

The Rose on Colfax PAB (FKA 8315 E. Colfax Ave.)



**Safety, Housing, Education & Homelessness Committee
Michael Kerrigan, Financial Analyst Specialist**

Legislative Summary

One ordinance request to support the construction of The Rose on Colfax affordable housing project.

- The Rose on Colfax project is new construction of an 82-unit affordable housing project located at 1500 & 1510 N. Valentia St.

AMI Level	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Total	% of Total
30% AMI	4	5	5	2	16	20%
40% AMI	1	2	2	0	5	6%
50% AMI	6	2	2	0	10	12%
60% AMI	13	15	9	0	37	45%
70% AMI	6	4	4	0	14	17%
Total	30	28	22	2	82	100%
% of Total	37%	34%	27%	2%	100%	

- The Department of Finance proposes the following request:**
 - An ordinance request to award PAB allocation and authorize the issuance of \$15.425 million of private activity bonds to support the 4% Low Income Housing Tax Credit (LIHTC) transaction bonds for The Rose on Colfax project.

Project Location – 1500 & 1510 N. Valentia St



Project Developer



- **Mercy Housing Inc. is the largest nonprofit owner of affordable housing in the country, with more than 24,000 units across 343 properties in 26 states**
- **Mercy Housing Mountain Plains, the regional affiliate of Mercy Housing Inc, has developed 40 affordable rental communities with more than 3,000 apartments across Colorado, Utah, Nebraska, and Arizona**

Project Details

- **Building size:** 82 affordable apartments in a 5-story, 119,000sf building
- **Building Amenities:** Courtyard, community room with kitchen, conference room, fitness room, laundry rooms on each floor, parking garage
- **Apartment Amenities:** Energy-efficient appliances, built-in work space, central A/C & heat, dishwasher, kitchen island (depending on unit type)
- **Unit mix:** Many large units to accommodate families
- **Services on-site:** health navigation, behavioral health services, financial literacy, job training, resume assistance, after school and youth programming, health food education.
- **Early Childhood Education Center:** Mile High Early Learning will operate a co-located center on the first floor of the new building with 4 classrooms for newborn - preschool

Unit Type Summary		
1 BR	30	37%
2 BR	28	34%
3 BR	22	27%
4 BR	2	2%
TOTAL	82	100%



Project Affordability Restrictions

Unit Mix By Type and Income Restriction

Affordability will be restricted for 60 years

Percent of units	Bedrooms	AMI	#of units
20%	1 BED	30%	4
	2 BED		5
	3 BED		5
	4 BED		2
6%	1 BED	40%	1
	2 BED		2
	3 BED		2
12%	1 BED	50%	6
	2 BED		2
	3 BED		2
45%	1 BED	60%	13
	2 BED		15
	3 BED		9
17%	1 BED	70%	6
	2 BED		4
	3 BED		4
	TOTAL		82

AMI	2021 Maximum Rents				
	0 Bdrm	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm
120%	2,202	2,359	2,832	3,270	3,648
100%	1,835	1,966	2,360	2,725	3,040
80%	1,468	1,573	1,888	2,180	2,432
70%	1,284	1,376	1,652	1,907	2,128
60%	1,101	1,179	1,416	1,635	1,824
55%	1,009	1,081	1,298	1,498	1,672
50%	917	983	1,180	1,362	1,520
45%	825	884	1,062	1,226	1,368
40%	734	786	944	1,090	1,216
30%	550	589	708	817	912
20%	367	393	472	545	608

Income levels served The Rose on Colfax housing highlighted in yellow
Source: HUD via CHFA

AMI	2021 Income Limits							
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
120%	88,080	100,680	113,280	125,760	135,840	145,920	156,000	166,080
100%	73,400	83,900	94,400	104,800	113,200	121,600	130,000	138,400
80%	58,720	67,120	75,520	83,840	90,560	97,280	104,000	110,720
70%	51,380	58,730	66,080	73,360	79,240	85,120	91,000	96,880
60%	44,040	50,340	56,640	62,880	67,920	72,960	78,000	83,040
55%	40,370	46,145	51,920	57,640	62,260	66,880	71,500	76,120
50%	36,700	41,950	47,200	52,400	56,600	60,800	65,000	69,200
45%	33,030	37,755	42,480	47,160	50,940	54,720	58,500	62,280
40%	29,360	33,560	37,760	41,920	45,280	48,640	52,000	55,360
30%	22,020	25,170	28,320	31,440	33,960	36,480	39,000	41,520
20%	14,680	16,780	18,880	20,960	22,640	24,320	26,000	27,680

