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# Private Activity Bond (PAB) Inducement: 4340 South Monaco Apartments

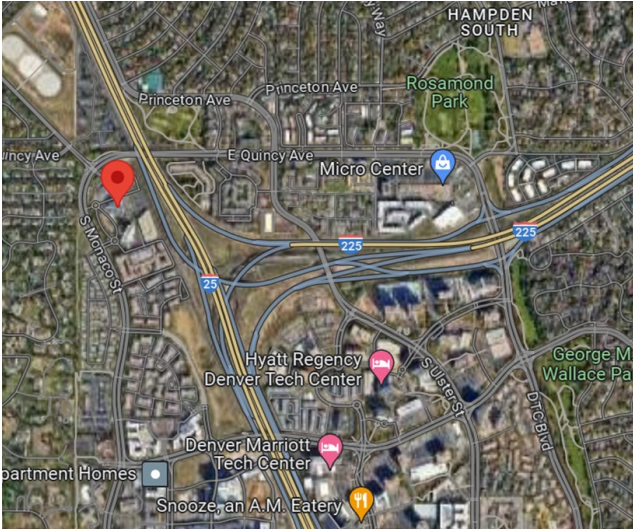
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# Council Action: Approve RR24-1446

Resolution request approving and evidencing the intention of the City and County of Denver, Colorado to issue an amount not to exceed \$29,000,000 of Multifamily Housing Revenue Bonds for the multi-family, affordable housing project located at 4340 South Monaco Street to support the acquisition, construction, and equipping of an affordable housing project.

# 4340 South Monaco Project

- Adaptive reuse, office building conversion project in Denver Tech Center
- To be developed by Shea Properties
- 124,000 square feet building with 143 affordable housing units
- The proposed underlying Area Median Income (AMI) limits will be set to 30% (16 units), 60% (80 units), and 70% (47 units)
- The proposed project includes 23 studio apartments, 89 one-bedrooms, 25 two-bedrooms, 3 three-bedrooms, and 3 four-bedrooms



# PAB Overview

- PABs are tax-exempt bonds issued by or on behalf of the city
- City uses PABs to borrow at tax-exempt rates for entities
- City does not pledge its credit for these bonds.
- PABs allow entities to access Low-Income Housing Tax Credits (LIHTC)
- The IRS allows a limited amount of tax-exempt PABs to be issued based on state population
- PABs are not voter-approved bonds pledging the city's full faith and credit

# PAB Financing

- 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.

# Council Role

- 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



# Council Role (continued)

- Inducement resolution officially reserves \$29,000,000 of PAB capacity specifically for 4340 S Monaco 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



# Anticipated Timeline

- Inducement resolution:
  - October 22, 2024 – Finance & Governance Committee
  - October 29, 2024 – Mayor-Council
  - November 4, 2024 – City Council
- Q1-Q2 2025:
  - Come back to City Council for bond ordinance approval and committee presentation

# Questions?

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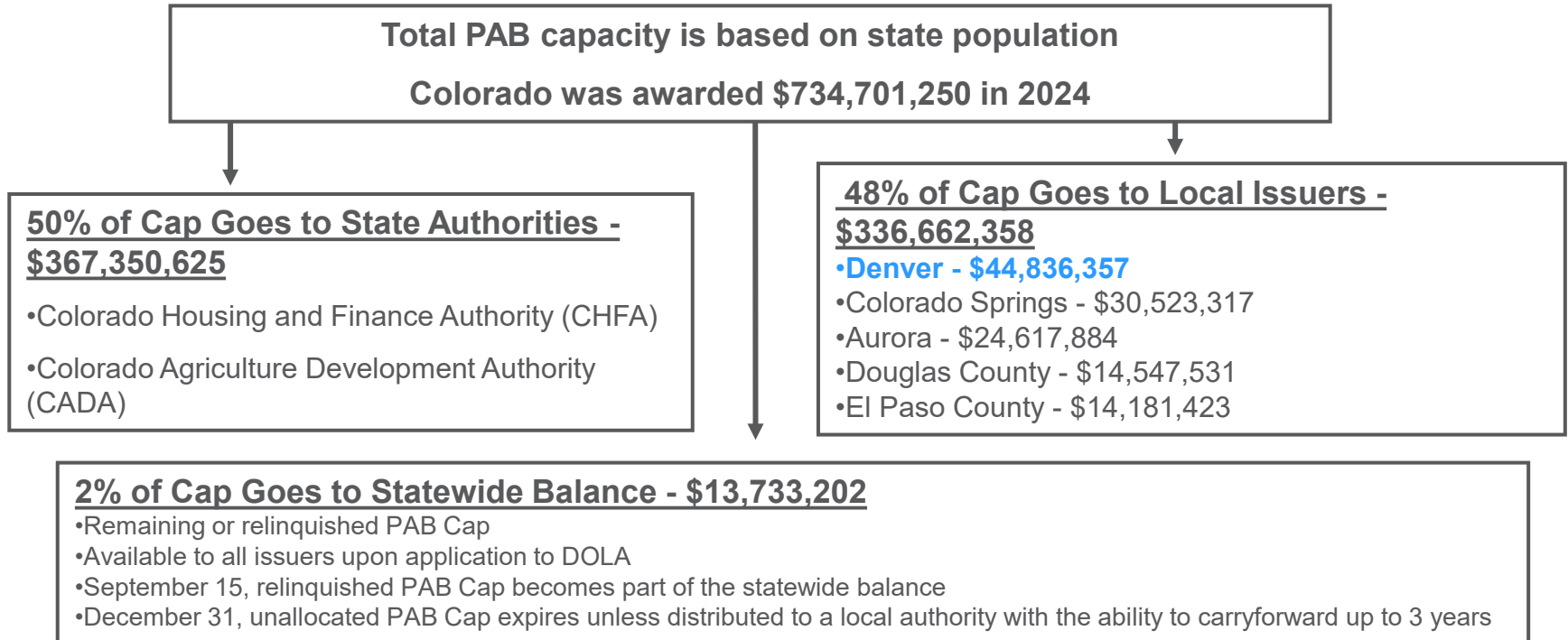
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# Appendix

