



City Council Work Session

448 E 1st Street, Room 190 Salida, Colorado 81201
June 15, 2026 at 6:00 PM

Agenda

Please register, **BY 4:30 pm the day of the Work Session** for City Council Work Session
https://zoom.us/webinar/register/WN_AlrC-BsIRNiigokU1E5K4w
After registering, you will receive a confirmation email containing information about joining the
webinar. To watch live meetings:
<http://www.youtube.com/@cityofsalidacolorado>

Discussion Items

1. 1st and D Next Steps and Discussion
2. Arts, Parks, Recreation and Culture Department Overview

Adjourn

Individuals with disabilities needing auxiliary aid(s) may request assistance by contacting the City Clerk at 448 E. 1st Street, Ste. 112, Salida, CO 81201, Ph.719-530-2626 at least 48 hours in advance.



City Council Work Session Memo

Department Community Development	Presented By Bill Almquist - Community Development Director	Date June 15, 2026
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Agenda Item

1st & D Next Steps Discussion

Background

As Council is aware, the recent sudden withdrawal of Artspace as developer of the Space to Create 1st & D Apartments project has left the City with decisions to make. While the withdrawal was primarily in response to Artspace’s own corporate financial challenges, the viability of the project moving forward needed to be assessed prior to next steps. Staff will request Council’s direction based on the information presented below at the upcoming work session, but first, some additional context:

The City took over the approximately half-acre site via eminent domain in June 2022 after years of complaints, violations, and legal proceedings related to the neglect of the previous buildings on the property, which had been condemned. The court allowed the City to purchase the downtown property at fair market value, provided that the site be used specifically “to construct and maintain affordable housing and related improvements, and for other municipal uses.” Soon after acquisition, the City entered an agreement with Artspace, who was already contracted through the state’s “Space to Create” program, to have the property developed with affordable housing and a flexible creative space that would be available to the public. In August 2023, the dilapidated buildings were torn down to reduce health and safety concerns, improve the visual entrance to downtown, and to allow for future development per the court’s order.

Using pre-development funding from a variety of sources, City staff and Artspace worked to develop some initial concepts based on what was permissible given the property’s location and zoning. These concepts were proposed and vetted at a number of public open houses, presentations, and also via online surveys. Ultimately, a variation of the concepts shown below (the current design) was chosen by two-thirds of the public and was selected by City Council at a meeting in June 2024. With a green light to move forward, Artspace signed an option to lease the property from the City and continued work with their architects/engineers at Cushing Terrell and their general contractor, MW Golden, to advance the designs far enough to apply for grants, and to receive site plan approval from the City, in 2025.



Figure 1: Elevation from Corner of 1st & D



Figure 3: Elevation from 1st Street



Figure 2: Rendering of Flexible Creative Space

The current design has a total of 19 units (including 15 one-bedroom units and 4 two-bedroom units spread between the ground floor and upper floor), an approximately 1500 SF flexible creative space that is envisioned to be programmed by the City of Salida for anything from art classes to gallery showing to special events, and an approximately 500 SF resident-specific lobby with administrative office, mailroom, and sitting area. The exterior architectural elements attempt to blend in with the historic downtown character while remaining vigilant to today's high costs for brick and other historic characteristics. The site provides the code-minimum number of required parking spaces (19) in the rear of property, including two EV Charging-ready spaces.

Initial cost estimates to build the project came in at around \$11 million. To pay for the project, Artspace proposed a capital stack that would include several million in funding from sources such as the State's Community Revitalization Tax Credit (CRTC), CHFA's Middle Income Housing Tax Credit (MIHTC), State Division of Housing (DOH) "gap" funds, and other smaller philanthropic sources, plus private commercial loans that Artspace would take out. Artspace would pay the loans off over time with the rents received. As a project intended for the local workforce, the target income levels were between up to 80% AMI up to 120% AMI (often referred to as the "missing middle"), with an average of up to 90% AMI. Rents were assumed to be offered for between approximately \$1,400 and \$2,000 for the one-bedroom units and between approximately \$1,700 and \$2,400 for the two-bedroom units.