Project Development Timeline

- **Land acquisition:** April 2021 (to complete early utility relocation work)
- **Financial closing:** October 2021
- **Construction start:** October 2021
- **Construction completion:** February 2023
- **Move-in begins:** February 2023



Conceptual rendering of courtyard
Source: Van Meter Williams Pollack

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

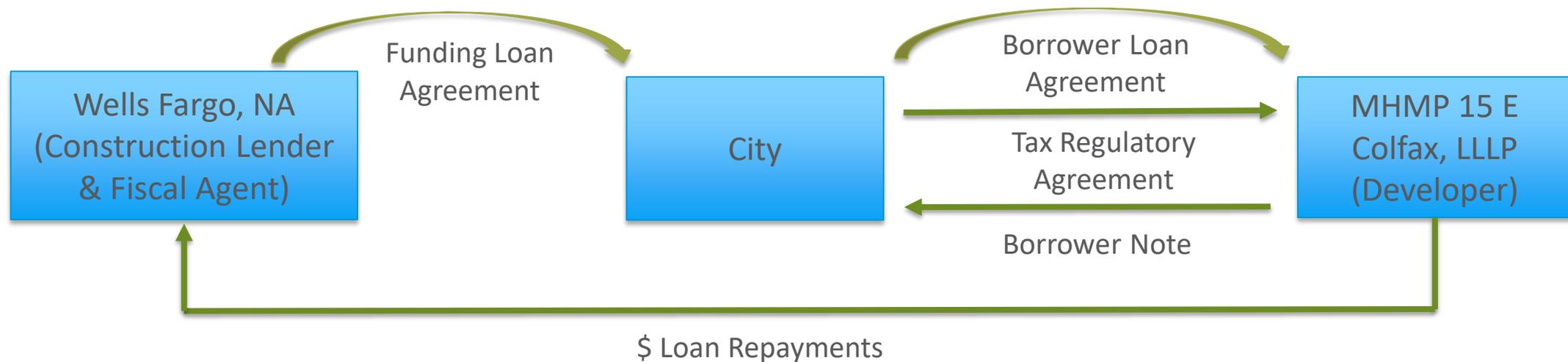
City intends to use a portion of its PAB capacity for the project

- **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 PABs 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.
- **The City will issue \$15,425,000 of the City and County of Denver, Colorado Multifamily Housing Revenue Note (The Rose on Colfax Project) Series 2021 (the “Note”).**
- **The Note is a special limited obligation of the City payable solely from the revenues and other funds pledged from The Rose on Colfax project. The Note is not a debt or multiple fiscal-year obligation of the City. The City is not financially liable to the bond purchaser.**

PAB Financing

Mercy Housing and its affiliates will use \$15,425,000 of PAB capacity from the City and County of Denver to support the construction financing.

- The City will use PAB capacity and issue a multifamily note, in one or more series to Wells Fargo Bank, N.A., the construction lender, under the Bank Loan Agreement
 - Wells Fargo will provide up to \$15,425,000 of Note proceeds to the City.
- The City will use the Note proceeds to make a loan under the Loan Agreement to MHMP 15 E Colfax, LLLP.
- The \$15,425,000 loan proceeds will be disbursed to MHMP 15 E Colfax, LLLP on a draw down basis.





Questions:

Michael.Kerrigan@denvergov.org

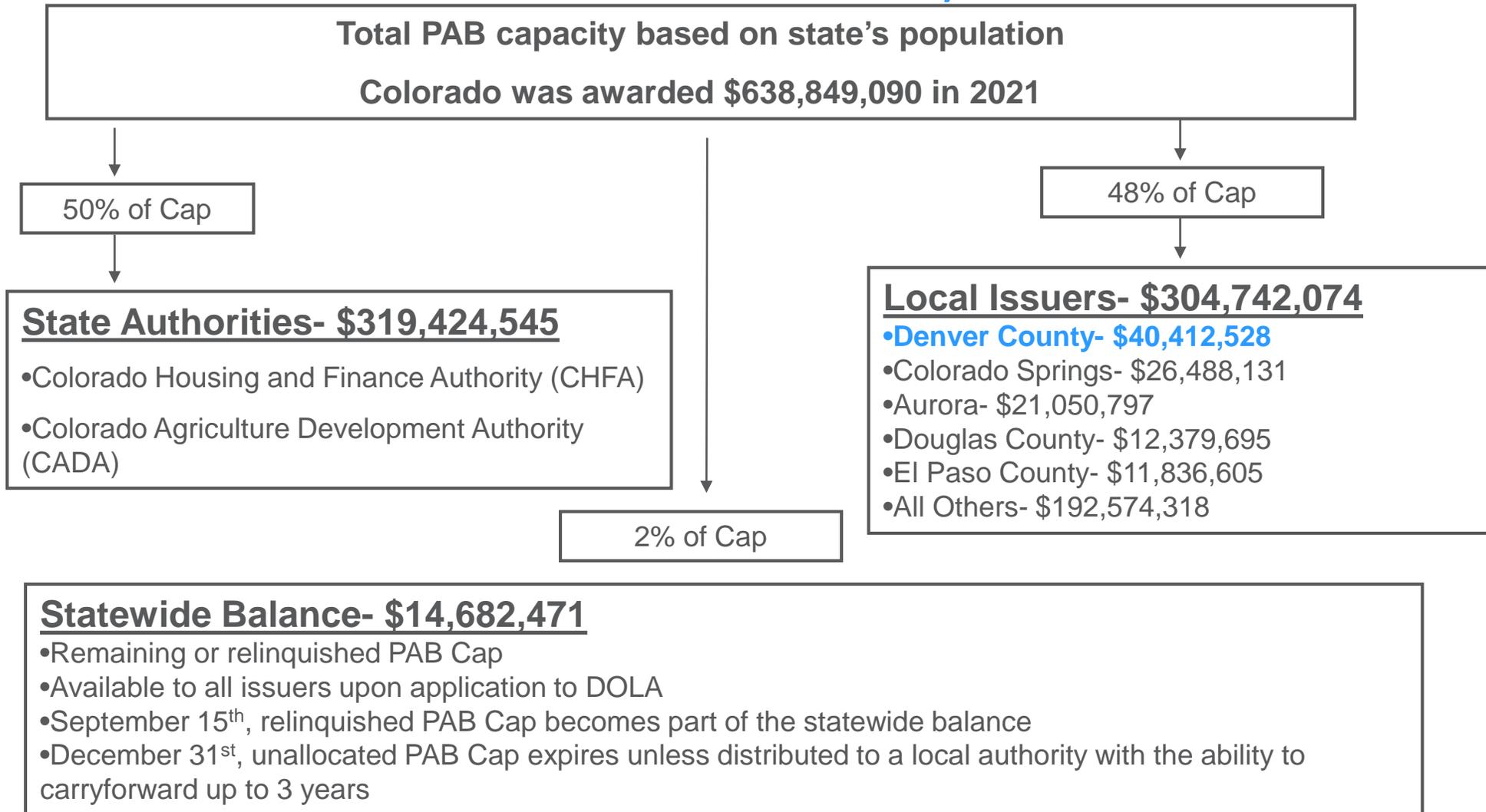
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Appendix

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 July 2021

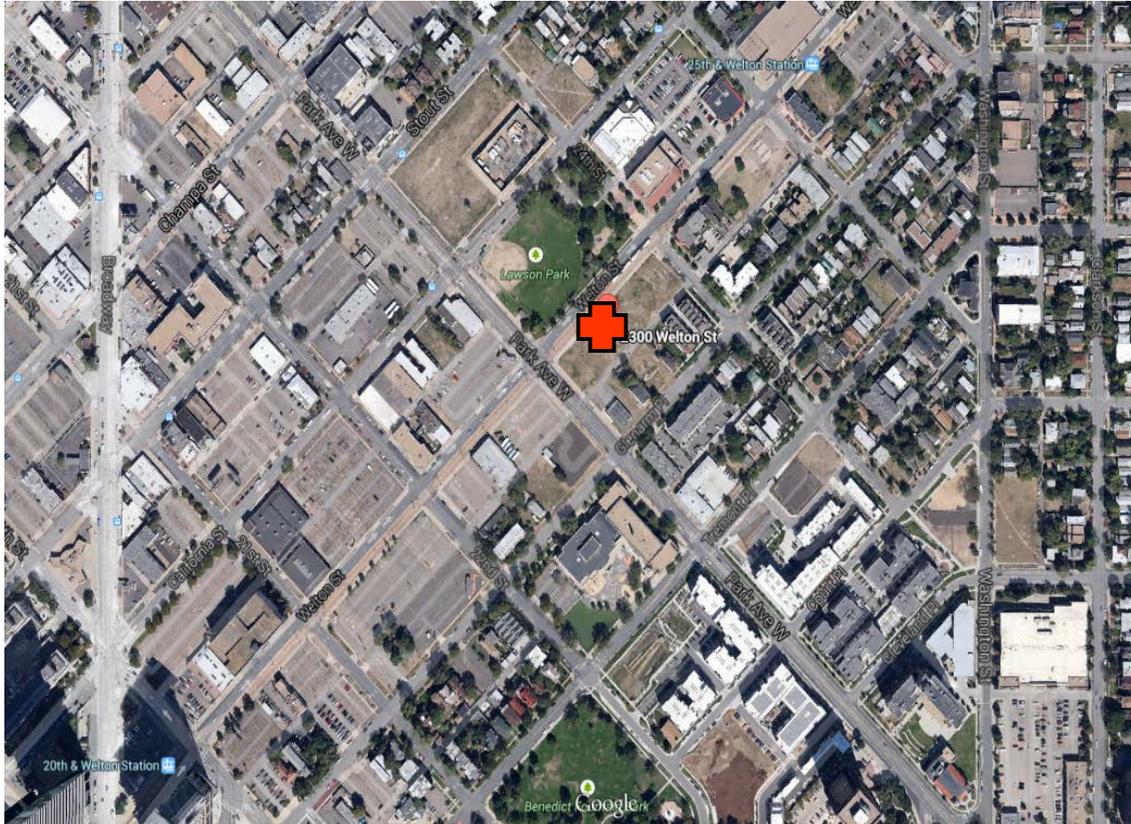
Sources and Uses of PAB Allocation							
PAB Year	Sources	Uses	Source/Use Description	Remaining PAB (incl. proposed)	Current Carryforward Amounts Remaining		Expiration
					Single Family & MCC	Multifamily	
2021	\$ 40,412,528		Direct Allocation for 2021	\$ 40,412,528	TBD in Feb. '22	TBD in Feb. '22	12/31/2024
2020		\$ (8,000,000)	\$8MM- REDI Rhonda's Place	\$ 15,681,753	\$ -	\$ 37,480,648	12/31/2023
		\$ (13,798,895)	\$19.07MM- MOC Freshlo				
	\$ 1,370,000	\$ (2,000,000)	Additional \$2MM assignment to DHA for Thrive				
	\$ 38,110,648		Delegation Agreement from CHFA for Freshlo Direct Allocation for 2020				
2019		\$ (5,271,105)	\$19.07MM- MOC Freshlo	\$ -	\$ -	\$ 30,271,105	12/31/2022
		\$ (10,000,000)	\$10.0MM- CCH The Forum				
		\$ (15,000,000)	\$15MM- Mercy 8315 E. Colfax				
	\$ 7,117,002	\$ (14,200,000)	\$14.2MM- Gorman Avenida del Sol				
	\$ 37,565,325	\$ (211,222)	\$27MM- DHA Thrive delegation 2019 Statewide Balance Award Direct Allocation for 2019				
2018		\$ (26,788,778)	\$27MM- DHA Thrive delegation	\$ -	\$ -	\$ -	12/31/2021
		\$ (21,545,881)	\$25MM- DHA Broadway & DHA Studebaker assignment				
	\$ 11,936,829		2018 Statewide Balance Award				
	\$ 36,397,830		Direct Allocation for 2018				
Total PAB Allocation Capacity:				\$ 56,094,281	\$ -	\$ 67,751,753	

