

LOAN MODIFICATIONS

Sable Ridge Development LLC & Del Norte Neighborhood Development Corp.

Business, Workforce and Sustainability Committee

August 8, 2012

Office of Economic Development

OED Loan Status

JUNE 30, 2011

- \$23,516,723 loans in collections
- 19% of loan portfolio

JUNE 30, 2012

- \$17,022,721 loans in collections
- 13% of loan portfolio

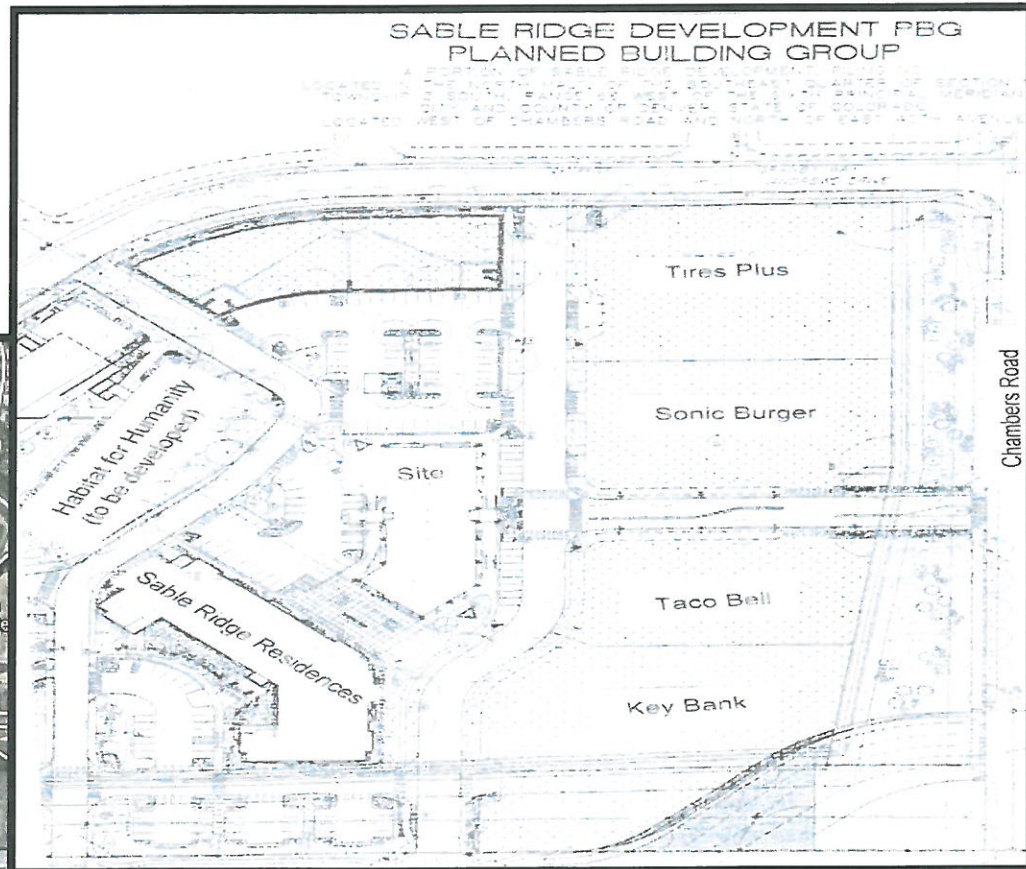
AUGUST 2012

- If workouts presented today are approved, 11% of loan portfolio will be in collections.

Office of Economic Development

Sable Ridge Development

Northwest corner Chambers and 40th Ave.



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Proposed Sable Ridge Development Loan Amendments - Council Action

- **Loan #1: Sable Ridge – \$3.5M (2000)**

- *Purpose:* acquire 12 acres of land for the purpose of developing commercial retail and affordable housing
- *Collateral:* property owned by Ken Walker at 4601 Peoria Street, 4203 Chambers (appraised value of \$771,000)
- *Current Balance:* \$1,441,163
- *Current Terms:* one-month LIBOR + 85bps, payments every 6 months

- **Background**

- OED provided Sable Ridge Development \$3.5 M in March 2000 from the City's Fannie Mae Line of Credit.
- The City to be repaid through the sales of the 12 acre parcels. One payment of \$2,635,141.69 received in September 2001.
- Sable Ridge Development was unsuccessful in its pursuit of financing to develop its last parcel of land.

