

**8315 E. Colfax Ave. PAB**



**Finance and Governance Committee**

**Michael Kerrigan, Financial Analyst Specialist**

# Legislative Summary

Resolution request to approve and evidence the intention of the City and County of Denver to issue an amount not to exceed \$15M of Multifamily Housing Revenue bonds for the 8315 E. Colfax Ave. project to support the construction of a new affordable housing project.

- The 8315 E. Colfax project is new construction of an 82 unit affordable housing project located at 8315 E. Colfax Ave. and 1500 Valentia St.

AMI Level	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Total	% of Total
30% AMI	4	5	5	2	16	20%
40% AMI	1	2	2	0	5	6%
50% AMI	6	2	2	0	10	12%
60% AMI	13	15	9	0	37	45%
70% AMI	6	4	4	0	14	17%
<b>Total</b>	<b>30</b>	<b>28</b>	<b>22</b>	<b>2</b>	<b>82</b>	<b>100%</b>
<b>% of Total</b>	<b>37%</b>	<b>34%</b>	<b>27%</b>	<b>2%</b>	<b>100%</b>	

- Developer is Mercy Housing Mountain Plains and its affiliates.
- The project is anticipated to include five stories of residential units, onsite structured parking, and a 5,300 SF ground floor early childhood education center.
- The project fulfills a City goal by providing affordability in the East Colfax Neighborhood which is a highly vulnerable area to gentrification-induced displacement of the City.

# PAB Overview

## Private Activity Bond (PAB) capacity

- PABs are tax-exempt bonds issued by or on behalf of the City, often to help attract private investments into projects with a public benefit, like affordable housing.
- Through PABs, the City can borrow at tax-exempt rates for private entities to lower the borrowing costs, but the City does not pledge its credit for these bonds.
- The Internal Revenue Service allows a limited amount of tax exempt PABs to be issued, thus creating a PAB allocation process based on a state's population.
- PABs are not voter approved bonds pledging the City's full faith and credit.



# 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 bonds is exempt from federal taxation, thus lowering the interest rate and costs for the project.
  - If a multi-family project is awarded 4% 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 therefore allocate a portion of the limited PAB capacity to the financing.
- **PAB issuance typically requires two legislative actions:**
  1. Inducement Resolution- reserves the PAB capacity for the project.
  2. Bond Ordinance- approves the bonds and related financing documents.

# Inducement Resolution

- Officially reserves \$15,000,000 of PAB capacity specifically for the 8315 E. Colfax Ave. project.
- Requires the project to come back to City Council to issue the bonds and approve all necessary financing documents.
- After passage the Inducement Resolution sets a date of reference for IRS regulations.
  - Costs incurred 60 days prior to the Inducement Resolution become eligible bond expenses.
  - Important for the project, as the cost of the site work improvements will become eligible bond expenses.

# Anticipated Timeline

- **Inducement resolution timeline**
  - 2/8/2021- Resolution request deadline
  - 2/16/2021- FINGOV Committee or consent
  - 2/23/2021- Mayor Council
  - 3/1/2021- City Council meeting
- **Fall-**  
Come back to City Council for bond ordinance approval and committee presentation.



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# Questions:

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**720-913-5550**

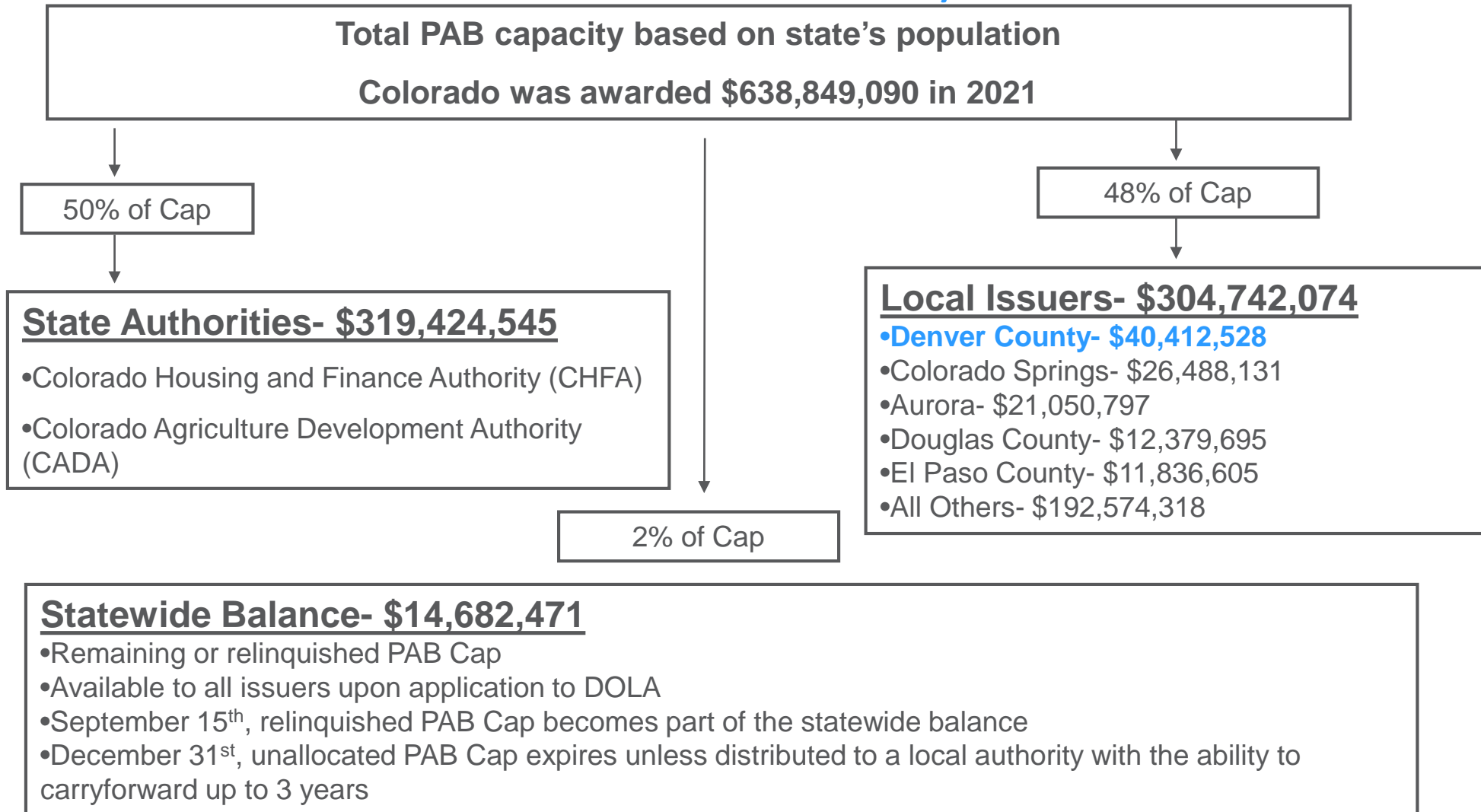
# Appendix



## What is a PAB?

- A bond issued by local and state governments and agencies for the purpose of financing a project that is owned and operated by a private party.
- The interest paid on the bonds is exempt from Federal taxation.
- Essentially a PAB lowers the financing costs for a project.
  - Provides opportunities for affordable housing projects to be completed.
- The Internal Revenue Service allows a limited amount of tax exempt PABs to be issued, thus creating the PAB allocation process based on a state's population.

# PAB Allocation Process- administered by DOLA



## PAB Allocation Parameters

- Once local government is awarded the PAB allocation, the IRS allows the PAB allocation to be carried forward up to 3 years.
- By Feb. 15 each year the IRS requires issuers to make an irrevocable election for the carryforward from the previous year.
  - Issuers elect to carry forward their PAB into “buckets”. Historically Denver has designated its carryforward towards Single Family Mortgage/MCC and Multifamily uses.
- Typically the City applies for and receives additional PAB allocation from the unused Statewide Balance.

## City Use of PABs

- Typically in Denver PABs have been used for:
  - Affordable Housing Projects
  - Mortgage Credit Certificate Programs

## City's PAB Partners

- Denver Housing Authority
  - Provides affordable housing options to citizens
- Colorado Housing Finance Authority
  - Provides affordable housing and financing options for income restricted housing units
- Private Developers
  - Provides Low Income Housing Tax Credit projects creating income restricted housing units.

