

# Private Activity Bonds (PAB)

- Carryforward and additional allocation -  
August 2016



**DENVER**  
THE MILE HIGH CITY

# Requested City Council Action:

- Resolution declaring the City's intent to carryforward unused 2016 PAB allocations and apply for additional PAB allocation from Colorado Department of Local Affairs (DOLA) when it becomes available in September.
  - Approximately \$33.2 Million of 2016 PAB carryforward allocation.
  - Additional PAB allocation amount TBD when DOLA makes available.

# Use of PAB Allocation

- Tax-exempt products can be issued for private uses with a public purpose.
- IRS allows a limited amount of tax exempt private purpose bonds to be issued, thus creating the PAB allocation process.
- Typically in Denver PAB have been used for:
  - Affordable Housing Projects
  - Industrial Development Bonds
  - Mortgage Credit Certificate Programs

# State Allocation Process

**\$100 per capita rate x state pop. = Total PAB Cap**

**Colorado was awarded \$545,657,400 in 2016**

50% of Cap

## **State Authorities- \$272,828,700**

- Colorado Housing and Finance Authority (CHFA)- \$262,828,700
- Colorado Agriculture Development Authority

46% of Cap

## **Local Issuers- \$252,264,150**

- Denver County- \$33,211,000
- Colorado Springs- \$22,198,250
- Aurora- \$17,538,650
- Douglas County- \$10,508,400
- Jefferson County- \$10,051,850

4% of Cap

## **Statewide Balance- \$20,564,550**

- Remaining or relinquished PAB Cap
- Available to all upon application to DOLA
- September 15<sup>th</sup>, relinquished PAB Cap becomes part of the statewide balance
- December 31<sup>st</sup>, unallocated PAB Cap expires unless distributed to a local authority with the ability to carryforward up to 3 years

# City's PAB Partners

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

# PAB Allocation Parameters

- Once a 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 their PAB carryforward from the previous year.
  - Issuers elect to carryforward their PAB into two “buckets”, Single Family Mortgage Bonds/MCC and Multifamily.
  - Once the PAB capacity is classified into its “bucket” the PAB can only be used for those types of projects.
- In 2013, 2014, and 2015 the City applied for and received additional PAB allocation from the unused Statewide Balance.
  - There is no cost to the City to receive or carryforward any award of PAB allocation.
  - We plan to apply for Statewide Balance in 2016 as well.

