

Department of Finance &  
Office of Economic Development

**Parkhill Community Apartments:  
Private Activity Bonds**

*Business, Workforce & Sustainability Committee*  
*June 19, 2013*



**DENVER**  
THE MILE HIGH CITY

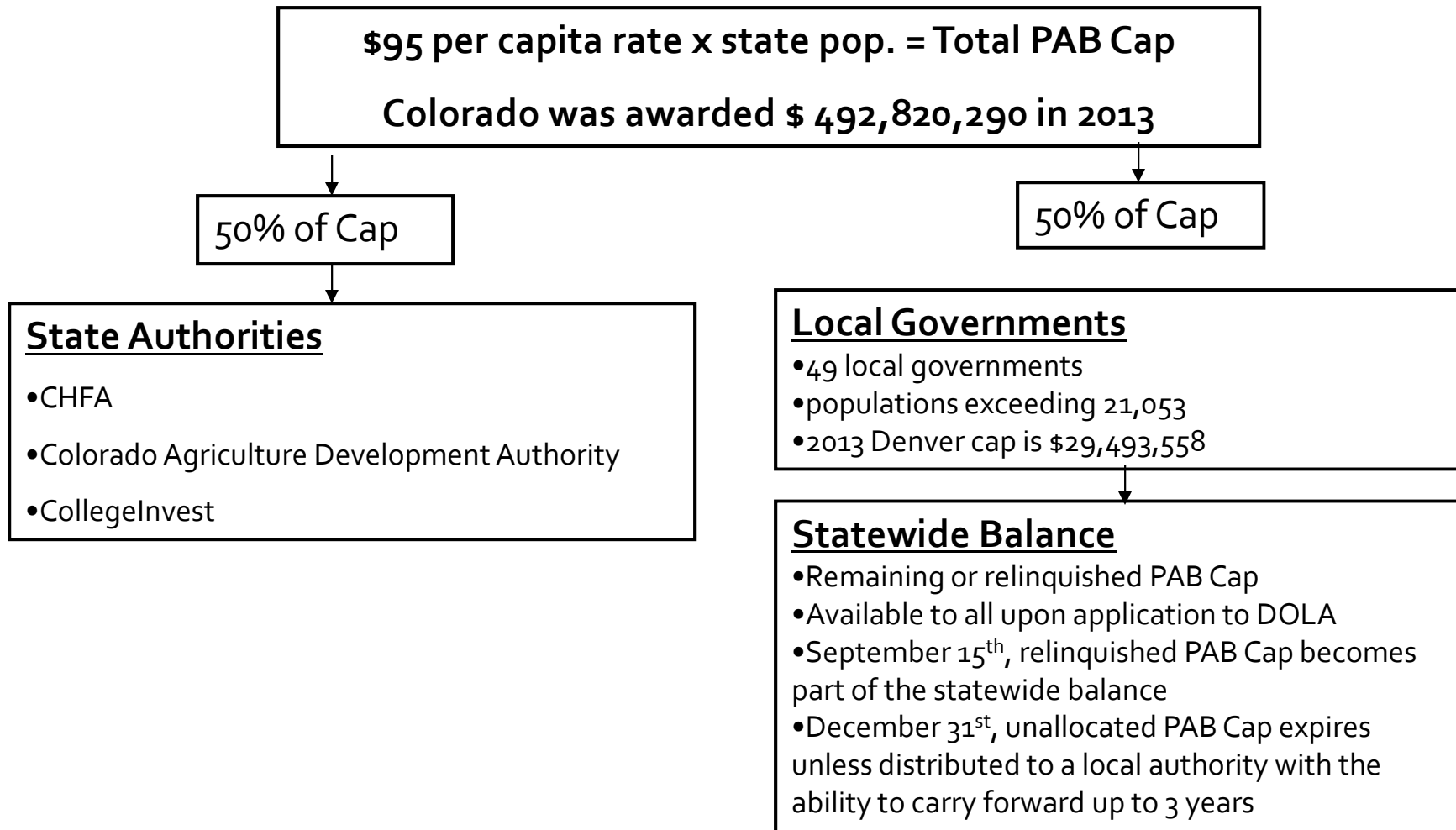
# Private Activity Bonds

What is a Private Activity Bond?

- Tax-exempt bonds issued to support projects with a **private** purpose.
- IRS allows a limited amount of tax exempt private purpose bonds to be issued, thus creating the allocation process of PAB authority.
- PAB allocation is based on a state's population times the per capita rate established by IRS (indexed to inflation with \$5 increments).
- Colorado's Statewide 2013 allocation is \$492,820,290

# Initial Allocations

January 2012



# Private Activity Bonds

## Benefits & Available Cap

- Once a local government is awarded the PAB Cap, the IRS allows the PAB Cap to be carried forward up to 3 years
- There is no cost to the City to receive or carry forward any award of PAB Cap.
- In 2010, 2011 and 2012 the City applied for and received additional PAB Cap from the unused Statewide balance.

Available PAB CAP						
<u>Year</u>	<u>PAB CAP</u>	<u>Uses</u>	<u>Project</u>	<u>Remaining</u>	<u>Available Use</u>	<u>Expiration</u>
2013	\$ 29,493,558	\$ (18,000,000)	DHA proposed	\$ 11,493,558	Amount for 2013	12/31/2016
2012	\$ 50,000,000			\$ 50,000,000	Addition for 2012	12/31/2015
2012	\$ 28,771,795	\$ (5,000,000)	MCC Program	\$ 23,771,795	Amount for 2012	12/31/2015
2011	\$ 15,000,000			\$ 15,000,000	Multifamily (8328)	12/31/2014
2011	\$ 29,385,875	\$ (25,000,000)	MCC Program	\$ 4,385,875	Multifamily (8328)	12/31/2014
<b>2010</b>	<b>\$ 30,000,000</b>	<b>\$ (16,000,000)</b>	<b>Parkhill Village</b>	<b>\$ 14,000,000</b>	<b>Multifamily (8328)</b>	<b>12/31/2013</b>
2010	\$ 27,517,905	\$ (23,000,000)	2300 Welton	\$ 4,517,905	Multifamily (8328)	12/31/2013
<b>TOTAL</b>	<b>\$210,169,133</b>	<b>\$ (87,000,000)</b>		<b>\$ 123,169,133</b>		

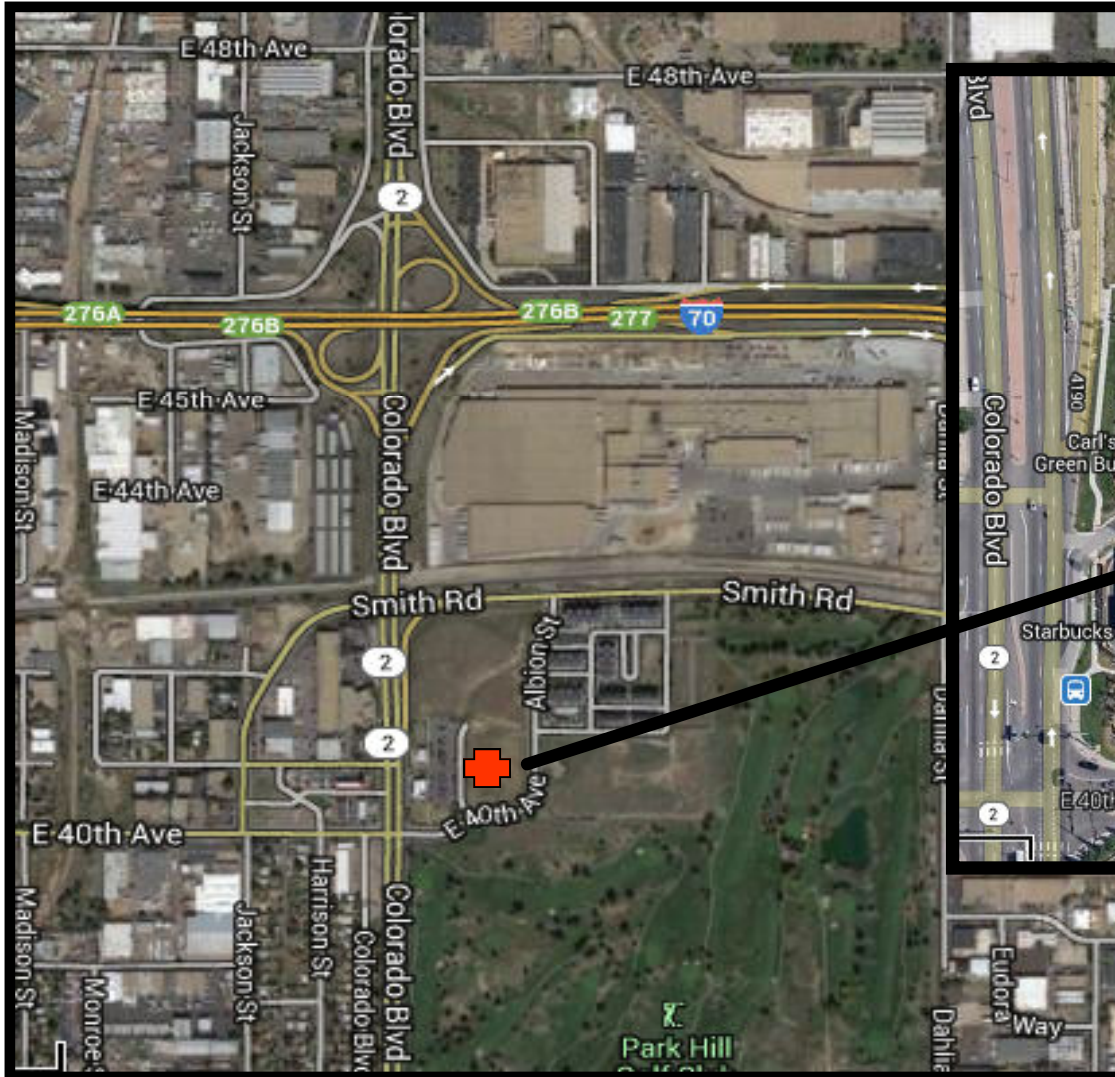
# Inducement Resolution

## Purpose

- The City commits to setting aside an amount of its PAB allocation.
  - **Action Item** - \$16 Million Inducement Resolution for 4055 Albion
- The City indicates its intent to issue the bonds and to finance the project.
- Defines the conditions under which the City will commit the PAB allocation.
- Establishes a date by which project costs can be considered financeable.

# Parkhill Community Apartments

4055 Albion (40<sup>th</sup> & Colorado)



Land Owned by Urban Land Conservancy & purchased by the Developer- Del West Capital LLC



# PARK HILL VILLAGE WEST APARTMENTS



# Parkhill Community Apartments

- **Developer:** Joel DelZotto, Del West Capital LLC
- **Total Development Cost:** \$28,351,595
- **Net Rental Square Footage:** 125,364
  
- **156 units**
- **100% Affordable Rental**
  - 50% -60% Area Median Income
  - 65- 1 bedroom
  - 83- 2 bedroom
  - 8- 3 bedroom
  
- **Financing**
  - 4% Low Income Housing Tax Credit (LIHTC) from Colorado Housing and Finance Authority (CHFA)
  - Housing and Urban Development (HUD) 221-D4 Loan
  - OED HOME/Neighborhood Stabilization Plan funding: \$475,000
  - **City Bond Cap – \$16,000,000 inducement resolution**



# Parkhill Community Apartments

## Financing

### Estimated Sources & Uses of Funds

<b>Sources of Funds</b>			
Tax Exempt Bonds			15,150,000
FHA Loan			15,942,000
City of Denver HOME Funds			475,000
DOH HOME Funds			475,000
LIHTC Equity			10,123,036
Developer Funds			2,509,536
			<u>44,674,572</u>
<b>Uses of Funds</b>			
Bond Collateral (incl Interest)			15,415,125
Land			2,100,000
Project Construction Costs			19,030,046
Third Party, Legal, COI, Fees, Etc			4,396,883
Rent-up Reserves			673,680
Operating Reserves			478,260
Developer Fee			2,580,578
			<u>44,674,572</u>

# Parkhill Community Apartments

## Financing

### Bond Financing Structure

- Bond par (estimated): \$15,150,000
  - Represents 55% of eligible cost basis, to meet 50% test and qualify for LIHTC
- Bonds will be secured at all times with cash sufficient to:
  - Pay all bond interest
  - Redeem the bonds at maturity
- Bond rating expected to be S&P AA+
  - By virtue of cash collateral/investments held in Bond Trust Estate
  - Eligible Investments (1) highly rated and (2) liquid per S&P guidelines
- Bonds will be publicly offered to investors
- Estimated interest rate (as of 6/17/13): .70%
- Expected bond maturity date: 30 months from transaction closing
- Bonds will be redeemed when the project is Placed in Service (per Section 42 guidelines)
  - Expected to be approximately 18 months after closing

# Important Dates

- FHA Commitment August 2013
- Closing (City Bonds, FHA Loan, LIHTC Partnership) Oct. 2013
- Construction Period Oct. 2013 to Oct. 2014
- Lease-up Period May 2014 to July 2015
- Tax Credit Close-out July 2015
- East Line Commuter Rail Opening Early 2016