

Rhonda's Place PAB



Finance and Governance Committee

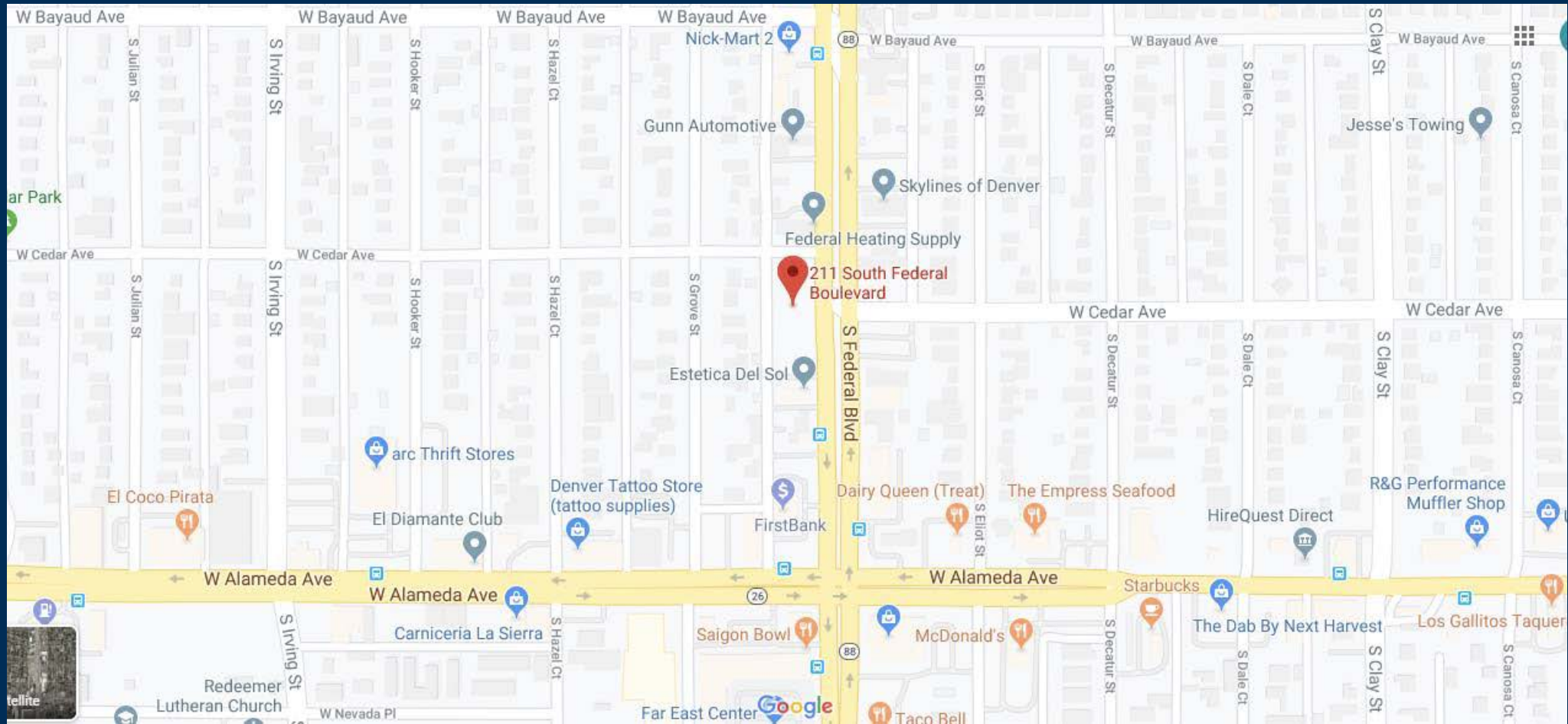
Michael Kerrigan, Financial Analyst Specialist

Legislative Summary

One ordinance request to support the construction of the Rhonda's Place affordable housing project.

