



## Legislation Text

File #: 22-1369, Version: 1

### Contract Request Template (Contracts; IGAs; Leases)

**Date Submitted: 10-31-2022**

**Requesting Agency: Department of Housing Stability  
Division:**

**Subject Matter Expert Name: Megan Yonke  
Email Address: Megan.Yonke@denvergov.org  
Phone Number:**

#### **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 Funding Agreement between the City and County of Denver and The Fax East Colfax Redevelopment, LLC to help fund acquisition and renovation of the Sand & Sage Motel and Westerner Motel, which will operate temporarily as non-congregate shelter and will ultimately be redeveloped into affordable housing in Council district 8.**

Approves a grant agreement with The Fax East Colfax Redevelopment, LLC for \$983,456 and through 3-30-2023, and with a 60-year covenant, to help fund acquisition and renovation of the Sand & Sage Motel and Westerner Motel, which will operate temporarily as non-congregate shelter and will ultimately be redeveloped into affordable housing in Council district 8 (HOST-202265304). The last regularly scheduled Council meeting within the 30-day review period is on 12-5-2022. The Committee approved filing this item at its meeting on 11-2-2022.

**Affected Council District(s) or citywide? 8**

**Contract Control Number: HOST-202265304**

**Vendor/Contractor Name (including any "DBA"):** The Fax East Colfax

## Redevelopment, LLC

### Type and Scope of services to be performed:

The subject property consists of two contiguous parcels, totaling approximately 0.76 acres of developed land located along East Colfax Avenue in the City of Denver. The subject property consists of two distinct sites; the Sand & Sage Motel, located near the corner of Verbena Street and East Colfax Avenue; and the Westerner Motel, located near the corner of Wabash Street and East Colfax Avenue. The purchase price is \$4,105,000. The requested HOST contribution to the acquisition is \$750,000. The Fax Partnership closed on the acquisition on 9/14/2022 with financing from the Transit-Oriented Development (TOD) Fund and Colorado Housing and Finance Authority. HOST and the Colorado Division of Housing grant funding (also \$750,000) will partially take out the TOD Fund loan to reduce the required debt service on the property.

The two properties have 29 operational units, most have been recently renovated. Based on the Project Capital Needs Assessment, the project requires approximately \$233,000 of additional funding from HOST to renovate an additional six units (for a total of 35) and maintain the building quality for at least five years. From approximately 9/1/2023 to 3/31/2025, the buildings will operate as non-congregate shelter for families (34 units) and veterans (1 unit), to be leased and operated by Volunteers of America (VOA) while the Theodora Family Hotel is under construction (GO Bond project). The cost to rent family shelter units at private hotels is \$129 per night. Calculating that cost times six units for two years would cost \$410,000, making the \$233,000 in investment a cost savings over the cost of private shelter.

Volunteers of America's board has approved this lease and negotiations on the lease are near completion. After the lease, the Fax Partnership will demolish the buildings and redevelop the property into at least 75 units (rental or homeownership to be determined), affordable at or below 80% of the Area Median Income.

The Fax Partnership will pursue a rezoning from three stories (four with Expanding Housing Affordability) to five (six with Expanding Housing Affordability) to accommodate at least 75 units, as well as retail space. They plan to pursue discussions with the City regarding a library or recreation center per recommendations in the East Area Plan and plan to pursue Congressionally Directed Spending for this redevelopment in the future. They have already had conversations with Senator Bennet's office.

The properties were acquired by the Fax Partnership on 9/14/2022. These funds will go toward takeout of the TOD Fund loan to reduce the cost of ongoing debt service for operation of non-congregate shelter to Volunteers of America.

**Location (if applicable):** 8405 & 8415 E Colfax Avenue

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

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

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

New

**Was this contractor selected by competitive process or sole source?**

N/A

**For New contracts**

**Term of initial contract:**

This is a grant agreement which all conditions set forth in the agreement must be satisfied on or before March 30, 2023, with a 60-year restrictive use covenant. The covenant shall encumber the property for sixty (60) years from the date of the recording of the covenant.

**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:**

\$983,456

**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?**

**What is the value of the proposed change?**

**What is the new/revised total value including change?**

***If terms changing***

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