68% interest rate with the understanding that final underwriting will be determined by HUD.

This is a project-specific Section 108 Loan application. The Colorado Springs Senior Center in the Golf Acres shopping complex has served tens of thousands of residents since 1986, providing an invaluable service to the community. Recognizing the value of this building and service to its residents, the City of Colorado Springs has committed to providing a safer, larger, more accommodating facility for Senior Center patrons. The new center will be built adjacent to the current Senior Center building at the intersection of Caramillo Street and Hancock Avenue in the northeast corner of the Golf Acres property. Construction is anticipated to begin October 2023 with construction completion in 2025.

The new center will be approximately 23,000 square feet, up from the existing 17,100-square-foot location. The new site location was selected from four options all within the Golf Acres site and is based on feedback from current Senior Center patrons, service providers, community members, and other stakeholders. The new site will maximize the available space for parking, improve traffic flow and accessibility, and add more functional outdoor space.

Note: As of July 2023, the City of Colorado Springs Community Development Division is now the Housing and Community Vitality Department (HCVD). The City's previous 1-Year HUD Annual Action Plan and 5-Year HUD Consolidated Plan are authored by the Community Development Division.

SECTION I

Discussion of the Proposed Activities in the Context of the Applicant's Community Development Objectives as Included in its HUD Consolidated Plan

Many objectives of the City's 2020-24 Consolidated Plan focus on elderly/senior populations and public facilities serving low- to-moderate income (LMI) populations. These areas of the plan described below, underscore the need for a new Senior Center:

- The SP-25 Priority Needs (p.137) section discusses the need to Expand/Improve Public Infrastructure & Facilities (Goal 1A, 1C) and provide Supportive Services to populations with Special Needs (p.138, Goal 3A).
- The NA-45 Non-Homeless Special Needs Assessment section describes the special needs of the elderly/seniors who live in Colorado Springs from a population, housing, and income perspective. Next, the section continues to explain their needs for specific types of housing and supportive services (p.67)

- Plan consultation includes email correspondence with Senior Center patrons (11/18/19) with a focus on topics including social supports for seniors, senior transportation options, and developing a traveling community center model. (p.16)
- Plan consultation includes the Pikes Peak Area Council of Governments Area Agency on Aging, a regional organization providing services to elderly persons/seniors. On 11/8/19, discussion topics included senior housing needs, and program models addressing health, housing, transit, and household income sources. (p.15)
- Citizen participation includes a public meeting on 12/6/19 at the Colorado Springs Senior Center to gather feedback directly from elderly/senior populations. (p.23)

Over the course of the past eight years, the Housing and Community Vitality Department has prioritized making the City's four community centers more ADA accessible and providing CDBG grant funds for necessary capital improvements and renovations, serving LMI populations. The Colorado Springs Senior Center is last in line and notably HCVD's most significant contribution to the City's community center facilities, benefiting a significant population with special needs.

Through this application, the City is amending its 2020-2024 Consolidated Plan as well as its 2023 Annual Action Plan to add in a new source of expected resources. The Expected Resources sections are amended in each plan to include Six Million Dollars \$6,000,000 through the Section 108 program to address public facilities.

- **Attachment A:** ConPlan Amendment 3: Expected Resources SP-35 (p.143-145)
- **Attachment B:** 2023 Annual Action Plan Amendment 1: Expected Resources AP-15 (p.31-32)

Requested Amount of Section 108 Assistance

The City of Colorado Springs is requesting Six Million Dollars \$6,000,000 in Section 108 assistance, an amount significantly less than the City's available borrowing capacity of over Fifteen Million Dollars. The required 0.94% fee collected by HUD for FY2023 totaling Fifty-Six Thousand Four Hundred Dollars \$56,400 is included in the Loan Request. This is the maximum fee the City would incur, where the 0.94% fee applies with each advance of funds. For example, a \$1 Million dollar disbursement would generate a HUD loan fee of \$9,400.

