

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: May 12, 2014

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.)*

An ordinance request to approve an amendment to Contract Control # CE63028, which provided a \$920,000 loan to Glenarm Residences LLC for the acquisition of property located at Glenarm and Park Ave, Denver.

3. Requesting Agency: Office of Economic Development

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

- **Name:** Jennifer Welborn
- **Phone:** (720) 913-3252
- **Email:** jennifer.welborn@denvergov.org

- **Name:** Paul Bunyard
- **Phone:** (720) 913-1629
- **Email:** paul.bunyard@denvergov.org

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:

The ordinance request proposes to amend an existing \$920,000 loan to Glenarm Residences LLC. The amendments would extend the maturity date of the loan and modify the repayment schedule (amendment details provided in the executive summary). The amendments are necessary for the loan recipient to develop 223 affordable rental units to be located at 2300 Welton and 501 Park Avenue West. 212 units will be restricted to 60% or below of area median income (AMI) and the remaining 11 units will be restricted to 30% AMI or below. All units will be income restricted for a period of 20 years.

****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:** CE63028
- b. **Duration:** Once approved, maturity date will be extended to a term as required under the priority debt structure.
- d. **Affected Council District:** 8
- e. **Benefits:** The development will provide 223 units of affordable housing units
- f. **Costs:** Non-Monetary Amendment

7. Is there any controversy surrounding this ordinance? *(Groups or individuals who may have concerns about it?)*

None known

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SIRE Tracking Number: _____

Date Entered: _____

EXECUTIVE SUMMARY

Glenarm Residences LLC is an entity established to facilitate the development of a low income housing project at the intersection of Glenarm and Park Ave in the Five Points Community. OED entered into a contract with Glenarm Residences in May of 2006 for an amount of \$460,000 for the purpose of acquiring land for future development. This contract was subsequently amended in November 2008, increasing the note amount by \$460,000 for a total loan of amount of \$920,000. Proceeds from the amended loan were utilized to construct a water retention pond sufficient to support the development of the entire block.

The Borrower has complied with all terms of the arrangement to date and is now “shovel ready” to move the project forward. In the past 12 months interest rates have aggressively increased as have construction costs. This has created a substantial gap in funding that the developer has been working diligently to fill. The sources to fill the gap have come from an additional deferred developer fee, DURA TIF (subject to approval), and additional funding from the State of Colorado (pending final approval), and additional funding from the City (pending final approval).

Pursuant to this request, OED will modify our existing structure to allow the project to move forward with full repayment over time. It is anticipated full repayment will be paid during the 15 year compliance period. The entire principal balance plus accrued interest recast at 3.0% will be structured as a cash flow loan as required under the HUD priority debt. Excess cash flow will be structurally split as follows:

50%- Deferred Developer Fee
45%- Repayment of OED Loan
5%- Repayment of State of Colorado Loan

Borrower: Glenarm Residences LLC will assign the existing note and related loan to 2300 Welton LLC.

Amount: Existing principal of \$920,000 plus any and all accrued interest to date of execution to be capitalized into the new principal amount.

Interest Rate: Interest accrual based on a note rate of 7% through October 31, 2012 per the terms of the prior note. The interest rate will be reduced to 3% effective November 1, 2012 and continue accruing at 3% through full repayment of the loan.

Payments: Upon full execution of the amendment and until the placed in service date, interest shall accrue with payments deferred. Thereafter, principal, interest, and deferred interest shall be payable based on 90% of the 50% of “Surplus Cash Flow” as defined by the standard HUD Subordination Agreement and Surplus Cash Note allocated to repay soft debts until such time as the full balance of the note inclusive of all principal, interest, fees, or any other such cost as applicable under the loan agreement have been fully satisfied. Any unpaid balances due under the loan will become fully due and payable.

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Collateral: Junior Deed of Trust on the real property commonly known as 2300 Welton Street and 501 Park Avenue West.

Affordability: A covenant will be recorded and perfected by means of typical security documents securing performance for a total restriction of 223 units for a period of 20 years from placed in service. 212 units will be restricted at AMI levels not to exceed 60% and 11 units will be restricted at AMI levels not to exceed 30%

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