- This color represents proposed PAB uses & sources

Recent Projects/Programs Supported by Denver's PAB Allocation

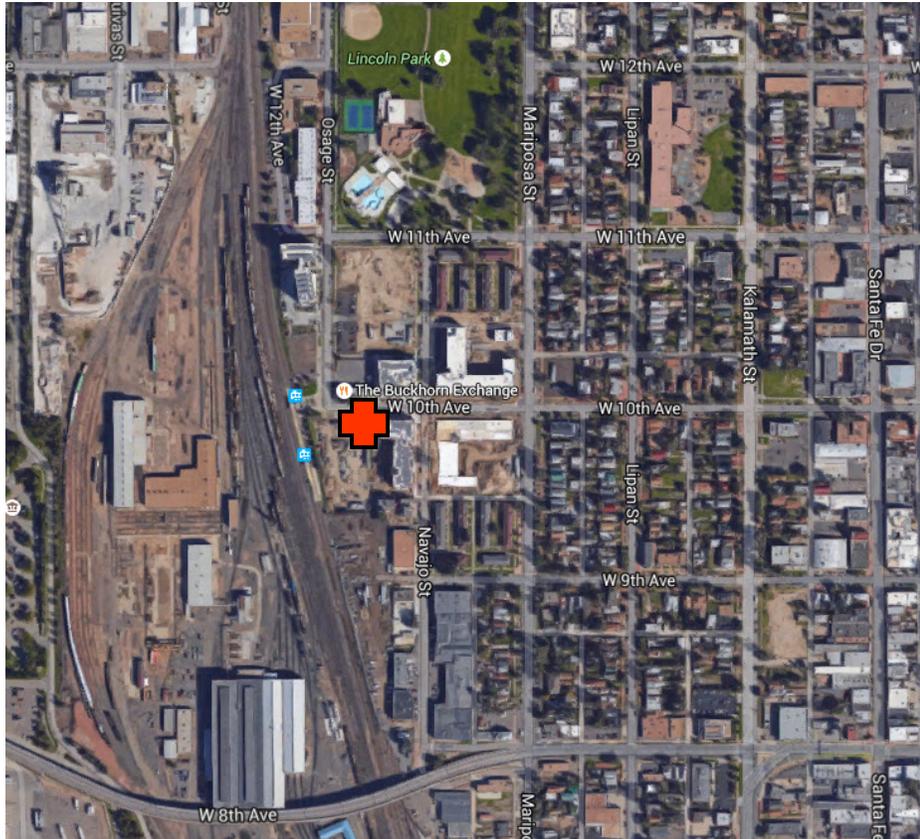
- 2300 Welton
- Mariposa Phase VII
- The Colburn
- The Stella
- Avenida Del Sol
- Various CHFA Projects
- Various DHA Projects
- Various MCC Programs

Welton Corridor- 2300 Welton



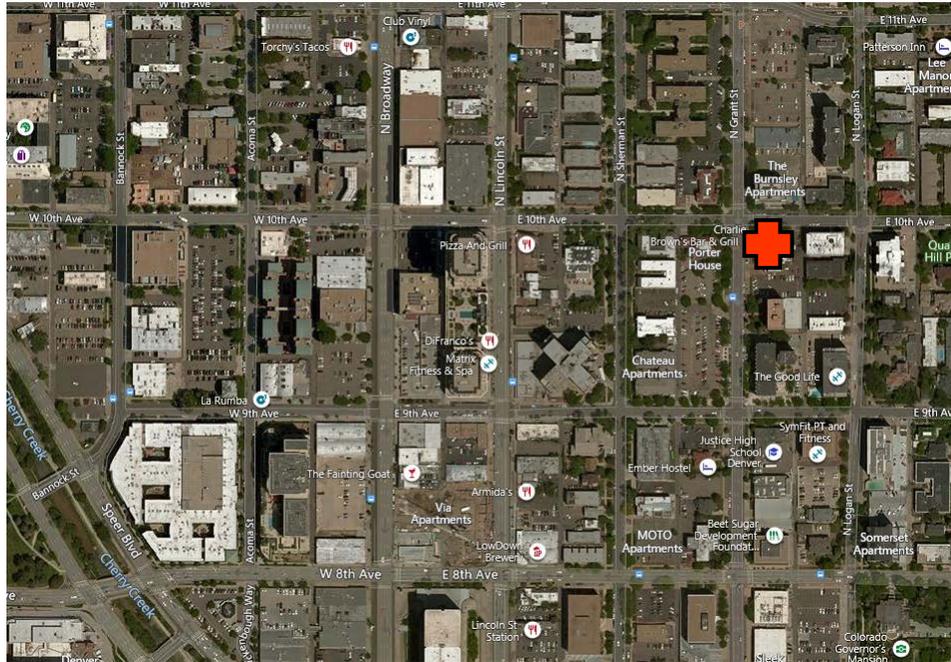
- 233 Units in 2 buildings
 - 11 units @ 30% AMI
 - 212 units @ 60% AMI
- Approximately 268,000 square feet
 - Studio, 1 bed, 2 bed, and 3 bed unit mix

