

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 \$580,000 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 South 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 South will be a newly-constructed multifamily rental property located in Sun Valley. The property will provide 92 units of housing, with 27 units covered by an Annual Contributions Contract (ACC) restriction. The ACC program requires “break-even” rents of approximately \$450 on all units, regardless of bedroom size, of which tenants pay only 30% of their income. This level of deep affordability without subsidy requires the inclusion of 34 market-rate units. The city’s loan of \$580,000 is leveraging multiple other sources, including state, federal, and private-sector funds, to cover the total development budget of \$28,549,536.

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-201951285

Location: East 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</i> (A)	<i>Additional Funds</i> (B)	<i>Total Contract Amount</i> (A+B)
\$580,000	0	\$580,000

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

Scope of work:

Sources	Total	%
Permanent Loan	\$ 6,380,000	19.6%
LIHTC Equity - 4%	\$ 13,701,130	42.1%
Deferred Developer Fee	\$ 749,188	2.3%
DHA Sub Loan: CNI	\$ 2,684,000	8.3%
DHA Sub Loan: Program Funds	\$ 7,100,000	21.8%
DHA Sub Loan: State Funds	\$ 580,000	1.8%
DHA Sub Loan: City Funds	\$ 580,000	1.8%
DHA Sub Loan: CDBG	\$ 750,000	2.3%
Total	\$ 32,524,318	100.0%

Uses	Total	%
Prepaid Ground Lease	\$ 527,772	1.8%
On-site/off-site work	\$ -	
Construction Contract	\$ 23,582,474	72.5%
Constuction Costs - Non GC	\$ 1,362,097	4.2%
Materials Testing	\$ 78,469	0.2%
Bank Due Diligence Costs	\$ 15,000	0.0%
Other Construction Interim Costs	\$ 271,340	0.8%
Professional and Predevelopment Fees	\$ 1,201,949	3.7%
Other Permanent Financing Costs	\$ 308,275	0.9%
Soft Costs Tax Credit Eligible	\$ 79,171	0.2%
Soft Costs Tax Credit Ineligible	\$ 247,810	0.8%
Syndication Costs	\$ 8,828	0.0%
Constuction Loan Eligible Interest	\$ 513,490	1.6%
Interest Expense Tax Credit Ineligible	\$ 612,643	1.9%
Developer Fee Category for DHA	\$ 3,360,000	10.3%
Developer Fee Category for Consultants/Other	\$ -	
Project Reserves/Other	\$ 355,000	1.1%
Total	\$ 32,524,318	100.0%

Was this contractor selected by competitive process? Yes (competitive application for 4% and State Low-Income Housing Tax Credits allocated by CHFA; 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 South will be a newly-constructed multifamily rental property located in Sun Valley. The property will provide 92 units of family housing, with 58 units carrying affordability restrictions, of those 27 a part of the Annual Contributions Contract (ACC) program. The ACC program requires that all of these units, regardless of bedroom count, carry a "break-even" rent of \$450 of which tenants will pay only 30% of their income. This deep level of affordability without subsidy requires the inclusion of market-rate units to cross-subsidize development costs and operating expenses.

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 \$32.5 million project with funding from permanent debt, 4% LIHTC award, deferred developer fee, HUD's Choice Neighborhoods Implementation grant, Colorado Division of Housing, Federal Home Loan Bank, Community Development Block Grants, and lastly \$580,000 from the City of Denver.

The completed Gateway South phase will include 92 units comprised of 47 one-bedrooms and 45 two-bedrooms. As previously mentioned, there will be 34 market-rate units. The AMI restrictions on the unit mix entail 12 units at 30% of AMI, 12 units at 40% of AMI, 19 units at 50% of AMI, and 15 units at 60% of AMI. However, the 27 ACC units are evenly layered across all AMI levels. When the ACC units are combined with the other 30% and 40% units, a total of 30 units will be affordable to households making less than 40% of the AMI.

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 \$32.5 million of the overall approx. \$240 million Sun Valley EcoDistrict plan, this phase's funding starts with \$2,684,000 from the CNI award.

A 4% LIHTC award from CHFA will net \$13,701,130 in equity, which enables the leveraging of \$6,380,000 in private debt. This phase is unable to carry as much debt as the Gateway North phase due to the very low rental income from the ACC units. DHA is lending \$749,188 of their developer fee back into the project. The remaining funding gap will be filled through \$580,000 from Colorado Division of Housing (CDOH), \$7,100,000 from DHA's program funds, \$750,000 in Community Development Block Grants, and \$580,000 from the City of Denver. 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, while the city covenant will also last 60 years. The variety of funding sources in this project demonstrates the deep commitment to the overall Sun Valley EcoDistrict across the affordable housing spectrum. The anticipated sources and uses after refinancing are presented below:

