

DEDO ORDINANCE/RESOLUTION REQUEST

Date of Request: 10/21/19

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:** Modifies a loan agreement originally executed for \$1,000,000 between Denver Economic Development & Opportunity (DEDO) and NEWSED Community Development Corporation, allowing NEWSED to defer 12 monthly loan payments on its commercial condo property at 901 W. 10th Avenue.

3. **Requesting Agency:** Denver Economic Development & Opportunity (DEDO)

4. Contact Person:

Contact person with knowledge of proposed ordinance/resolution	Contact person to present item at Mayor-Council and Council
Name: Rick Snyder 720-913-1631	Name: Susan Liehe 720-913-1689
Email: rick.snyder@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.**
See Executive Summary

6. **City Attorney assigned to this request (if applicable):** Brian Martin

7. **City Council District:** 3

Key Contract Terms

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

Vendor/Contractor Name: NEWSED Community Development Corporation

Contract control number: GE2Y004-07

Location: 910 W. 10TH Avenue, Denver

Is this a new contract? Yes No Is this an Amendment? Yes No If yes, how many? 6

Was this contractor selected by competitive process? N/A

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? N/A

EXECUTIVE SUMMARY

This resolution and loan amendment pertains to the commercial portion of a NEWSED-owned, mixed-use property at 901 West 10th Avenue known as the Villa De Barela (VDB). The ground floor is retail/commercial space and the upper floors are affordable housing.

In 1993, DEDO originally financed a \$1,000,000 loan to develop the commercial portion of the property. The three-acre site was successfully developed into 10,000 SF of commercial/retail space and 38 units of affordable housing. The initial terms of the city's commercial loan were 10 years, 3% interest, and a monthly P&I of \$4,216.

Six subsequent amendments to the commercial loan have deferred payments on a short-term basis, adjusted the P&I payments and the interest rate, and exchanged deeds of trust and encumbrances.

In 2017, at the time of the sixth loan amendment, the commercial condo was appraised with a broker's opinion valuing it at \$2 million. Today the value of the commercial portion of the property is estimated to be \$2,155,500.

NEWSED has now requested that DEDO defer VDB/NEWSED's monthly loan payments for 12 months due to the loss of its largest commercial tenant, Interstate Kitchen & Bar, which closed its operations in May 2019. Interstate's monthly rent was \$8,969. Only one tenant remains, Salon Eighty-Five, paying \$2,061 monthly. This monthly income is insufficient for NEWSED to cover its debt payments on the commercial condo, including a first mortgage obligation to First Bank (monthly payment is \$3,089; principal loan balance is \$547,187) and DEDO's loan (monthly payment is \$5,000). Cushman & Wakefield has been secured to find a replacement tenant(s).

DEDO equity in this commercial portion is currently estimated to be \$1.608 million, which is more than enough to cover DEDO's outstanding loan balance of \$863,562.