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

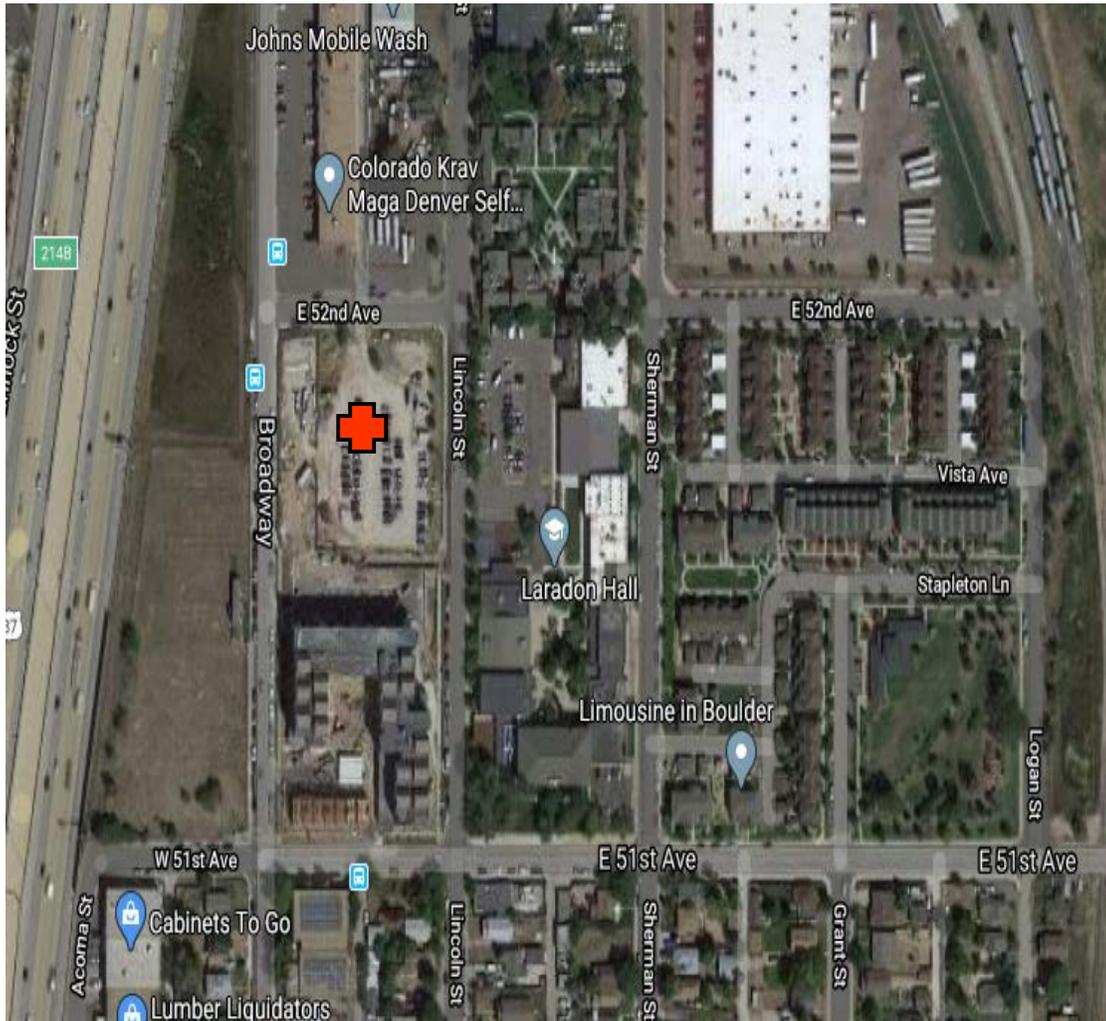
The Colburn- 980 Grant St.