- **The Rhonda's Place project is new construction of a 50-unit affordable housing project located at 211 S. Federal Blvd.**
 - The project is anticipated to include 49 one-bedroom, one-bathroom units limited to 30% Area Median Income (AMI).
 - The project will also include 1 manager unit.
- **The Department of Finance proposes the following single ordinance request:**
 - An ordinance request to award PAB allocation up to \$9 million of private activity bonds to support the 4% + State Low Income Housing Tax Credit (LIHTC) transaction bonds for the Rhonda's Place project.
 - Additionally the ordinance, authorizes \$9,000,000 of Series 2021A tax-exempt bonds and \$3,000,000 of Series 2021B taxable bonds.

Project Location- 211 S. Federal Blvd.



Development Team

REDI CORPORATION

- Mission- “to provide special needs persons with affordable housing facilities and services specifically designed to meet their physical, social and psychological needs and to promote their health, security and happiness”.
- REDI Corporation (REDI) was founded in 1974 and is based in Denver, CO and serves the front range of Colorado. REDI has acquired and developed 10 properties in the Denver Metro Area.
- REDI is the long-term owner of the properties we develop. Rhonda’s Place will be no different.

BlueLine Development, Inc.

- Founded in 2011 BlueLine Development is a full-service Low-Income Housing Tax Credit and affordable multi-family housing development company.
- BlueLine Development, Inc. has completed projects in CO, MN, MT, ND, UT and WY producing 629 affordable housing units and currently has an additional 880 either currently under construction or set to open in 2021-2022. We currently have produced 368 Supportive Housing Project units.
- BlueLine will be acting as consultant to REDI Corporation on Rhonda’s Place providing assistance from project concept, application compilation, construction management and through filing of 8609 certification.

