

Morrison Road



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 Morrison Road project to support the construction of the Morrison Road affordable housing project.

- **The Morrison Road project is new construction of an 80 unit affordable housing project located at 5048 Morrison Rd.**

Unit Type	30% AMI	40% AMI	60% AMI	80% AMI	Manager	Total Units	% of Total
1BR/1BA	1	5	12	6	0	24	30%
2BR/1BA	2	8	13	8	1	32	40%
3BR/2BA	1	5	12	6	0	24	30%
Total	4	18	37	20	1	80	100%
% of Total	5.00%	22.50%	46.30%	25.00%	1.30%	100.00%	

- **Developer is Gorman & Company, LLC**
- **Proposed project will contribute both to the Westwood Neighborhood Plan and Housing an Inclusive Denver plan through provision of housing options for low and moderate income families in the neighborhood.**

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 Morrison Road 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 Morrison Road project, as the cost of the land will become an eligible bond expense.

Anticipated Timeline

- **Inducement resolution timeline**
 - 4/6/2020- Resolution request deadline
 - 4/14/2020- FINGOV Committee or consent
 - 4/21/2020- Mayor Council
 - 4/27/2020- City Council meeting
- **Late Spring/Early Summer-**
Come back to City Council for bond ordinance approval and committee presentation.



Questions:

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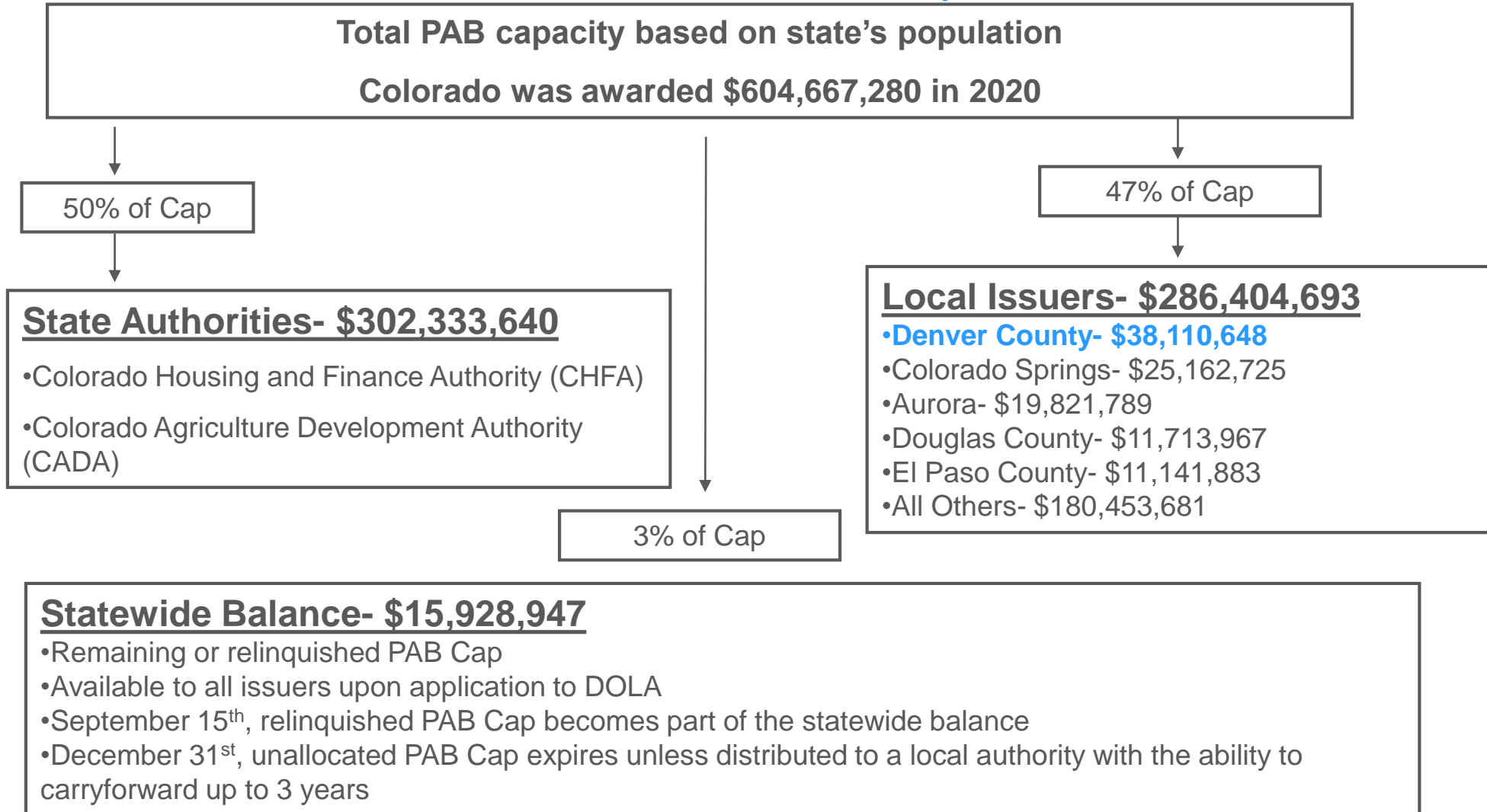
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Appendix