- 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

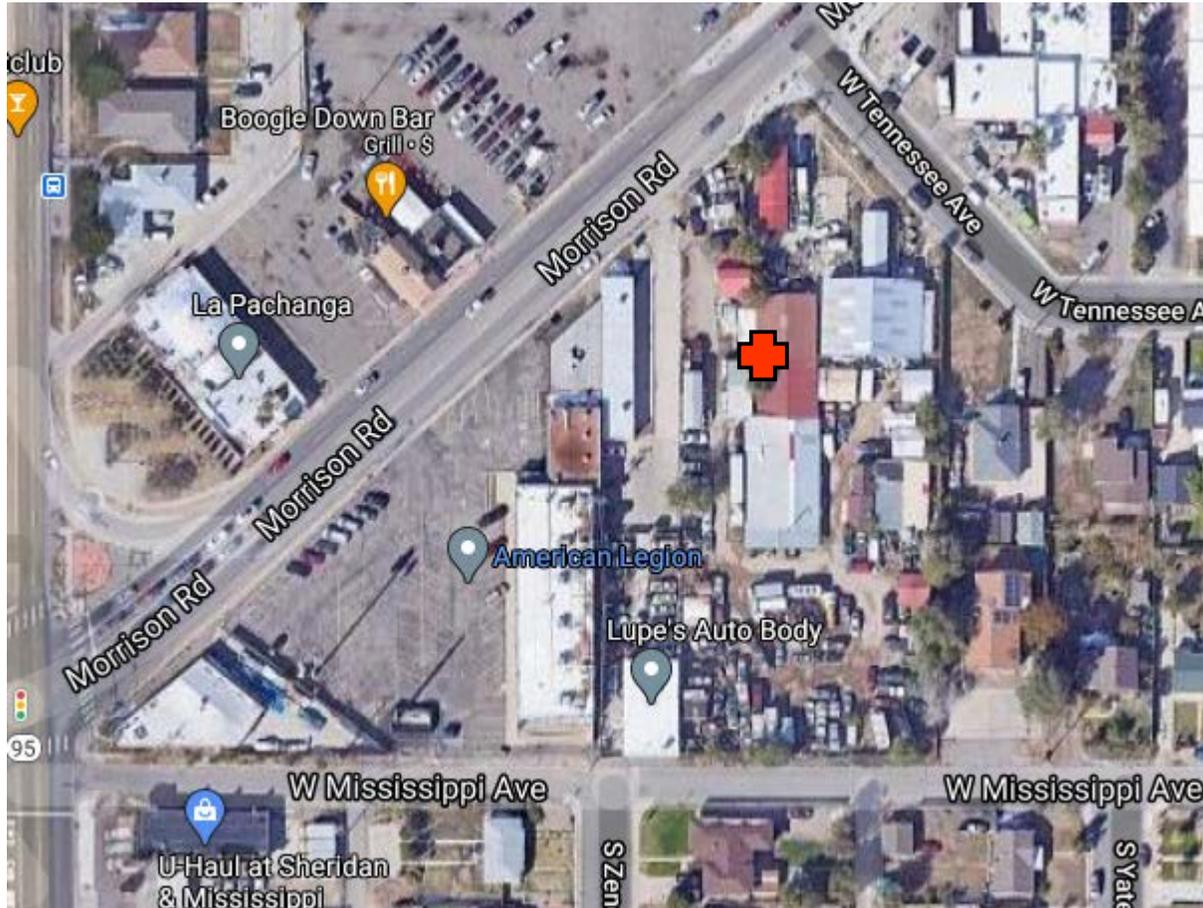


The Stella- 5190 N. Broadway



- 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

Avenida del Sol- 5190 N. Broadway



- New construction project
- 80 unit apartment housing units.
 - 4 units @ 30% AMI
 - 18 units @ 40% AMI
 - 37 units @ 60% AMI
 - 20 units @ 80% AMI
- 50 year covenant period due to \$1.4M 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	