

An aerial photograph of Denver, Colorado, showing a dense urban landscape with numerous high-rise buildings and a clear view of the Rocky Mountains in the distance. A semi-transparent yellow banner is overlaid across the middle of the image.

RESPONSE TO ALL IN DENVER ON AFFORDABLE HOUSING GO

October 2017

- Overall City of Denver GO Bond current obligations
- GO Bond obligations with 2017 A-G measures approved
- City's bonding capacity limits and constraints
- Opportunities to refinance existing debt, and using finance savings for housing
- Certificates of Participation
- Bonding the 0.5 mill dedicated to Affordable Housing Fund - process, opportunities, constraints
- Bonding an additional 0.5 mill for housing fund - process, opportunities, constraints

- Equity – Those that benefit from the item financed should pay for it;
- Effectiveness – Once the transaction is completed, it accomplishes its intent and the identified revenue source for repayment is adequate to meet debt service; and
- Efficiency – The relative cost of obtaining funds;
 - including the costs of the financing and the costs of collecting pledged revenues, is better than competing alternatives.

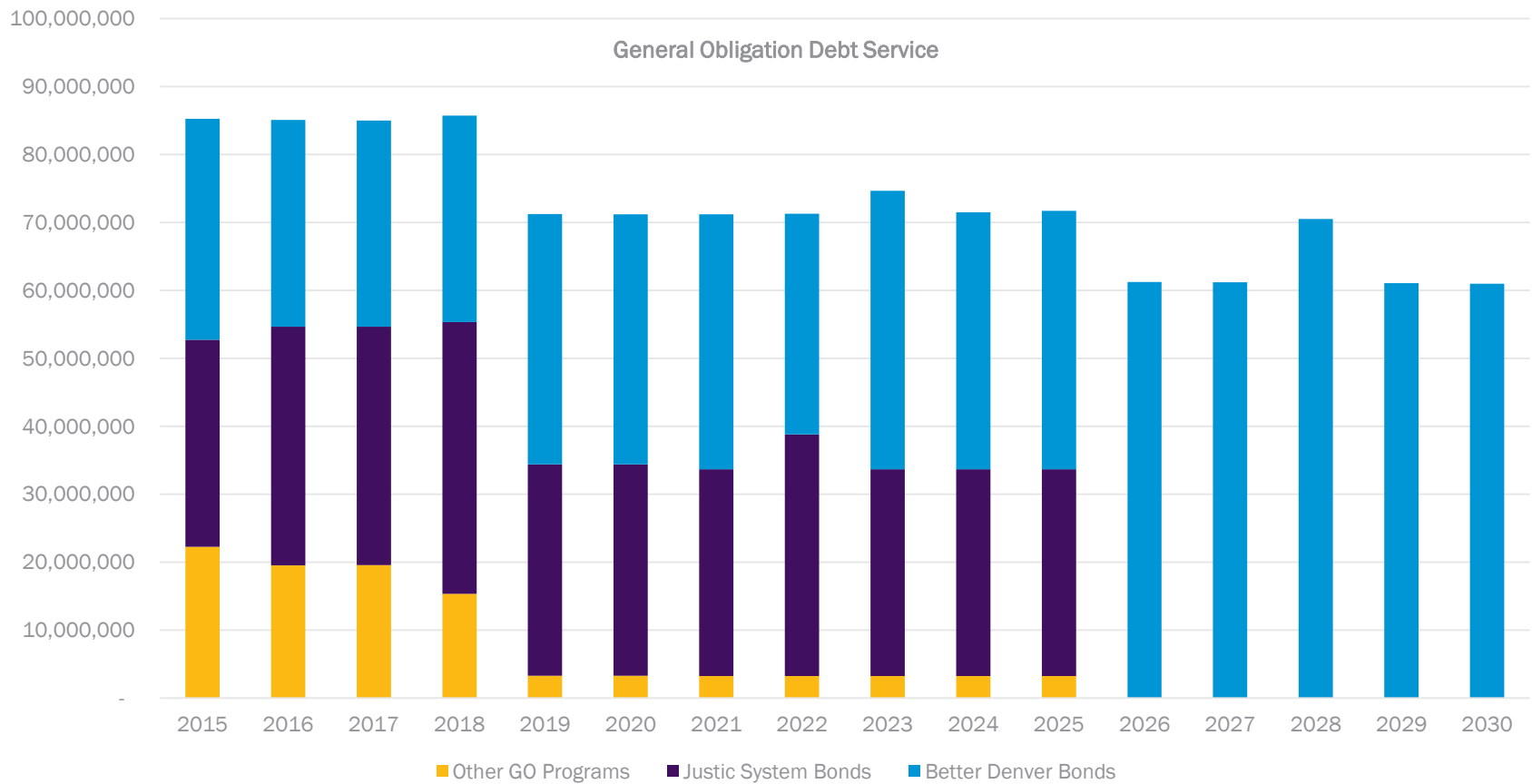
- Voter approval
- Projects with public interest
- 3% actual real and business property valuation limitation
- Prudent structuring
- Debt per capita management
- Ratings management

- Obligations shall comply with all applicable federal, state and local laws, regulations, and covenants and shall not be issued so as to jeopardize the tax status of outstanding Obligations;
- Obligations shall not be incurred to fund operations;
- Capital improvements to be financed should first be developed and approved in accordance with the City's capital planning process;
- The average life of the incurred Obligation should generally be no greater than the projected average life of the assets being financed;
- Reasonable expectation that Obligation proceeds will be utilized within 3-5 years

