

## **BILL/ RESOLUTION REQUEST**

- 1. Title:** Approves an amendment to Loan Agreement changing terms and conditions for HGV Senior LP (GE9Y059-01).
- 2. Requesting Agency:** Office of Economic Development
- 3. Contact Person *with actual knowledge of proposed ordinance***
  - Name:**ReJean Peeples
  - Phone:**720.913.1545
  - Email:**rejean.peeples@denvergov.org
- 4. Contact Person *with actual knowledge of proposed ordinance 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.Homes@denvergov.org
- 5. Describe the proposed ordinance, including what the proposed ordinance is intended to accomplish, who's involved**
  - a. Scope of Work**

The original loan amount for Cottage Hill Senior Apts was \$495,000 and structured as a surplus cash note at 3%. This transaction has a HUD insured mortgage by the primary lender, Berkadia Commercial Mortgage. At the time, HUD required that all subordinated debt be structured as “surplus cash” note, meaning the City would receive a payment after all operating expenses and mortgage payments to the primary lender had been made. To date, the property has not demonstrated any surplus cash and has not made any payments on the City’s loan and principal and accrued interest totals \$633,601 now. With current mortgage rates being very low, the owners have decided to refinance the primary lender note in order to reduce the interest rate from 6.3% down to 4.30%. Under the primary lender refinancing, OED staff has taken the opportunity to restructure its debt in order to be able to collect regular payments. Under HUD regulations today, it is feasible for subordinate debt to be structured with regular payments as long as the project’s economics are feasible to support it and will not burden the project financially, ie: put the HUD insured loan at risk. HUD has some specific conditions that must be met. Therefore, the underwriting for this project has demonstrated that the following terms and conditions are feasible for the \$633,601 currently owed the City: a) \$93,500 at 1% with 40 year term; b) \$540,101 will remain as surplus cash note at 3% for 40 years.
  - b. Duration**

June 1, 2002 through June 1, 2042
  - c. Location**

3755 Tennyson Street

**d. Affected Council District**

#1 - Paula Sandavol

**e. Benefits**

affordable housing

**f. Costs**

none

**6. Is there any controversy surrounding this ordinance, groups or individuals who may have concerns about it? Please explain.**

No.

**Bill Request Number: BR10-0782**

**Date: 9/1/2010**