

ORDINANCE/RESOLUTION REQUEST

Date of Request: 8/19/2019

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 \$2,375,000 between Denver Office of Economic Development (OED) and the Housing Authority of the City and County of Denver (Denver Housing Authority) to support the construction of the Sun Valley Gateway North family-tenancy public housing development.

3. Requesting Agency: Denver Economic Development & Opportunity (DEDO) – in the process of renaming through Executive Order; the current legal name of the agency at this time is still Office of Economic Development (OED)

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. Sun Valley Gateway North will be a newly-constructed multifamily rental property located in Sun Valley. The property will provide 95 units of family housing, with 43 units covered by project-based Section 8 vouchers. The city's loan of \$2,375,000 is leveraging multiple other sources, including state, federal, and private-sector funds, to cover the total development budget of \$40,690,249. This development cost is able to subsidize the provision of at least 67 deeply-affordable units attainable to residents making less than 30% of the area median income, thus serving some of Denver's most vulnerable families.

6. City Attorney assigned to this request: Adam Hernandez

7. City Council District: District 3

Key Contract Terms

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

Vendor/Contractor Name: Housing Authority of the City and County of Denver

Contract control number: OEDEV-201951284

Location: West side of Decatur Street, between W. 10th and W. 9th avenues

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>
\$2,375,000	0	N/A

<i>Current Contract Term</i>	<i>Added Time</i>	<i>New Ending Date</i>
11/1/2019 – 11/1/2079	N/A	N/A

Scope of work:

Sources	Total	%
Permanent Loan	\$12,750,000	31.8%
LIHTC Equity - 4%	\$16,352,880	40.1%
Deferred Developer Fee	\$2,287,369	4.4%
DHA Sub Loan: CNI	\$2,500,000	6.9%
DHA Sub Loan: Program Funds	\$1,875,000	3.2%
DHA Sub Loan: State Funds	\$950,000	2.6%
DHA Sub Loan: City Funds	\$2,375,000	6.6%
DHA Sub Loan: FHLB AHP	\$1,600,000	4.4%
Total	\$40,690,249	100.0%

Uses	Total	%
Construction Contract	\$29,184,713	72.1%
Construction Costs - Non GC	\$1,658,823	5.0%
Materials Testing	\$98,764	0.4%
Bank Due Diligence Costs	\$15,000	0.0%
Other Construction Interim Costs	\$343,062	0.8%
Professional and Predevelopment Fees	\$1,370,388	3.7%
Other Permanent Financing Costs	\$397,000	1.5%
Soft Costs Tax Credit Eligible	\$71,829	0.2%
Soft Costs Tax Credit Ineligible	\$302,923	0.8%
Syndication Costs	\$11,172	0.0%
Construction Loan Eligible Interest	\$683,568	1.6%
Interest Expense Tax Credit Ineligible	\$998,863	1.9%
Developer Fee & Consultants Category for DHA	\$4,214,724	10.4%
Project Reserves/Other	\$534,000	1.4%
Total	\$40,690,249	100.0%

Was this contractor selected by competitive process? Yes, through a competitive application for 4% and State Low-Income Housing Tax Credits allocated by CHFA; also competitively underwritten for funding by OED

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

Source of funds: General 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? I-KOTA will be DHA's General Contractor for construction scope. I-KOTA is Colorado's largest affordable housing general contractor.

EXECUTIVE SUMMARY

Sun Valley Gateway North will be a newly-constructed multifamily rental property located in Sun Valley. The property will provide 95 units of family housing, with 43 units covered by project-based Section 8 vouchers. This property is part of Denver Housing Authority's Sun Valley Choice Neighborhoods Implementation (CNI) grant, which received a \$30 million development grant from HUD's signature housing development program. The City of Denver's investment in the property will contribute toward hard and soft costs relating to the construction. This phase of Sun Valley is a \$40 million project with funding from permanent debt, a 4% LIHTC award, a deferred developer fee, the HUD Choice Neighborhoods Implementation grant, the Colorado Division of Housing, the Federal Home Loan Bank, and finally, \$2,375,000 from the City of Denver.

Gateway North is a unique project as one of the first phases of the Sun Valley Choice Neighborhoods Implementation (CNI) grant, which is a nationally-significant public housing redevelopment. The former tenants represent some of the most vulnerable families of Denver. More than 90% of the current residents earn less than 30% of AMI. The Denver Housing Authority has provided these residents with relocation assistance as well as relocation preference to return to the new development once finished. This project is a strong example DEDO's efforts to meet goals outlined in *Housing an Inclusive Denver*, including the preservation of housing affordability, housing very-low income residents, and larger unit sizes appropriate for families.

The completed Gateway North phase will include 95 units comprised of 28 one-bedrooms, 36 two-bedrooms, 21 three-bedrooms, 7 four-bedrooms, and 3 five-bedrooms. Four-bedroom and five-bedroom units are extremely rare in subsidized housing. Conversely, all 95 units are set-aside for tax credit income levels between 30 and 60% of the area median income, while the 43 Section 8 vouchers on all units will ensure affordability for very-low income families regardless of the income set-aside on those units. There are no market-rate units in this phase.

The redevelopment of the property will be financed through a variety of sources. As previously noted, this project is part of HUD's Choice Neighborhoods Implementation (CNI) grant for Sun Valley, which was an award of \$30 million for all phases of the proposed Sun Valley EcoDistrict. This \$30 million must be leveraged with tax credit awards from CHFA, private debt, DHA's program loan funding, Colorado Division of Housing funds, Federal Home Loan Bank grants, as well as City of Denver funds. As this phase only comprises \$40,690,249 of the overall approx. \$240 million Sun Valley EcoDistrict plan, this phase's funding starts with \$2.5 million from the CNI award.

A 4% LIHTC award from CHFA will net \$16,652,880 in equity, which enables the leveraging of \$12,750,000 in private debt. DHA's is lending \$2,287,369 of their developer fee back into the project. The remaining funding gap will be filled through \$950,000 from Colorado Division of Housing (CDOH), \$1,875,000 from DHA's program funds loan, an Affordable Housing Program grant of \$1,600,000 from the Federal Home Loan Bank, and \$2,375,000 from the city. As this project serves very-low income tenancy, the city's funds will be structured as a performance loan that is forgiven after 60 years of programmatic performance. The anticipated sources and uses after refinancing are presented below:

Sources	Total	%
Permanent Loan	\$12,750,000	31.8%
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The terms of the City's proposed investment are detailed as follows:

- Principal amount of \$2,375,000, or \$25,000 per unit
- Interest rate of 0%
- Loan term of 40 years from execution of the Promissory Note
- Performance loan, with debt forgiven following compliance (performance)
- City affordability covenant of 60 years, or through 2079
- 19 units restricted at 30% of AMI, 12 units at 40% of AMI, 6 units at 50% of AMI, and 57 units restricted at 60% of AMI
- However, the 43 project-based vouchers ensure that the property will be affordable to very low-income residents. A total of 62 units will either be covered by vouchers or set-aside for 30% AMI residents.