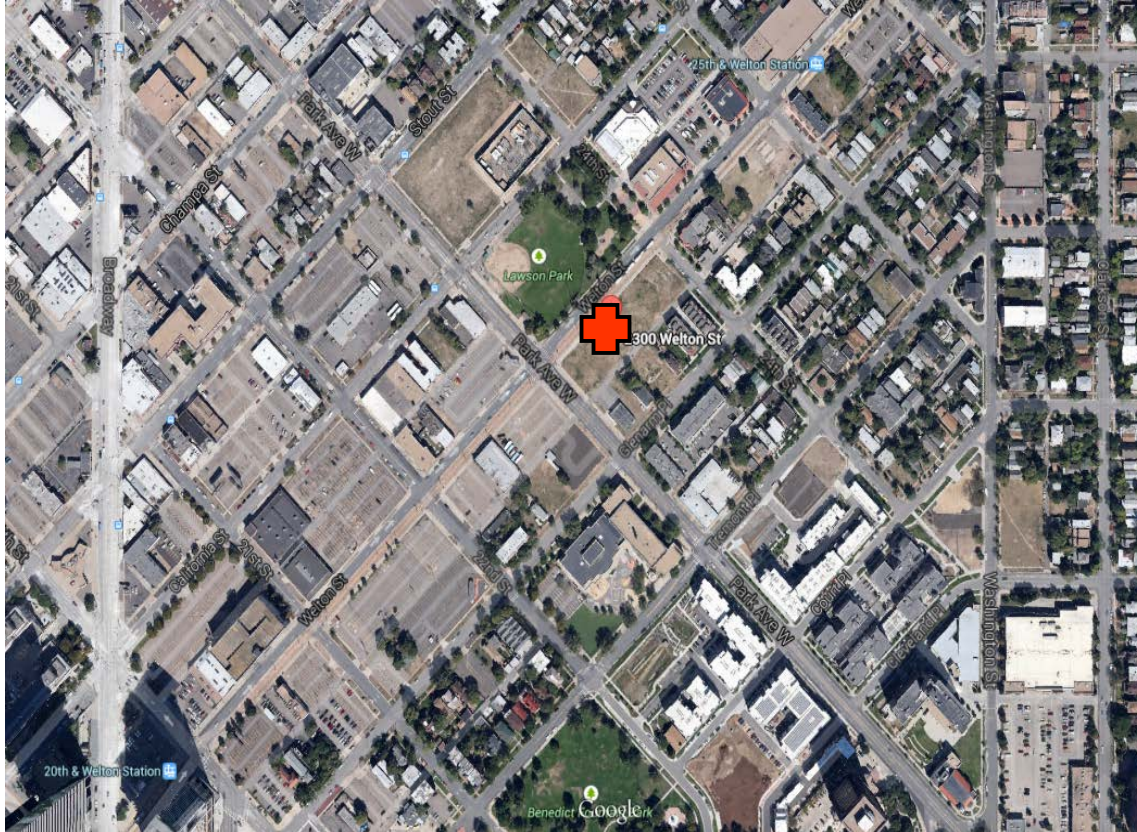
# Denver's Current PAB Allocations as of April 2020

Sources and Uses of PAB Allocation							
PAB Year	Sources	Uses	Source/Use Description	Remaining PAB	Current Carryforward Amounts Remaining		Expiration
					Single Family & MCC	Multifamily	
2021	\$ 40,412,528		Direct Allocation for 2021	\$ 40,412,528	TBD in Feb. '22	TBD in Feb. '22	12/31/2024
2020	\$ 38,110,648	\$ (2,000,000)	Additional \$2MM assignment to DHA for Thrive Direct Allocation for 2020	\$ 36,110,648	\$ -	\$ 36,110,648	12/31/2023
2019	\$ 7,117,002 \$ 37,565,325	\$ (15,000,000) \$ (14,200,000) \$ (211,222)	\$15.9MM- Mercy 8315 E. Colfax \$14.2MM- Gorman Avenida del Sol \$27MM- DHA Thrive Delegation 2019 Statewide Balance Award Direct Allocation for 2019	\$ 15,271,105	\$ -	\$ 30,271,105	12/31/2022
2018	\$ 11,936,829 \$ 36,397,830	\$ (26,788,778) \$ (21,545,881)	\$27MM- DHA Thrive Delegation \$25MM- DHA Broadway & DHA Studebaker assignment 2018 Statewide Balance Award Direct Allocation for 2018	\$ -	\$ -	\$ -	12/31/2021
<b>Total PAB Allocation Capacity:</b>				<b>\$ 91,794,281</b>	<b>\$ -</b>	<b>\$ 66,381,753</b>	

