

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: July 8, 2011

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.)*

This request seeks approval to amend an existing loan agreement with Lincoln Housing Partners.

3. Requesting Agency: Office of Economic Development

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

- **Name:** ReJean Peeples
- **Phone:** 720.913.1545
- **Email:** rejean.peeples@ci.denver.co.us

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:

OED loan \$750,000 in HOME Funds for the purpose of constructing 75 units of affordable housing at 5TH and Lincoln in 2007. The development was completed, but had trouble converting its construction financing to permanent financing. The developer, Lincoln Housing Partners, is pursuing a FHA insured mortgage loan currently. HUD'S program prefers subordinate debt holders to be surplus cash notes. OED'S loan needs to be amended to convert from an amortizing loan in order to meet HUD's requirement of a surplus cash note.

****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:** GE7A011
- b. **Duration:** 40 years
- c. **Location:** 501 Lincoln
- d. **Affected Council District:** Seven (7)
- e. **Benefits:** 75 units of affordable housing (30%, 40%, 50% AMI)
- f. **Costs:** None

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

To be completed by Mayor's Legislative Team:

SIRE Tracking Number: _____

Date Entered: _____

Executive Summary Instructions

Code Amendments

A loan of \$750,000 from HOME funds was made to Lincoln Housing Partners in 2007 for the purpose of constructing 75 units of affordable housing at 501 Lincoln. The development was completed and the residential portion of the building leased-up. The commercial retail space on the street-level portion of the building has struggled under recent economic conditions and has not fully leased-up. As a result Lincoln Housing Partners has not been able to convert the construction loan with 1st Bank of Adams County to a permanent loan. In April 2010, 1st Bank filed a forbearance notice and the partnership was able to negotiate with the bank payments to prevent foreclosure proceedings at that time. Currently, Lincoln Housing Partners is pursuing a FHA mortgage insured loan. Under HUD'S program, who will be the mortgage-holder in first position, the City's HOME loan must subordinate and be structured as a "surplus cash" note. Currently, the City's loan is an amortizing loan with terms of 1% for 40 years with payments deferred until 7/1/2012. This ordinance request is to amend our loan to be "surplus cash" with 1% interest accruing on it and the City's loan would be repaid in-full upon refinancing or sale of the property.

- The original ordinance was presented in February/March 2007 to City Council and approved.
- All 75 rental units provide affordable housing to residents earning 30%, 40%, and 50% AMI in close proximity to Denver Health.
- Currently the monthly payments on the City's loan would begin in July 1, 2012 and be repaid over 40 years. Under the proposed amendment, the City could receive on an annual basis payments based upon a HUD formula for determining surplus cash. The amount of payment could vary annually, but a 1% interest-rate would be accruing throughout the term of the loan. Under this amendment our loan would be repaid in-full upon any future refinancing or upon sale of the property.
- Without approval of this amendment, there could be a delay with HUD in issuing their firm commitment. First Bank of Adams County has set a date of August 22, 2011 to be repaid in-full or they will foreclose on the property. At this time HUD is close to issuing a firm commitment very soon in order to close their loan by the bank's deadline. The City and County of Denver must have a fully-executed amendment for HUD to close. Should the bank foreclosure, the City's HOME loan will be wiped-out along with its affordability restrictions.

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