

ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor's Legislative Team
at MileHighOrdinance@DenverGov.org by **3:00pm on Monday**.

****All fields must be completed.****

Incomplete request forms will be returned to sender which may cause a delay in processing.

Date of Request: September 17, 2012

Please mark one: ☒ **Bill Request** or ☐ **Resolution Request**

1. Has your agency submitted this request in the last 12 months?

☐ **Yes** ☒ **No**

If yes, please explain:

2. Title: *(Include a concise, one sentence description – please include name of company or contractor and contract control number - that clearly indicates the type of request: grant acceptance, contract execution, amendment, municipal code change, supplemental request, etc.)*

City's Office of Economic Development is seeking approval for an amendment to Contract Control # CE63028 which provided a \$920,000 loan to Glenarm Residences LLC for the acquisition of property located at Glenarm and Park Ave, Denver and financed water retention pond for future development.

3. Requesting Agency: Office of Economic Development

4. Contact Persons: *(With actual knowledge of proposed ordinance/resolution.)*

- **Name:** Jennifer Welborn
- **Phone:** (720) 913-3252
- **Email:** jennifer.welborn@denvergov.org

- **Name:** Paul Bunyard
- **Phone:** (720) 913-1629
- **Email:** paul.bunyard@denvergov.org

5. Contact Person: *(With actual knowledge of proposed ordinance/resolution who will present the item at Mayor-Council and who will be available for first and second reading, if necessary.)*

- **Name:** Seneca Holmes
- **Phone:** (720) 913-1533
- **Email:** seneca.holmes@denvergov.org

6. General description of proposed ordinance including contract scope of work if applicable:

Amend and modify the existing current debt totaling \$920,000 by extending maturity date, modifying repayment schedule, and securing additional collateral to assure repayment (please see executive summary for details).

*****Please complete the following fields:*** *(Incomplete fields may result in a delay in processing. If a field is not applicable, please enter N/A for that field.)*

a. Contract Control Number: CE63028

b. Duration: Once approved, maturity date will be extended to December 31, 2014. Additionally, settlement terms may include the City terming out an amount not to exceed \$500,000 over ten years, fully amortized. Please see attached Executive Summary for background and other details.

d. Affected Council District: 8

e. Benefits: This restructure will allow additional time for the developer to secure bond financing to development a substantial amount of low income housing.

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- f. **Costs:** The City will be forgiving default interest (15%) that would be payable under the terms of the contract. It should be noted the developer will pay interest accrued at a rate of 7% is offering additional collateral to further secure full repayment.

7. **Is there any controversy surrounding this ordinance?** (*Groups or individuals who may have concerns about it?*) **None known**

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EXECUTIVE SUMMARY

Glenarm Residences LLC is an entity established to facilitate the development of a low income housing project at the intersection of Glenarm and Park Ave in the Five Points Community. OED entered into a contract in May 2006 in an amount of \$460,000 for purpose of acquiring land for future development. This contract was subsequently amended in November 2008 increasing note amount by \$460,000 to a total loan of \$920,000. Proceeds were utilized to construct a water retention pond sufficient to support the development of the entire block. The contract came to maturity with a balloon payment due on December 31, 2010. Glenarm has been unsuccessful at paying off the balloon payment and has requested the City consider workout modification to allow the additional time necessary to assure the project can come to fruition as repay the City in full.

The terms of the existing contract are as follows:

Principal amount: \$920,000
Note Rate: 7% with escalation upon default to 15%.
Maturity Date: December 31, 2010

OED has negotiated settlement that will allow additional time for the borrower while further securing the City's collateral position to assure full repayment. The terms of the negotiated settlement are as follows:

- Nonrefundable, good faith payment of \$50,000 applied to past due interest with \$25,000 paid upon OED loan committee approval and \$25,000 paid upon City Council approval of the modification.
- Monthly payments of \$3,000 per month starting November 1, 2012.
- Additional collateral of land referred to as Parcel D-2 to be conveyed to City via amendment to the Deed of Trust. This property is adjacent to our existing collateral.
- Additional collateral in the form of a formalized agreement for all water quality reimbursement proceeds to be applied to City loan. Total obligated reimbursement of \$465,500. Subject to satisfactory legal review, in the City's sole opinion, as to the contract language to assure total reimbursement to the City will be \$465,000 and the City can perfect a security interest or assignment with payments redirected directly to the City. Any deficiencies remaining after all disbursements are made under the contract to the City will be immediately due and payable and will not be forgiven.
- Personal guarantees by Chad Rennaker and Brent Snyder will remain in effect.
- In consideration of accepting the additional collateral above, the City agrees to waive all of the default interest and recalculate accrued interest at 3% from November 1, 2012 upon commencement of an affordable housing project.
- Loan Maturity will be extended to December 31, 2014.
- Loan will be amended to reflect the terms above as well as an A, B, C structure with the following terms:

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Scenario A:

At the successful closing of the 4% bond transaction, should the cash portion of the developer fee be 10% or greater of total eligible project costs, Glenarm will immediately pay the entire remaining balance to the City at closing.

Scenario B:

At the successful closing of the 4% bond transaction for the entire project as proposed, should the cash portion of the developer fee be less than 10% of total eligible project costs, Glenarm will pay to the City cash in an amount equal to the greater of 20% of the developer fee received or the amount required to reduce the outstanding City loan balance to \$500,000. Should there be an outstanding balance, the City will carry a subordinated note in an amount not to exceed the \$500,000. The note will be secured with a subordinated position on the entire project and perfected interest in water quality reimbursement contract discussed above. The note will be structured fully amortized over 120 months at an interest rate of 5% annually. Any proceeds received under the water quality reimbursement contract will be applied as a principal paydown to this subordinated note.

Scenario C:

If the City loan is not repaid by December 31, 2014, except for any possible carry back as outlined in Scenario B listed above, the property including additional collateral shall be immediately transferred to the City via a Deed in Lieu of Foreclosure. A deed in lieu transfer shall not constitute a forgiveness of any deficient amount due. Any deficiencies will not be forgiven, but will become immediately due and payable, and will remain personally guaranteed by Brent Synder and Chad Rennaker.

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