Artspace received \$1.6 million in CRTC funds in early 2025 and was a finalist for the 2025 MIHTC award. According to Colorado Creative Industries (CCI), who administers the CRTC, that award is still available for the project, and CCI has said they will continue to support the project however they can. Though Artspace did not ultimately receive the MIHTC award, they were invited to reapply. In late 2025, City staff, Artspace, and their team went through a value engineering process where approximately 10% of costs were trimmed off without sacrificing any units or the overall look and feel of the project, to make the project more competitive for grant funding. Unfortunately, Artspace's withdrawal preceded this year's MIHTC application deadline.

Following the news about Artspace, staff reached out to a variety of others involved in affordable housing (other city staff, consultants, etc.) to get a sense of the viability of the project in its current form and given the progress made thus far. The City owns and retains all the work product provided by Artspace, including development design drawings, pro formas, market study, and other information, and was able to share this information, as needed. The City contracted with one affordable housing financing consultant, Tanner Crawley, Principal of Trellis Housing Partners, who has provided us with a pro-bono feasibility assessment of the project (attached).

In summary, Mr. Crawley sees the project as "challenging but feasible." He indicates strengths of the project to include substantial completed predevelopment work, strong local support, City-controlled land, and its downtown location, all which position it well for several state funding programs. He believes that financing such a project will require a "capital stack anchored by a major subsidy and supported by additional gap fillers..." all which he sees as existing in the current Colorado market. The weaknesses include the project's relatively small size/number of units (this generates less money for developer and investors compared to some other projects), the relatively high cost of building the project which leads to a large financing gap needing to be filled, and questions around the fundability of the "flexible creative space" portion of the building.

Overall, he believes the strengths outweigh the weaknesses and feels that the project, as currently envisioned, would “attract several qualified development partners.” He points to several specific grants to target, including MIHTC and Prop 123 Equity for “anchor subsidies” along with “gap fillers” such as the Prop 123 Land Banking program, DOLA’s Housing Development Grants, and potentially an even larger CRTC award. (It should be noted that some of these grant applications will not be available until 2027). Finally, Mr. Crawley recommends that the City pursue a third-party development partner to help move the project forward—though he emphasizes that patience and flexibility will be key in putting the necessary funding together. Staff agrees with Mr. Crawley’s recommendation to hire a third-party partner as we do not have the capacity and expertise to compile the capital stack, manage the architects, engineers, and contractors daily.

Mr. Crawley also poses several questions for the City’s consideration in **bold** (see related staff notes below each question):

Is the City willing to explore selling the land via Land Banking and contributing the funds as a grant?

- A legal determination needs to be made to understand our ability to sell the property. CHA has expressed interest in managing the units after construction.

How long will the developer have to execute on construction financing?

- Staff understands the importance of allowing developers necessary time to evaluate all funding options. Given many of the opportunities have passed for 2026, we understand it will take a minimum of 2 years for funding opportunities to come up.

Is there flexibility on the required AMI levels?

- Staff would like to understand the implications for funding sources by adjusting AMI levels.

Would homeownership, instead of (or in addition to) rental, be considered?

- It would be beneficial to understand what information is coming from the Housing Needs Assessment to properly determine unit types.

Is there any potential for redesign or additional density?

- There seem to be limited opportunities for beneficial redesign. How many units would need to be added to bring the cost per unit down enough to open additional funding? Without on-site parking, the development would add to an already busy area.

It should be noted that conversations with staff of other communities, and other affordable housing experts, concur with Mr. Crawley’s assessment. There may also be a few other financing mechanisms available that a developer may be able to offer/explore.

Requested Direction from Council

Is Council supportive of continuing forward with the current design and issuing an RFQ/RFP for a new developer to put the project financing together?

- NO?
 - If NO, the City will need to begin the design and public engagement process again. The pre-development grants may not be available from the state and the CRTTC, which has been awarded, may not be available once the second iteration of design is finalized.
- YES?
 - If YES, do you support continued use of Cushing Terrell and/or MW Golden? If so, that can be added as a preference within the RFQ/RFP.
 - If YES, are you supportive with allowing up to 3 years for the capital stack to be put together?
 - If YES, are you supportive of ownership or rental in the building?
 - If YES, are you supportive of adjusting the AMI target range (given the need for potential additional subsidies, etc.)?
- Would you be supportive of selling/donating the land to the Chaffee Housing Authority potentially to take advantage of Land Banking Grant funds to assist with project construction?
- Any other recommendations/requests?

Attachments:

Trellis Housing Partners 1st & D Feasibility Assessment
Staff Presentation Slides



FINANCIAL FEASIBILITY ASSESSMENT

1st & D Affordable Housing Project

Salida, Colorado

Prepared for
The City of Salida, Colorado

Prepared by
Trellis Housing Partners
Tanner Crawley, Principal & Founder

CONFIDENTIAL ADVISORY DELIVERABLE

June 8, 2026

City of Salida

Attn: City Administration
448 East First Street
Salida, CO 81201

Re: Financial Feasibility Assessment, 1st & D Affordable Housing Project

Dear Members of the City of Salida:

Trellis Housing Partners is pleased to submit this Financial Feasibility Assessment for the 1st & D affordable housing project. Consistent with the Scope of Services set forth in Exhibit A of our Professional Services Agreement, this assessment reviews the existing project materials and provides our professional opinion regarding whether the project, as currently envisioned and at the costs currently estimated, is feasible to finance and develop without the use of additional City funds.

In summary, it is our professional opinion that the project is challenging but feasible. The project benefits from substantial completed predevelopment work, strong local support, and City-controlled land, and it is well positioned to compete for several Colorado funding programs. Financing the project will require a complex capital stack anchored by a major subsidy and supported by additional gap fillers, but the necessary sources currently exist in the Colorado market. The body of this report details our findings, identifies specific funding sources with approximate amounts and anticipated timing, and recommends a procurement path designed to attract qualified development partners.

We appreciate the opportunity to support the City in advancing this important project and welcome the chance to discuss our findings at your convenience.

Respectfully submitted,

Tanner Crawley

Principal & Founder
Trellis Housing Partners

PURPOSE AND SCOPE OF THIS ANALYSIS

This analysis provides a feasibility assessment of the 1st & D project based on a review of the project materials made available to Trellis Housing Partners, including the market study, the proforma, and the site plan. Its purpose is to assess whether the project can be financed and developed as currently envisioned without additional City funds, and to identify a recommended path forward.

Disclaimer

This analysis does not opine on the underwriting assumptions and inputs. For example, the accuracy and validity of the following inputs were not validated:

- Assumed construction costs and other assumptions regarding Uses of Funds.
- Income statement assumptions, including rents, operating expenses, vacancy, and other inputs.

The current underwriting assumptions were assumed to be accurate and were relied upon for the performance of this feasibility study.

PROJECT STRENGTHS AND WEAKNESSES

Strengths

- **Many Predevelopment Efforts Already Complete:** The project has completed significant community engagement, visioning, and design. There is a clear vision, use, and design, which provides a quicker path for execution.
- **Local Support:** Local opposition is often a significant risk factor for prospective developers. Knowing the project is well supported by the City and the local community will help make prospective developers comfortable.
- **Site Control Established With Low or No Cost Land:** The City already owns the land and is willing to contribute it at no cost. This is a strong inducement that makes a meaningful difference in the capital stack, and it also helps secure additional state funding.
- **Well Suited for the Community Revitalization Tax Credit (CRTC):** The project is very well suited for CRTC funding and is likely to win a sizeable allocation.
- **Rural Resort Designation and City Center Proximity Are Competitive for Funding:** Chaffee County is a Rural Resort County. This positions the project competitively for state funding, allows for an income limit petition, and provides flexibility. Additionally, the project is located in the City Center, which meets many OEDIT, DOLA, and CHFA program criteria.

Weaknesses

- **The Project Is Small Yet Complex:** The project is relatively small but requires a great deal of complexity in layering various sources. Many sophisticated developers will not take on a project of

this scale, as it can require a similar amount of work compared to larger projects while generating much less fee.

- **High Project Costs:** The underwritten project costs are high, creating a large financing gap.
- **Commercial Space Creates Uncertainties:** The affordable commercial space introduces underwriting uncertainties and complexities regarding separating out eligible basis, creating a condominium structure, and operating the project over the long term.

FEASIBILITY DETERMINATION

Project Determined to Be Challenging, but Feasible

After an initial review of the market study, proforma, and site plan, the project appears to be challenging but feasible. The project has many strengths, which we believe outweigh the weaknesses and would attract several qualified development partners. The project can likely be financed as designed; however, the capital stack required will be complex and will likely require at least three funding sources. This is achievable with the funding sources currently available in Colorado.

CAPITAL STACK OBSERVATIONS

The project will require one “Anchor Subsidy,” a subsidy large enough to anchor the capital stack and allow additional gap fillers to be secured to complete the financing. The best fit Anchor Subsidies are the Middle Income Housing Tax Credit (MIHTC) and Proposition 123 Equity.

MIHTC

In Artspace’s latest underwriting, the capital stack assumed using a \$1.65 million annual MIHTC allocation, totaling \$4.8 million in project funding. This funding was very unlikely for a 19 unit project in the 2026 round, given the recent applicants and the other LOIs submitted. Those LOIs and the other applicants reflected far more efficient requests, with a similar number of credits requested for between 48 and 205 units. However, MIHTC funding is anticipated to be less competitive in 2027, when the annual credit availability increases from \$5 million to \$10 million. This project is well suited to leverage MIHTC in the 2027 funding round, currently anticipated in summer 2027, which could provide between \$3 million and \$4 million in tax credit equity.

Proposition 123 Equity

Proposition 123 Equity is another strong anchor subsidy for which the project will be well suited. Smaller projects, and Rural Resort projects, have proven to be particularly competitive and have been able to secure a higher per unit funding amount. Comparable projects include Ingraham Wright in Pueblo, River Walk Affordable Rentals in Ouray, Holy Trinity Apartments in Trinidad, and Black Canyon Flats in Montrose. Each of these projects received between \$150,000 and \$244,000 per unit in Proposition 123 Equity, which would be a significant gap closer. We do not yet know the funding availability or timing of

the next Proposition 123 Equity round, as CHFA is currently preparing the Funding Plan, which will be released by the end of June.

In addition to the Anchor Subsidies, the project will likely require two other gap fillers. These can include any combination of the sources described below.

Land Banking

Another viable funding source is Proposition 123's Land Banking program. This program would provide 100 percent loan to value financing to the local housing authority, a development nonprofit, or another tax exempt entity to purchase the land at Fair Market Value from the City of Salida. Salida could then reinvest the proceeds generated from that sale back into the project as a grant, without investing additional funds. This structure could also leverage a low cost ground lease, or other creative structures, to achieve governance or affordability goals. One challenge with the Land Banking program is that, by default, it targets rental affordability at 60 percent of AMI. There are two mechanisms that would allow for flexibility here: submitting an Income Limit Petition, or requesting a waiver such that 49 percent of the project can serve higher incomes. CHFA has not yet released the 2027 fiscal year funding plan, so we do not know when Land Banking funds will be open for application. In the past, they have been available twice a year. This funding plan is anticipated to be released by the end of June.

Housing Development Grants

DOLA's Housing Development Grants (HDG) can be structured as a grant, or as a soft pay loan at 1 percent interest. These funds are available approximately every three months and can fund roughly \$70,000 per unit as subordinate debt or as a grant.

Community Revitalization Tax Credit

The project is very well suited for the CRTC tax credit, as it is located in a Creative District, has an affordable creative commercial component, and is paired with affordable housing. We believe the project would be able to win the maximum award of \$3 million, up from the \$1.57 million underwritten by Artspace. The next CRTC round is anticipated to be in the first or second quarter of 2027.

RECOMMENDATION: RFP OR DIRECT PROCUREMENT WITH CLEAR PARTNERSHIP AVENUES

It is our recommendation that the best path forward is to partner with a third party developer. This developer can assume predevelopment costs, take construction risk, secure all required funding sources, and ultimately deliver the project. However, to attract qualified developers, it should be very clear what cooperation the developer can expect from the City of Salida and how the partnership might be structured. For example:

- How long will the developer have to execute on the construction financing? (At least three years is recommended, given the financing complexity.)