What is a 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

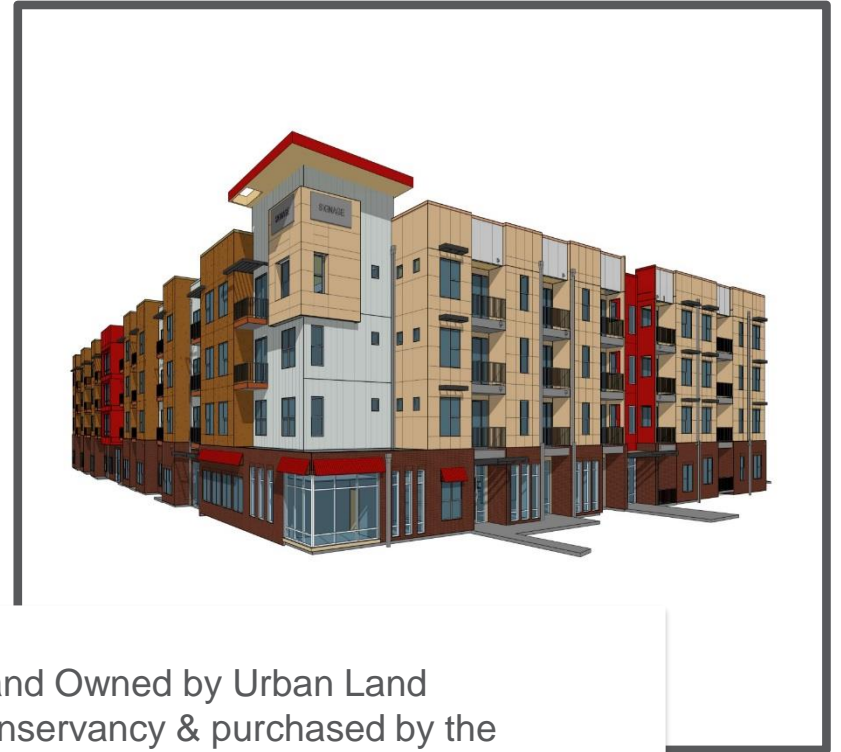
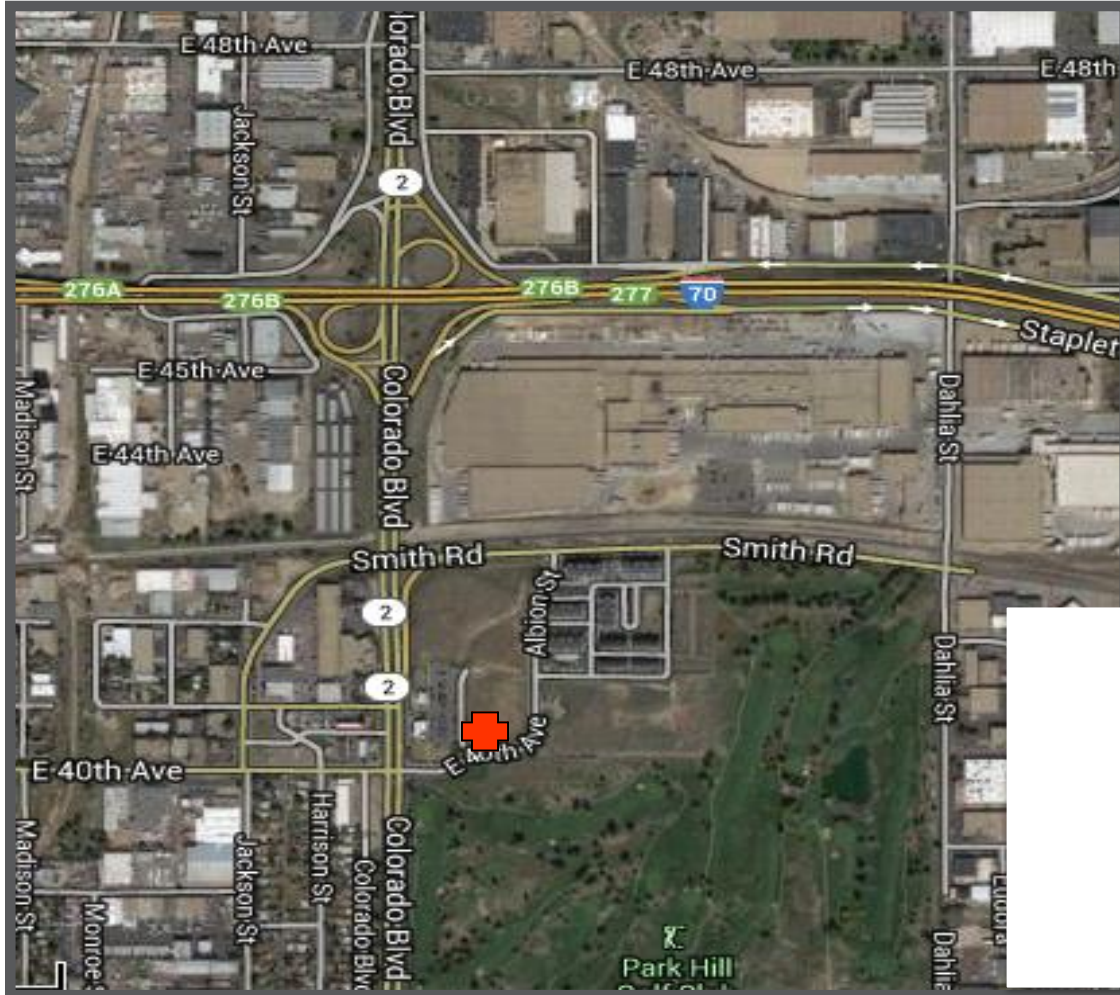
Sources and Uses of PAB Allocation							
PAB Year	Sources	Uses	Source/Use Description	Remaining PAB	Current Carryforward Amounts Remaining		Expiration
					Single Family & MCC	Multifamily	
2020	\$ 38,110,648		Direct Allocation for 2020	\$ 38,110,648	TBD in Feb. '21	TBD in Feb. '21	12/31/2023
2019	\$ 7,117,002 \$ 37,565,325	\$ (15,000,000)	\$15MM- Gorman Morrison Rd.	\$ 29,471,105	\$ -	\$ 29,471,327	12/31/2022
		\$ (211,222)	\$27MM- DHA Thrive Delegation				
2018	\$ 11,936,829 \$ 36,397,830	\$ (26,788,778)	\$27MM- DHA Thrive Delegation	\$ -	\$ -	\$ -	12/31/2021
		\$ (21,545,881)	\$25MM- DHA Broadway & DHA Studebaker assignment				
2017	\$ 31,420,091 \$ 34,154,800	\$ (3,454,119)	\$25MM- DHA Broadway & DHA Studebaker assignment	\$ -	\$ -	\$ -	12/31/2020
		\$ (22,000,000)	\$22MM- Laradon Phase II				
		\$ (13,000,000)	The Colburn				
		\$ (8,290,872)	DHA's Platte Valley and Gateway North				
		\$ (17,829,900)	2017 MCC Program				
\$ (1,000,000)	DHA Vida Assignment						
2017 Statewide Balance Award Direct Allocation for 2017							
Total PAB Allocation Capacity:				\$ 67,581,753	\$ -	\$ 29,471,327	

