

ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor's Legislative Team
at MileHighOrdinance@DenverGov.org by **3:00pm on Monday**.

****All fields must be completed.****

Incomplete request forms will be returned to sender which may cause a delay in processing.

Date of Request: November 8, 2011

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: Loan amendment to modify repayment terms and conditions for the federally funded CDBG loan (Contract Control No. GE6A010-3) to St. Charles Town Company Theater, LLC ("SCTCT").

3. Requesting Agency: Office of Economic Development

4. Contact Person: *(With actual knowledge of proposed ordinance/resolution.)*

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

5. Contact Person: *(With actual knowledge of proposed ordinance/resolution 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

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

OED is requesting the following amendments to an existing contract with St. Charles Town Company Theater, LLC (Lowenstein Development) (Please see attached Executive Summary):

1. Effective November 1, 2011, principal and interest payments due under the loan shall be suspended until the senior TIF loan is fully repaid. Interest will continue to accrue at a rate of 3% during this deferral period. Balance of senior TIF loan is approximately \$1.5M and is projected to be fully retired mid-2014.
2. All TIF reimbursements available under the Redevelopment Agreement between SCTCT and DURA shall be collaterally assigned to Lowenstein TIF LLC (buyer of US Bank TIF note) until repaid. Subsequently, all available TIF reimbursements shall be collaterally assigned to OED until the TIF repayment period ends, and reimbursements will be paid directly from DURA to OED. Furthermore, until senior debt is fully retired, a monthly accounting acceptable to OED of said TIF reimbursements and outstanding balance of the senior TIF debt shall be provided to OED. OED shall execute a subordination agreement to this effect in favor of Lowenstein TIF LLC.
3. OED shall release Mr. Charles H. Woolley, II as personal guarantor.
4. OED shall execute a full release of deed of trust encumbering the property known as the Equitable Building, Unit 2D, which was originally used as a secondary source of collateralization.
5. SCTCT shall be granted a buy-out option in the amount of \$1,507,723 at any time with OED having a first right of refusal.
6. OED shall be granted a participating interest in the net proceeds from the sale of the property less all senior debt payoff and reasonable commissions and closing costs. The maximum repayment obligation shall not exceed \$860,000.
7. Upon the expiration of OED TIF reimbursements AND sale of the property, OED shall agree to forgive any remaining outstanding balance of the loan.

*****Please complete the following fields: (Incomplete fields may result in a delay in processing. If a field is not applicable, please enter N/A for that field.)***

To be completed by Mayor's Legislative Team:

SIRE Tracking Number: _____

Date Entered: _____

- a. **Contract Control Number:** GE6A010-3
- b. **Duration:** Based on various factors as detailed in Executive Summary
- c. **Location:** 2526 E. Colfax Avenue, Denver, Colorado
- d. **Affected Council District:** 10
- e. **Benefits:** Job creation, redevelopment of blighted property
- f. **Costs:** \$2.4M

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

N/A

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Executive Summary: St. Charles Town Company Theater, LLC (“SCTCT”) Amendment & Modification

SCTCT has formally requested a modification to the \$2.4M Neighborhood Business Revitalization (“NBR”) loan held by the City (“OED”). As of October 14, 2011 all stakeholders have conditionally agreed to a global settlement that would recapitalize the project and avoid financial disaster at Lowenstein.

Background

On April 18, 2006 OED and SCTCT entered into a loan agreement in the amount of \$2.4M. The total project costs to redevelop the existing theater building, construct the new retail building, parking structure, common space and various soft costs totaled approximately \$15,688,540. OED also issued four (4) \$475,000 loans to assist in the acquisition of the property. Other sources included: Tax Incremental Financing (“TIF”) issued by Denver Urban Renewal Authority (“DURA”), US Bank permanent financing and a TIF reimbursement loan, historic tax credits, developer equity and deferred developer fees. Initial underwriting assumed debt would be serviced by base rents, percentage rents and property and sales tax revenue reimbursements authorized under the Redevelopment Agreement between DURA and SCTCT.

Major financial problems persist with the project and have hindered its inability to service all debt. US Bank has agreed to a global solution, which would sell its Lowenstein Development debt portfolio at a discount. In order to realize this sale and ensure the long-term success of the Lowenstein Development, the borrower has formally requested a modification to the subject OED Loan.

Lowenstein Development OED Loan Details (as of Oct. 18, 2011)

St. Charles Town Company LLC

Loan amount: \$2.4M
Current balance: \$2,222,169.93
Rate: 3%
Monthly P&I: \$18,598.10
Maturity date: 6/1/2021
Notes: 9 months in default (\$168,576.42)*

****This default will be cured as part of the modification terms below***

Loan amount: \$475,000
Current balance: \$376,432.76
Rate: 3%
Monthly P&I: \$2,634
Maturity date: 6/1/2015
Notes: Current w/ excellent repayment history

Charles H. Woolley II

Loan amount: \$475,000
Current balance: \$376,432.76
Rate: 3%
Monthly P&I: \$2,634
Maturity date: 6/1/2015

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Notes: Current w/ excellent repayment history

Twist & Shout/Hail Fredonia

Loan amount: \$475,000
Current balance: \$384,372.21
Rate: 3%
Monthly P&I: \$2,634
Maturity date: 6/1/2015

Notes: Current w/ excellent repayment history

Tattered Cover

(Loan was assumed by N. Flix)

Original loan amount: \$475,000
Principal paid prior to assumption: \$29,109
Interest collected prior to assumption: \$23,577
Loan amount assumed by N. Flix: \$445,891

Neighborhood Flix

(Loan was charged off)

Principal amount charged off: (\$445,891)
Tattered Cover interest rec'd: \$23,577
Melodie Gaul personal loan: \$10,000 rec'd (total due to release home \$10K)
J. Smith/M. Dorant personal loan: \$6,000 rec'd (total due to release home \$10K)
Total net loss from deal to date: (\$406,314)

***NOTE: Does NOT include City loss from Seedco transaction (approx. \$407,000)

Total net loss incl. Seedco: (\$813,314)

Exposure/Recap

Total original principal: \$4.3M
Total outstanding debt: \$3,363,407

Program/Public benefits:

Total jobs req'd per contracts: 104

St. Charles \$2.4M: 50
St. Charles \$475K: 10
C. Woolley: 10
Tattered Cover: 10
Twist & Shout: 10
N. Flix: 10

Total jobs created/rec'd: 114

St. Charles \$2.4M: 50
St. Charles \$475K: 14
C. Woolley: 14
Tattered Cover: 10
Twist & Shout: 10
N. Flix: 16

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Modification Terms:

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