Section 108 Citizen Participation

Public participation for the proposed activities described in this Application began with a public notice posted in the Colorado Springs Gazette on 9/17/23. The notice will also be posted on the News section of the City of Colorado Springs webpage and in the Housing and Community Vitality Department bi-weekly newsletter.

This notice states that the City is amending its 2023 Annual Action Plan and 2020-2024 Consolidated Plan in order to apply to HUD's Section 108 loan program, holding a public hearing to receive community comments on 10/18/23, and accepting public comment from 10/3/23 – 11/3/23. The Section 108 Application will be provided for public comment during this time, which explains the use and complete details of the Section 108 financing tool for the proposed project. The public hearing on 10/18/23 will provide the ability to attend in person, by phone, or virtually at an accessible building, centrally located in Colorado Springs.

On 10/23/23, a presentation for this proposed project will be made to City Council during their Work Session, accompanied by a packet of materials regarding the Section 108 Loan program. At this meeting, a resolution will be introduced to approve the amendments to the HUD plans. At the City Council Regular Session on 11/14/23, Council will vote on the resolution.

Council Chambers at City Hall is open to the public during Council Meeting days for in-person attendance and there are also ways to participate virtually. Public Comment is not taken during Work Sessions, so the 10/23/23 meeting is available to be viewed through multiple platforms. During the Regular Meeting on 11/14/23, public comment will be accepted. Prior to the meetings, any member of the public is able to review the complete packet of materials regarding an agenda item. The items made available will be the amended Annual Action Plan and Consolidated Plan, proposed resolution, cover memo, and Section 108 application.

Summary of Public Comments and how the City addressed the comments:

*(Note: this section to be completed once public participation processes have concluded. Upon completion of the review period, a complete version of comments and the City's responses will be found as an **Attachment C** to this Application.)*

Specific Section 108 Certifications and Other CDBG Certifications to accompany an application

The City is required to sign three certifications to HUD for the submission of the Section 108 Application. Upon completion of the public comment period, including the response to public comments, the City will sign the Section 108 Certifications and attach them to the Application. Blank copies attached to this Application for reference as **Attachment D**.

SECTION II

Project Information

Site, Facility Description, and Proposed Improvements

The Golf Acres complex, shown below in Figure 1, was originally constructed in the 1950's and was dedicated to the City by a generous donor in the 1980's. Spanning almost four decades, the complex has served tens of thousands of residents, providing invaluable service to the community. Adjacent to the City-owned property, to the east, the Senior Heritage Apartments were constructed in 1987 and are owned/operated by the Colorado Springs Housing Authority and Silver Key Senior Services. At present, the shopping center and the senior center building have significant capital expenses in the short-term horizon, prompting redevelopment of the center. The new Colorado Springs Senior Center is envisioned as the anchor property of a senior focused development as shown in Figure 2 below.

Figure 1: City-owned portion of Golf Acres retail complex shown in yellow. The top of the graphic is north.



Figure 2: Proposed site plan for Colorado Springs Senior Center.



The new center will be approximately 23,000 square feet, up from the existing 17,100-square-foot location. Recognizing the value of this building and service to its residents, the City of Colorado Springs has committed to providing a safer, larger, more accommodating facility for Senior Center patrons. The new building will be located east of the existing senior center with 50% more program space for fitness,

technology, and creative classes. The new site will maximize the available space for parking, improve traffic flow and accessibility, and add more functional outdoor space.

Interior amenities include:

- lounge with a demonstration kitchen
- commercial warming kitchen with pantry
- five classrooms
- a multipurpose room with folding partition
- raised platform with a folding partition to section off a group meeting room
- a fitness room
- a technology hub
- staff work area with a meeting room
- multiple restrooms
- 2 health clinics
- supporting storage and infrastructure

Exterior amenities include:

- parking, landscaping, site lighting, fencing, monument signs
- EV charging stations
- Walking paths and activity patio

Figure 3: Floor plan and programming at the Colorado Springs Senior Center.