- This color represents PAB uses in process
 - This color represents proposed PAB uses

Projects/Programs Supported by Denver's PAB Allocation

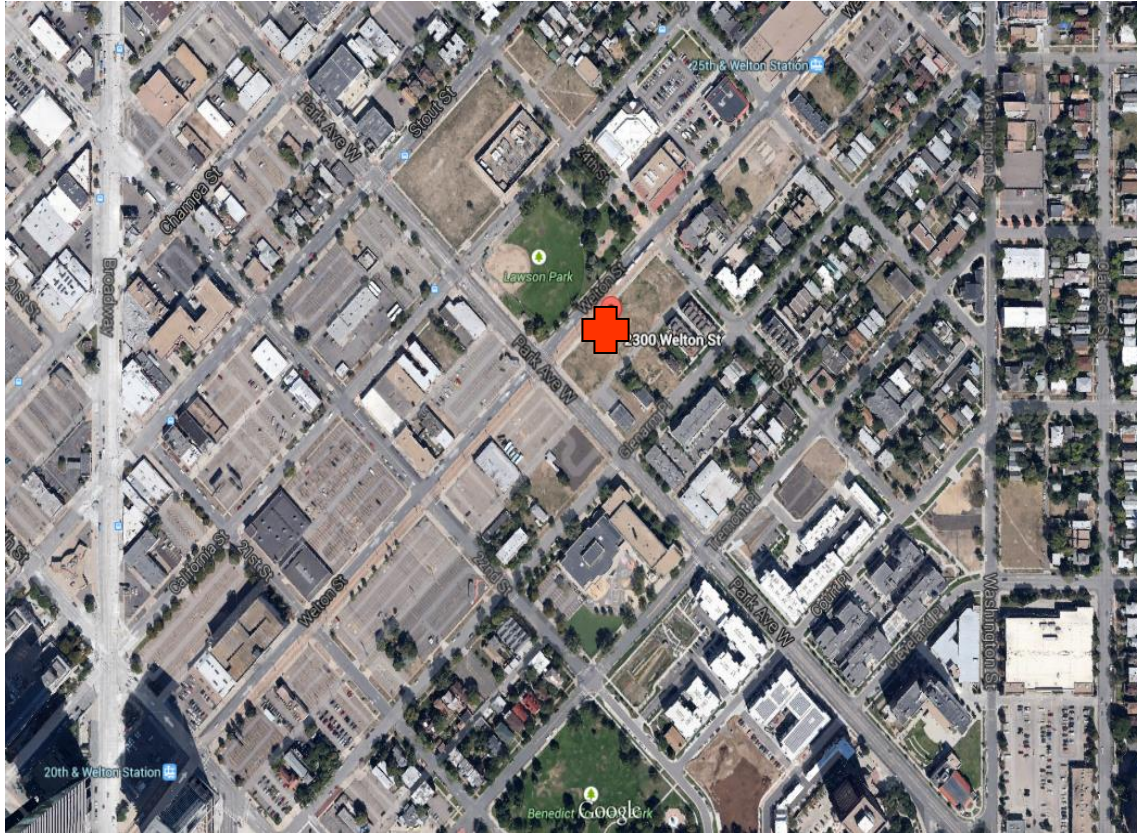
- Parkhill Village West
- 2300 Welton
- Mariposa Phase VII
- The Colburn
- The Stella
- Various CHFA Projects
- Various DHA Projects
- Various MCC Programs

Parkhill Village West- 4055 Albion (40th & Colorado)



