



Legislation Text

File #: 18-1520, Version: 1

Contract Request Template (Contracts; IGAs; Leases)

Date Submitted: 12-18-18

Requesting Agency: Office of Economic Development
Division:

Subject Matter Expert Name:

Name: Susan Liehe 720-913-1689
Email: susan.liehe@denvergov.org

Item Title & Description:

(Do not delete the following instructions)

*These appear on the Council meeting agenda. Initially, the requesting agency will enter a 2-3 sentence description. Upon bill filling, the City Attorney's Office should enter the title above the description (the title should be in **bold** font).*

*Both the title and description must be entered between the red "title" and "body" below. Do **not** at any time delete the red "title" or "body" markers from this template.*

A resolution approving a proposed Amendatory Agreement between the City and County of Denver and Colorado Community Land Trust-Denver LLC to increase funds to support the construction of 14 units of affordable for-sale townhomes located at 6828-6880 Archer Place in Lowry.

Amends a loan agreement with Colorado Community Land Trust by adding \$140,000 for a new total of \$700,000 due to increased construction costs for the construction of 14 units of permanently affordable for-sale townhomes located at 6828-6880 East Archer Place in Council District 5. No change to agreement duration (OEDEV-201736366-01). The last regularly scheduled Council meeting within the 30-day review period is on 1-28-19. The Committee approved filing this item at its meeting on 12-26-18.

Affected Council District(s) or citywide? CD 55

Contract Control Number: OEDEV-201736366-01

Vendor/Contractor Name (including any "DBA"): Colorado Community Land Trust

Type and Scope of services to be performed:

The Colorado Community Land Trust (CCLT) is proposing to develop 14 for-sale townhomes to be located at 6828-6880 E. Archer Place in the Lowry neighborhood of Denver. Under the agreement between the Lowry Redevelopment Authority (LRA) and the City of Denver, the LRA is obligated to develop 200 units of affordable for-sale housing in Lowry. The fourteen units to be developed through this proposal will complete that obligation. The city's performance loan will leverage \$1.9 million in private debt, \$280,000 from the Colorado Division of Housing, \$420,000 from the Lowry Redevelopment Authority, and \$359,500 in sales proceeds from the homes. The City's performance loan will be secured by a 99-year deed of trust on the land underlying the townhomes, creating a unique reinforcement of the affordability mechanisms upheld by the land trust model.

The proposed amendment will increase the City's funding support for Boulevard One Townhomes from \$560,000 to \$700,000. CCLT originally anticipated closing on Boulevard One Townhomes and starting construction in the spring of 2018. However, the project's development timeline was delayed to accommodate a few changes in its design. Over the course of the delayed timeline, the project saw construction cost increases of approximately \$449,115. These construction cost increases are commensurate with what is currently taking place in the affordable housing development market; many development firms have seen substantial construction cost increases over the past year. To reduce the impact of construction costs, CCLT value engineered its project, reduced its developer and construction management fees as a percentage of total cost, and increase its sales prices by \$7,000 to \$9,000 per unit. To alleviate the development financing gap, CCLT requested an increase in funding of \$10,000 per unit, or \$140,000.

Following this amendment, the city's per-unit investment will be \$50,000. This is above OED's current term sheet limits, although this investment will accomplish policy goals of supporting perpetual affordability in Denver. In general, OED may revise its per-unit thresholds to better reflect rising construction costs.

Boulevard One will provide six two-bedroom homes and eight three-bedroom homes, and are intended to serve as family housing in the Lowry neighborhood. The land on which the townhomes will be developed will be granted to CCLT from the Lowry Redevelopment Authority. Under the agreement between CCLT and the LRA authorizing the transfer of land for development of the townhomes, it is stipulated that homes must be sold to buyers earning between 70% and 100% AMI, but no more than 100%. The two-bedroom townhomes will be priced at \$159,000 and the three-bedroom homes will be priced at \$179,000.

The homes will be sold under the community land trust model, meaning that CCLT will continue to own the land underlying the townhomes, and will lease it to homeowners for an annual fee. The townhomes will be sold to homeowners; if owners choose to resell the property, the townhomes can be sold at a maximum resale value stipulated in the land lease. The maximum resale value ensures that properties will remain affordable in the long-term.

The City is proposing to provide a \$700,000 performance loan to Colorado Community Land Trust to finance the construction of 14 units of permanently affordable townhomes in the Lowry neighborhood of Denver. The development will include six two-bedroom units and eight three-bedroom units. In addition to City funds, the borrower will leverage private debt, a grant from the Colorado Division of Housing, a grant from the Lowry Redevelopment Authority, and proceeds from sales of the homes to complete the project. OED's deed of trust on the property

will last for 99 years, in order to coincide with the 99-year land lease entered into by homeowners of the properties.

In summary, Boulevard One Townhomes is a project that will create 14 units of housing that is affordable to low and moderate-income residents in perpetuity. The developer has taken additional steps to ensure that its for-sale housing is as deeply affordable as possible; because of this, the townhomes will be affordable to residents earning approximately 70% AMI.

Location (if applicable):

WBE/MBE/DBE goals that were applied, if applicable (construction, design, Airport concession contracts):

Are WBE/MBE/DBE goals met (if applicable)?

Is the contract new/a renewal/extension or amendment?

Was this contractor selected by competitive process or sole source?

For New contracts

Term of initial contract:

Options for Renewal:

How many renewals (i.e. up to 2 renewals)?

Term of any renewals (i.e. 1 year each):

Cost of initial contract term:

Cost of any renewals:

Total contract value council is approving if all renewals exercised:

For Amendments/Renewals Extensions:

Is this a change to cost/pricing; length of term; terms unrelated to time or price (List all that apply)?

If length changing

What was the length of the term of the original contract?

What is the length of the extension/renewal?

What is the revised total term of the contract?

If cost changing

What was the original value of the entire contract prior to this proposed change?

\$560,000

What is the value of the proposed change?

\$140,000

What is the new/revised total value including change?

\$700,000

If terms changing

Describe the change and the reason for it (i.e. compliance with state law, different way of doing business etc.)