

# OED ORDINANCE/RESOLUTION REQUEST

Please mark one:  Bill Request or  Resolution Request Date of Request: 2/11/19

1. Type of Request:

- Contract/Grant Agreement  Intergovernmental Agreement (IGA)  Rezoning/Text Amendment  
 Dedication/Vacation  Appropriation/Supplemental  DRMC Change  
 Other:

2. Title: Approves a \$3,450,000 cash flow loan to Colburn, LLC to support the acquisition and renovation of an existing income-restricted property known as the Colburn Hotel at 980 Grant St. that provides 91 units of housing for very low-income residents, improving the building's livability and functionality.

3. Requesting Agency: Office of Economic Development

4. Contact Person:

Contact person with knowledge of proposed ordinance/resolution	Contact person to present item at Mayor-Council and Council
Name: Haley Jordahl	Name: Susan Liehe 720-913-1689
Email: haley.jordahl@denvergov.org	Email: susan.liehe@denvergov.org

5. General a text description or background of the proposed request, if not included as an executive summary.

See Executive Summary

6. City Attorney assigned to this request (if applicable):

Laurie Heydman

7. City Council District: #10, Wayne New

**\*\*For all contracts, fill out and submit accompanying Key Contract Terms worksheet\*\***

## Key Contract Terms

Type of Contract: (e.g. Professional Services > \$500K; IGA/Grant Agreement, Sale or Lease of Real Property): Loan Agreement

Vendor/Contractor Name: Colburn, LLC  
RR19 0132 OED

Contract control number: OEDEV-201842018-00

Location: 980 Grant Street, Denver, CO 80203

Is this a new contract?  Yes  No Is this an Amendment?  Yes  No If yes, how many? \_\_\_\_\_

Contract Term/Duration (for amended contracts, include existing term dates and amended dates):

69 years -- 3/29/2019 – 3/29/2078

Contract Amount (indicate existing amount, amended amount and new contract total):

<i>Current Contract Amount (A)</i>	<i>Additional Funds (B)</i>	<i>Total Contract Amount (A+B)</i>
\$3,450,000	\$0	\$3,450,000

  

<i>Current Contract Term</i>	<i>Added Time</i>	<i>New Ending Date</i>
3/29/2019 – 3/29/2078		

Scope of work:

See Executive Summary.

Was this contractor selected by competitive process? Yes (competitive application for 4% + State Low Income Housing Tax Credits allocated by CHFA; competitively underwritten for funding by OED) **If not, why not?**

Has this contractor provided these services to the City before?  Yes  No

Source of funds: Rental Rehabilitation Funds (\$2.1 million); General Funds (\$1.35 million)

Is this contract subject to:  W/MBE  DBE  SBE  XO101  ACDBE  N/A

WBE/MBE/DBE commitments (construction, design, DEN concession contracts):

N/A; however, the development is subject to Davis-Bacon wage regulations and compliance with Section 3.

Who are the subcontractors to this contract?

N/A

## EXECUTIVE SUMMARY

This proposed resolution will authorize a \$3,450,000 cash flow loan to Colburn, LLC to support the acquisition and rehabilitation of an existing income-restricted property known as the Colburn Hotel. The developer, Gorman and Company, LLC, acquired the property in Q3 2018 and has created the limited liability company for purposes of a Low Income Housing Tax Credit resyndication. The total development cost of the project is expected to be approximately \$23 million. The redevelopment of the Colburn Hotel is a preservation transaction; but for the purchase of the property by Gorman & Company, the covenant income-restricting the property would have elapsed, and the property may have been converted to market-rate housing. The property currently provides housing for a very low-income population, many of whom have experienced homelessness.

The project proposes the acquisition and rehabilitation of the residential portion of a 10-story building with 92 affordable housing units. The project is expected to include 23 one-bedroom efficiency units for households below 30% of Area Median Income (AMI), 68 one-bedroom efficiency units for households below 60% AMI, and 1 manager unit. The City's subordinate loan will support a portion of the \$9.02 million acquisition cost of the property. The renovation of the Colburn Hotel will also rely on a first mortgage, Federal and State LIHTC equity, Federal and State Historic Tax Credits, funding from the State Division of Housing, and a deferred developer fee. The renovation of the property is made possible through a Rental Assistance Demonstration 2<sup>nd</sup> Component (RAD-2) transaction, which will replace the property's annually renewing project-based voucher contract with a 20-year contract, leaving the property less vulnerable to non-renewal.

The developer plans to retain the existing tenants, convert the single room occupancy units to efficiency apartments, and modernize the units. Deep affordability for all residents will be preserved through a new 20-year HUD Project Based Housing Assistance Payments contract to be administered by the Denver Housing Authority. Rehabilitation of the property will improve the property's livability and functionality for residents as well as extend the useful life of this critical affordable housing asset.

Through the planned renovation, the property's single-room occupancy units will be converted into studios. At present, the majority of units do not have kitchens, private bathrooms, or air conditioning. The renovation will provide each unit with kitchenettes, private bathrooms, and air conditioners; replace flooring, light fixtures, and plumbing fixtures; and add and improve community amenity areas. Gorman anticipates temporarily relocating residents during the construction process. The developer anticipates providing additional service provision during the rehabilitation timeframe to support the resident population.

The Colburn Hotel will contribute directly to the City's preservation goals, because but for the property's purchase by Gorman, the covenant income-restricting the property would have elapsed, and the property may have been purchased by a market-rate buyer.