

# Montbello FreshLo Hub

RR22-1557



Safety, Housing, Education, & Homelessness Committee

November 30, 2022

Adam Lyons, Lead Housing Development Officer

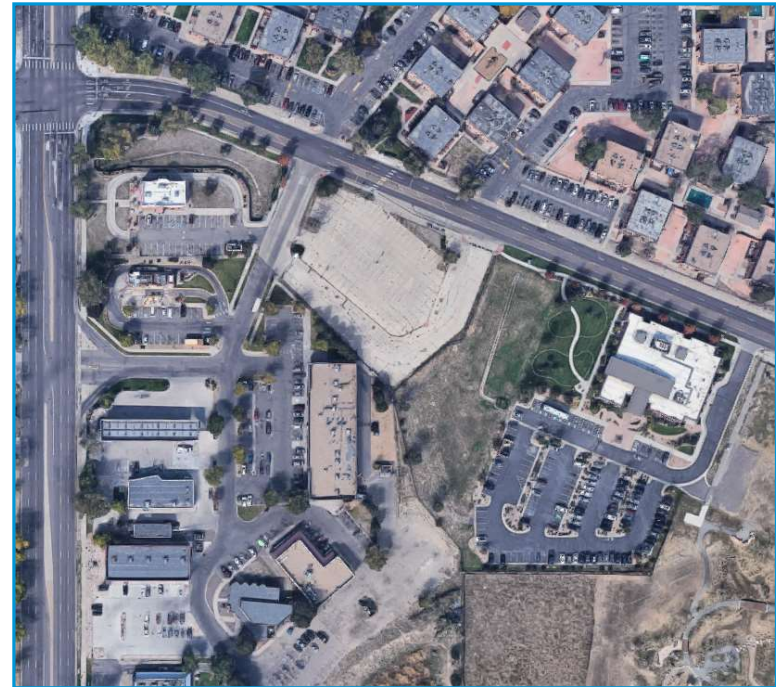
Department of Housing Stability



**DENVER**  
HOUSING STABILITY

## Montbello FreshLo Hub

- Montbello Organizing Committee (MOC), in partnership with Flo Development Services, will provide 97 units of housing for households earning between 30% and 70% AMI
- Located at 12444 E Albrook Drive in the Montbello neighborhood
- Six-story building will include:
  - 97 units including 49 1BR, 33 2BR units, and 15 3BR units
  - 7% the units affordable at or below 30% of AMI
  - 25% the units affordable at or below 50% of AMI
- The ground floor will consist of community service facility space for WellPower, office space for MOC, and other community-serving spaces.



## Montbello FreshLo Hub

Covenant Term	60 years from closing
Funding Source	Affordable Housing Fund: Linkage Fee
Contract Amount	\$3,300,000

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## Scope of Work

- The project received a 4% + state LIHTC allocation in 2020
- HOST is recommending a \$3,300,000 cash flow loan for gap financing development of the site.
- A 60-year rental and occupancy covenant will be placed on the site
- Estimated 18-month construction period, units should begin leasing in Summer of 2024

## Project Details– 4% + State LIHTC

Sources	Total	%
Permanent Mortgage	\$11,670,000	23.7%
CHFA Second Mortgage	\$800,000	1.6%
Federal LIHTC Equity (4%)	\$20,013,566	40.6%
State LIHTC Equity	\$3,465,556	7%
HOST Loan	\$3,300,000	6.7%
DOH Loan	\$3,300,000	6.7%
Deferred Developer Fee	\$759,232	1.5%
Energy Credit Equity	\$106,592	0.2%
CMF Grant	\$150,000	0.3%
Seller Carryback	\$700,000	1.4%
OEDIT ARPA Grant	\$5,000,000	10.1%
<b>Total</b>	<b>\$49,265,046</b>	<b>100.0%</b>

- In addition to City funds, borrower will leverage private debt, LIHTC equity, state Division of Housing funds, seller carryback, deferred developer fee, energy credits, and grant funds.
- Overall total development cost is \$49.265M, or \$494,485 per unit without land cost
- City intends to use a portion of its Private Activity Bond capacity for the project. This item is on the Consent Agenda of the Finance and Governance Committee on 11/29/2022.