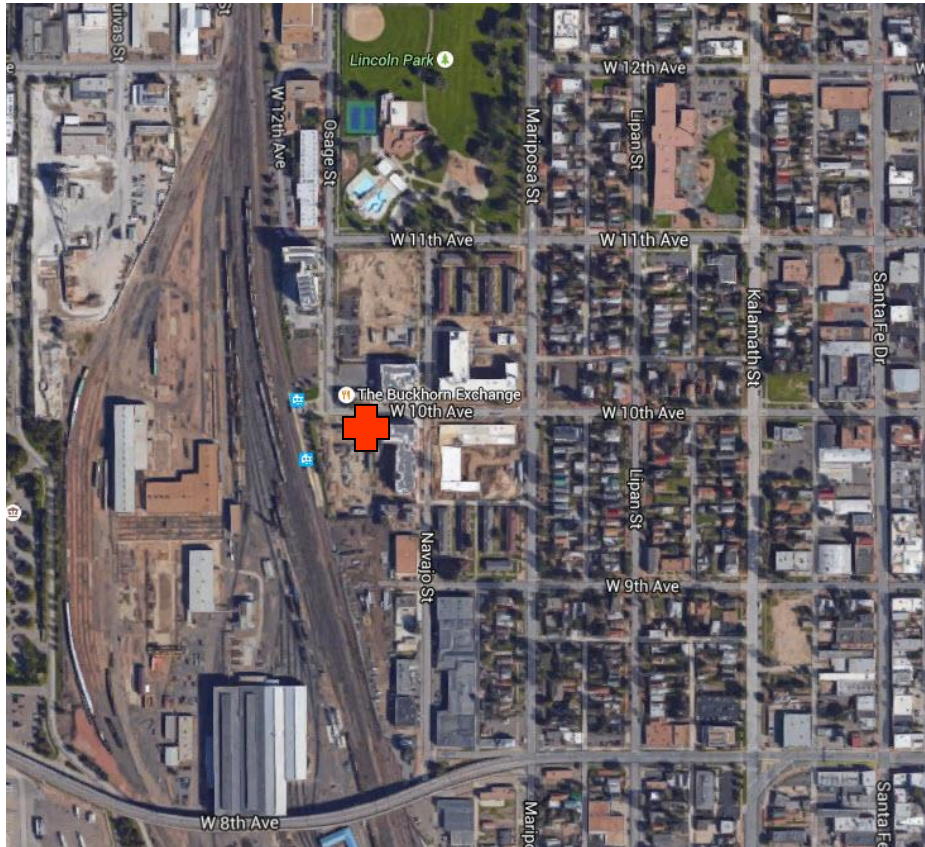
- Land Owned by Urban Land Conservancy & purchased by the Developer- Del West Capital LLC
- 156 units
- All units are income restricted from 50% - 60% AMI.

Welton Corridor- 2300 Welton



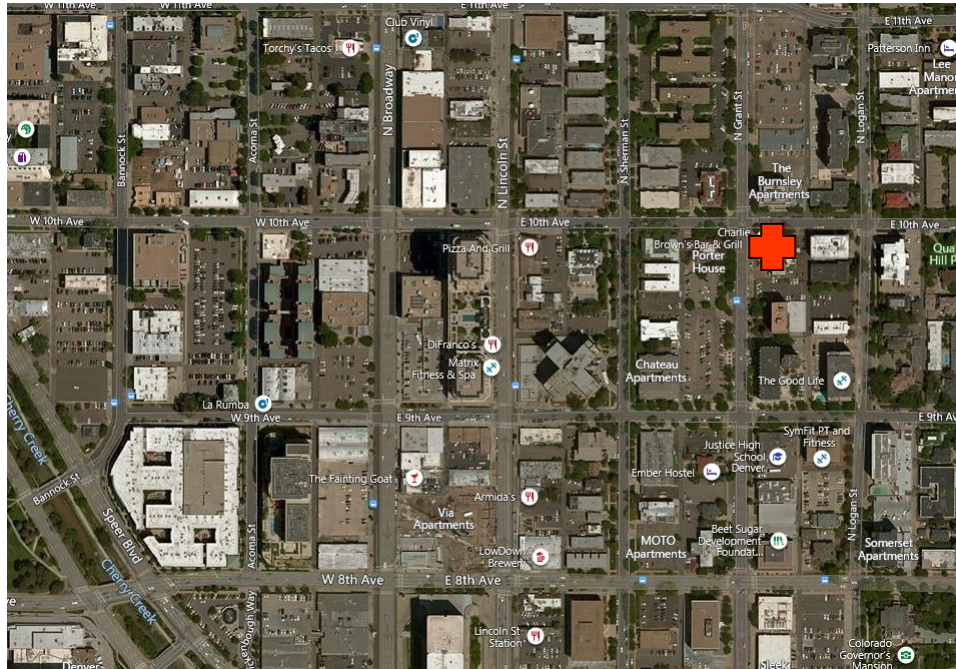
- 233 Units in 2 buildings
 - 11 units @ 30% AMI
 - 212 units @ 60% AMI
- Approximately 268,000 square feet
 - Studio, 1 bed, 2 bed, and 3 bed unit mix

