

## ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor's Legislative Team  
at [MileHighOrdinance@DenverGov.org](mailto:MileHighOrdinance@DenverGov.org) by **3:00pm on Monday**.

*\*All fields must be completed.\*  
Incomplete request forms will be returned to sender which may cause a delay in processing.*

Date of Request: May 23, 2014

Please mark one:  Bill Request or  Resolution Request

1. Has your agency submitted this request in the last 12 months?

Yes  No

If yes, please explain:

2. **Title:** An ordinance authorizing the issuance and sale of an amount not to exceed \$23,000,000 of City and County of Denver, Colorado Multifamily Housing Revenue Bonds (2300 Welton Project) Series 2014 for the purpose of financing the acquisition, construction and equipping of a multifamily residential rental housing development to be occupied by low and middle income persons in the City and County of Denver, Colorado and to pay certain expenses of such bond issue; approving and authorizing execution of a trust indenture, a loan agreement, a bond purchase agreement and a tax regulatory agreement with respect to the bonds; making findings and determinations with respect to the project and the bonds; authorizing the execution and delivery of related documents; and repealing all action heretofore taken in conflict therewith.

3. **Requesting Agency:** Finance

4. **Contact Person:** (With actual knowledge of proposed ordinance/resolution.)

- **Name:** Richard Sheehan – Acting Debt Administrator for Special Districts and Conduit
- **Phone:** 720-913-5550
- **Email:** [Richard.Sheehan@denvergov.org](mailto:Richard.Sheehan@denvergov.org)

5. **Contact Person:** (With actual knowledge of proposed ordinance/resolution who will present the item at Mayor-Council)

- **Name:** Richard Sheehan – Acting Debt Administrator for Special Districts and Conduit
- **Phone:** 720-913-5550
- **Email:** [Richard.Sheehan@denvergov.org](mailto:Richard.Sheehan@denvergov.org)

6. **General description of proposed ordinance including contract scope of work if applicable:** The proposed ordinance approves the City's utilization of the City's Private Activity Bond Volume Cap Allocation for the purpose of financing multifamily housing by Century Development at 2300 Welton Street and 501 Park Avenue West. The affordability election related to the Private Activity Bonds will be 40% of the units at 60% Area Median Income (AMI). The State of Colorado's Department of Local Affairs has awarded more than sufficient Private Activity Bond Volume Cap Allocation to the City for this project. This ordinance allows for the use of \$23,000,000 of Private Activity Bond Volume Cap Allocation to be applied in 2014, consistent with Colorado statutes and the Internal Revenue Code.

- a. **Contract Control Number:** N/A
- b. **Duration:** 2014
- c. **Location:** 2300 Welton Street and 501 Park Avenue West
- d. **Affected Council District:** Council District 8 – Albus Brooks
- e. **Benefits:** Adoption of this ordinance utilizes Private Activity Bond Volume Cap Allocation to assist in the proposed development of a multifamily housing project located at 2300 Welton Street and 501 Park Avenue West to develop one 4 story building and one 3 story building for a total of 223 affordable rental housing units (40% of the units will be at 60% of AMI).
- f. **Costs:** N/A

7. **Is there any controversy surrounding this ordinance?** (Groups or individuals who may have concerns about it?) **Please explain.**

To be completed by Mayor's Legislative Team:

SIRE Tracking Number: \_\_\_\_\_

Date Entered: \_\_\_\_\_

## Executive Summary

The proposed ordinance of the City and County of Denver utilizes Private Activity Bond Volume Cap Allocation to issue an amount not to exceed \$23,000,000 of its Multifamily Housing Revenue Bonds (2300 Welton Project) Series 2014 for the proposed 2300 Welton Apartment project. The proposed project consists of a 4 story building that includes 195 affordable housing units, plus a 3 story building with 28 affordable housing units, for a project total of 223 affordable housing units, with 40% of the units required to be at 60% of the Area Median Income. The project will be owned by 2300 Welton LLC, an affiliate of Century Development.

In general, a private activity bond is a bond issued by a local or state government for the purpose of financing a project to be owned and operated by a private party. The interest paid on the bonds is exempt from Federal income taxation. The Federal government allots Private Activity Bond Volume Cap Allocation to each state. The State of Colorado, in turn, allots a portion of such Private Activity Bond Volume Cap Allocation to each local government issuer based on population. The State of Colorado's Department of Local Affairs has allotted Private Activity Bond Volume Cap Allocation to the City. This ordinance allows for a partial allocation of \$23 Million of the City's total and currently available Private Activity Bond Volume Cap Allocation of \$202,651,228 to be applied to the proposed multifamily project at 2300 Welton Street and 501 Park Avenue West, consistent with Colorado statutes and the Internal Revenue Code.

Private activity bonds are issued to finance various types of facilities owned or operated by private entities, including multifamily housing projects, single family housing assistance, and industrial development uses. Private Activity Bonds issued by the City are special limited obligations and do not constitute a debt or indebtedness of the City and do not give rise to a charge against the general credit or taxing power of the City. The owner of the project financed with Private Activity Bonds is solely responsible for compliance with the regulations of the tax-exempt bond program and payment of the principal and interest on the bonds.

The bonds will be cash secured, in an amount sufficient to pay principal of and interest on the bonds to maturity. The bonds will have a stated maturity of approximately 30 months and will be subject to optional redemption approximately 18 months from date of issuance, by which time it is expected that the Project will have been placed in service and the bonds can be called for redemption. Proceeds of the bonds will be deposited into a Project Fund under the Indenture, to satisfy the 50% Rule. The bonds will be publicly offered and are expected to carry a long-term rating of AA+ or short-term rating of SP-1+ based on the cash collateral and permitted investments of such cash.

In this case, 2300 Welton LLC is pursuing a credit enhancement related to the bonds through HUD's FHA 221(d) 4 mortgage-insurance program. This credit enhancement will provide the mortgage and the bonds with a very high rating that will be attractive to the mortgage lender, Prudential Huntoon Paige. Additionally, the PAB program allows Low-Income Housing Tax Credits (LIHTC) at a 4% rate to be used in order to create an equity investment in the project. LIHTC will be pursued through CHFA for this development.

The approval of the ordinance is contingent upon 2300 Welton LLC being able to provide and or achieve the following tasks:

- 1) An appraisal must be provided that is acceptable to the City prior to issuance of the City's PABs
- 2) A Phase I must be provided that is acceptable to the City prior to issuance of the City's PABs
- 3) A FHA mortgage insurance commitment or other credit enhancement that is acceptable to the City
- 4) The affordability election related to the Private Activity Bonds will be 40% of the units at 60% AMI
- 5) The City will require use of standard measures for energy standards of the property.
- 6) The inducement will expire on June 30, 2014 should the above items not be accomplished prior.
- 7) The Chief Financial Officer of the City and the Executive Director of the City's Office of Economic Development may extend the Expiration Date to a later date in their sole discretion.

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