Redi Corporation



Project Overview



- Building total square footage 41,808
- 49 one-bedroom apartments 527 square feet
- One On-site Manager Unit, 527 square feet
- 3 Stories
- 4,228 square feet of amenity space on the first floor
- Outdoor patio, green space, barbecue and dog. area
- 28 parking spaces on site
- Supportive services on site provided by REDI and Mental Health Center of Denver. Additional clinical services provided off-site by Mental Health Center of Denver at their Adult Recovery Center.
- Supportive and more intensive services can include case management, substance use programs, nurse practitioner visits, access to vocational and education programs, benefits assistance, psychiatry appointments, rides to get groceries or doctor visits, etc.
- Services provided on site can be delivered in different spaces designed for service providers; offices, lounge area, meeting spaces or outside on the patio or in the gardens.

Affordability Restrictions

- Residents will make no more than 30% of Area Median Income. For a single person in Denver that is currently \$22,050
- Because Rhonda's place has project-based vouchers awarded, the monthly rent will be \$1,238 for each apartment. However, residents will pay no more than 30% of their adjusted gross income to rent.
- The funding programs for Rhonda's Place will require deed restrictions to ensure the affordability for low-income residents in the long term.
 - Low Income Housing Tax Credits require 30 years
 - HOST funding will require a 60-year deed restriction for affordability

Development Timelines



- Financial close and construction start Oct.
- Construction complete est. Fall 2022
- Residents begin moving in Dec. 2022

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.
- PABs are not voter approved bonds pledging the City's full faith and credit.

PAB Financing

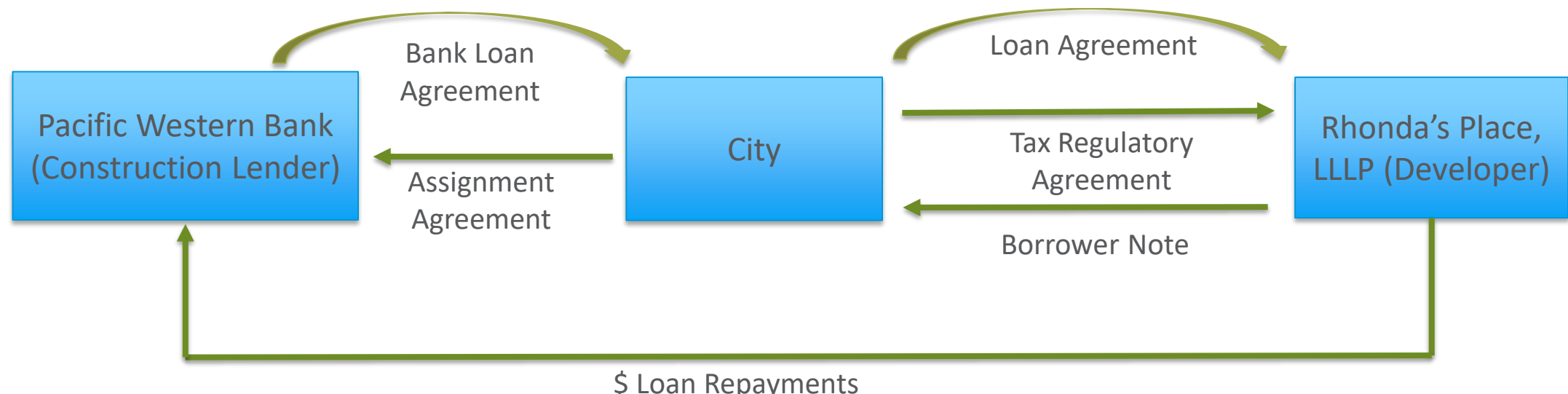
City intends to use a portion of its PAB capacity for the project

- **PAB is a tax-exempt borrowing tool for a privately-owned project which meets a qualified public purpose – in this case long-term affordable rental housing.**
 - Interest paid on the PABs 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 \$9,000,000 of the City and County of Denver, Colorado Multifamily Housing Revenue Notes (Rhonda's Place) Series 2021A and \$3,000,000 of the City and County of Denver, Colorado Multifamily Housing Revenue Notes (Rhonda's Place) Taxable Series 2021B**
- **The Notes are a special limited obligation of the City payable solely from the revenues and other funds pledged from the Rhonda's Place 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

BlueLine Development and Redi Corp. will use \$9,000,000 of PAB capacity and \$12,000,000 of Note proceeds from the City of Denver to support the construction financing.

- The City will use PAB capacity and issue Multifamily Notes to Pacific Western Bank, the construction lender, under the Bank Loan Agreement
 - Pacific Western Bank will provide up to \$12,000,000 of Note proceeds to the City.
- The City will use the Note proceeds to make a loan under the Loan Agreement to Rhonda's Place, LLLP.
- Up to \$12,000,000 of loan proceeds will be disbursed to Rhonda's Place, LLLP on a draw down basis.





Questions:

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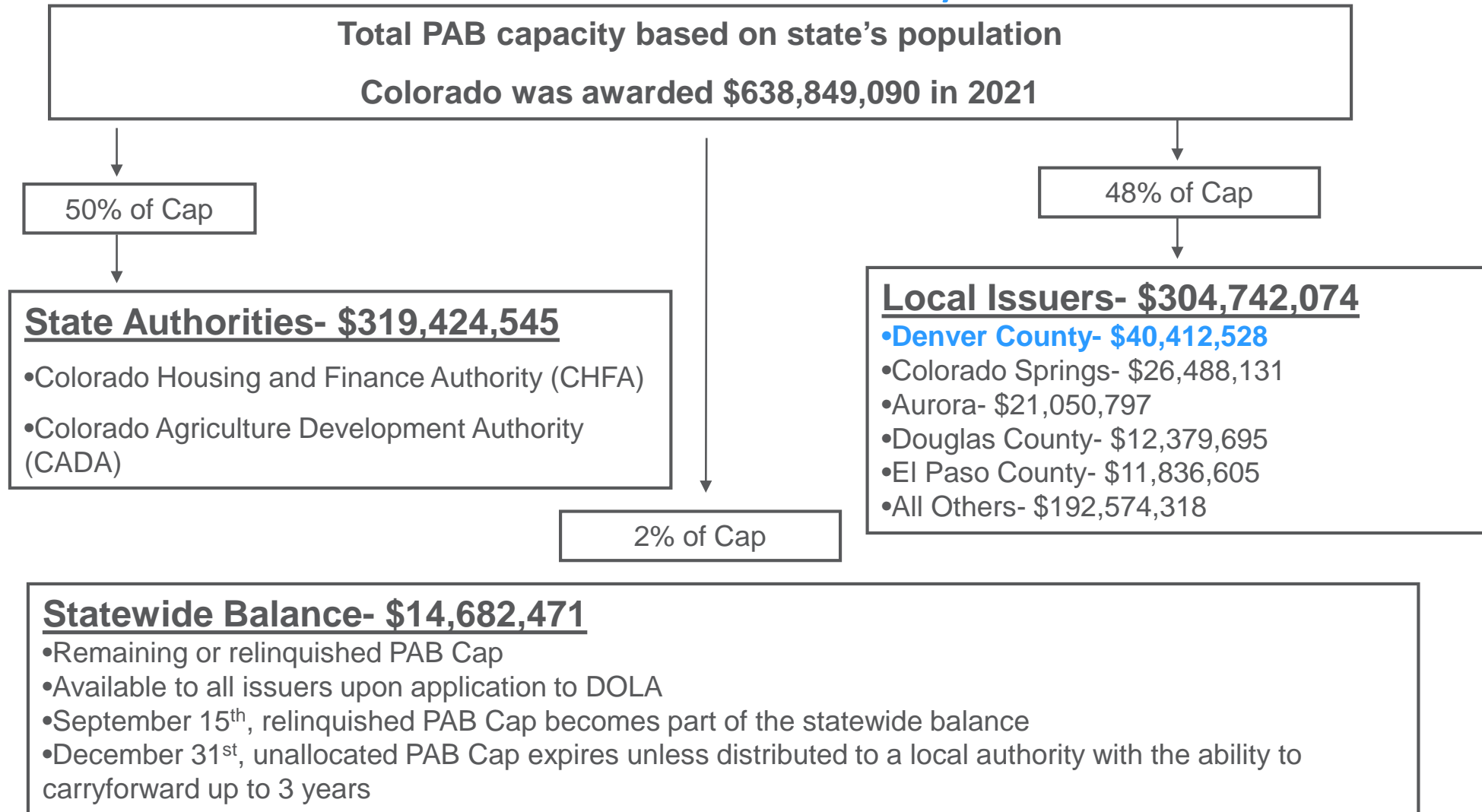


