

The Stella



Safety, Housing, Education & Homelessness Committee

Michael Kerrigan, Financial Analyst Specialist
October 23, 2019

Legislative Summary

One ordinance request to support the construction of The Stella affordable housing project.

- **The Stella project is a new construction 132 unit affordable housing project located at 5190 N. Broadway.**
- **The Department of Finance proposes the following request:**
 - **Bill #19-1117: An ordinance request to authorize the issuance of \$22 million in Private Activity Bonds to support the 4% Low Income Housing Tax Credit (LIHTC) transaction for the construction of The Stella.**

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.
- In the past, the City has issued PABs at the Parkhill Village West to provide 156 affordable housing units and at 2300 Welton to provide 233 affordable housing units.
- PABs are not voter approved bonds pledging the City's full faith and credit.

PAB Financing

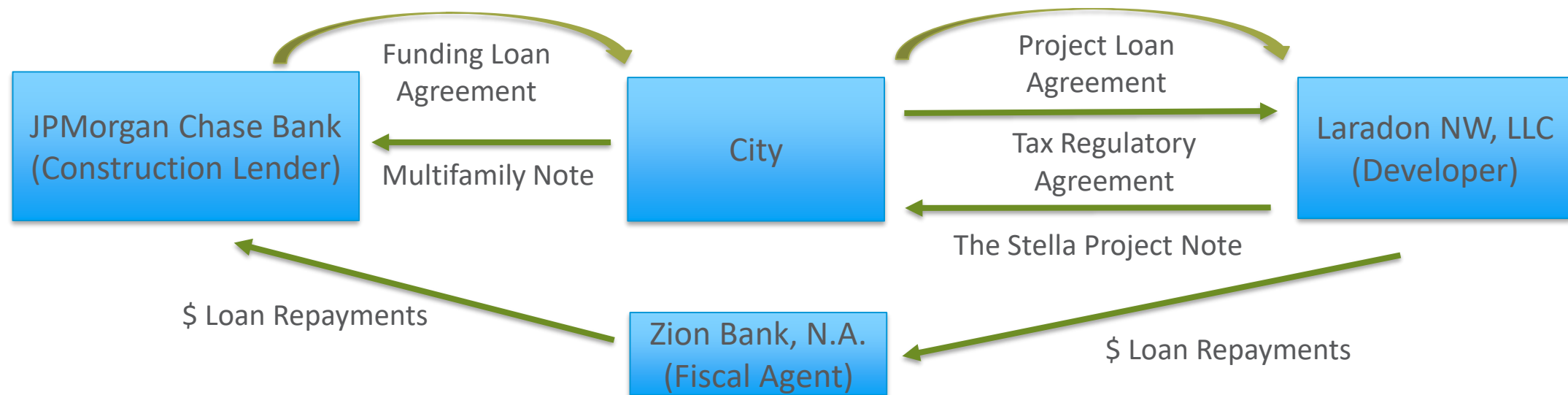
City will use a portion of its PAB capacity for the project

- PAB is a tax-exempt borrowing tool for a privately-owned project which meets a qualified public purpose – in this case financing 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.
- The City will issue \$22,000,000 of the City and County of Denver Colorado Multifamily Housing Revenue Notes (The Stella Project) Series 2019
- The Notes are a special limited obligation of the City payable solely from the revenues and other funds pledged from The Stella Project. The Notes are not a debt or multiple fiscal-year obligation of the City. The City is not financially liable to the bond purchaser.

PAB Financing

Gorman and Company will use \$22,000,000 PAB capacity from the City of Denver to support the construction financing.

- The City will use PAB capacity and issue a Multifamily Note to JPMorgan Chase Bank, the construction lender, under the Funding Loan Agreement
 - JPMorgan will provide \$22,000,000 of Note proceeds to the City.
- The City will use the Note proceeds to make a Project Loan to Laradon NW, LLC.
- The \$22,000,000 loan proceeds will be disbursed to Laradon NW, LLC on a draw down basis.





