

ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor's Legislative Team

at MileHighOrdinance@DenverGov.org by **3:00pm on Monday**. Contact the Mayor's Legislative team with questions

Date of Request: February 11, 2019

Please mark one: Bill Request or Resolution Request

1. Type of Request:

Contract/Grant Agreement Intergovernmental Agreement (IGA) Rezoning/Text Amendment

Dedication/Vacation Appropriation/Supplemental DRMC Change

Other: Authorize and approve the City's utilization of private activity volume cap for The Colburn Project.

2. Title: For an ordinance authorizing the issuance and sale of an amount not to exceed \$13,000,000 of City and County of Denver, Colorado Multifamily Housing Revenue Notes (The Colburn Project) Series 2019 for the purpose of financing the acquisition, rehabilitation, improvement and equipping of a multifamily residential rental housing development to be occupied by low- and middle-income families and persons in the City and County of Denver, Colorado and to pay certain expenses of such Notes issue; approving and authorizing execution of a Funding Loan Agreement, a Project Loan Agreement and a Tax Regulatory Agreement with respect to the Notes; making findings and determinations with respect to the Project and the Notes; authorizing the execution and delivery of related documents; and repealing all action heretofore taken in conflict herewith.

3. Requesting Agency: Department of Finance, Capital Planning and Programming
Office of Economic Development

4. Contact Person:

Contact person with knowledge of proposed ordinance/resolution	Contact person to present item at Mayor-Council and Council
Name: Michael Kerrigan – Finance Haley Jordahl - OED	Name: Michael Kerrigan – Finance Haley Jordahl - OED
Email: michael.kerrigan@denvergov.org haley.jordahl@denvergov.org	Email: michael.kerrigan@denvergov.org haley.jordahl@denvergov.org

5. General description or background of proposed request. Attach executive summary if more space needed:

The proposed ordinance approves the City's issuance of its Multifamily Housing Revenue Notes (The Colburn Project) Series 2019 and the City's utilization of the Private Activity Bond Volume Cap Allocation for the purpose of financing multifamily housing by Gorman & Company, LLC at 980 Grant St. The affordability election related to the Private Activity Bonds will be at least 74% of the units limited to 60% Area Median Income (AMI) and at least 25% of units limited to 30% AMI. The State of Colorado's Department of Local Affairs has awarded more than sufficient Private Activity Bond Volume Cap Allocation to the City for this project. This ordinance allows for the City's issuance of its Multifamily Housing Revenue Notes (The Colburn Project) Series 2019 and the use of \$13,000,000 of Private Activity Bond Volume Cap Allocation to be applied in 2019 and is consistent with the City Charter, Colorado statutes and the Internal Revenue Code.

6. City Attorney assigned to this request (if applicable):

JoAnn Weinstein and Laurie Heydman

7. City Council District:

Council District #10, Wayne New

8. **For all contracts, fill out and submit accompanying Key Contract Terms worksheet**

N/A

To be completed by Mayor's Legislative Team:

Resolution/Bill Number: BR19 0133

Date Entered: _____

EXECUTIVE SUMMARY

Project and Developer. The proposed ordinance enables the City and County of Denver to utilize its Private Activity Bond Volume Cap Allocation in order to issue an amount not to exceed \$13,000,000 of its Multifamily Housing Revenue Notes (The Colburn Project) Series 2019 for the proposed project located at 980 Grant St.

The developer, Gorman & Company, LLC, acquired the property in Q3 2018 and created Colburn, LLC that includes the tax credit investors. The total development cost of the project is expected to be approximately \$23.6 million.

The proposed project is the acquisition and rehabilitation of the residential portion of a 10-story building with 92 affordable housing units. The project is expected to include 23 one-bedroom efficiency units for households below 30% of Area Median Income (AMI), 68 one-bedroom efficiency units for households below 60% AMI, and 1 manager unit. The City's issuance of these tax-exempt notes will allow the project to use approximately \$8.5 million of Federal and state low income housing tax credits. In addition, the Colburn is an historic property, and will use approximately \$1.7 million of federal historic tax credits, as well as a state historic tax credit loan.

The developer plans to retain the existing tenants, convert the single room occupancy units to efficiency apartments, and modernize the units. Deep affordability for all residents will be preserved through a new 20-year HUD Project Based Housing Assistance Payments contract to be administered by the Denver Housing Authority. Rehabilitation of the property will improve the property's livability and functionality for residents as well as extend the useful life of this critical affordable housing asset. The affordability requirements are set forth in the Tax Regulatory Agreement to be executed in connection with the issuance of the City's multifamily housing revenue notes.

Multifamily Housing Revenue Notes. The requested note issue needs to meet the Federal government's rules for a tax-exempt private activity financing by a local or state government or agency for a project to be owned and operated by a private party. The interest paid on the Notes is exempt from Federal and Colorado state taxation. The issue requires a portion of the Private Activity Bond Volume Cap Allocation that the Federal government allots annually to each state. The State of Colorado, in turn, allocates a portion of such Private Activity Bond Volume Cap Allocation amount to each local government issuer based on population. The State of Colorado's Department of Local Affairs has allocated Private Activity Bond Volume Cap Allocation to the City. This ordinance authorizes allocation up to \$13,000,000 of the City's total and currently available Private Activity Bond Volume Cap Allocation of \$124,354,103 to be applied to the Notes and the proposed multifamily project at 980 Grant Street and is consistent with the City's Home Rule Charter, Colorado statutes, and the Internal Revenue Code.

The Multi-Family Housing Revenue Notes are special limited obligations of the City and do not constitute a general debt or indebtedness of the City and do not give rise to a charge against the general credit or taxing power of the City. The only sources of repayment of the Notes are the payments by the developer that are derived from the project. The owner of the project is solely responsible for all principal and interest payment on the Notes, as well as compliance with federal regulations for tax-exempt private activity obligations and the Low-Income Housing Tax Credit and Historic Tax Credit regulations.

The Multi-Family Housing Revenue Notes are being purchased by KeyBank National Association via the Funding Loan Agreement and concurrently the City is making loan advances to Colburn, LLC via the Project Loan. The maximum amount of the Funding Loan to the City and the City's loan to Colburn, LLC is \$13,000,00. Colburn LLC will use the Project Loan funds on a draw down basis for reimbursement of acquisition, rehabilitation, and improvements to the Project. Colburn, LLC's repayment obligations will be evidenced by a Project Note and secured by a Security Instrument. Colburn LLC's payments on the Project Note will repay the Funding Loan Agreement.

Upon completion of the project, a portion of the Multi-Family Housing Revenue Notes will be paid down from tax credit proceeds. The Federal Home Loan Mortgage Corporation ("Freddie Mac") is expected to purchase the Notes from Key Bank at that time.

The Notes will be a special limited obligation of the City payable solely from the revenues and other funds and money pledged from the Project. The Notes are not a debt or multiple fiscal-year financial obligation of the City.

Zions Bancorporation, National Association will act as the fiscal agent for the Notes.

To be completed by Mayor's Legislative Team: