

DEDO ORDINANCE/RESOLUTION REQUEST

Date of Request: 10/14/19

Please mark one: Bill Request or Resolution Request

1. Type of Request:

Contract/Grant Agreement Intergovernmental Agreement (IGA) Rezoning/Text Amendment

Dedication/Vacation Appropriation/Supplemental DRMC Change

Other:

2. Title: Approves a loan agreement for \$3,500,000 between Denver Economic Development & Opportunity (DEDO) and Laradon NW LLC, an entity affiliated with Gorman & Company, to develop the second phase of Gorman's Laradon housing plan with 132 units.

3. Requesting Agency: Denver Economic Development & Opportunity (DEDO)

4. Contact Person:

Contact person with knowledge of proposed ordinance/resolution	Contact person to present item at Mayor-Council and Council
Name: Nick Emehiser 720-913-1707	Name: Susan Liehe 720-913-1689
Email: nicholas.emehiser@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.

The Stella consists of 132 units, 16 of which are voucher-supported permanent supportive housing (PSH) units that will serve homeless individuals with Intellectual and Developmental Disabilities (IDD) exiting one of three state IDD institutions. The Laradon Hall Society for Exceptional Children and Adults is ground leasing the land for the development and additionally serving as Lead Service Provider for the PSH concept. The remaining units will operate as affordable, tax credit family housing with a unit mix heavily comprised of larger, family-sized units. The project contains 15 one-bedroom units, 62 two-bedroom units, 49 three-bedroom units, and 6 four-bedroom units, responding to a demonstrated need for larger family-sized units in the Globeville community.

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

7. City Council District: 9

Key Contract Terms

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

Vendor/Contractor Name: Laradon NW, LLC

Contract control number: OEDEV-201952012

Location: 5190 N. Broadway, Denver, CO 80216

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):
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>
\$3,500,000	N/A	\$3,500,000

<i>Current Contract Term</i>	<i>Added Time</i>	<i>New Ending Date</i>
60 years	N/A	December 2082

<u>Project Activities</u>	<u>Project Cost</u>	<u>City Funds</u>	<u>Other Funds</u>
Land and Site Work	\$1,829,543		\$1,829,543
Const. Interim Costs	\$2,669,065		\$2,669,065
Hard Costs	\$29,283,710	\$3,500,000	\$25,783,710
Soft Costs + Prof. Fees	\$2,824,795		\$2,824,795
Developer Fee	\$4,390,000		\$4,390,000
Reserves	\$957,683		\$957,683
	<u>\$41,954,796</u>	<u>\$3,500,000</u>	<u>\$36,275,481</u>

Was this contractor selected by competitive process? Yes, both the CHFA 4% tax credit award and DEDO’s Loan Review Committee satisfied this competitive process. As a 4% tax credit award project, the Stella is also being considered for the issuance by the city of Private Activity Bonds (PAB), submitted to Council for consideration simultaneously with this loan.

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

Source of funds: General Fund (Dedicated Property Tax Fund)

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

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

Who are the subcontractors to this contract? N/A

EXECUTIVE SUMMARY

Gorman & Co. has secured a 99-year land lease with the Laradon Hall Society for Exceptional Children and Adults, on which they are currently constructing phase one of Laradon Homes (The Elisabetta), and are now proposing to build the second and final phase (The Stella). The Elisabetta was a 91-unit, HOME-funded project comprised of 50 one-bedrooms, 36 two-bedrooms, and 5 three-bedrooms, with 11 units at 30% AMI, another 11 at 50% AMI, 68 at 60% AMI, and one manager 2-bedroom.

The Stella consists of 132 units, 16 of which serve permanent supportive housing (PSH) tenancy with vouchers and are set-aside for households earning 30% AMI; 97 are restricted for 60% AMI, and 18 restricted for 80% AMI. All units will be restricted for 60 years. This configuration of units makes the project eligible for a cash flow loan.

Unit Type	Fixed/Floating	Unit Count	Income Restrictions	Covenant Period
1BR/1BA	Floating	6	30%/PSH	60 years
1BR/1BA	Floating	9	60%	60 years
2BR/1BA	Floating	8	30%/PSH	60 years
2BR/1BA	Floating	44	60%	60 years
2BR/1BA	Floating	9	80%	60 years
2BR/1BA	Floating	1	Manager Unit	60 years
3BR/2BA	Floating	2	30%/PSH	60 years
3BR/2BA	Floating	40	60%	60 years
3BR/2BA	Floating	7	80%	60 years
4BR/2BA	Floating	4	60%	60 years
4BR/2BA	Floating	2	80%	60 years
Total		132		

Multiple bedrooms are a strong benefit of this project. The newly-designed building will contain 15 one-bedroom units, 62 two-bedroom units, 49 three-bedroom units, and 6 four-bedroom units. As such, the project uniquely supports the needs of larger families in the Globeville neighborhood.

We are proposing a \$3,500,000 cash flow loan, with 1% simple interest, which is \$26,515.15 per unit. Total development cost is \$40,140,728 (\$304,096.42 per unit). The cash flow loan will be repaid following repayment of the deferred developer fee loan into the project, projected to begin in Year 11. The loan will have to be repaid in full at refinance or re-syndication (infusion of new Federal tax credit equity), which will likely be between Year 15 and Year 20.