- Current mill levy of 8.433 mills.
 - Tax burden – each mill \$26
- Maintain credit ratings
- Impact to affordable housing fund

- The City generally maintains a 10-year GO bond election cycle.
- Every bond question put before Denver voters competes with other ballot issues, such as DPS, as well as future City projects and needs.
- The process to develop the 2017 GO bond package was thorough, iterative, and public in its efforts to develop the final list of projects.
 - Difficult choices were made and many worthy projects were left out of the package, including funding housing programs.
- \$937m program investment
- \$662m of current GO obligations outstanding before A-G

Current GO Outstanding



- Capital improvements and certain capital equipment will be eligible;
- Capital improvements should provide new revenue stream or measurable cost efficiencies or savings which will be realized and dedicated to lease payments of COPs;
- Capital improvements financed must be for basic and essential City services;
- The useful life of the asset(s) being financed should not be shorter than the term of the lease, but the maximum term of the lease should not exceed 30 years for real estate assets and 15 years for all other assets.
- Capital improvements may be new or replacement facilities
- City asset of similar value must be used as collateral in a COP transaction.

<u>Series</u>	<u>Issuance</u>	<u>Outstanding</u>	<u>Final Maturity</u>
		<u>Principal</u>	
2017A	Botanic Gardens Parking Facility Refunding	\$15,506,673	12/1/2028
2015A	911 + Fleet Centers (Fire Stations & Library)	\$21,450,000	12/1/2034
2013A	Buell Theatre Refunding	\$31,135,000	12/1/2023
2012C1-C3	RTD Northeast Corridor	\$40,295,000	12/1/2031
2012A	Cultural Center Parking	\$5,610,000	12/1/2021
2010B	Wastewater/Roslyn Refunding	\$10,755,000	12/1/2021
2010A	Central Platte Campus	\$17,590,000	12/1/2030
2008A1-A3	Webb Municipal Office Building Refunding	\$220,280,000	12/1/2031
2005A	Human Services Center Properties Refunding	<u>\$5,075,000</u>	5/1/2020
Total COPs		\$367,696,673	

- Ask Denver voters to support an affordable housing bond issue in the fall of 2018.
- Borrow against the one-half mill already in place- without raising taxes- to generate up to \$150M to create, acquire and preserve more units.
- For an additional one-half mill (1 mill total), the pool of resources grows to \$300 million to meet the needs of even more households.
- The average homeowner would see a yearly property tax increase of about \$15.
- Implement governance structure

City's Analysis of All In Denver Proposal

20 year bond maturity @ .5 Mills

- Generates bond proceeds available for projects of \$88M.

20 year bond maturity @ 1.0 Mills

- Generates bond proceeds available for projects of \$176M.

30 year bond maturity @ .5 Mills

- Generates bond proceeds available for projects of \$109M.

30 year bond maturity @ 1.0 Mills

- Generates bond proceeds available for projects of \$218M.

Pros

- Utilizes existing tax rate

Cons

- Removes the stable, sizeable and flexible portion of the AHF*
- Voters would need to extend add'l 10-20 years and convert to debt mill

Q: Governance – Use of existing 0.5 mills in AHF, HAC governance?

*Linkage fee can only be used for the impact of new development

Pros

- 0.5 mills impacts the median home \$15 per year
- New revenue

Cons

- Tax increase after valuation increases

- Brings funds forward
- Limitation of use (GO/COP)
- Managing the city's overall debt burden and credit rating.
- Approximately \$2B of capital projects (new and maintenance) remain even if 2A-2G pass
- 3-5 years to program funds once issued
- Issuance timeline – assessed valuation, population growth
- Other large projects – NWC, CCC, etc.

General Obligation Bonds or Certificate of Participation

The Department of Finance (DoF) is tasked with developing a fiscally prudent GO program based on tax rates and revenue projections.

There are two primary considerations that guide DoF when constructing the size of a GO bond package:



1. **Tax revenue required to support a program and the impact to property tax payers.** As part of the two most recent bond programs in 2007 and 2017, calculating the amount that “fits within” the City’s existing GO debt mill levy of 8.433 mills without raising the tax rate that supports the debt was a key parameter.



2. **Ensuring that the added debt will not negatively impact the City’s AAA credit ratings** which would result in a higher cost of borrowing and could potentially impact the City’s ability to access the capital markets during economic downturns, thereby impacting taxpayers as well as the City’s ability to efficiently deliver future debt-funded capital projects.

- Over the past year, the Housing Advisory Committee (HAC) has been working to develop a **Comprehensive Housing Plan**.
- The Plan includes recommendations on long- and short-term priorities and goals for deploying the Affordable Housing Fund to address Denver's housing needs.
- DoF is working with our partners to develop innovative financing tools to maximize and sustain the Affordable Housing Fund to support the Plan's priorities.
 - Ideas include expanding the State Housing Tax Credit, leveraging private funds, gap and bridge financing, credit and reserve backstops, investing in new or existing programs.

Governance?

Goals?

Colorado Revised Statutes 29-4-107.

Management of housing projects. (1) The city shall deliver possession of any housing projects constructed, acquired, or leased by it to the authority within the boundaries of which the city is included, but the title to all property comprising such housing projects shall remain in the city. The authority shall operate and maintain all such housing projects of the city and shall fix, levy, and collect such rents, fees, or other charges for the use and occupancy of such housing projects as such authority determines; ...