

Business, Workforce and Sustainability Committee

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2300 Welton Private Activity Bonds

February 13, 2012



GROWDENVER
The Office of Economic Development

Private Activity Bonds (PAB)

What is a Private Activity Bond?

- Tax-exempt bonds issued to support projects with a **private** purpose.
- IRS allows a limited amount of tax exempt private purpose bonds to be issued, thus creating the allocation process of PAB authority.
- PAB allocation is based on a state's population times the per capita rate established by IRS (indexed to inflation with \$5 increments).
- Colorado's Statewide 2012 allocation is \$486,095,620

Initial Allocations

January 2012

$\$95 \text{ per capita rate} \times \text{state pop.} = \text{Total PAB Cap}$

Colorado was awarded \$486,095,620 in 2012

50% of Cap

State Authorities

- CHFA
- Colorado Agriculture Development Authority
- CollegenInvest

50% of Cap

Local Governments

- 49 local governments
- populations exceeding 22,305
- 2012 Denver cap is \$28,771,795

Statewide Balance

- Remaining or relinquished PAB Cap
- Available to all upon application to DOLA
- September 15th, relinquished PAB Cap becomes part of the statewide balance
- December 31st, unallocated PAB Cap expires unless distributed to a local authority with the ability to carry forward up to 3 years

Private Activity Bonds (PAB)

Benefits & Available CAP

- Once a local government is awarded the PAB Cap, the IRS allows the PAB Cap to be carried forward up to 3 years
- There is no cost to the City to receive or carry forward any award of PAB Cap.
- In 2010, 2011 and 2012 the City applied for and received additional PAB Cap from the unused Statewide balance.

Available PAB CAP						
<u>Year</u>	<u>PAB CAP</u>	<u>Inducement</u>	<u>Project</u>	<u>Remaining</u>	<u>Available Use</u>	<u>Expiration</u>
2012	\$ 50,000,000			\$ 50,000,000	Addition for 2012	12/31/2015
2012	\$ 23,771,795			\$ 23,771,795	Amount for 2012	12/31/2015
2011	\$ 15,000,000			\$ 15,000,000	Multifamily (8328)	12/31/2014
2011	\$ 4,385,875			\$ 4,385,875	Multifamily (8328)	12/31/2014
2010	\$ 30,000,000			\$ 30,000,000	Multifamily (8328)	12/31/2013
2010	\$ 27,517,905	\$ (23,000,000)	2300 Welton	\$ 4,517,905	Multifamily (8328)	12/31/2013
TOTAL	\$150,675,575	\$ (23,000,000)		\$ 127,675,575		