Mariposa Phase VII- 10th 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

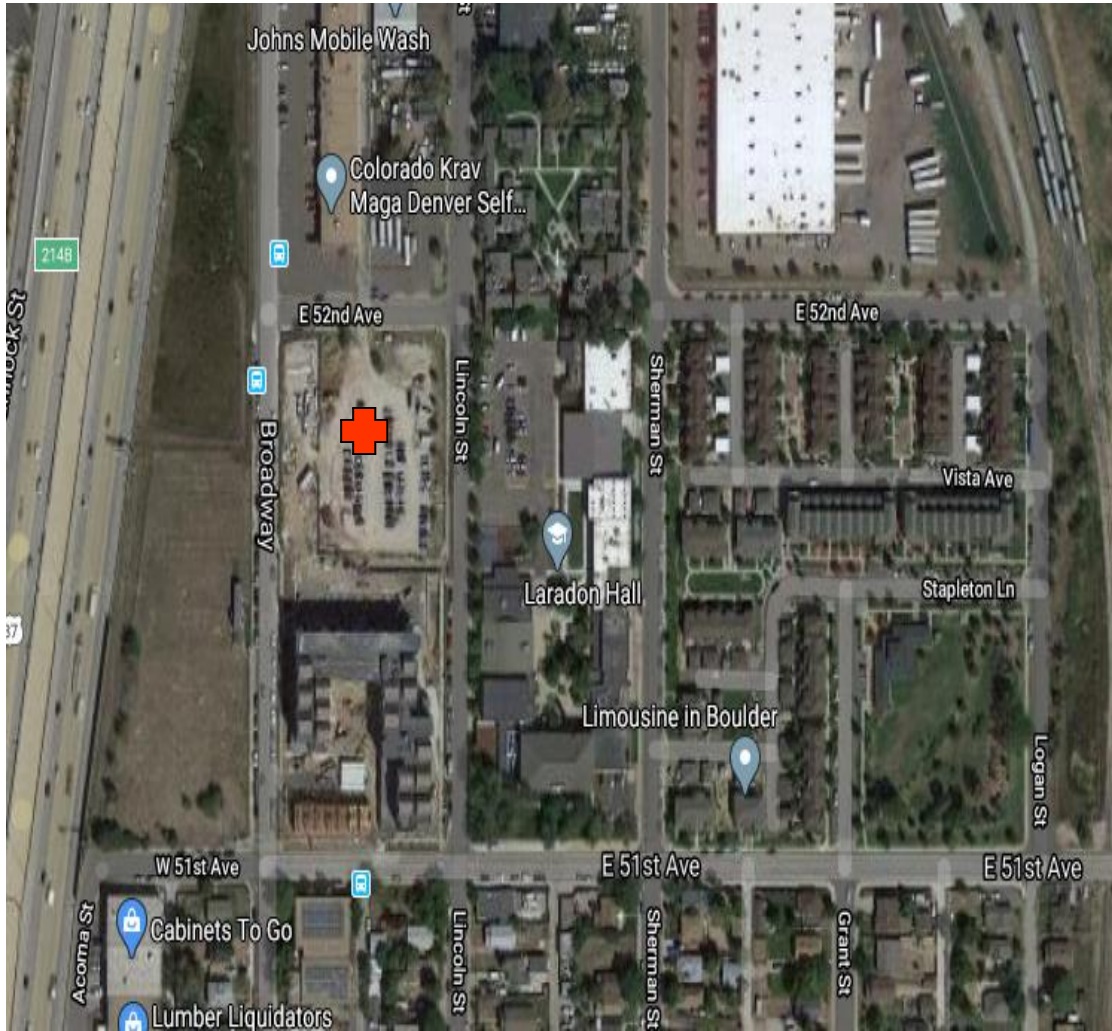
The Colburn- 980 Grant St.



- 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

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
Total	\$131,450,353	1,358	

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
Total	\$93,500,000	584	

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
Total	\$192,500,000	990	