Video fly-through of the Colorado Springs Senior Center

At the City of Colorado Springs website linked here <https://coloradosprings.gov/SeniorCenterRenovation> a 5-minute video is available for the user to tour the new facility inside and out.

Figure 4: Image of fly-through video



Timeline

The Housing and Community Vitality Department (HCVD) introduced a redevelopment feasibility study for the Golf Acres shopping complex in 2019 and has been active in catalyzing an interdepartmental team at the City of Colorado Springs to date.

- Leveraging the scenarios in the study, HCVD convened the City's Facilities, Finance, Real Estate, and Communications offices, as well as the YMCA to begin planning for a new senior center throughout 2020-22.
- In summer of 2022, the City hired a public involvement consultant, architectural firm, and project manager for the design and construction phases of the proposed project.
- During September and October of 2022, four public meetings were held, resulting in the redevelopment scenario shown in Figure 2 and reaffirming the facility name as the Colorado Springs Senior Center. (These meetings were not related to the HUD Section 108 Application.)
- In August of 2023, a general contractor was selected to provide consultation to the project team and construct the facility.
- The project is anticipated to break ground in October 2023 and be completed in 2025.

Additional project information is available at: <https://coloradosprings.gov/SeniorCenterRenovation>.

HCVD has completed the required Environmental Assessment on 9/11/23 and has gained approval from HUD to redevelop the retail complex and construct a new senior center. This is a standard requirement for the use of federal funds in HUD-funded projects. To date, all other applicable HUD and federal crosscutting requirements for this proposed CDBG-funded public facility project have been completed. Examples include:

- Outsourcing a local Uniform Relocation Act consultant, who has specific experience with the required business relocation processes under the Uniform Relocation Act, applicable to existing

tenants at the Golf Acres retail center. In total, twelve businesses were relocated for the project.

- Incorporating all applicable Federal and HUD clauses and forms into procurement efforts and bid solicitations. This includes Davis Bacon, Buy America Build America Act, and HUD Section 3.
- Initiating early compliance with general contractor, pre-award to provide technical assistance for HUD and crosscutting topics mentioned above.
- Requiring Environmental Assessment mitigation measures into agreement with developer/general contractor.

Section 108 Loan Closing

The City is seeking to close on its financing with HUD in early 2024 to ensure construction progress and momentum during 2024 until the anticipated completion in 2025.

Form of Assistance and Use of Funds

Section 108 funds will be used for the sole purpose of paying construction-related expenses for the new Colorado Springs Senior Center and redevelopment of the Golf Acres retail complex.

Entities Carrying Out Project

As stated in the Timeline section above, the Senior Center project is a joint effort among various City Departments or Divisions including Housing and Community Vitality, Finance, Facilities, Real Estate, Procurement, and Communications. City Facilities leads and oversees capital improvements and new construction efforts among 189 various facilities citywide for police, fire, parks, transit, traffic, administration, and operations/maintenance. Housing and Community Vitality administers the HUD funds and is skilled at working with these departments, including providing HUD and non-HUD financing to a variety of outside developers for large-scale newly constructed multifamily projects, newly constructed public facilities, and public facility renovations.

In addition to the aforementioned City departments, the project team partners hired by the City specifically for the Senior Center project are:

- Public Communications and Outreach: [Blakely + Company](#), a full service communications firm founded 2001 with experience in many City projects leads communication efforts as seen on the [Senior Center website](#).
- Design: [RTA Architects](#) is an award-winning architectural firm located in Colorado Springs with a focus on healthcare, education, and commercial clients. They have partnered with the City on countless projects.
- Project Management: [CBRE](#) is a global leader in commercial real estate services and investments. For the Senior Center they are providing comprehensive project management services throughout pre-construction and project management.
- Construction Manager/General Contractor: TBD, currently under contract negotiations, will be announced for the final draft of this application.
- Operations and Programs: [YMCA of the Pikes Peak Region](#) is known as a beacon of vitality for adults ages 55+, representing an innovative partnership with the City. At the new senior center, the YMCA will serve an estimated 300-400 people daily with a larger space that can accommodate 50% more users than the current center.

