

ORDINANCE/RESOLUTION REQUEST

**Please email requests to the Mayor’s Legislative Team
at MileHighOrdinance@DenverGov.org by NOON on Tuesday.**

**All fields must be completed.*
Incomplete request forms will be returned to sender which may cause a delay in processing.*

Date of Request: September 17, 2010

Please mark one: **Bill Request** or **Resolution Request**

1. Has your agency submitted this request in the last 12 months?

Yes **No**

If yes, please explain:

2. Title: *(Include a concise, one sentence description - include name of company or contractor and contract control number - that clearly indicates the type of request: grant acceptance, contract execution, amendment, municipal code change, supplemental request, etc.)*

The City and County of Denver is seeking to modify the terms of a \$1,860,434.00 Denver Urban Development Action Grant (UDAG) Loan to Denver Building Housing Ltd (DBH), contract control number GE29015-3.

3. Requesting Agency: Office of Economic Development

4. Contact Person: *(with actual knowledge of proposed ordinance)*

- **Name:** Bryan Slekes
- **Phone:** 720-913-1629
- **Email:** bryan.slekes@denvergov.org

5. 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:** Jeff Romine
- **Phone:** 720-913-1526
- **Email:** jeff.romine@denvergov.org

6. General description of proposed ordinance including contract scope of work if applicable:

The subject property is located 700 16th Street, Denver, CO 80202 (The Denver Dry Goods Building). Council district 8

Below is a detailed description of the subject loan and other debt obligations related to this project:

City of Denver Urban Development Action Grant Loan

- The UDAG was received by the City of Denver’s Office of Economic Development in March 1989 and there is no repayment obligation to HUD.
- Original principal amount was \$1,715,790.00 as evidenced by a Development and Loan Agreement dated December 4, 1992 and a Promissory Note dated December 14, 1992.
- Pursuant to the Amendment and Modification Agreement dated December 18, 1995 the principal amount was increased to \$1,860,434.00.
- Proceeds of this loan were utilized in the redevelopment of the Denver Dry Goods Building to create low and moderate income housing and office space therein
- The loan is secured by a second deed of trust on floors 3 through 6 of the 15th Street side of the Denver Dry Goods Building
- Pursuant to the Second Amendment and Modification Agreement dated July 23, 2003 the then outstanding accrued interest was added to the outstanding principal balance resulting in a revised loan balance of \$3,123,312.00. Furthermore, payments were

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deferred through December 31, 2009 and interest accruing on the revised loan balance during this period was to be added to the principal balance. Payments are scheduled to begin January 1, 2010 and mature on January 1, 2049.

- When repayment began in January 2010, the principal balance with accrued interest was \$4,686,037.63 and annual debt service will equal approximately \$372,000.00.

Colorado Housing and Finance Authority (CHFA) Loan

- Original principal amount was \$3,043,000.00 as evidenced by a Promissory Note dated December 30, 1994.
- Principal and interest payments at 9.75% are due in monthly installments of \$25,580.00 through December 2029.
- Loan is secured by a first deed of trust and an assignment of tenant rents.
- As of December 31, 2008 the outstanding principal balance was \$2,741,824.00.
- DBH recently refinanced this CHFA loan with the Bank of Denver, and the current outstanding balance is \$2,831,015.77

DURA Loans

- Three notes with a total principal balance of approximately \$3.2M.
- All loans are secured by a third deed of trust on the subject property.

Proposed UDAG Modification

The proposed modified repayment terms and conditions for the UDAG loan are as followed:

- The current balance of the City’s loan will be adjusted to \$3,237,815 as of a date January 1, 2010
- The loan modification will require an annual interest payment of 1% (APR), and no payment toward retiring the principal. \$32,378.15 is due and payable on December 1st of each year.
- The principal will be deferred to and forgiven on December 31, 2049
- The City will retain a 50% interest in building proceeds (if sold during the term of the contract), and will maintain a 50% interest in the building proceeds after the loan has terminated.
- The City supports a continued reinvestment in the property. Toward this goal, funds received through refinancing activities undertaken to reinvest in specified property improvements will not be included as building proceeds. OED, along with DURA, would anticipate a request for subordination of existing debt to facilitate this property reinvestment, and would follow normal policies for consideration of the subordination request.
- The affordability period, for the 39 units, shall be extended through 2049 at the same level AMI affordability, based on size of units.

Please include the following:

- a. **Duration:** 40 years
- b. **Location:** 700 16th Street, Denver, CO 80202 (The Denver Dry Goods Building)
- c. **Affected Council District:** 8
- d. **Benefits:** Rental affordability
- e. **Costs:** \$3,237,815 (modification of loan terms - NO NEW MONEY)

7. Is there any controversy surrounding this ordinance? (groups or individuals who may have concerns about it?) **Please explain.**

NO

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