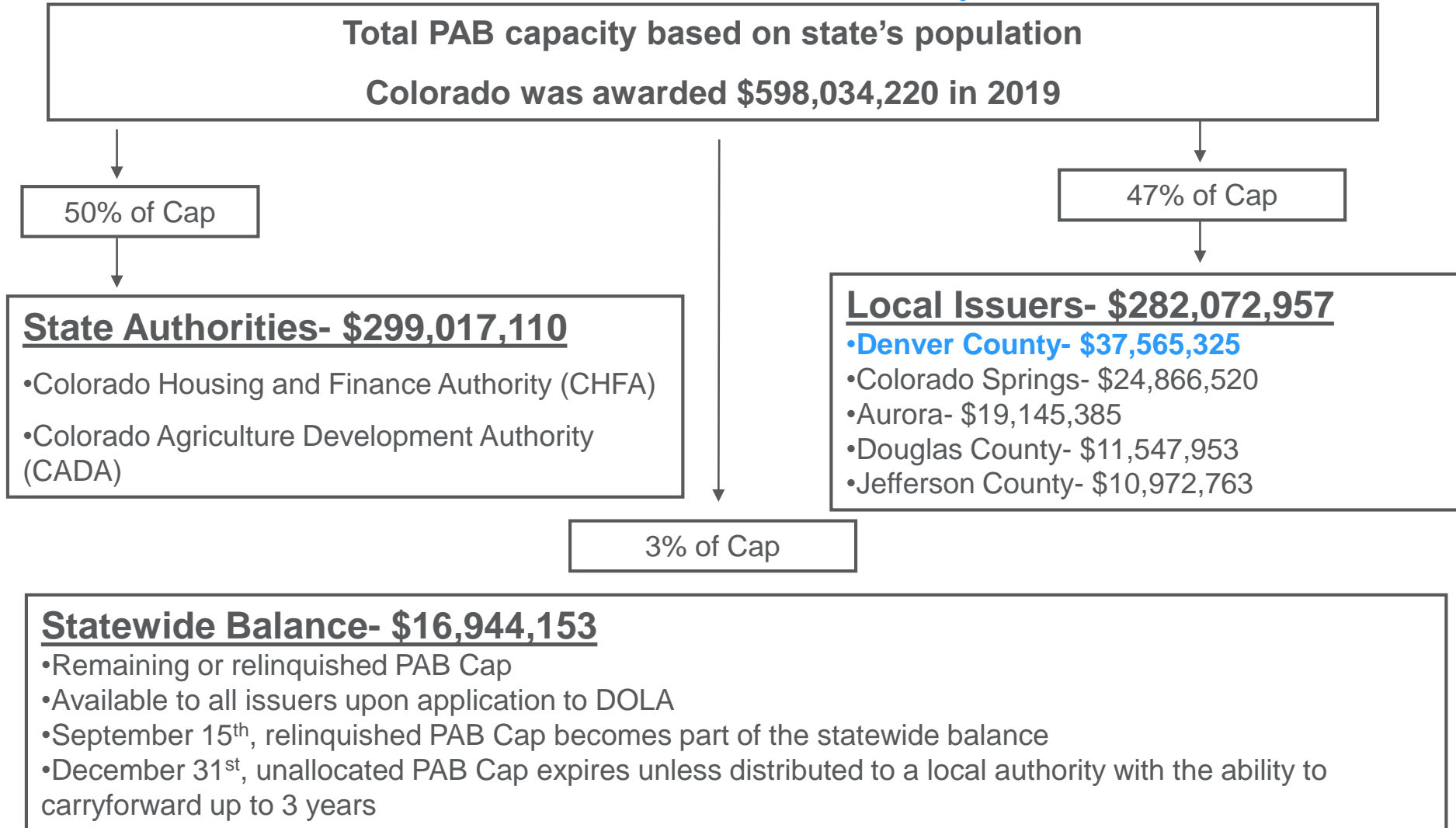
Thank You

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 carryforward 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
 - 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.