- **Proposed Amendment**

- Good faith deposit of \$30,000, received by the City.
- Deferral of loan payments to Jan. 1, 2014
- 3 options to repay the City's current outstanding loan balance.

Office of Economic Development

Proposed Sable Ridge Development Loan Amendments

- **Option A: Low-Income Housing Tax Credits (LIHTC) through Colorado Housing Finance Authority (CHFA)**
 - Applied to CHFA in July 2012 for LIHTC
 - If awarded LIHTCs
 - \$750,000 – lump sum payment to City.
 - \$350,000 – converted to loan @ 2.25% amortized 30 years, deferred until Jan 1, 2016. Rate will adjust on Jan 1, 2028 to 7.5% with maturity of August 1, 2033, fully-amortized.
 - \$301,169.73 – converted to a 7 year loan @ 5% beginning on execution of amendment, deferred payments to Jan 1, 2016, maturity Jan 1, 2023.

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Rendering of Proposed Development for Seniors (57 Units)



Sable Ridge
Senior Housing

Office of Economic Development

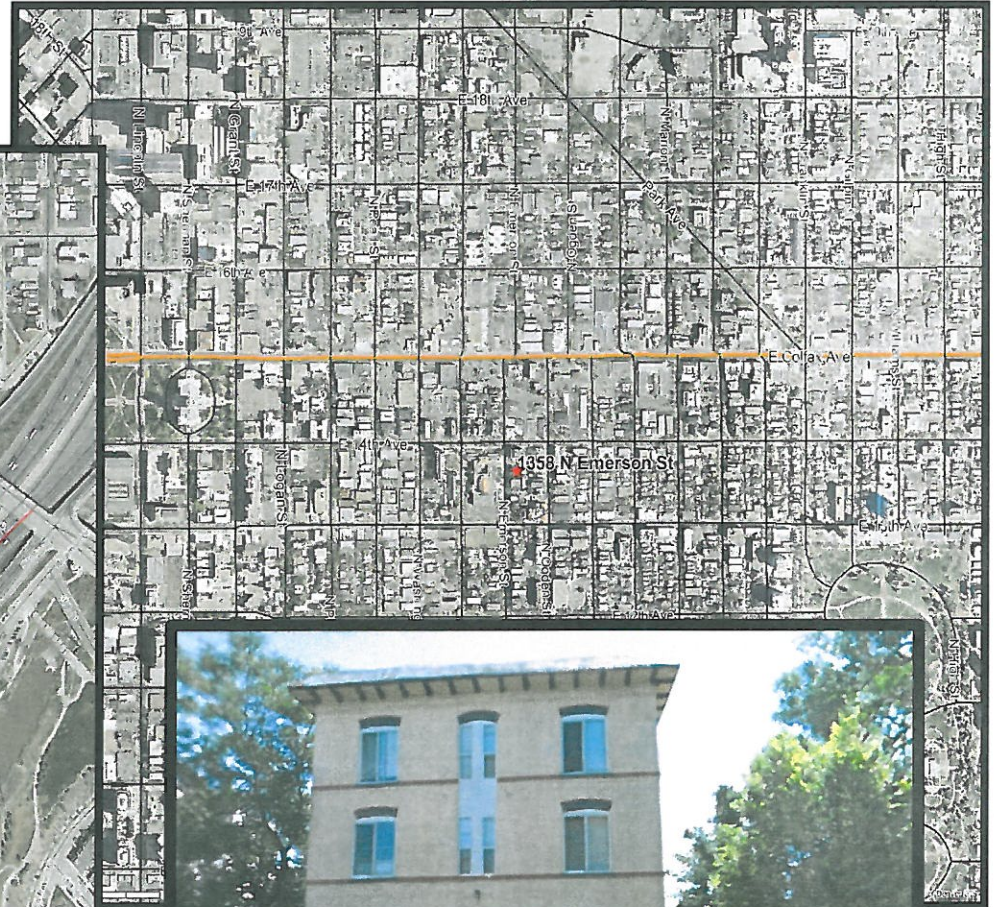
Proposed Sable Ridge Development Loan Amendments

