AGENDA ITEM or FINAL CONTRACT REVIEW SUBMITTAL FORM

AgendaTitle:
Guarantee Request for Anthracite Place

Action Requested: Motion

Parties to the Agreement:

Term Begins: **Term Ends:** **Grant Contract #:**

Summary:
Please see the attached memo from Karl Fulmer.

Fiscal Impact: $100,000

Submitted by: Katherine Haase **Submitter's Email Address:** khaase@gunnisoncounty.org

Finance Review: (●) Required ( ) Not Required

Comments:

The 2015 staff proposed budget anticipates an ending balance of $374,029 for 2015 in Workforce Impact (linkage fees). This number does include the $255,000 approved in Feburary, 2014 from linkage fees for this project . With this additional $100,000 subtracted, the balance would be $274,029 and per Karl's memo, this $100,000 portion of the reserve needed would likely be returned within 22 months.

Reviewed by: GUNCOUNTY1\lNienhueser Discharge Date: 12/8/2014

County Attorney Review: (●) Required ( ) Not Required

Comments:

Reviewed by: GUNCOUNTY1\atrezise Discharge Date: 12/5/2014 Certificate of Insurance Required

Yes ( ) No (●)

County Manager Review:

Comments:

Reviewed by: GUNCOUNTY1\mbirnie Discharge Date: 12/11/2014

( ) Consent Agenda (●) Regular Agenda ( ) Worksession Time Allotted: 15

Agenda Date: 12/16/2014 Follow Up Agenda Date:

Revised April 2013

GUNNISON VALLEY REGIONAL
HOUSING AUTHORITY

MEMORANDUM

DATE: December 5, 2014

TO: Matthew Birnie, Gunnison County Manager
Board of County Commissioners

FROM: Karl Fulmer, Executive Director
Gunnison Valley Regional Housing Authority

RE: Construction/Stabilization Guarantee for Anthracite Place

Dear Matthew and County Commissioners:

The Gunnison Valley Regional Housing Authority ("GVRHA") is nearing the end of negotiations with an equity investor (the group buying tax credits) for the financing of Anthracite Place in Crested Butte. These negotiations have been ongoing since the first of October 2014. Being a fledgling organization with nothing other than limited cash reserves as assets, the GVRHA has been required to seek outside assistance to provide this investor with guarantees regarding the project's construction and eventual lease-up/stabilization.

The likely equity investor is requiring specific levels of guarantee prior to signing an agreement with the GVRHA. These guarantee requirements are outlined in a revised investment proposal dated November 24, 2014, and are as follows:

"Subject to Investor approval, the Guarantor will provide the following guarantee during construction and will be released upon stabilization: $3,000,000 net worth and $500,000 pledged to a reserve account. Upon stabilization and during the tax credit compliance period, a $250,000 liquidity covenant from any combination of the Guarantors."

The Owner's Team (GVRHA and consultants) have tried to reduce certain aspects of these requirements during the past two months. The net worth requirement has been reduced from $5 mm to $3 mm, and the $250K liquidity covenant for the first 3-5 years of operations (provided by the GVRHA after payment of its development fees) should be reduced from $250K to $150K prior to agreement.

1) **The GVRHA's respectfully requests that Gunnison County allocate $100,000 in cash to be provided as part of the $500,000 in liquidity held in a reserve account during construction.** Presently, the GVRHA has a commitment from the Gunnison Valley Housing Foundation in the amount of $400,000 to be held in a reserve account to meet these conditions. Obviously, this leaves a $100,000 gap that must be filled.

2) **The Risk to these Funds:** Risk is relatively minimal to these funds. The Construction Budget for the property is roughly $3.5 mm ($175/sf) and the current requirement is that the Owner (GVRHA) carry a 10% Construction Contingency for the property (covering about $191/sf). It should be noted that any General Contractor will be required to carry full payment and performance bonding for the project.

   If problems arose during construction, the following is the line of defense (in order of availability) to those providing guarantees for the project, assuming a Construction Contract within 2-3% of $3.5 mm:

   - Contractor Pymt and Performance Bond
   - Owner (GVRHA) Contingency (10%) - $350K
   - Owner Development Fees $450K
   - GVHF Liquidity Pledge ($400K)
   - $100K Liquidity Pledge
   - $3 million Net Asset Guarantee

   Above and beyond the Payment and Performance Bond for this property, there are approximately $1.2 mm in funds available (just under 35% of the construction budget) that would have to be exhausted prior to the use of the $100,000 in liquidity monies pledged by Gunnison County.

3) **Additional (Optional) Request: Net Worth Guarantor.** The GVRHA has been approved by the Equity Group to pay a $50-80,000 fee to the net worth guarantor for the project. The Housing Authority would prefer to pay this money to a local government or non-profit entity if that is possible (if TABOR Rules allow). The risk to whomever provides this guarantee is certainly minimal. I do not know if Gunnison County would be interested in providing such a guarantee, but it would greatly assist the GVRHA in finalizing the equity arrangements for this project.

4) **Length of Guarantees.** All of the guarantees (aside from the $250K liquidity covenant during tax credit compliance – provided by the GVRHA) will likely need to be held for 18-22 months from start of construction (May 15, 2015) until stabilization is verified and accepted by CHFA and the Equity partner.

Assistance provided by Gunnison County in the form of $100,000 in cash to be placed in a liquidity reserve from start of construction to stabilization would greatly help finalize this equity arrangement. If Gunnison County could provide a net worth guarantee as well, the equity agreement is all but assured.

Thank you for consideration of this matter. Do not hesitate to contact my office with any questions.

Sincerely,

Karl Fulmer
Executive Director, GVRHA