

BRIEFING Q&A: **Kappa Tower II**

What is this project? Kappa Tower II will be a new mid-rise senior apartment project in Stapleton’s Northfield phase, at the corner of Central Park Boulevard and Northfield Boulevard. The property will provide 70 units of age-restricted housing, including 51 one-bedrooms and 19 two-bedrooms. All 70 units will be income-restricted, with 7 units at 30% Area Median Income (AMI) rent levels, 18 units at 40% AMI, 27 units at 50% AMI, and 18 units at 60% AMI. There are no market-rate units. The unit mix is below:

PRODUCT MIX

Unit Type	30% AMI	40% AMI	50% AMI	60% AMI	Market
1BR/1BA	5	13	21	12	0
2BR/1BA	2	5	6	6	0
Total	7	18	27	18	0
% of Total	10.0%	25.7%	38.6%	25.7%	0.0%



What is notable and/or unique about this project? This project furthers the City’s goal of providing affordable housing in areas of opportunity. Pursuant to the Stapleton Development Agreement, FC Brookfield has donated the land for Kappa Tower II to meet their overall affordability requirement. Lastly, this project was awarded highly-competitive 9% tax credits by the Colorado Housing and Finance Authority (CHFA), which gives the City the highest rate of

leverage on our investment of \$10,000 per unit.

How will the project be financed? The \$17.8 million project is funded through \$11 million in equity generated by competitive 9% tax credits awarded by CHFA. Additionally, there is a \$4.4 million permanent mortgage from CHFA, a \$500,000 second mortgage from CHFA, \$700,000 apiece from the Colorado Division of Housing (CDOH) and City of Denver (this loan), and a \$450,000 deferred developer fee representing 24% of the total

developer fee. As CDOH’s funding is in the form of a grant, the City’s loan will be the sole junior loan to be repaid from cash flow. We are projecting repayment within 20 years.

The anticipated sources and uses after conversion to permanent financing are presented below:

**SOURCES AND USES
(Permanent)**

Sources	Total	%
HOST	\$700,000	3.93%
CDOH	\$700,000	3.93%
CHFA Healthy Housing Funds	\$500,000	2.81%
Perm loan	\$4,417,961	24.81%
LIHTC	\$11,041,372	62.00%
Deferred Dev Fee	\$450,000	2.53%
Total	\$17,809,333	100.0%

Uses	Total	%
Site Improvements	\$345,114	1.94%
Construction	\$12,885,022	72.35%
Professional Fees	\$747,409	4.20%
Reserves	\$240,000	1.35%
Finance/Syndication	\$1,462,304	8.21%
Soft Costs	\$279,484	1.57%
Developer Fee	\$1,850,000	10.39%
Total	\$17,809,333	100.0%

How will the City’s funds be structured? How will the City’s funds be used? The terms of the City’s proposed investment are detailed as follows:

- Principal amount of \$700,000, or \$10,000 per unit
- Simple interest rate of 1%
- Term of 60 years from execution of the Promissory Note
- Cash-flow loan, to be repaid from project income after hard-pay obligations
- City covenant of 60 years, or through 2080
- 7 units at 30% Area Median Income (AMI) rent levels, 18 units at 40% AMI, 27 units at 50% AMI, and 18 units at 60% AMI

The City’s funding will be disbursed upon reimbursement of soft costs (professional fees, etc.) and hard costs (construction).

How will the City’s proposed investment contribute toward the goals established by the Comprehensive Housing Plan? This project achieves the *Housing an Inclusive Denver* plan goal of creating affordable housing units in areas of opportunity. Additionally, there are seven (7) units with rents restricted at 30% AMI which is considered to be deeply-affordable. This level of affordability is the highest unmet need in the City.