Other than the existing partnership with the YMCA, City Contracting and Procurement Services leads the efforts to procure the external consultants stated above. A complete set of federal forms/clauses and federal labor standards including Davis-Bacon, accompany each solicitation/contract as well as HUD specific requirements including M/WBE and Section 3. A competitive bid solicitation for each external consultant was held on [BidNet Direct](#).

Information for Financial Underwriting

Sources and Uses

Sources and Uses for Senior Center Project	
Sources	
City - American Rescue Plan Act	\$ 10,000,000
HUD Section 108 Loan Guarantee Program	\$ 6,000,000
Total	\$ 16,000,000
Uses	
Soft Costs*	\$ 2,200,000
Hard Costs**	\$ 12,500,000
Contingency***	\$ 1,300,000
Total	\$ 16,000,000
*Soft Costs include architectural and engineering, relocation, and third party consultants included in project team.	
** Hard Costs include demolition and abatement, sitework, building construction, and furnishings.	
*** Includes Section 108 Financing Fee	

Construction Budget

Provided as **Attachment E**, the current construction budget uses an online dashboard for City, project consultants, and General Contractor to view changes to the overall budget by date (page 1), by scope of work (page 2), and by status (page 3).

Proposed and Committed Sources of Project Financing

Committed sources of funding include \$10,000,000 of funds currently held by the City from the American Rescue Plan Act. Proposed sources of funding are those received from the Section 108 Loan Guarantee program.

Estimated Revenues and Operating Expenses

An Operating Proforma is included in the application as **Attachment F**. All figures for facility operations and revenues are estimates, based on the previous arrangement between City and YMCA. With financial support from the City of Colorado Springs, the revenues and expenses of the facility are considered break-even as the YMCA is a non-profit operator.

The City of Colorado Springs has partnered with the YMCA to operate the facility since 2015. The YMCA offers a wide variety of programs to seniors, including meal services, and collaborates with local senior-centric service providers to utilize space in the facility for demonstrations and informational sessions. On the proforma, the YMCA Operating Funds represent program fees, fundraising, grants, donations, and

related that are realized by the YMCA for operations at the Senior Center. The YMCA has an excellent track record operating the current Senior Center and are committed to sustaining operations at the new Senior Center over the long term. This fall, the Pikes Peak YMCA will celebrate their 145th anniversary serving Colorado Springs and Pikes Peak region. Their presence in Colorado Springs signals a stable financial condition and ability to operate the new Senior Center in partnership with the City.

The City of Colorado Springs is responsible for capital expenditures at the Senior Center, though no major expenses of this type are predicted over the short term with a newly constructed building. With the construction of the new Senior Center designed with sustainable building features, the building is expected to save on utilities, including water usage. The design features include:

The building has been designed with heat pumps to heat and cool the building. The building is also designed to be “solar-ready” with the roof structure ready to receive solar panels, space in the electrical room for solar equipment and conduit run to connect for ease of solar installation in the future. The heat pumps will run on electricity from the grid initially but can use solar energy in the future to heat and cool the building. A white roof will mitigate heat gain from the strong Colorado sun while reflecting sunlight up into the clerestory daylighting openings. Daylighting design techniques used on the project will allow a minimal use of interior lighting during the day in all of the major interior occupiable spaces. The City of Colorado Springs has adopted permanent water-wise regulations which will affect the overall operation of the proposed irrigation system.

Identification of Repayment Sources for Section 108 Loan

The City will use future year entitlement CDBG funds to service the debt of the Section 108 Loan for the Senior Center. It is not anticipated that this project will generate “HUD Program Income” above the threshold of \$25,000 per year, based on the gross income (which allows for the deduction of incidental expenses) from the operations of the Senior Center facility, as stated in the regulations at 24 CFR § 570.426 and § 570.504.