- **Option B: Private Activity Bond (PAB) issuance**
 - Revisit term of the loan
- **Option C: Deed in Lieu of Foreclosure**
 - If borrower does not obtain necessary financing to construct the project by January 1, 2014:
 - Borrower immediately transfers 4201 Chambers (the “collateral property”) to the City via a Deed in Lieu of Foreclosure.
 - Sable Ridge LLC responsible for any loan deficiency not covered by value of the collateral.

Del Norte Neighborhood Development Corp.

**1358 Emerson St.
Capital Hill**

**1936-40 W. 32nd Ave
Highland Neighborhood**



Office of Economic Development

Proposed Del Norte Loan Amendments

- **Loan #1 & #2: 1936-40 W. 32nd Ave - \$66,365 (1990 Rental Rehab) & \$35,000 (2001 HOME)**
 - *Purpose:* Rehabilitation of residential rental units located at 1936-40 W. 32nd Ave. (8 rental units)
 - *Collateral:* No collateral; W. 32nd DOT released in previous amendments
 - *Current Balance:* Loan #1-\$109,510.; Loan #2 -\$17,269
 - *Current Terms:* balance due at maturity (April 1, 2001)
- **Background**
 - In 2008, OED agreed to release the DOT and covenants at 1936-40 W. 32nd Ave in exchange for a DOT and covenant controlled units at 1358 Emerson.
 - The DOT at 1358 Emerson was never formally recorded.
- **Proposed Amendment Loan #1**
 - Execute DOT at 1358 Emerson
 - Current assessed value = \$896,300 (senior debt = \$367,878) and has a total of 12 rental units
 - Transfer affordability covenants to Emerson property

A photograph of a three-story brick building with multiple windows and ground-floor storefronts. The building has a classic architectural style with arched windows on the upper floors and large display windows on the ground floor. A white car is partially visible in the foreground.