## Recent Projects/Programs Supported by Denver's PAB Allocation

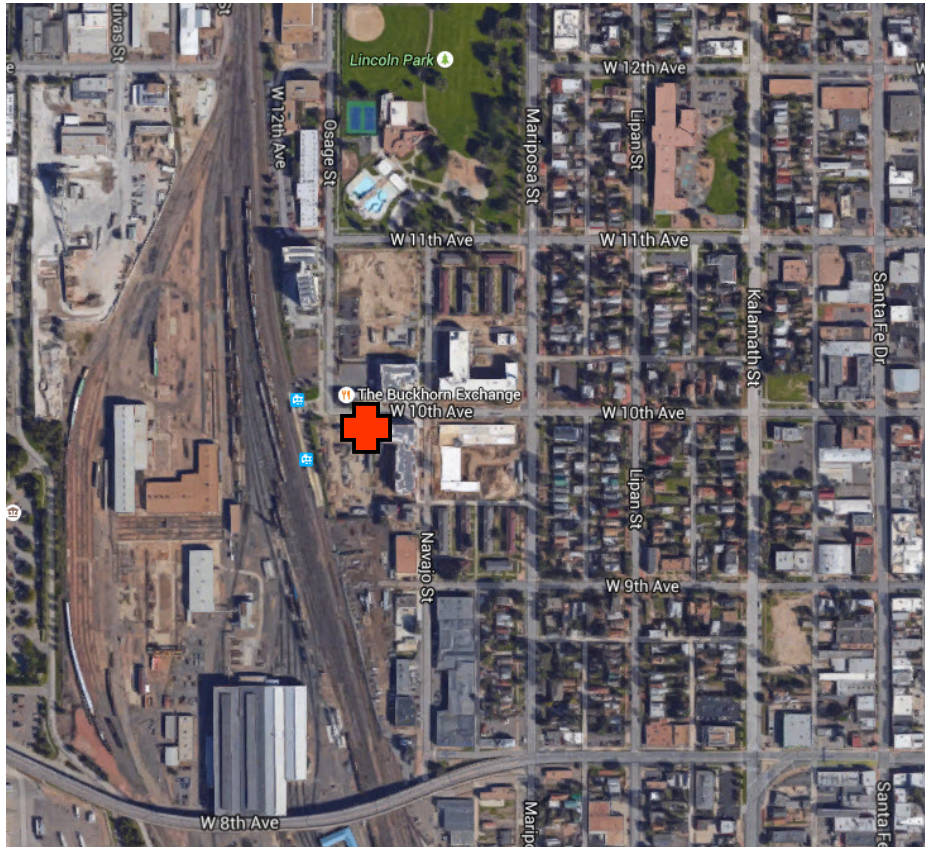
- 2300 Welton
- Mariposa Phase VII
- The Colburn
- The Stella
- Avenida Del Sol
- Various CHFA Projects
- Various DHA Projects
- Various MCC Programs

# Welton Corridor- 2300 Welton



- 233 Units in 2 buildings
  - 11 units @ 30% AMI
  - 212 units @ 60% AMI
- Approximately 268,000 square feet
  - Studio, 1 bed, 2 bed, and 3 bed unit mix