# Denver's Current PAB Allocation

## City's Sources Uses and Carryforward Balances

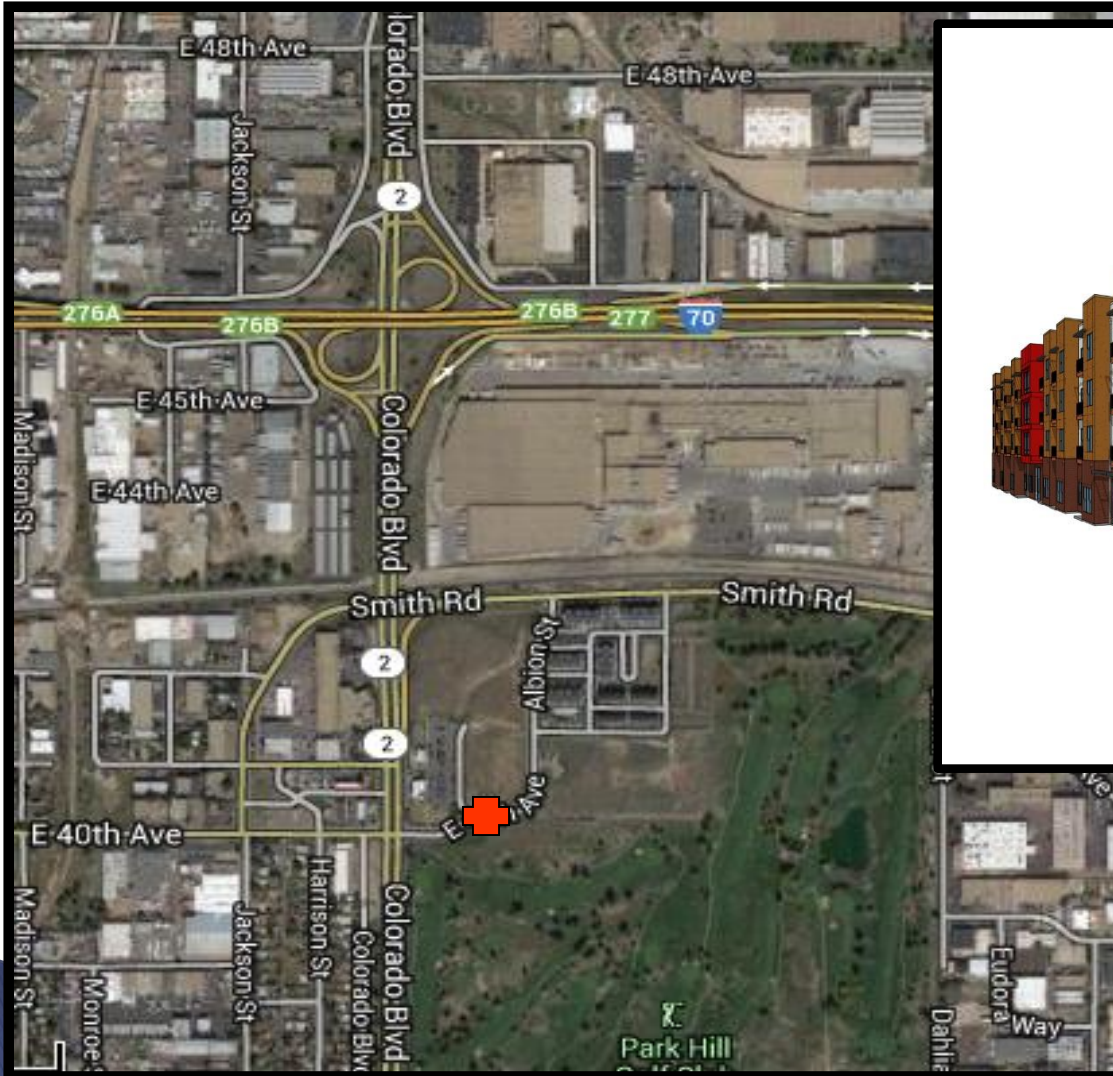
Sources and Uses of PAB Allocation							
PAB Year	Sources	Uses	Source/Use Description	Remaining PAB	Current Carryforward Amounts Remaining		Expiration
					Single Family & MCC	Multifamily	
2016	\$ 33,211,000		Initial Allocation for 2016	\$ 33,211,000	TBD Feb. '17	TBD Feb. '17	12/31/2019
2015		\$ (15,000,000)	2016 MCC Program	\$ 57,498,129	\$ 1,789,000	\$ 55,709,128	12/31/2018
	\$ 47,551,279	\$ (7,500,000)	DHA Assignment for Mariposa				
	\$ 32,446,850		2015 Statewide Balance Award Initial Allocation for 2015				
2014		\$ (25,000,000)	2016 MCC Program	\$ 10,085,900	\$ -	\$ 10,085,900	12/31/2017
	\$ 18,354,950	\$ (15,000,000)	2015 MCC Program				
	\$ 31,730,950		2014 Statewide Balance Award Initial Allocation for 2014				
2013		\$ (69,993,558)	CHFA Delegation for various projects	\$ -	\$ -	\$ -	12/31/2016
		\$ (9,500,000)	CHFA Delegation for Sable Ridge				
	\$ 80,000,000	\$ (30,000,000)	2015 MCC Program				
	\$ 29,493,558		2013 Statewide Balance Award Initial Allocation for 2013				
<b>Total PAB Allocation Capacity:</b>				<b>\$ 100,795,029</b>	<b>\$ 1,789,000</b>	<b>\$ 65,795,028</b>	

# Projects Supported by Denver PAB Allocation

- Parkhill Village West
- 2300 Welton
- Mariposa Phase VII
- Various CHFA Projects
- 2015 Mortgage Credit Certificate (MCC) Program
- 2016 Mortgage Credit Certificate (MCC) Program

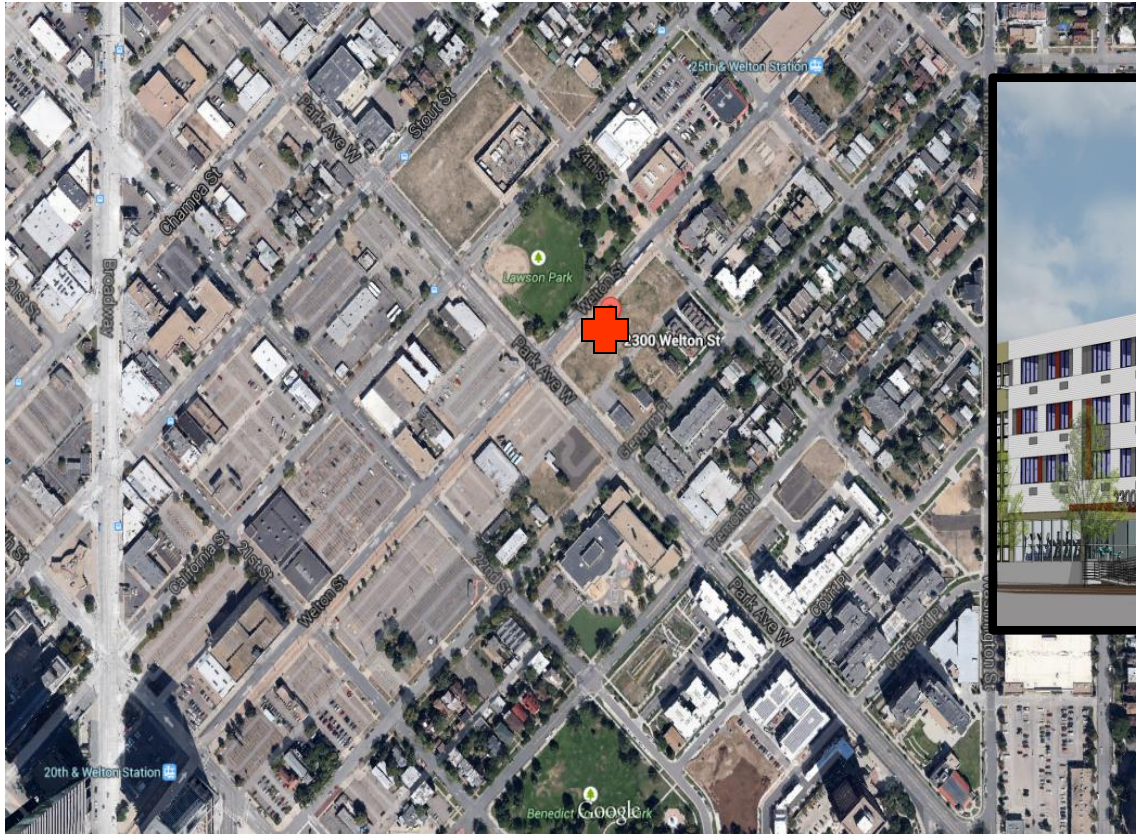


# Parkhill Village West– 4055 Albion (40<sup>th</sup> & Colorado)



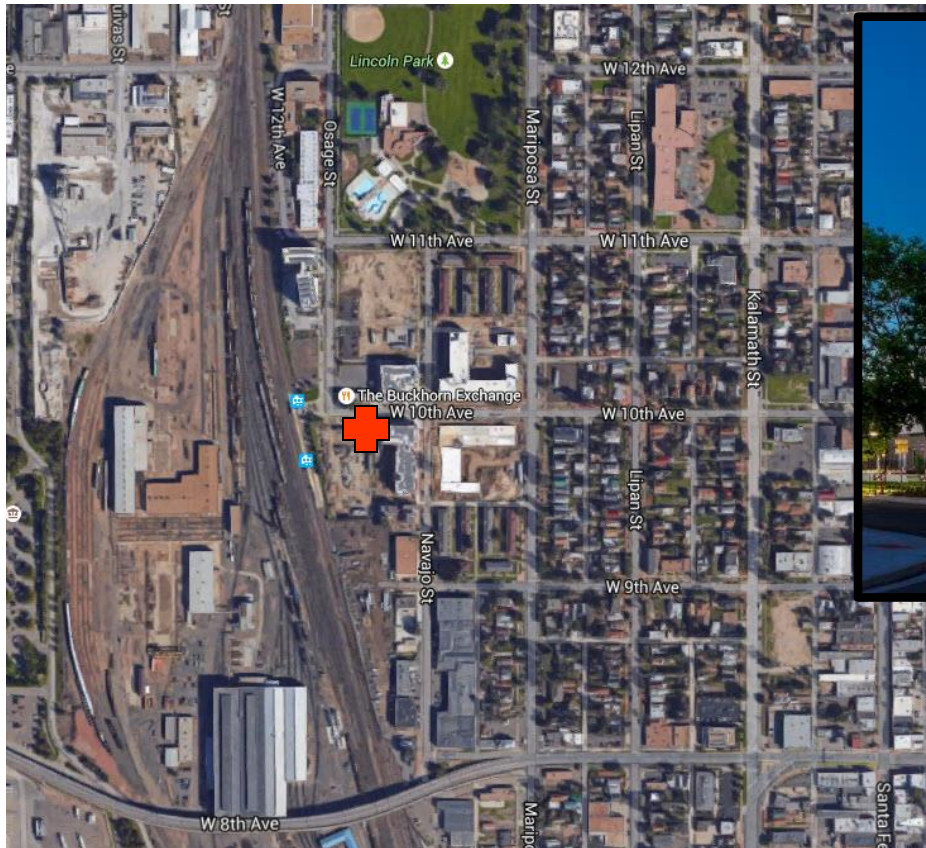
- Land Owned by Urban Land Conservancy & purchased by the Developer- Del West Capital LLC
- 156 units
- All units will be income restricted from 50% - 60% AMI.

# Welton Corridor– 2300 Welton



- 223 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
- Construction began in summer 2015.
- City issued a \$21.815 Million PAB to help fund project in 2012.

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



- Phase VII is a project within the larger Mariposa Development
- Phase VII includes a mix of 45 senior/disabled apartment housing units.
- All 45 units are ADA assessable
- 10 units are restricted to 50% AMI
- 35 units are restricted to 60% AMI
- \$7.5 Million of PAB allocation assigned to DHA for this project.
- Construction start fall 2015
- Construction complete expected winter 2017

# Various CHFA Projects – Statewide

- Projects financed with City’s \$51.9 million delegation of expiring 2012 PAB allocations:

Project	PAB Allocation Used	# of Units	Type of Units
Copper Peak Apartment 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
<b>Total</b>	<b>\$51,956,795</b>	<b>515</b>	

- Projects financed with City’s \$79.5 million delegation of expiring 2013 PAB allocations:

Project	PAB Allocation Used	# of Units	Type of Units
Crisman Apartments Project	\$10,000,000	114	Low Income Housing Units
Manor I and Manor II Apartments Project	\$6,000,000	76	Low Income Housing Units
Maryel Manor Project	\$2,500,000	50	Low Income Housing Units
Broadway Lofts	\$14,000,000	111	Low Income Housing Units
<b>Total</b>	<b>\$32,500,000</b>	<b>351</b>	

- CHFA intends to use the remaining \$46.9 million of the City’s 2013 delegation by year end.

# Mortgage Credit Certificate Program – 2015

## ➤ \$37.5 Million Program

- \$37.5 million of loans that are eligible to receive the MCCs.
- As of July 2016, 167 MCCs have been issued with \$37.1 million of loans originated.

➤ **Certificate:** The City Issues a Mortgage Credit Certificate (MCC) to a qualified low and moderate income homebuyer.

➤ **Tax Credit:** The MCC reduces the amount of federal income tax a homeowner pays up to \$2,000 annually. The credit equals 30% of the mortgage interest paid on the home for the year. It can be carried over for the next 3 subsequent years or until used. The Homebuyer claims the tax-credit on their annual tax return using IRS Form 8396

➤ **First time homebuyer and primary home requirement:** It must be the Mortgagors' primary home and they must be either first-time homebuyers or may not have owned a home in the past three years (**except in "Targeted Areas"** and for Qualified Veterans).

## ➤ Income and home price limits:

### Maximum Family Income:

	<i>Non-Targeted</i>	<i>Targeted</i>
Families of 2 or Fewer:	\$93,360	\$108,920
Families of 3 or More:	\$93,360	\$108,920

### Maximum Home Cost:

	<i>Non-Targeted</i>	<i>Targeted</i>
1-Family Residence	\$382,500	\$467,500
2-Family Residence	\$489,668	\$598,483

# Mortgage Credit Certificate Program – 2016

➤ **Started as \$40 Million Program**

- \$40 million of loans that are eligible to receive the MCCs.
- As of July 2016, 10 MCCs have been issued with \$7.7 million of loans originated.
- Approximately \$32.3 million of loan availability remaining.

➤ **Certificate:** The City Issues a Mortgage Credit Certificate (MCC) to a qualified low and moderate income homebuyer.

➤ **Tax Credit:** The MCC reduces the amount of federal income tax a homeowner pays up to \$2,000 annually. The credit equals 25% of the mortgage interest paid on the home for the year. It can be carried over for the next 3 subsequent years or until used. The Homebuyer claims the tax-credit on their annual tax return using IRS Form 8396

➤ **First time homebuyer and primary home requirement:** It must be the Mortgagors' primary home and they must be either first-time homebuyers or may not have owned a home in the past three years (**except in “Targeted Areas”** and for Qualified Veterans).

➤ **Income and home price limits:**

	Non-Targeted Area	Targeted Area
<b>Eligible Area:</b>	Entire City and County of Denver	Designated Census Tracts in City and County of Denver
<b>Eligible Participants:</b>	First-time homebuyers	Non first-time homebuyers
<b>Maximum Household Income:</b>		
Household size of 2 or less	\$95,880	\$95,880
Household size of 3 or more	\$111,860	\$111,860
<b>Maximum Home Cost:</b>		
1-Unit Residence	\$439,926	\$495,000
2-Unit Residence	\$439,926	\$495,000