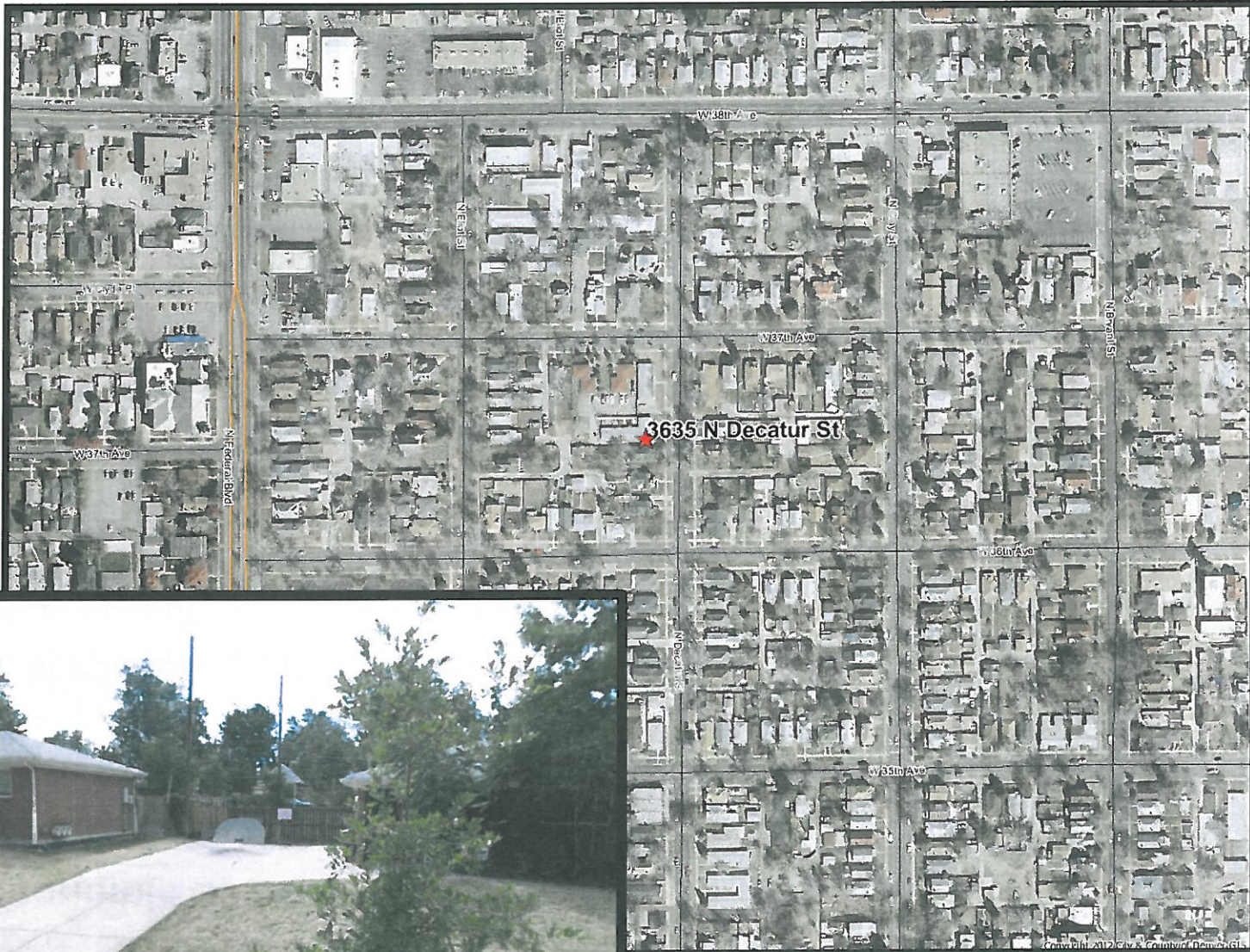


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Proposed Del Norte Loan Amendments

- **Loan #3: 2926 Zuni St. (1991) - \$302,000**
 - *Purpose:* Rehabilitation of a residential rental units located at 2926 Zuni St, (28 total rental units)
 - *Collateral:* City has DOT at 2926 Zuni St. (current assessed value = \$2,638,400)
 - *Current Balance:* \$412,230
 - *Current Terms:* 0% interest first 10 yrs, 3% interest 11-20 yrs, beginning 2002 pay 50% net cash flow until maturity May 1, 2011
- **Background**
 - Del Norte does not have available cash flow to service loan.
 - The LIHTCs affordability restrictions will expire in 2022 at which time Del Norte intends to re-syndicate the LIHTC and renew the affordability.
- **Proposed Amendment**
 - Extend maturity to May 1, 2022 at which point the City will be taken out through refinance.

**3635 Decatur St.
Highland**



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Proposed Del Norte Loan Amendments

- **Loan #4: 3635-39 Decatur St.- \$70,000 (1990))**
 - *Purpose:* Rehabilitation of property located at 3635-39 Decatur St. (3 total rental units – low income handicapped)
 - *Collateral:* City has DOT at 3635-39 Decatur St
 - *Current Balance:* \$25,015.53
 - *Current Terms:* 3% interest, monthly payment of \$295, maturity February 1, 2010 (extended with amendment in 2000)
- **Background**
 - Del Norte did not produce enough cash flow to retire the balloon payment in 2010.
 - Borrower has kept up with monthly payments since maturity .
- **Proposed Amendment**
 - Fully amortize payments until maturity to March 1, 2020.

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Proposed Del Norte Loan Amendments - Council Action

- **Loan #5: Various Locations(1996) - \$996,000**
 - *Purpose:* Homeownership lending program for low and moderate income populations
 - *Collateral:* 1275 Corona (assessed at \$1.9M, senior debt of \$140K)
 - *Current Balance:* \$470,018
 - *Current Terms:* 0% interest, due at maturity June 30, 2008
- **Background**
 - Number of people served by program is 413
- **Proposed Amendment**
 - Defer payments from June 30, 2008 to September 30,2012.
 - Principal pay down immediately of \$25,000.
 - Principal only payments of \$1,000 a month beginning October 1, 2012, maturity January 1, 2047.

Questions?