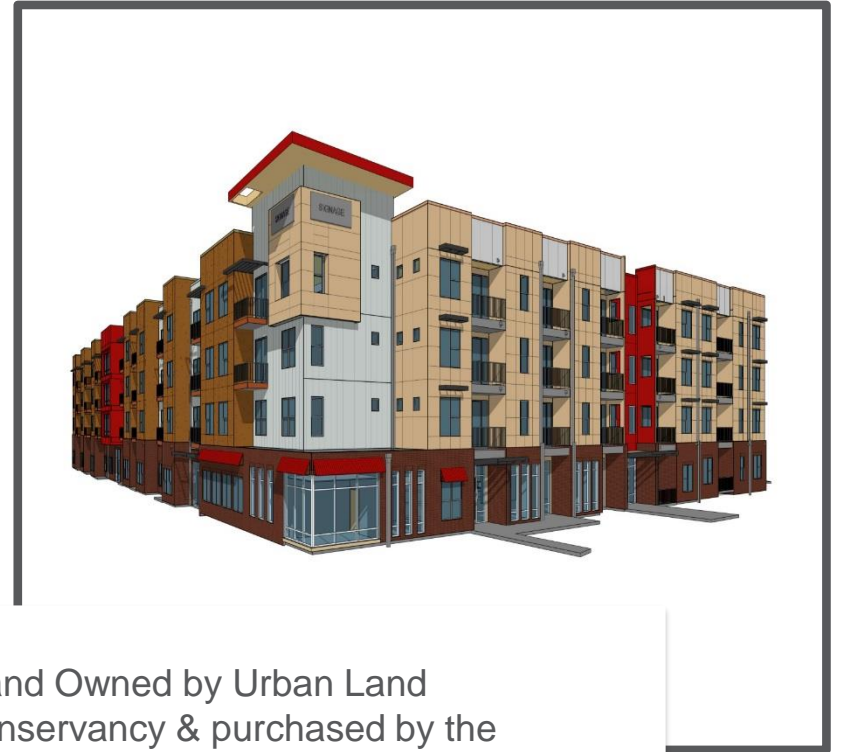
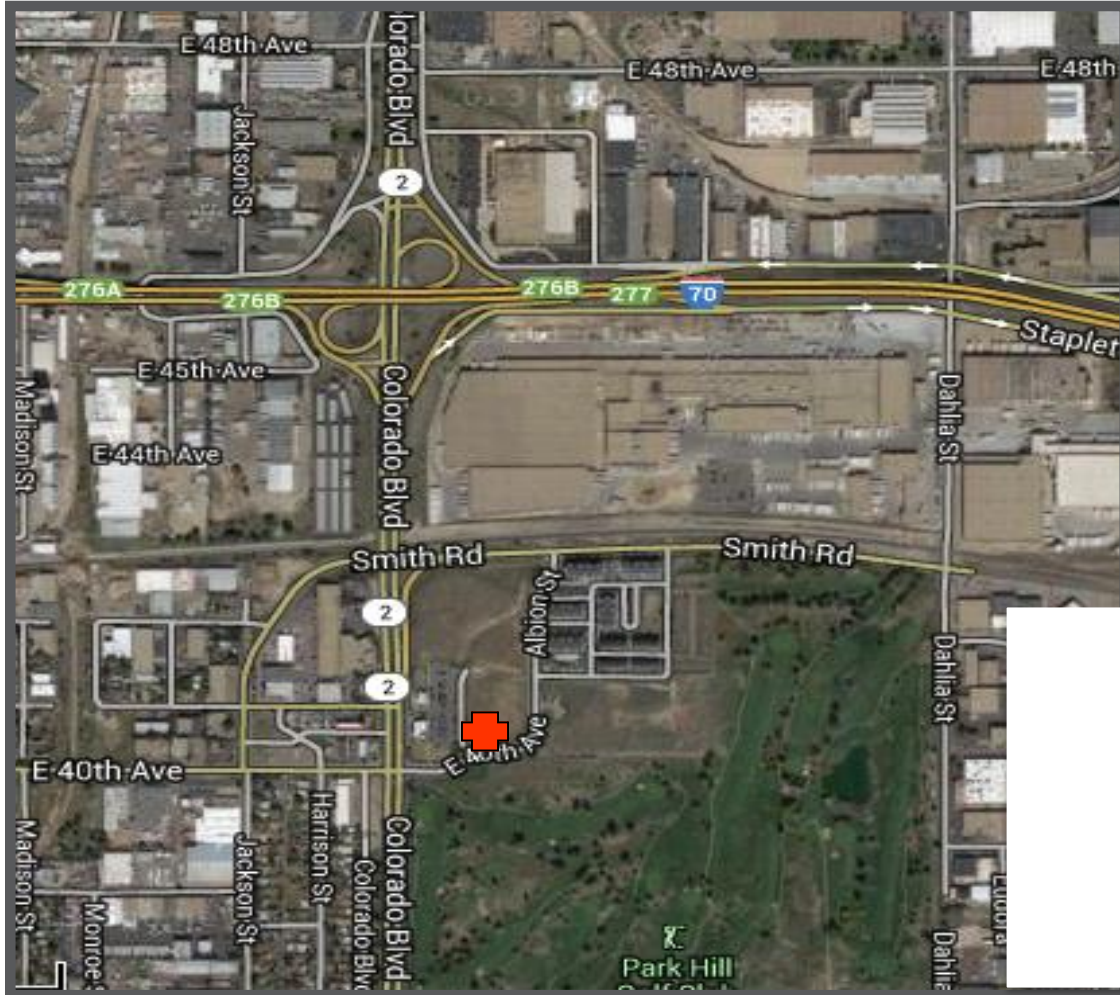
Denver's Current PAB Allocations as of Sept. 2019

