

ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor's Legislative Team

at MileHighOrdinance@DenverGov.org by **3:00pm on Monday**. Contact the Mayor's Legislative team with questions

Date of Request: **9/28/2020**

Please mark one: Bill Request or Resolution Request

1. Type of Request:

- Contract/Grant Agreement Intergovernmental Agreement (IGA) Rezoning/Text Amendment
 Dedication/Vacation Appropriation/Supplemental DRMC Change
 Other: Inducement Resolution

2. **Title:** Approving and evidencing the intention of the City and County of Denver, Colorado to issue an amount not to exceed \$5,100,000 of Multifamily Housing Revenue Bonds for La Alma Apartments project to support the preservation of affordable, Section 8-supported units in Lincoln Park/La Alma.

3. **Requesting Agency:** Department of Housing Stability

4. Contact Person:

Contact person with knowledge of proposed ordinance/resolution	Contact person to present item at Mayor-Council and Council
Name: Nick Emenhiser	Name: Nick Emenhiser
Email: Nicholas.Emenhiser@denvergov.org	Email: Nicholas.Emenhiser@denvergov.org

5. General description or background of proposed request. Attach executive summary if more space needed:

Community Preservation Partners has requested access to \$5,025,408 in Private Activity Bonds (PAB) from the Department of Local Affairs Statewide Balance, in order to rehabilitate and preserve affordability of a 20-unit, scattered-site Section 8 portfolio in the Lincoln Park/La Alma neighborhood. Due to Private Activity Bond constraints, HOST is moving forward with an inducement resolution entirely conditioned upon award of Statewide Balance bonds. This is due to planned uses for all of the City's current PAB balance.

Addresses of this project are 519 W. 7th Avenue, 875-877 Fox Street, 616-618 W. 9th Avenue and 1023-1033 W. 9th Avenue. All units are covered under the project-based Section 8 contract and as such, residents will pay no more than 30% of their income in rent. The project is comprised of 4 one-bedrooms and 16 three-bedrooms, primarily serving larger families.

This project is utilizing the 4% tax credit to generate roughly \$2.5 million in equity along with \$6.9 million in debt and almost \$1 million in deferred developer fee. This project is not requesting any gap financing directly from the City of Denver and is able to service the high level of debt due to the Section 8 rental income.

While there are slightly over 10 years remaining on the existing City covenant, this is also a smaller-scale property that is typically difficult to attract developers to preserve, and as such offers a great opportunity to solve what will be a preservation challenge in the near-future. The use of City PAB will require a long-term extension of the affordability restrictions without HOST having to make a direct investment into this project.

6. **City Attorney assigned to this request (if applicable):** Brad Neiman

7. **City Council District:** District 3

8. ****For all contracts, fill out and submit accompanying Key Contract Terms worksheet****

To be completed by Mayor's Legislative Team:

Resolution/Bill Number: RR20 1072

Date Entered: _____

N/A

Executive Summary

The proposed resolution is to declare the *intent* of the City and County of Denver, Colorado to issue an amount not to exceed \$5,025,408 of its Multifamily Housing Revenue Bonds for the La Alma preservation project located at scattered sites in Council District 3. The project will be rehabilitated by Community Preservation Partners, or its affiliates (CPP). All units are covered under the project-based Section 8 contract and as such, residents will pay no more than 30% of their income in rent. The project is comprised of 4 one-bedrooms and 16 three-bedrooms, primarily serving larger families.

In general, a private activity bond is a bond issued by a local or state government or agency 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 and State of Colorado income taxation. The Federal government allots Private Activity Bond Volume Cap Allocation to each state. The State of Colorado, in turn, allocates a portion of such Private Activity Bond Volume Cap Allocation to each local government issuer based on population. Any Private Activity Bond Volume Cap Allocation that is unused or not carried forward reverts to the Colorado Department of Local Affairs, and such cap is awarded to local government issuers through a competitive process. The State of Colorado’s Department of Local Affairs will review this project’s application for Private Activity Bond Volume Cap Allocation on November 1st, before which we must fully-execute an inducement resolution. This resolution allows for an allocation of \$5,025,408 of any successful award from the Statewide Balance of relinquished bond volume cap across Colorado, consistent with the City’s Home Rule Charter, Colorado statutes, and the Internal Revenue Code.

Private activity bonds and Private Activity Bond Volume Cap Allocation are utilized to finance various types of facilities owned or operated by private entities, including multifamily housing projects, single family housing assistance, mortgage credit certificates, and industrial development uses. Private activity bonds issued by the City are special, limited obligations of the City 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 related to regulations of the tax-exempt bond program, the LIHTC program, and the principal and interest payments on the bonds.

The approval of this inducement resolution will function like a reservation of Private Activity Bond Volume Cap Allocation capacity specifically for the La Alma project, conditioned upon successful award of bond volume cap from the Statewide Balance. To issue bonds for this project, the City will need to pass a bond ordinance approving the terms of the bond issue and related financing agreements. The bond ordinance is expected to be presented to Council in the spring of 2021.

Key Contract Terms

Type of Contract: (e.g. Professional Services > \$500K; IGA/Grant Agreement, Sale or Lease of Real Property): N/A

Vendor/Contractor Name: N/A

Contract control number: N/A

Location: N/A

Is this a new contract? Yes No **Is this an Amendment?** Yes No **If yes, how many?** _____

N/A

Contract Term/Duration (for amended contracts, include existing term dates and amended dates): N/A

Contract Amount (indicate existing amount, amended amount and new contract total): N/A

<i>Current Contract Amount</i>	<i>Additional Funds</i>	<i>Total Contract Amount</i>
(A)	(B)	(A+B)
N/A	N/A	N/A

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<i>Current Contract Term</i>	<i>Added Time</i>	<i>New Ending Date</i>
N/A	N/A	N/A

Scope of work: N/A

Was this contractor selected by competitive process? N/A **If not, why not?** N/A

Has this contractor provided these services to the City before? Yes No
N/A

Source of funds: N/A

Is this contract subject to: W/MBE DBE SBE XO101 ACDBE N/A

WBE/MBE/DBE commitments (construction, design, Airport concession contracts): N/A

Who are the subcontractors to this contract? N/A

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