

OED ORDINANCE/RESOLUTION REQUEST

Please mark one: Bill Request or Resolution Request Date of Request: 5/25/18

1. Type of Request:

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

2. **Title:** Amends an existing \$3,500,000 cash flow loan to Sable Ridge Apartments LLC to define the percentage of available surplus cash required to be provided to the City and County of Denver as repayment of the loan with was made in 2016 to support the construction of a 60-unit affordable housing development for seniors known as Sable Ridge Apartments.

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):

Kwali Farbes

7. City Council District: 11

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

To be completed by Mayor's Legislative Team:

Resolution/Bill Number: _____

Date Entered: _____

Key Contract Terms

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

Vendor/Contractor Name: Sable Ridge Apartments LLC

Contract control number: OEDEV-201629086-01

Location: 4210 North Fraser Way, Denver, CO 80239

Is this a new contract? Yes No **Is this an Amendment?** Yes No **If yes, how many?** 1

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

5/1/2017 – 5/1/2057

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

Neither the contract term nor the contract amount would be changed by this proposed amendment.

<i>Current Contract Amount</i> (A)	<i>Additional Funds</i> (B)	<i>Total Contract Amount</i> (A+B)
\$3,500,000	\$0	\$3,500,000

<i>Current Contract Term</i>	<i>Added Time</i>	<i>New Ending Date</i>
5/1/2017 – 5/1/2057	N/A	N/A

Scope of work:

See Executive Summary.

Was this contractor selected by competitive process? Yes, through the project’s competitive application for 4% Low Income Housing Tax Credits allocated by CHFA; competitively underwritten for funding by OED.

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

Source of funds: Skyline Funds

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?

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EXECUTIVE SUMMARY

In 2016, OED worked with Sable Ridge Apartments, LLC to structure a \$3.5M cash flow loan to support the construction of a 60-unit affordable apartment for senior residents located in the Montbello neighborhood of Denver. The property is comprised of 37 one-bedroom units and 23 two-bedroom units, each of which are restricted at 60% of AMI for 40 years. The development is relying on 4% Low Income Housing Tax Credits and private debt for financing in addition to the city's cash flow loan.

The developer, Kenneth Walker & Associates, is a development and property management firm based in Denver.

In 2017, the developer learned that its primary mortgage lender was interpreting the City's cash flow loan as hard-paying, amortizing debt that could be counted against the property's debt service coverage ratio. Because the primary lender was underwriting the City's debt as amortizing, when the property converts to its permanent financing it would be able to assume less private debt than if the City's debt were underwritten as a soft cash flow loan. With less private debt supporting the development, the property would be left with a significant financing gap.

At present, the percentage of cash flow due to OED is not defined in the loan agreement. To address the issue raised by the primary mortgage lender, OED is proposing to define the percentage of surplus cash flow due annually to the city as repayment of the \$3.5M debt. Through this amendment, OED proposes to limit the cash flow owed to OED to 75% of available surplus cash flow. Through this amendment, the primary mortgage lender will interpret the debt as a soft cash flow loan, therefore allowing the property to assume additional private debt.

This project fulfills the goals of the City's Comprehensive Housing Plan by providing affordable rental housing for vulnerable populations, specifically senior residents at or below 60% AMI, in a neighborhood at risk of displacing current residents through rising costs.

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