Sources and Uses of PAB Allocation							
PAB Year	Sources	Uses	Source/Use Description	Remaining PAB	Current Carryforward Amounts		Expiration
					Single Family & MCC	Multifamily	
2019	\$ 37,565,325		Initial Allocation for 2019	\$ 37,565,325	TBD in Feb. '20	TBD in Feb. '20	12/31/2022
2018	\$ 11,936,829		2018 Statewide Balance Award	\$ 48,334,659	\$ -	\$ 48,334,659	12/31/2021
	\$ 36,397,830		Initial Allocation for 2018				
2017			\$22MM Reservation- The Stella	\$ 25,454,119	\$ -	\$ 25,454,119	12/31/2020
		\$ (13,000,000)	The Colburn				
		\$ (8,290,872)	DHA Platte Valley and Gateway North Delegation				
		\$ (17,829,900)	2017 MCC Program				
		\$ (1,000,000)	DHA Vida Assignment				
	\$ 31,420,091		2017 Statewide Balance Award				
	\$ 34,154,800		Initial Allocation for 2017				
2016		\$ (45,381,100)	2017 MCC Program	\$ -	\$ -	\$ -	12/31/2019
		\$ (914,100)	DHA Lowry Assignment				
			2016 Statewide Balance Award				
	\$ 13,084,200		Initial Allocation for 2016				
	\$ 33,211,000						
Total PAB Allocation Capacity:				\$ 111,354,103	\$ -	\$ 73,788,778	

Projects/Programs Supported by Denver's PAB Allocation

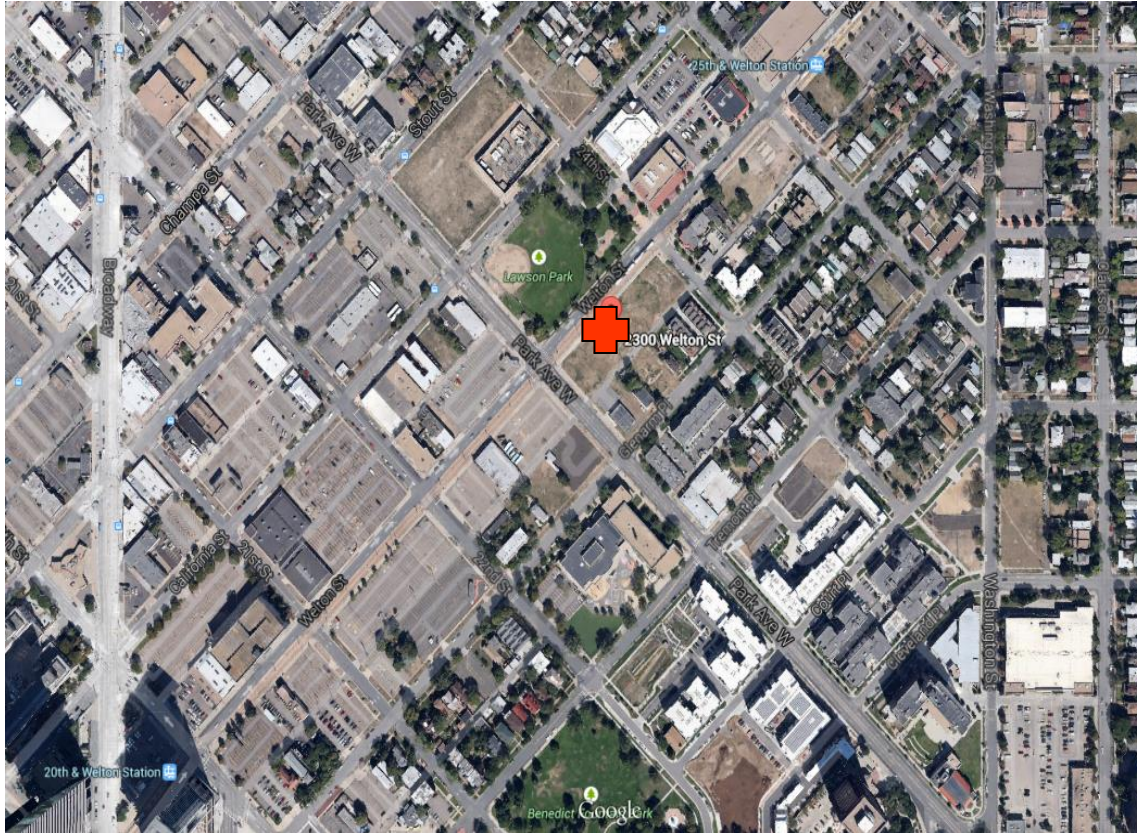
- Parkhill Village West
- 2300 Welton
- Mariposa Phase VII
- The Colburn
- Various CHFA Projects
- Various DHA Projects
- Various MCC Programs

