

Executive Summary – Series 2024B Certificates of Participation and Lease Purchase Transaction

In December 2023, Denver City Council approved a Purchase and Sale Agreement that authorized the acquisition of a former hotel site at 7525 E. Hampden Ave. (“the Embassy Suites Building”) as a strategic opportunity for long-term affordable housing. The proposed ordinance seeks to secure the proceeds to fund such purchase via a financing using Certificates of Participation (COPs).

The acquisition of the Embassy Suites Building via COPs provides an opportunity for the City to realize savings by buying this building rather than leasing it, as the cost of leasing the building is \$9.9 million annually compared to an estimated \$3.6 million annual COP Payment.

The ordinance would authorize the manager of finance on behalf of the city to establish the 2024B Public Facilities Leasing Trust and to enter into a proposed Lease Purchase Agreement for the property and facilities at 7525 E. Hampden Avenue, under which the Trustee would execute and deliver up to \$25 million of Certificates of Participation (COPs), Series 2024B. The proceeds will be used to pay for the property and associated cost of issuance expenses.

Financing Structure

The Series 2024B COPs have been structured on a taxable basis in order to provide flexibility to align with the city’s objective of selling this property in 3-5 years to an affordable housing development partner and recouping its investment in the building at that time. The 2024B COPs will bear a fixed interest rate not to exceed 7% with the final rate to be set upon City Council approval.

The Series 2024B COPs will have annual lease payments of approximately \$3.6 million, which are subject to annual appropriation by Denver City Council. The sources of funds for the annual lease payments is expected to be the Homeless Resolution Fund. The Embassy Suites Building will serve as leased property/collateral for the transaction. If the City fails to appropriate the lease payments, the Trust can take possession of the lease of the facilities for the benefit of the Certificate holders. Neither the Lease nor the COPs constitute a multiple year fiscal obligation of the City.

The Series 2024B COPs will be sold via a private placement to JP Morgan Chase, who was selected via a competitive process. The term of the 2024B COPs will not exceed 10-years and are structured to allow for refunding in 2027 in order to align with the City’s current objective of selling the property in the next 5-years. If approved by Council, the transaction is expected to close no later than April 30th, 2024.