



Legislation Details (With Text)

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Title: A RESOLUTION AUTHORIZING ASSIGNMENT TO THE COLORADO HOUSING AND FINANCE AUTHORITY OF A PRIVATE ACTIVITY BOND ALLOCATION OF THE CITY OF COMMERCE CITY PURSUANT TO THE COLORADO PRIVATE ACTIVITY BOND CEILING ALLOCATION ACT

Sponsors:

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Attachments: 1. Council Communication, 2. Resolution 2024-024, 3. PAB Assignment Form, 4. PAB in Commerce City 2021-2023

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A RESOLUTION AUTHORIZING ASSIGNMENT TO THE COLORADO HOUSING AND FINANCE AUTHORITY OF A PRIVATE ACTIVITY BOND ALLOCATION OF THE CITY OF COMMERCE CITY PURSUANT TO THE COLORADO PRIVATE ACTIVITY BOND CEILING ALLOCATION ACT

Summary and Background Information:

In 2022, staff established a process for entertaining Private Activity Bond (PABs) allocation for qualifying projects. That process can be found on the city’s website at the bottom of the page by following this hyperlink: [Private Activity Bond Allocation Process <https://www.c3gov.com/doing-business/developing-in-commerce-city>](https://www.c3gov.com/doing-business/developing-in-commerce-city). The City’s 2024 PAB allocation is \$4,087,661, which is a 5.6% increase over the 2023 PAB allocation amount. For context and background, this allocation can be used in one of the four manners below:

1. Local issuers can issue the bonds.
2. Local issuers can assign their volume cap to another local issuer.
3. Local issuers can assign their volume cap (maximum amount of PABs that can be issued) to the Colorado Housing Finance authority (CHFA).
4. Local issuers can do nothing and let their cap revert to DOLA’s Statewide Balance.

Eligible uses of PABs are:

- Affordable multifamily housing including new construction or acquisition and rehabilitation for low- and moderate-income individuals and families.
- Single Family Mortgage Revenue Bonds (SFMRBs) used to finance the purchase of mortgages made to income-qualified first-time homebuyers.
- Mortgage Credit Certificates (MCCs), a financing enhancement for income eligible first-time homebuyers (can’t be combined with SFMRB financing).
- Industrial Development Bonds for smaller manufacturing projects (less than \$10 million) that

produce any type of goods.

- Qualified Redevelopment Bonds used to acquire and redevelop blighted areas (typically not used in Colorado).
- Solid Waste Disposal Bonds used to finance certain disposal facilities utilizing certain waste disposal processes.

In addition to the information posted on the city's website, staff worked with the Urban Land Institute (ULI) to advertise the PABs availability in January across a variety of social and digital media platforms. No applications were received by the February 1st deadline. Since no applications were received to use the City's 2024 PAB allocation and no other local issuers have expressed interest, staff believes we have two available options for Council consideration: i) assign the city's volume cap to CHFA or ii) do nothing and let the city's cap revert to DOLA's statewide balance.

With no eligible projects identified for the City's 2024 PAB allocation to be used on, staff recommends that the City's allocation be assigned to CHFA.

CHFA uses PABs to provide lower cost loans for first time home buyers. CHFA has 120 active correspondent lenders, if a homeowner goes through one of those lenders they can receive a 4% down payment assistance (DPA) loan at 0% interest along with their First Step loan. The DPA loan becomes payable when the first mortgage is refinanced or matures. The First Step Program offers financing to low- and moderate-income households, including individuals who are first time home buyers, qualified veterans or purchasing a residence in a targeted area. Benefits for borrowers under the First Step Program include fixed interest rate loans, allowances for borrowers without credit scores, the option to couple with downpayment and closing cost assistance and homebuyer education.

If Commerce City identified an eligible project to support, CHFA would collaborate with the City to earmark PABs for that project if that project receives a tax credit award. If the project did not receive a Tax Credit award, the PABs would then be used to invest in other projects or homeownership around the state. State and Federal Tax Credits are awarded on a competitive basis based upon a Qualified Allocation Plan.

CHFA acts as a tax credit allocator, lender, and also contracts with the Department of Housing and Urban Development (HUD) to monitor tax credit properties after completion. CHFA does not develop properties or own properties.

Below is a link to a website with additional PAB information:

[CHFA PAB Overview <https://www.chfainfo.com/rental-housing/private-activity-bonds/pab-overview-guide-for-local-communities>](https://www.chfainfo.com/rental-housing/private-activity-bonds/pab-overview-guide-for-local-communities)

Staff Responsible (Department Head): Theresa Wilson, Director of Finance

Staff Member Presenting: Staff will answer questions if needed

Financial Impact: None

Funding Source: N/A

Staff Recommendation: Approve Resolution 2024-024

Suggested Motion: Motion to approve Resolution 2024-024