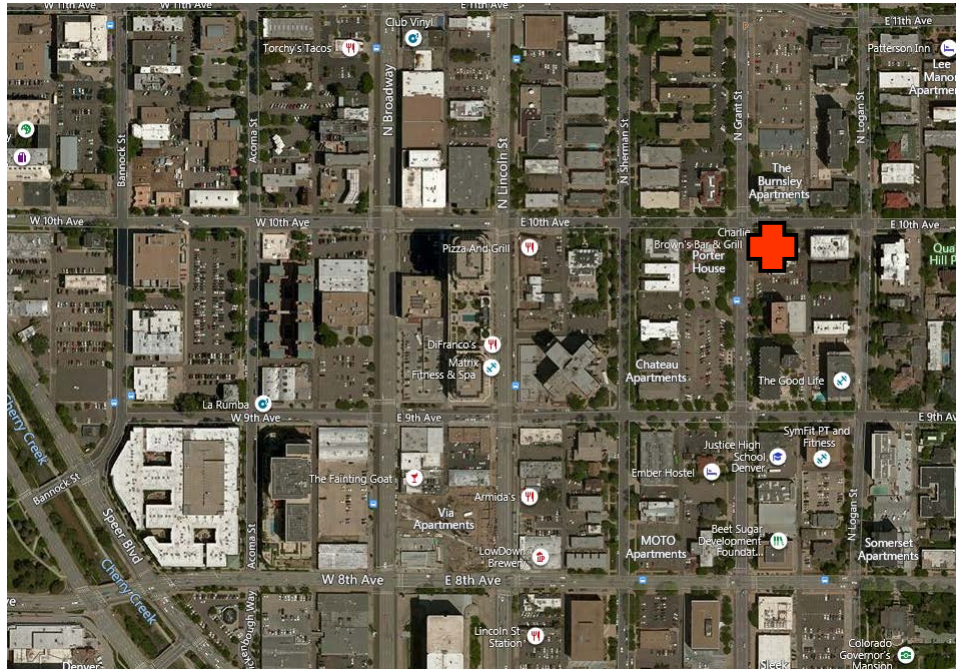
# Mariposa Phase VII- 10<sup>th</sup> and Osage



- Phase VII is a project in the larger Mariposa Development
- Mix of 45 senior/disabled apartment housing units.
- All 45 units are ADA assessable
  - 10 units @ 50% AMI
  - 35 units @ 60% AMI



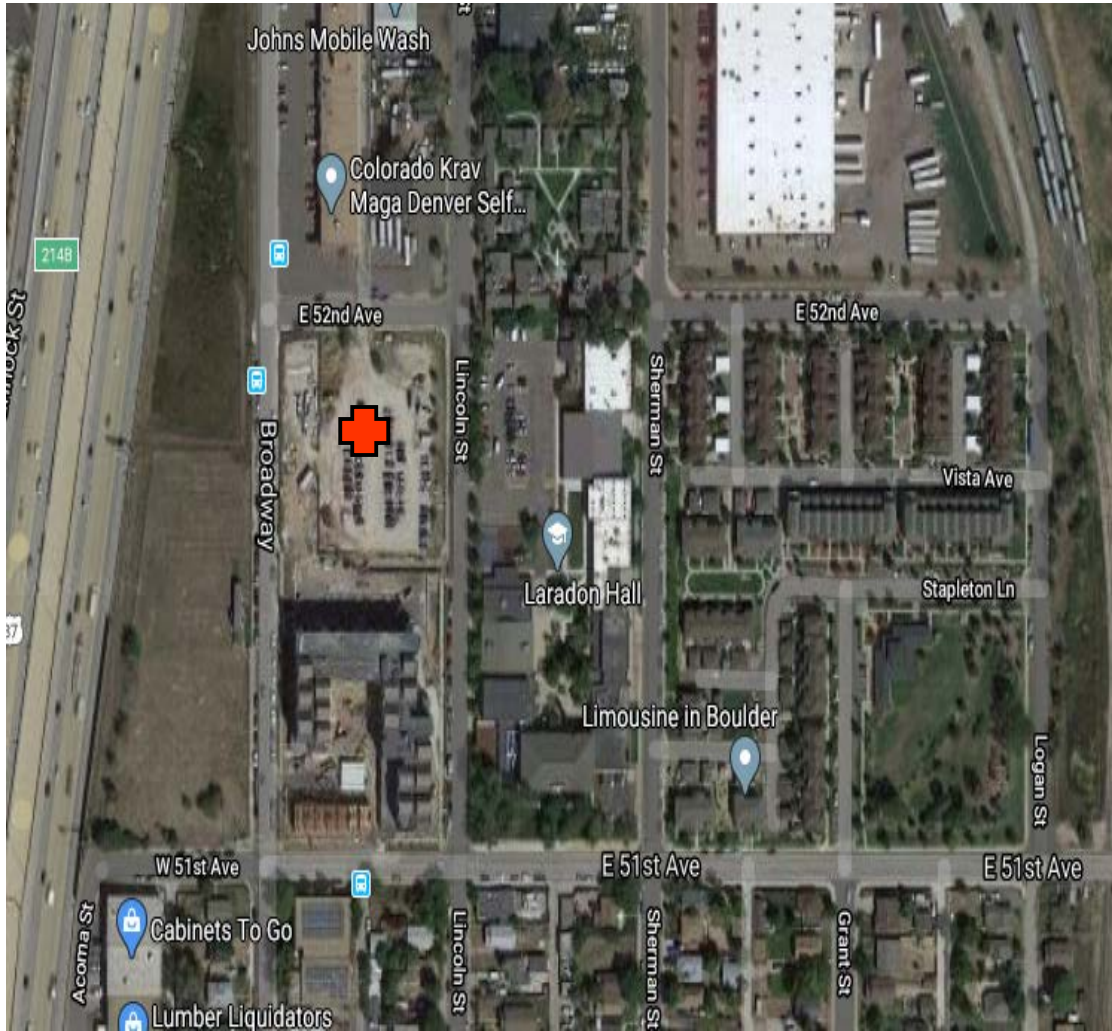
# The Colburn- 980 Grant St.