Appendix

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 carry forward 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
 - Provides affordable housing options to citizens
- Colorado Housing Finance Authority
 - Provides affordable housing and financing options for income restricted housing units
- Private Developers
 - Provides Low Income Housing Tax Credit projects creating income restricted housing units.

Denver's Current PAB Allocations as of July 2021

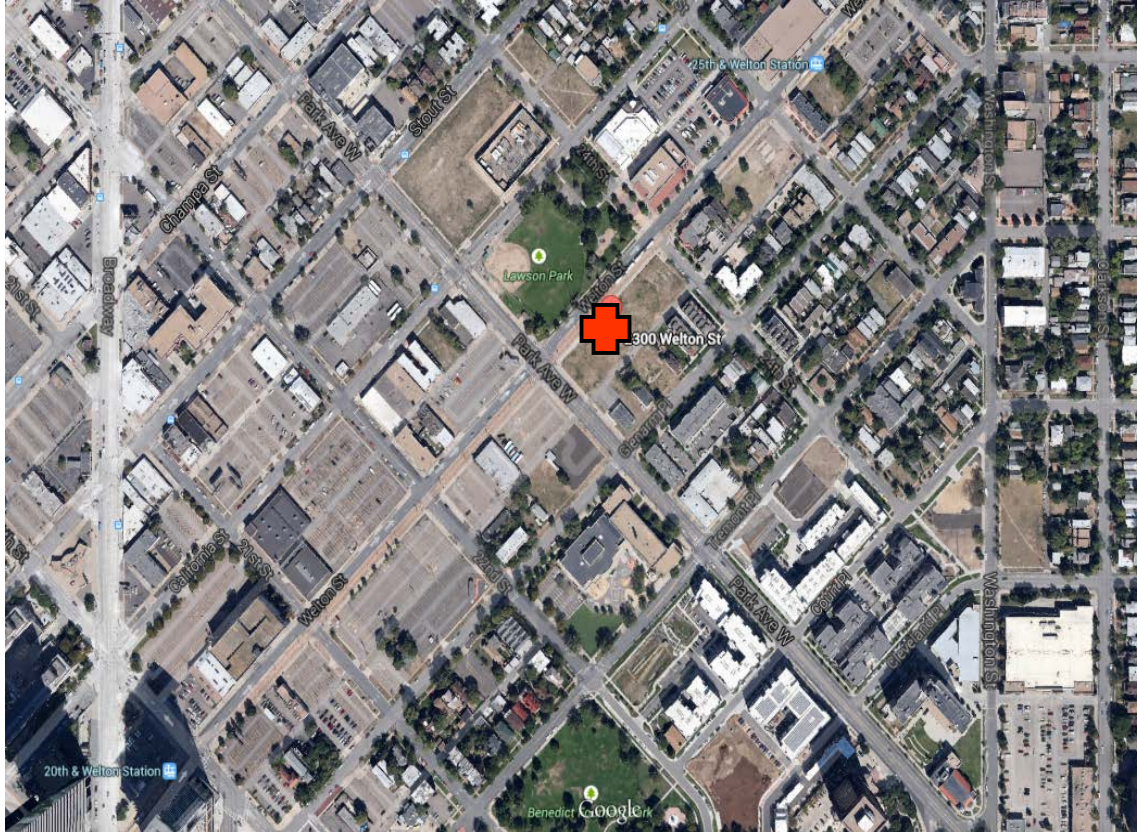
Sources and Uses of PAB Allocation							
PAB Year	Sources	Uses	Source/Use Description	Remaining PAB (incl. proposed)	Current Carryforward Amounts Remaining		Expiration
					Single Family & MCC	Multifamily	
2021	\$ 40,412,528		Direct Allocation for 2021	\$ 40,412,528	TBD in Feb. '22	TBD in Feb. '22	12/31/2024
2020		\$ (8,000,000)	\$8MM- REDI Rhonda's Place	\$ 15,681,753	\$ -	\$ 37,480,648	12/31/2023
		\$ (13,798,895)	\$19.07MM- MOC Freshlo				
	\$ 1,370,000	\$ (2,000,000)	Additional \$2MM assignment to DHA for Thrive				
	\$ 38,110,648		Delegation Agreement from CHFA for Freshlo				
			Direct Allocation for 2020				
2019		\$ (5,271,105)	\$19.07MM- MOC Freshlo	\$ -	\$ -	\$ 30,271,105	12/31/2022
		\$ (10,000,000)	\$10.0MM- CCH The Forum				
		\$ (15,000,000)	\$15MM- Mercy 8315 E. Colfax				
		\$ (14,200,000)	\$14.2MM- Gorman Avenida del Sol				
		\$ (211,222)	\$27MM- DHA Thrive delegation				
	\$ 7,117,002		2019 Statewide Balance Award				
	\$ 37,565,325		Direct Allocation for 2019				
2018		\$ (26,788,778)	\$27MM- DHA Thrive delegation	\$ -	\$ -	\$ -	12/31/2021
		\$ (21,545,881)	\$25MM- DHA Broadway & DHA Studebaker assignment				
	\$ 11,936,829		2018 Statewide Balance Award				
	\$ 36,397,830		Direct Allocation for 2018				
Total PAB Allocation Capacity:				\$ 56,094,281	\$ -	\$ 67,751,753	

