

# OED ORDINANCE/RESOLUTION REQUEST

Please mark one: ☐ Bill Request or ☒ Resolution Request Date of Request: 12/17/18

## 1. Type of Request:

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

## 2. Title:

Amends a \$560,000 loan to Colorado Community Land Trust, dba Colorado Community Land Trust-Denver LLC, to support the construction of 14 units of income-restricted housing at Boulevard One, an affordable housing development to be located at 6828-6880 E. Archer Place in Lowry, with the amendment adding \$140,000 to the loan and bringing the city's total funding to \$700,000, provided in response to increased construction costs associated with the project.

## 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: <b>Haley Jordahl</b> 720-913-1707	Name: <b>Susan Liehe</b> 720-913-1689
Email: <b>haley.jordahl@denvergov.org</b>	Email: <b>susan.liehe@denvergov.org</b>

## 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):

Julie Mecklenburg

## 7. City Council District: 5

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

*To be completed by Mayor's Legislative Team:*

Resolution/Bill Number: RR18 1520

Date Entered: \_\_\_\_\_

## Key Contract Terms

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

Vendor/Contractor Name: Colorado Community Land Trust-Denver LLC

Contract control number: OEDEV-201736366-01

Location: 6828-6880 E. Archer Place, Denver, CO

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):

2/1/2019 – 2/1/2118

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>
\$560,000	\$140,000	\$700,000

  

<i>Current Contract Term</i>	<i>Added Time</i>	<i>New Ending Date</i>
2/1/2019 – 2/1/2118		

Scope of work:

See Executive Summary.

Was this contractor selected by competitive process? Yes (competitively underwritten for funding by OED)

If not, why not?

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

Source of funds: Metro Mortgage Assistance Plus

Is this contract subject to: ☐ W/MBE ☐ DBE ☐ SBE ☐ XO101 ☐ ACDBE ☐ N/A

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**WBE/MBE/DBE commitments (construction, design, DEN concession contracts):**

N/A; however, the development is subject to Davis-Bacon wage regulations.

**Who are the subcontractors to this contract?**

N/A

**EXECUTIVE SUMMARY**

The Colorado Community Land Trust (CCLT) is proposing to develop 14 for-sale townhomes to be located at 6828-6880 E. Archer Place in the Lowry neighborhood of Denver. Under the agreement between the Lowry Redevelopment Authority (LRA) and the City of Denver, the LRA is obligated to develop 200 units of affordable for-sale housing in Lowry. The fourteen units to be developed through this proposal will complete that obligation. The city's performance loan will leverage \$1.9 million in private debt, \$280,000 from the Colorado Division of Housing, \$420,000 from the Lowry Redevelopment Authority, and \$359,500 in sales proceeds from the homes. The City's performance loan will be secured by a 99-year deed of trust on the land underlying the townhomes, creating a unique reinforcement of the affordability mechanisms upheld by the land trust model.

The proposed amendment will increase the City's funding support for Boulevard One Townhomes from \$560,000 to \$700,000. CCLT originally anticipated closing on Boulevard One Townhomes and starting construction in the spring of 2018. However, the project's development timeline was delayed to accommodate a few changes in its design. Over the course of the delayed timeline, the project saw construction cost increases of approximately \$449,115. These construction cost increases are commensurate with what is currently taking place in the affordable housing development market; many development firms have seen substantial construction cost increases over the past year. To reduce the impact of construction costs, CCLT value engineered its project, reduced its developer and construction management fees as a percentage of total cost, and increase its sales prices by \$7,000 to \$9,000 per unit. To alleviate the development financing gap, CCLT requested an increase in funding of \$10,000 per unit, or \$140,000.

Following this amendment, the city's per-unit investment will be \$50,000. This is above OED's current term sheet limits, although this investment will accomplish policy goals of supporting perpetual affordability in Denver. In general, OED may revise its per-unit thresholds to better reflect rising construction costs.

Boulevard One will provide six two-bedroom homes and eight three-bedroom homes, and are intended to serve as family housing in the Lowry neighborhood. The land on which the townhomes will be developed will be granted to CCLT from the Lowry Redevelopment Authority. Under the agreement between CCLT and the LRA authorizing the transfer of land for development of the townhomes, it is stipulated that homes must be sold to buyers earning between 70% and 100% AMI, but no more than 100%. The two-bedroom townhomes will be priced at \$159,000 and the three-bedroom homes will be priced at \$179,000.

The homes will be sold under the community land trust model, meaning that CCLT will continue to own the land underlying the townhomes, and will lease it to homeowners for an annual fee. The townhomes will be sold to homeowners; if owners choose to resell the property, the townhomes can be sold at a maximum resale value stipulated in the land lease. The maximum resale value ensures that properties will remain affordable in the long-term.

The City is proposing to provide a \$700,000 performance loan to Colorado Community Land Trust to finance the construction of 14 units of permanently affordable townhomes in the Lowry neighborhood of Denver. The development will include six two-bedroom units and eight three-bedroom units. In addition to City funds, the borrower will leverage private debt, a grant from the Colorado Division of Housing, a grant from the Lowry Redevelopment Authority, and

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*To be completed by Mayor's Legislative Team:*

proceeds from sales of the homes to complete the project. OED's deed of trust on the property will last for 99 years, in order to coincide with the 99-year land lease entered into by homeowners of the properties.

In summary, Boulevard One Townhomes is a project that will create 14 units of housing that is affordable to low and moderate-income residents in perpetuity. The developer has taken additional steps to ensure that its for-sale housing is as deeply affordable as possible; because of this, the townhomes will be affordable to residents earning approximately 70% AMI.

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