- Preservation and rehabilitation project
- 91 one-bed efficiency apartment housing units.
  - 23 units @ 30% AMI
  - 68 units @ 60% AMI
- 60 year covenant period due to \$3.45M City loan

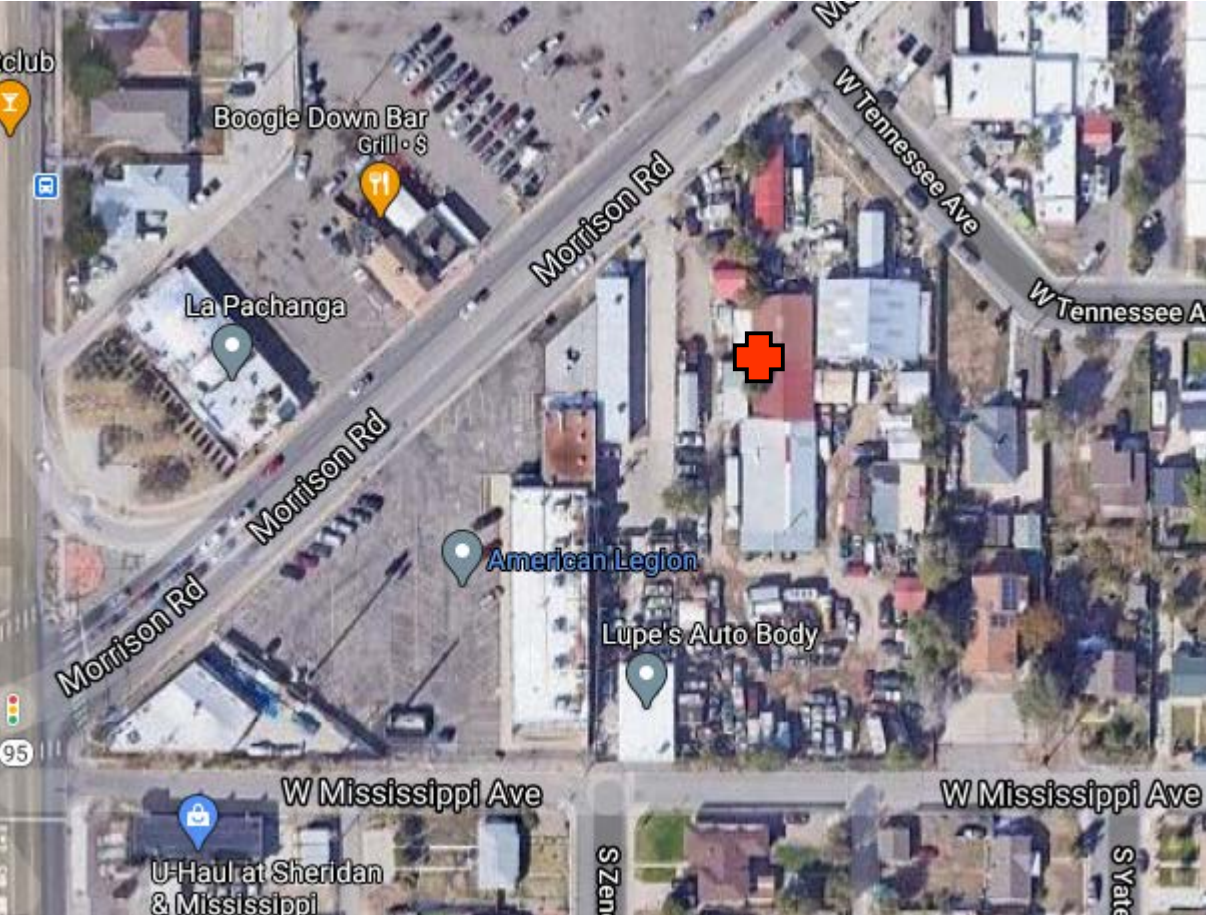


# The Stella- 5190 N. Broadway



- New construction project
- 132 unit apartment housing units.
  - 16 units @ 30% AMI
  - 97 units @ 60% AMI
  - 18 units @ 80% AMI
- 60 year covenant period due to \$3.5M City loan

# Avenida del Sol- 5190 N. Broadway



- New construction project
- 80 unit apartment housing units.
  - 4 units @ 30% AMI
  - 18 units @ 40% AMI
  - 37 units @ 60% AMI
  - 20 units @ 80% AMI
- 50 year covenant period due to \$1.4M City loan

## Various CHFA Projects- Statewide

Project	PAB Allocation Used	# of Units	Type of Units
Copper Peak Apartments Project	\$21,956,795	240	Low income housing units
Northfield at Stapleton Project	\$8,000,000	84	Low income housing units
Renaissance at North Colorado Station Project	\$3,000,000	24	Low income housing units
Westlake Towers Apartments Project	\$5,000,000	50	Low income housing units
13th Avenue II Apartments Project	\$14,000,000	117	Low income housing units
Federally Insured Multi-Family Housing Loan Program Pass-Through Revenue Bonds (Crisman Apartments Project), Series 2016-II	\$10,000,000	114	Low income housing units
Multifamily Note (Manor I and Manor II Apartments Project) Series 2016	\$6,000,000	76	Rehab of low income housing units
Multifamily Revenue Note (Maryel Manor Project) Series 2016	\$2,500,000	50	Low income rental housing units
Multifamily Housing Revenue Bond (Broadway Lofts Project) Series 2016	\$14,000,000	111	Low income housing units