- This color represents proposed PAB uses & sources

Recent Projects/Programs Supported by Denver's PAB Allocation

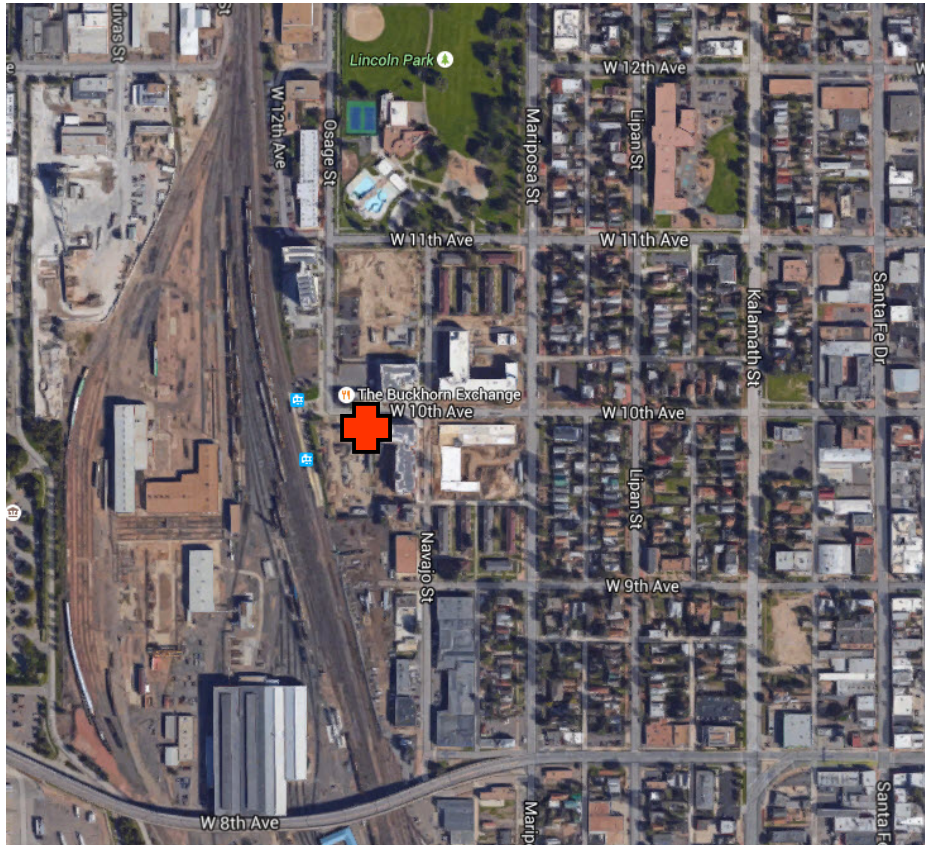
- 2300 Welton
- Mariposa Phase VII
- The Colburn
- The Stella
- Avenida Del Sol
- Various CHFA Projects
- Various DHA Projects
- Various MCC Programs

Welton Corridor- 2300 Welton



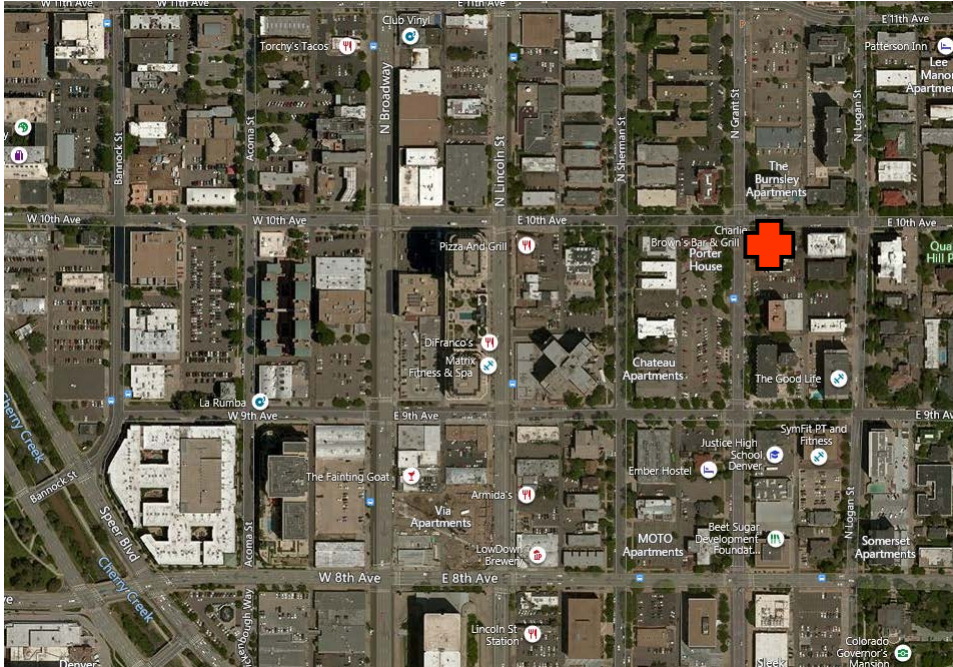
- 233 Units in 2 buildings
 - 11 units @ 30% AMI
 - 212 units @ 60% AMI
- Approximately 268,000 square feet
 - Studio, 1 bed, 2 bed, and 3 bed unit mix

