

TAXI Drive Loan Modification

Business, Workforce and Sustainability Committee

January 11, 2011



GROWDENVER
The Office of Economic Development

TAXI Background

- **In 2001, M. Zeppelin purchased abandoned Yellow Cab site at 31st & Ringsby Ct.**
- **He has developed the site in four phases**
 1. Phase I, commercial
 2. Phase II, mixed-use
 3. TAXI Freight, commercial
 - Biotek – single user –laser microscope manufacturer
 - DIESEL – 3 commercial tenants
 4. TAXI Drive (anticipated), commercial
- **The site has been transformed into a 20 acre mixed-use community which houses creative and tech based firms and professionals**
 - 5 buildings comprising 175,000 sf
 - Commercial space is 100% occupied (and there is a waiting list)
 - 60 businesses employing over 300 persons

OED Financing

- **\$900K OED Loans**
 - \$450K Community Development Block Grant (CDBG) loan, Phase II
 - \$450K CDBG stimulus funds, TAXI Freight

- **\$8M initial HUD Financing**
 - National 3 year, competitive process
 - \$6M Section 108 Loan, TAXI Drive*
 - Section 108 loan is intended for construction costs
 - \$2M Brownfield Economic Development Initiative (BEDI) grants, TAXI Drive*
 - BEDI #1 \$1.1M appropriation 2005
 - BEDI #2 \$937K appropriation 2006
 - BEDI grant is for hard construction costs and debt service
 - BEDI grants are forgiven upon repayment of Section 108 loan

* *Subject of current loan amendment*

TAXI Drive Challenges

- **Problems with primary lender (Bank of Choice)**
 - July 2010 bank stopped lending to M. Zeppelin
 - July 2011 bank went into receivership
- **No new lender has been identified**
 - Post 2008 constriction in credit markets
 - Stricter equity and preleasing requirements
- **BEDI #1 expired in November 2011**
 - \$905K undisbursed
- **BEDI #2 set to expire on September 30, 2012**
 - “Use it or lose it”

Proposed TAXI Drive Amendments

- **Reduce project from 95,000 sf to 38,000 sf**
 - Was \$20M, now an \$8.4M development
- **Greater percentage development funded with Section 108 and BEDI**
 - 41% to 79%
 - No new City money is being requested
- **City assumes collateral position of primary lender**
 - Security
 - Deed of trust on land
 - Lien position on building and improvements
 - Mickey Zeppelin is a personal guarantor

Proposed TAXI Drive Amendments

- **Modification of repayment schedule**
 - Maturity extended from 7/1/2025 to 8/1/2028
 - Principal & Interest payments to align with revised project completion

- **TAXI amendment contingent on approval of HUD amendments**
 - HUD is accelerating review of proposed project amendments
 - Decision expected before 1/30/2012
 - Project has support of Denver HUD Office and Regional Administrator Garcia

Benefits of TAXI Drive Modification

- **Preserves the City's Section 108 and BEDI funds**
 - Without modification, another city would get the funds
- **Job creation:**
 - 150-200 construction jobs (subject to Davis Bacon)
 - 200+ long term tech and creative jobs
- **Fills market niche for small square footage office space**
 - Offices (400 to 1,000 sf) geared for start up entrepreneurs
 - Enhances Denver's reputation as a innovative, vibrant business hub

Assurance in TAXI Development

- **Zeppelin solid record of loan repayment**
- **Taxi project has a history of permanent job creation**
 - 300 presently, 200 anticipated
- **Catalytic Neighborhood Impact**
 - RiNo Art Bridge, Arkin's Park
- **Excess demand for space at TAXI**
 - 100% currently occupied
 - 10 deals turned away in 3 months for lack of space
 - 40-50% of TAXI Drive spoken for w/ letters of intent
- **Increased City Revenue**
 - \$35K annual property taxes before TAXI , \$350K post TAXI