Multifamily Mortgage Revenue Bonds (Centennial Park Apartments Project) Series 2016A & Multifamily Housing Revenue Draw Down Bond (Centennial Park Apartments Project) Series 2016B	\$20,000,000	140	Low income housing units
Multifamily Housing Revenue Note (Congress Park Commons Project), Series 2016	\$3,500,000	32	Low income housing units
Multifamily Housing Revenue Note (Shorter Arms Apartments Project), Series 2016	\$5,000,000	43	Low income housing units
Multi-Family Housing Loan Program Pass-Through Revenue Bonds (Willow Street Residences Project), Series 2016-III	\$5,000,000	80	Rental housing facility
Multifamily Housing Revenue Note (Del Corazon Project), Series 2016	\$13,493,558	197	Rental housing facility
<b>Total</b>	<b>\$131,450,353</b>	<b>1,358</b>	

# Various DHA Projects- Citywide

Project	PAB Allocation Used	# of Units	Type of Units
Platte Valley and Gateway North	\$30,000,000	163	Low income housing units
Vida	\$20,000,000	112	Low income housing units
Lowry	\$11,000,000	72	Low income housing units
Mariposa	\$7,500,000	45	Low income housing units
Broadway & Studebaker	\$25,000,000	192	Low income housing units
<b>Total</b>	<b>\$93,500,000</b>	<b>584</b>	

# Various MCC Programs- Citywide

MCC Program	PAB Allocation Used	# of MCCs Granted	Program Highlights
2009 MCC Program	\$25,000,000	130	20% credit, no maximum
2012 MCC Program	\$25,000,000	139	30% credit up to \$2,000 maximum
2015 MCC Program	\$37,500,000	165	30% credit up to \$2,000 maximum
2016 MCC Program	\$40,000,000	164	25% credit up to \$2,000 maximum
2017 MCC Program	\$65,000,000	252	25% credit up to \$2,000 maximum
<b>Total</b>	<b>\$192,500,000</b>	<b>990</b>	