In the City’s 2020-24 Consolidated Plan to HUD, Public Facilities & Infrastructure receives 25% of the annual CDBG entitlement. For Program Year 2023, the CDBG allocation is \$3,082,164, where \$770,541 is dedicated towards Public Facilities & Infrastructure. This figure is exclusive of \$200,000 of forecasted program income that the City expects for PY2023.

Proposed Repayment Terms

The Section 108 loan payment, serviced by the CDBG entitlement funds will be satisfied on a quarterly or annual basis, as required. HUD requires interest payments to be made quarterly and principal payments to be made annually. The following assumptions are based on full utilization of the \$6 Million Dollar loan, where the project may not actually draw the entirety of the loan:

Annual Principal Payments

The Section 108 Loan payment is based on an amortized schedule over a 20-year term. This schedule is available as **Attachment G** and is estimated at \$334,000 a year.

Quarterly Interest Payments

The interest rate is based on the current 13-week Treasury Bill rate, plus an additional .35% fee required by HUD, for a total current rate of 5.68%. The interest rate, set by the Federal Reserve is likely to change between October 2023 and the anticipated closing date of the Section 108 Loan. This will change the total current rate. The average of interest paid annually over the term is estimated at \$209,000.

Another consideration regarding repayment relates to the beginning of the City's Program Year for use of HUD funds on April 1st, versus the execution of the annual grant agreement, typically mid- to-late summer. HCVD maintains a positive working relationship with the City's Finance Department, who is able to float funds to HCVD until grant agreements are executed. This will enable HCVD to ensure a quarterly payment to Section 108, where applicable.

Collateral for the Section 108 Guaranteed Financing

The City of Colorado Springs is required to provide collateral to satisfy the HUD Section 108 Loan Guarantee program requirements. As mentioned, the primary source of repayment will be fulfilled by the annual CDBG entitlement funds. A second form of collateral may take the form of a Deed of Trust secured by the senior center property or another City real estate asset or an assignment of rents. A third option is to affirm the full faith and credit of the City of Colorado Springs. As of October 2023, the City is working with HUD to identify mutually agreeable collateral options for the Section 108 loan.

Final Steps for Loan Closing

Looking to early 2024 and the anticipated closing of the HUD Section 108 loan, the City will have coordinated among various departments/divisions including Finance, City Attorney, Facilities, Real Estate, and Housing and Community Vitality, to review all applicable considerations. Following, a resolution will be introduced to City Council to approve the HUD Section 108 closing documents that provide information to loan terms and conditions, payment schedule, and designated collateral.

Information for Program Requirements

Eligible Section 108 Activity Categories

The Senior Center project is an eligible activity under [§ 570.703\(l\) Eligible activities](#), permitting the construction of a public facility:

- (l) Acquisition, construction, reconstruction, rehabilitation or historic preservation, or installation of public facilities (except for buildings for the general conduct of government) to the extent eligible under § 570.201(c), including public streets, sidewalks, other site improvements and public utilities, and remediation of known or suspected environmental contamination in conjunction with these activities. Remediation may include project-specific environmental assessment costs not otherwise eligible under § 570.205.

Additionally, consistent with basic eligible activities as defined in the statute § 570.201(c), the facility will not be used for the general conduct of government.

Description of CDBG National Objective and Support Documentation

The former and new Senior Center provides services exclusively to seniors also known as the elderly. In the [Guide to National Objectives & Eligible Activities for Entitlement Communities](#), a low- to-moderate income limited clientele (LMC) activity is an activity which:

provides benefits to a specific group of persons rather than everyone in an area generally. It may benefit particular persons without regard to the area in which they reside, or it may be an activity which provides benefit on an area basis but only to a specific group of persons who reside in the area. In either case, at least 51% of the beneficiaries of the activity must be L/M income persons. (p. 3-14)

Elderly persons satisfy HUD's test as a group that is considered to be principally low- to- moderate income persons, meeting the low- to-moderate client-presumed benefit (LMC) national objective. Further, the HUD guide states that the construction of senior center would be expected to qualify under the LMC subcategory. (p. 3-17)

(End of Document)