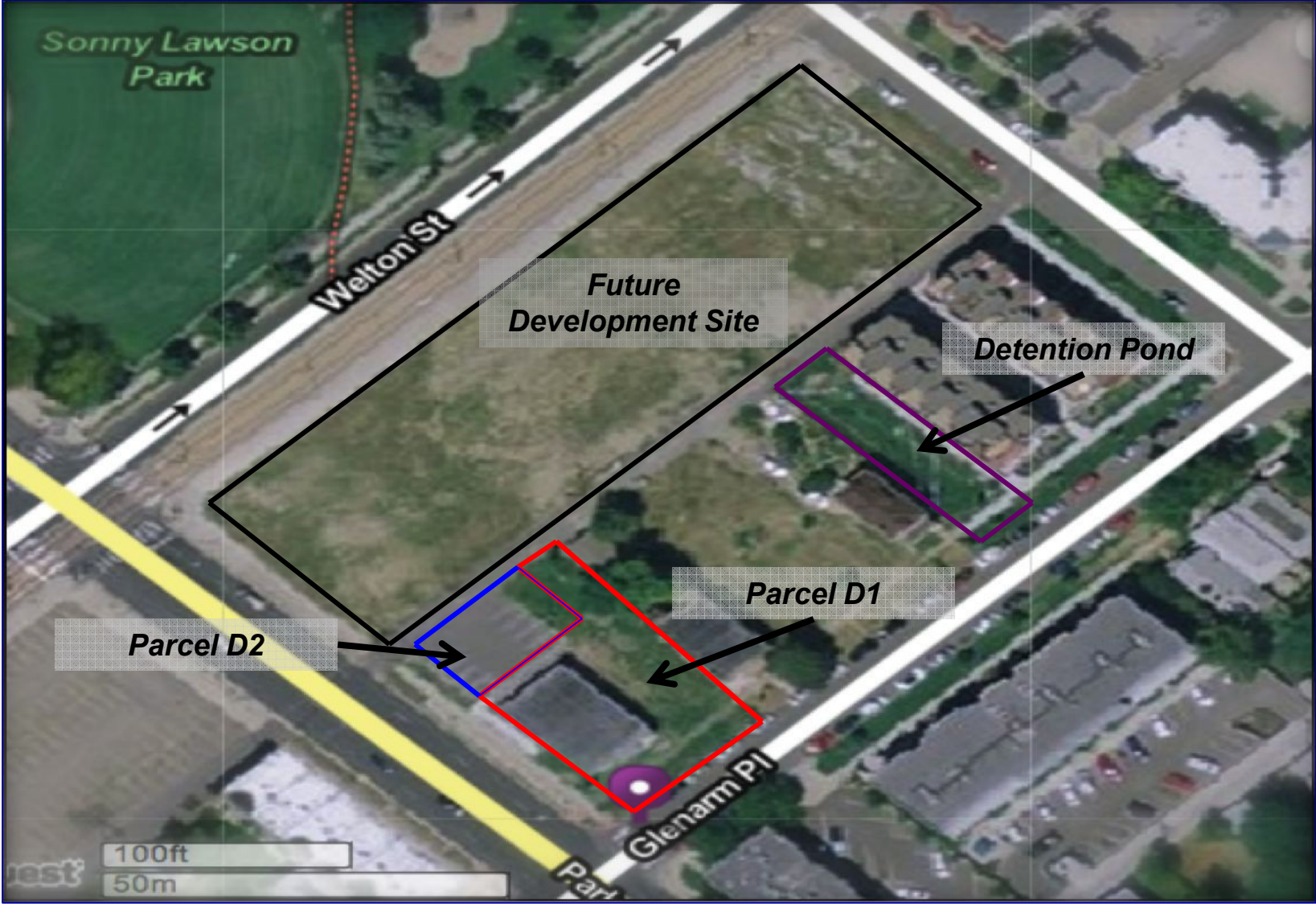
Inducement Resolution

Purpose

- The City commits to setting aside an amount of its PAB allocation.
 - [Action Item](#) - \$23 Million Inducement Resolution for 2300 Welton
- The City indicates its intent to issue the bonds and to finance the project.
- Defines the conditions under which the City will commit the PAB allocation.
- Establishes a date by which project costs can be considered financeable.

2300 Welton

Glenarm Residences



Glenarm Residences

2012 OED Amendments

- **Loan #1: 501 Park Ave. West (2006)- \$460,000**
 - *Purpose:* Acquisition of land & construction of affordable for sale-housing units
 - *Collateral:* 1st lien at 501 Park Ave West (D1)
 - *Current Balance:* \$926,652
 - *Current Terms:* 7% interest, due at maturity 12/31/2010

- **Amended Loan #1: Detention Pond at 2327 Glenarm (2008)- \$460,000**
 - *Purpose:* Construction of detention pond
 - *Current Balance:* \$465,500
 - *Current Terms:* Developer to repay loan with water quality fees (use of detention pond) on future development

- **Approved Amendments**
 - Good faith payment of \$50,000 applied to past interest
 - Monthly payments of \$3,000 beginning 11/2012
 - Additional collateral parcel referred to as D-2
 - All water quality reimbursements for detention pond applied to City loan, total obligation of \$465,500
 - Personal guarantees remain in place
 - Loan maturity extended to 12/2014

New Development

2300 Welton



New Development

2300 Welton

- **218 Units**

- **100% Affordable**
 - 5 units @ 50% Area Median Income

 - 214 units @ 60% Area Median Income (AMI)

 - Rental

 - Studio, 1,2 & 3 Bedrooms

- **Financing**
 - 4% Low Income Housing Tax Credit (LIHTC) from Colorado Housing and Finance Authority (CHFA)

 - Housing and Urban Development (HUD) 221-D4 Loan

 - **City Bond Cap – Today's \$23,000,000 inducement resolution**

2300 Welton

Schedule

- Construction Commencement: November 2013
- Leasing Commencement: October 2014
- Construction Completion: January 2015
- Stabilization: June 2015