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

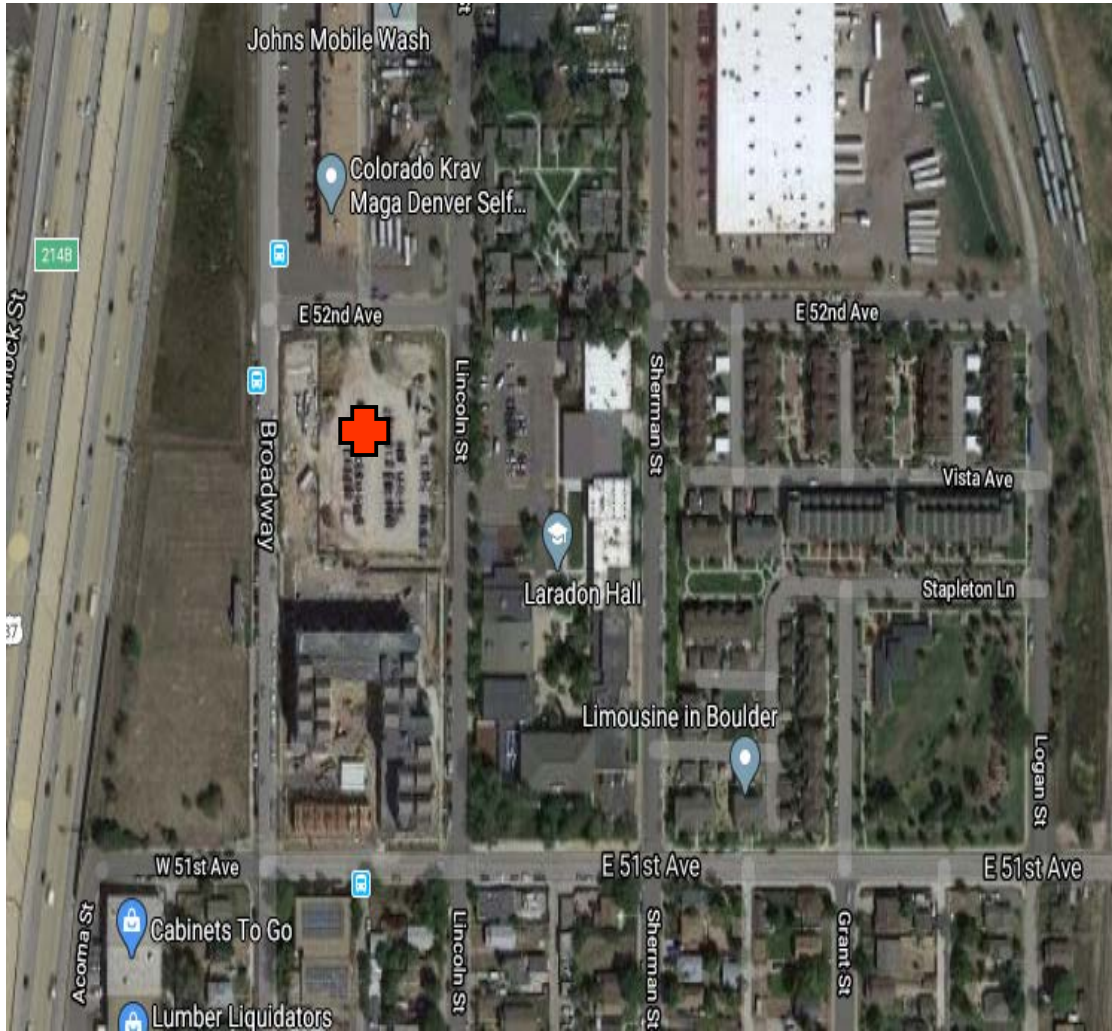
The Colburn- 980 Grant St.