# PAB Financing

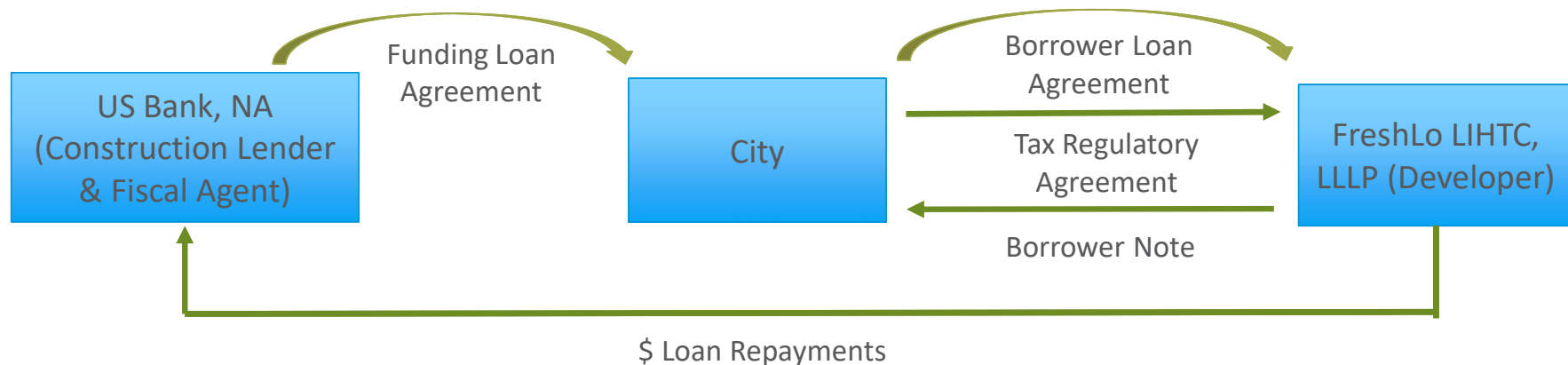
## City intends to use a portion of its PAB capacity for the project

- PAB is a tax-exempt borrowing tool for a privately-owned project which meets a qualified public purpose – in this case long-term affordable rental housing.
  - Interest paid on the PABs is exempt from federal taxation, thus lowering the interest rate and costs for the project.
  - If a multi-family project is awarded 4% Low Income Housing Tax Credits (LIHTCs), the IRS requires at least 50% of the project costs to be financed with PABs.
  - The amount of PABs that can be issued in a state is limited under federal law based on the state's population; the issuer must therefor allocate a portion of the limited PAB capacity to the financing.
- The City will issue \$25.67 million of the City and County of Denver, Colorado Multifamily Housing Revenue Note (Montbello FreshLo Hub Project) Series 2023A, and \$7.33 million of the City and County of Denver, Colorado Multifamily Housing Taxable Revenue Note (Montbello FreshLo Hub Project) Series 2023B (the “Notes”).
- The Notes are a special limited obligation of the City payable solely from the revenues and other funds pledged from the Montbello project. The Notes are not a debt or multiple fiscal-year obligation of the City. The City is not financially liable to the note purchaser.

# PAB Financing

**Montbello FreshLo and its affiliates will use up to \$25,670,000 of PAB capacity from the City and County of Denver to support the construction financing.**

- The City will use PAB capacity and issue multifamily notes, to US Bank, N.A., the construction lender, under the Funding Loan Agreement
  - US Bank, N.A. will provide up to \$33,000,000 of Note proceeds to the City.
- The City will use the Note proceeds to make a loan under the Borrower Loan Agreement to FreshLo LIHTC, LLLP.
- The \$33,000,000 loan proceeds will be disbursed to FreshLo LIHTC, LLLP on a draw down basis.



## RR22-1557 Summary

- Provides a \$3,300,000 loan to Montbello FreshLo, LLC to develop a total of 97 units
- Cash Flow loan, 18.5-year term
- All units affordable to households earning between 30% and 70% AMI
- City covenant recorded on the property for 60 years

## Action Requested Today

Approval of 22-1557: loan agreement with Montbello FreshLo, LLC for \$3,300,000 and 18 years and six months to provide funding for a new affordable housing development, located at 12444 East Albrook Drive in Council District 8 (HOST-202264852).



# Questions?

Thank You!