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



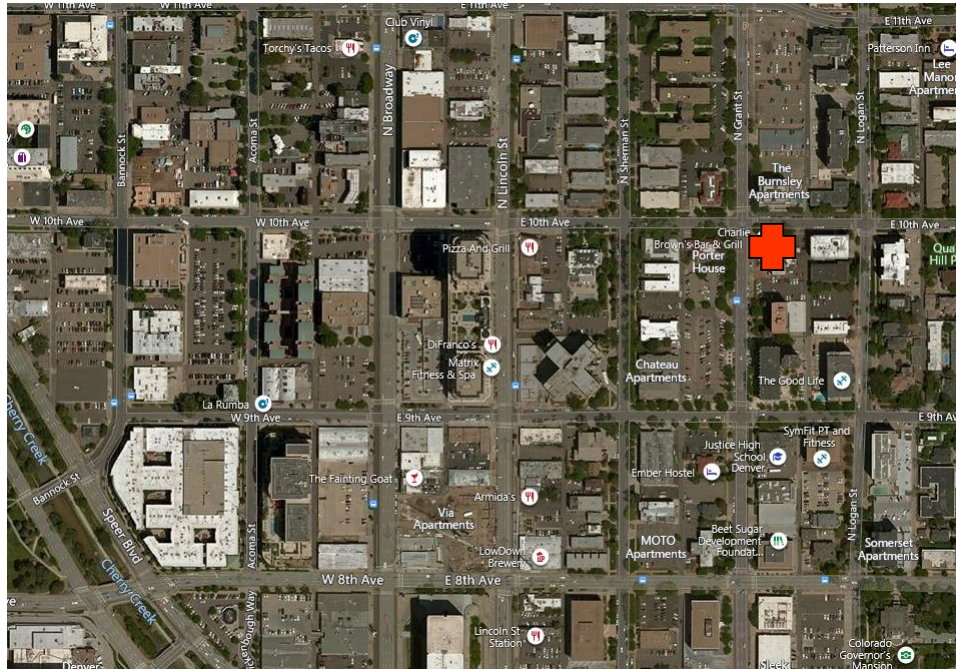
- 233 Units in 2 buildings
 - 11 units @ 30% AMI
 - 212 units @ 60% AMI
- Approximately 268,000 square feet
 - Studio, 1 bed, 2 bed, and 3 bed unit mix

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



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
Total	\$68,500,000	482	

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	174*	Expires on 12/31/2019, 25% credit up to \$2,000 maximum
Total	\$192,500,000	738	

* 2017 MCC Program still active, will issue more MCCs until program expiration date of 12/31/19