

BILL/ RESOLUTION REQUEST

1. Title: Approves an Amendment to Chamber Apartments LP HOME Loan Agreement to reflect restructured terms of contract (GE8Y064).

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.holmes@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 Chamber Apts was \$475,000 and structured as a surplus cash note at 5.5%. This transaction has a HUD insured mortgage by the primary lender, Dougherty Mortgage. At the time of the original note, HUD required that all subordinated debt be structured as a "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 \$548,997 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 down to approximately 5.0%. Given 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 via a default. 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 \$548,997 currently owed the City: a) \$248,500 at 1% with 40 year term; b) \$300,497 will remain as surplus cash note at 3% for 40 years.

b. Duration

12/31/2050

c. Location

1726 Champa Street

d. Affected Council District

#8 - Carla Madison

e. Benefits

affordable housing in central downtown

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: BR10-0879

Date: 9/28/2010