# What is a Private Activity Bond (PAB)?

- A bond issued by local and state governments 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 and state tax
- Essentially, a PAB lowers the financing costs for a project, providing critical opportunities for affordable housing projects
- The Internal Revenue Service (IRS) limits the amount of tax-exempt PABs that can be issued, thus creating the PAB allocation process based on a state's population

# PAB Allocation Process - Administered by DOLA



# PAB Allocation Parameters

- Once a local government is awarded a PAB allocation, the IRS allows the PAB allocation to be carried forward for up to 3 years
  - Locally, this requires action by Denver City Council
- By Feb. 15 each year, the IRS requires issuers to make an irrevocable election for the carryforward from the previous year.
  - Issuers elect to carryforward their PAB into “buckets.” Historically, Denver has designated its carryforward toward Single Family Mortgage/Mortgage Credit Certificate (MCC) and Multifamily uses.
- Typically, the city applies for and receives additional PAB allocation from the unused statewide balance

# Denver's PAB Partners

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

# Denver's Current PAB Allocations as of July 2024

Sources and Uses of PAB Allocation							
PAB Year	Sources	Uses	Source/Use Description	Remaining PAB (incl. proposed)	Current Carryforward Amounts Remaining		Expiration
					Single Family & MCC	Multifamily	
2024		\$ (6,000,000)	\$24MM- 2024 4330 S. Monaco Project - placeholder for \$6MM	\$ 8,241,488	TBD in Feb. '25	TBD in Feb. '25	12/31/2027
		\$ (6,000,000)	\$21MM- 2025 Loretto Heights Family Apartments- placeholder for \$6MM				
		\$ (24,594,869)	\$54MM-4995 N. Washington				
	\$ 44,836,357		Direct Allocation for 2024				
2023		\$ (11,498,524)	\$12.5MM-St. Francis CHFA Delegation	\$ -	\$ -	\$ -	12/31/2026
		\$ (11,000,000)	\$11MM- All Saints Apartments				
		\$ (30,405,131)	\$54MM-4995 N. Washington				
	\$ 10,000,000		2023 Statewide Balance Award- for 4995 N.				
	\$ 42,903,655		Direct Allocation for 2023				



# Denver's Current PAB Allocations as of July 2024 (continued)

Sources and Uses of PAB Allocation							
PAB Year	Sources	Uses	Source/Use Description	Remaining PAB (incl. proposed)	Current Carryforward Amounts Remaining		Expiration
					Single Family & MCC	Multifamily	
2022	\$ 2,500,000 \$ 39,668,757	\$ (40,168,757) \$ (1,000,000) \$ (1,000,000)	\$41.5MM- 2023 DHA Delegation- Sun Valley Flo \$37MM- 2022 DHA Delegation- Sun Valley Sol \$12.5MM- St. Francis CHFA Delegation 2022 Statewide Balance Award- for St. Francis Center West Direct Allocation for 2022	\$ -	\$ -	\$ -	12/31/2025
2021	\$ 6,814,851 \$ 40,412,528	\$ (1,331,243) \$ (684,469) \$ (19,540,191) \$ (25,670,000) \$ (1,476,50)	\$41.5MM- 2023 DHA Delegation- Sun Valley Flo \$37MM- 2022 DHA Delegation- Sun Valley Sol \$19.5MM- Northfield Flats \$25.67MM- MOC Freshlo \$12.5MM- St. Francis CHFA Delegation 2021 Statewide Balance Award Direct Allocation for 2021	\$ -	\$ -	\$ 1	12/31/2024
2020	\$ 2,000,000 \$ 1,370,000 \$ 38,110,648	\$ (35,315,531) \$ (2,000,000) \$ (2,165,117) \$ (2,000,000)	\$37MM- 2022 DHA Delegation- Sun Valley Sol \$2MM- CHFA Delegation for Aspgren \$15.425MM- Mercy The Rose on Colfax Additional \$2MM assignment to DHA for Thrive Delegation Agreement from CHFA for Northfield Flats Delegation Agreement from CHFA for Freshlo Direct Allocation for 2020	\$ -	#N/A	#N/A	12/31/2023
<b>Total PAB Allocation Capacity:</b>				\$ -	#N/A	#N/A	

- This color represents proposed PAB uses & sources.
- This color represents induced PAB uses.

# Examples of Projects Supported by Denver's PAB Allocation

- South Monaco Apartments
- Loretto Heights Family Apartments
- 4995 Washington St
- St. Francis Center - West
- Northfield Flats
- MOC Freshlo
- The Rose on Colfax
- Various CHFA Projects
- Various DHA Projects



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# Thank you