- 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

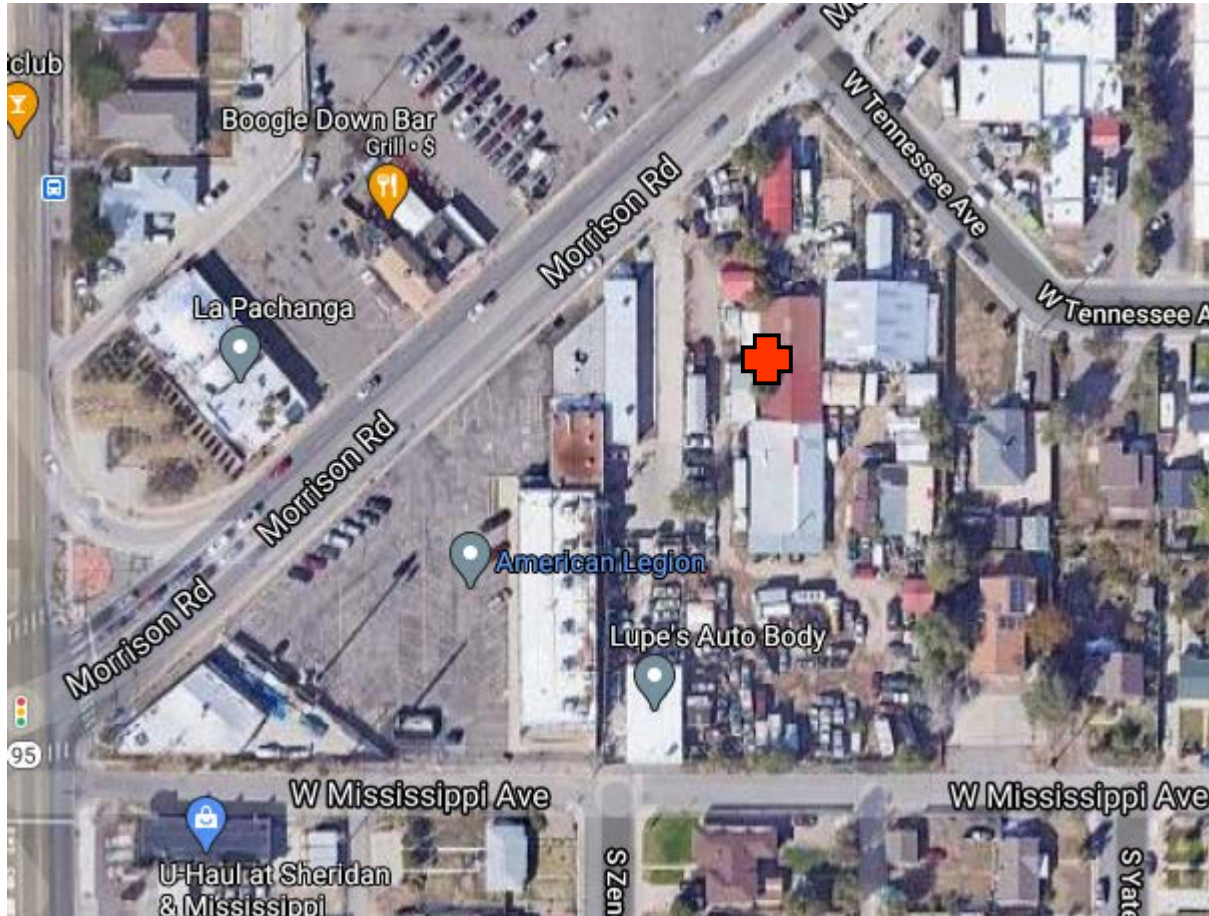


The Stella- 5190 N. Broadway



- New construction project
- 132 unit apartment housing units.
 - 16 units @ 30% AMI
 - 97 units @ 60% AMI
 - 18 units @ 80% AMI
- 60 year covenant period due to \$3.5M City loan

Avenida del Sol- 5190 N. Broadway



- New construction project
- 80 unit apartment housing units.
 - 4 units @ 30% AMI
 - 18 units @ 40% AMI
 - 37 units @ 60% AMI
 - 20 units @ 80% AMI
- 50 year covenant period due to \$1.4M 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
Broadway & Studebaker	\$25,000,000	192	Low income housing units
Total	\$93,500,000	584	

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	252	25% credit up to \$2,000 maximum
Total	\$192,500,000	990	