

Eagle County eyes May start for Two10 at Castle Peak workforce housing project

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This early rendering depicts the anticipated design for Two10 at Castle Peak, a workforce housing project planned by Eagle County and Cassia. *Special to the Daily*

EAGLE — Eagle County plans to break ground on its latest housing project — Two10 at Castle Peak — this spring. This week county officials discussed how they will pay for the project.

Two10 at Castle Peak is a \$9 million [joint project of Eagle County and Cassia, formerly known as Augustana Care](#). Two10 will be located at the corner of Sylvan Lake Road and Eagle Ranch Road, just east of Castle Peak Senior Life and Rehabilitation. Initially, the 22-unit project will function as workforce housing with plans to eventually transition the apartments into independent senior housing. When that transition happens, Cassia will have first right of refusal to purchase the project.

Eagle County will provide the land for Two10 as well as financing the construction. Tuesday, the county commissioners looked at the various options available for them to pay for the project.

“I will say that while we think this is a good project ... it is not a financial win for the county,” said Eagle County Finance Director Jill Klosterman.

Two10 will not generate dollars for Eagle County, but it will partially address one of its major goals by bringing new workforce housing units to the area. Commissioner Jeanne McQueeney noted that the costs of Two10 illustrate how difficult it is to build affordable housing in the county.

“This is 22 units are we are losing money on them. But this is our investment in the community,” McQueeney said.

While they are committed to bringing the project out of the ground this year, the commissioners also indicated they wanted to make the best financial deal to do it. Tuesday they looked at three scenarios for financing Two10 construction.

Cash

Eagle County could pay cash for the Two10 project. Klosterman said the county contemplates that it will have \$24.6 million in reserves at the end of 2019. However, the county has also identified \$23 million of strategic priority projects. That means if it spends nearly half of its reserves on Two10, there won't be money for other projects.

“That's a pretty big con, because you are limiting yourself on what you are doing in the future,” said Klosterman.

The other big con is the nature of the Two10 project. Because it is an actual bricks and mortar effort, there are other financing options available to make it happen. Other county priorities cannot be financed and require cash payment.

Bank Financing

The second alternative for Two10 financing is a bank loan.

“The pro is it is tied directly to the project,” said Klosterman. She added that this alternative might even involve a local lender.

“Unfortunately, it does have the highest cost of capital,” she continued.

A bank loan could also include other stipulations including control of how much rent is charged to tenants or project changes. Additionally, Klosterman said a bank would likely limit the amount it lends on the project to around \$3 million. That would mean the county would still have to pay a substantial sum from its cash reserves.

Certificates of Participation

Certificates of Participation are tax-exempt lease-financing agreements that are sold to investors as securities resembling bonds. Colorado courts have approved use of COPs and ruled they are exempt from the regulations of [Colorado's TABOR Amendment](#). The county has used certificates of participation to finance construction of the justice center addition and the maintenance service center in Gypsum.

“From a staff perspective, we believe certificates of participation are the way to go with this project,” said Klosterman. “We are in a market today where interest rates are low and I don't see them going down. This is a good time to finance projects.”

She added it is a doubly good time to look at certificates of participation for Two10 because the county just made its final payment on the maintenance service center in Gypsum. That means the county isn't carrying much debt, Klosterman said. She added that spending down the cash reserves would actually have a bigger impact on the county's credit rating than issuing certificates of participation for Two10.

Given the three alternatives, the commissioners agreed that certificates of participation is the preferred Two10 financing option.

“I am very comfortable with COPs and we are legally allowed to use them,” said McQueeney. “This would be the most fiscally responsible choice for us.”

Commissioner Matt Scherr asked if issuing certificates of participation would hold up the project. Tori Franks from the county's housing department said it may be a stretch to plan a May 1 ground-breaking, but the project is still on track to break ground sometime that month.

Franks noted the Two10 architects are meeting with the Eagle Ranch Design Review Board this week and the team hopes to have a building permit in hand by April. Franks added that one year after construction starts, the project should be ready for tenants.

“I am a little concerned you are going to start getting phone calls (from prospective tenants) now,” said McQueeney.

“We will start a list,” Franks responded.