- Is the City willing to explore selling the land via Land Banking and contributing the funds as a grant?
- Is there a special limited partnership available for property tax exemption, and on what terms?
- Is there flexibility on the required AMI levels?
 - Would higher incomes be considered?
 - Would homeownership, instead of rental, be considered?
 - Would lower income be considered?
- Is there any potential for redesign or additional density?

It is also our recommendation that the procurement emphasize both patience in execution timing and flexibility on the financial structure.

CONCLUSION

The 1st & D project is challenging but feasible. Its combination of completed predevelopment work, demonstrated local support, City controlled land available at low or no cost, and a competitive Rural Resort and City Center location creates a strong foundation that should appeal to qualified development partners. These strengths, in our opinion, outweigh the weaknesses presented by the project's small scale, high costs, and commercial component.

Financing the project will require a complex capital stack, anchored by either MIHTC or Proposition 123 Equity and supported by at least two additional gap fillers drawn from Land Banking, DOLA Housing Development Grants, and the Community Revitalization Tax Credit. While the precise availability and timing of several of these programs will not be confirmed until CHFA and its partners release their upcoming funding plans, each of the sources identified is currently active in the Colorado market, and the most competitive funding cycles for this project are anticipated in 2027.

Accordingly, we recommend that the City pursue a third party development partner through a procurement process that clearly defines the City's cooperation and emphasizes flexibility on structure and patience on timing. Establishing these parameters in advance will reduce perceived risk, broaden the pool of qualified respondents, and improve the likelihood of assembling a successful capital stack. Trellis Housing Partners would welcome the opportunity to assist the City in structuring the procurement, refining the partnership terms, and positioning the project for the upcoming funding rounds.

1st & D Apartments Next Steps Discussion

City Council Work Session – June 15, 2026





1st & D Current Design Summary

- Two-story building
- 19 units
 - 15 one-bedroom
 - 4 two-bedroom
- 19 parking spaces
- Resident-only lobby/office/sitting area
- ~1500 SF flexible creative space (City-programmed)
- “Transition” architecture (blending historic and contemporary)
- Workforce target incomes = up to 80% AMI to 120% AMI



1st & D Concept Renderings





1st & D Concept Renderings





1st & D Concept Renderings





1st & D Concept Renderings





Trellis Housing Partners Feasibility Assessment Summary

- Project is feasible but financing may be challenging
- Strengths: Advanced stage of predevelopment, project support, site control, downtown location
- Weaknesses: Small yet complex project, high labor and material costs, uncertainty around funding the creative space
- “Anchor” subsidy will be necessary, along with “gap filler” subsidies-MIHTC, Prop 123 Equity, CRTTC, Land Banking, HDG, etc.
- Should have a good amount of developer interest





Requested Council Direction

Is Council supportive of continuing forward with the current design and issuing an RFQ/RFP for a new developer to put the project financing together?

- NO?
 - If NO, the City will need to begin the design and public engagement process again. The pre-development grants may not be available from the state and the CRTC, which has been awarded, may not be available once the second iteration of design is finalized.
- YES?
 - If YES, do you support continued use of Cushing Terrell and/or MW Golden? (If so, that can be added as a preference within the RFQ/RFP)
 - If YES, are you supportive with allowing up to 3 years for the capital stack to be put together?
 - If YES, are you supportive of ownership or rental in the building?
 - If YES, are you supportive of adjusting the AMI target range (given the potential need for additional subsidies, etc.)?
- Would you be supportive of selling/donating the land to CHA potentially to take advantage of Land Banking Grant funds to assist with project construction?
- Any other recommendations/requests?



City Council Work Session Memo

Department Arts, Parks, Recreation and Culture	Presented By Diesel Post - APRC Director	Date June 15, 2026
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Agenda Item

Department update for Art, Parks, Recreation, and Culture

Background

For this update, the Director will give a tour of the facilities managed by the APRC department and discuss the programs and services the Department offers. Council will board the recreation bus at the Touber building and visit the sites marked on the map below. The travel time will include discussion, questions, and answers.



Requested Direction from Council

None