



AGENDA ITEM SUMMARY

City Council

STAFF

Sue Beck-Ferkiss, Social Policy and Housing Programs Manager
Jacob Castillo, Chief Sustainability Officer

SUBJECT

Resolution 2024-073 Authorizing the Assignment of the City's Private Activity Bond Allocation for 2024 to Housing Catalyst to Finance the Construction and Rehabilitation of Affordable Housing Units.

EXECUTIVE SUMMARY

The purpose of this item is to support the new construction of affordable housing at several locations in the City by assigning the City's 2024 Allocation of Private Activity Bond (PAB) capacity. PAB capacity is required for development projects using four percent (4%) Low-Income Housing Tax Credit financing.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

The State of Colorado Private Activity Bond (PAB) allocation program is established by the Colorado Private Activity Bond Ceiling Allocation Act, Colorado Revised Statutes Section 24-32-1707, et seq., (the Allocation Act). PABs are tax-exempt bonds that can be issued by eligible authorities. The proceeds of the sale of the bonds must be used for specific purposes as determined by the federal Internal Revenue Service. Permitted purposes include, but are not limited to, affordable housing development and rehabilitation which is the City's prioritized use. Historically, PAB financing has also been used by the City for economic and industrial development purposes.

In 2024, the total PAB capacity amount available statewide is \$734,701,250. Fifty percent of the state ceiling is allocated directly to statewide authorities and the other half is allocated directly to local governments based on population size. The City has been notified that, pursuant to Section 24-32-1706 of the Allocation Act, its allocation from the state for 2023 is \$10,812,010 (Attachment 3). PAB capacity is merely the authority to take on tax exempt debt and is not an allocation of funding. The City will not incur debt by assigning this allocation and this will not affect the City's credit rating. If a local government does not issue bonds or assign the bond cap to an eligible entity for a local project or projects by September 15 annually, the City allocation automatically reverts to the state's pool of available bond capacity.

The Colorado Housing and Finance Authority (CHFA) offers a four percent (4%) Low Income Tax Credit Program which is a financing mechanism for the development and rehabilitation of affordable housing. CHFA requires these types of financing deals to include private activity bonds. Historically, Fort Collins had assigned its annual allocation on a first come, first served basis. From 2009 through 2012, the Fort Collins

allocation was not used locally and therefore reverted to the state’s pool of available bond capacity. Since 2013, the City has assigned its full allocation to Housing Catalyst (HC) the Fort Collins Housing Authority, and/or to CHFA for the rehabilitation or construction of affordable rental housing units. Both of these entities have bond issuing authority.

In 2018, the City implemented an application process for requesting the City’s annual allocation of PAB. The guidelines are set forth in the City’s General Financial Policies. Applications are due annually by March 15 and are reviewed by the City PAB committee. Finance policy states that the following factors be considered when making a recommendation for allocation of PAB capacity:

- How well the project meets the land use, economic development and/or affordable housing goals of the City.
- Project feasibility and timing.
- Leverage of other investment into the project.
- Maintenance of or increase in local tax base.
- Competing uses for the City’s allocation.
- Whether the City’s allocation should be used in multiple projects; and
- Whether the application should be considered by any City board or commission.

This year the City received two (2) requests (Attachments 4 and 5) for twice as much available PAB capacity which are summarized as follows:

Applicants	Project	Location	Amount Requested
CARE Housing	Greenbriar-Windtrail Rehab	Fort Collins	\$10,812,010
Housing Catalyst	New Construction Pipeline (Eastbrook and Remington)	Fort Collins	\$10,812,010
Total Requests			\$21,624,020
Available PAB Cap			\$10,812,010

CARE Housing is seeking \$10,812,010 million in PAB Capacity for the rehabilitation of 90 apartment homes at two properties (Attachment 6). The project requires a total of \$16.0 M in PAB capacity.

Housing Catalyst is seeking \$10,812,010 in PAB capacity for their pipeline of qualifying projects, which includes new affordable housing at the Village on Eastbrook (Attachment 7). As the City’s housing authority, it is Housing Catalyst’s mission to provide affordable rental homes to the City’s residents. Housing Catalyst has several projects in the planning stages that will require PAB for financing. Once allocated to Housing Catalyst, the PAB cap can be carried over for up to three (3) years. Housing Catalyst typically pursues a low-income housing tax credit application at least every other year. CHFA has set a limit of no more than \$175,000 of PAB cap per unit. This means this year’s request would support at least 61 affordable homes. Since Housing Catalyst’s pipeline of planned projects is between 143 and 173 homes, PAB cap must be built up over several years to meet the needs of the pipeline of projects.

City PAB Committee's Findings

The City's PAB committee, made up of staff representatives from Social Sustainability, Economic Health and Finance departments, met and considered the following:

- The committee decided that adding restricted housing to the City of Fort Collins' affordable housing inventory is a current City priority.
- The Committee considered using the 2024 allocation in multiple projects.
- The Committee considered project feasibility and timing.
- The Committee considered the completeness of the information provided.
- Lastly the Committee decided to bring recommendations to the Affordable Housing Board.

City PAB Committee's Recommendations

Based on the criteria listed in the Finance Policy and the City's affordable housing goals, the Committee recommends approving Housing Catalyst's application and allocating the City's 2024 PAB capacity to them. CARE Housing's application was incomplete and that brought into question project feasibility and timing in terms of readiness to proceed.

Council must adopt a resolution assigning the 2024 PAB Allocation to Housing Catalyst to allow Housing Catalyst to issue bonds for qualifying projects. Additionally, the City will enter into Assignment of Allocation Agreement to complete the transaction.

CITY FINANCIAL IMPACTS

The City will not issue Private Activity Bonds and the bonds will not be the obligations of the City. The debt service on the bonds will be repaid from revenue generated by the housing developments and does not constitute a debt of the City. This action will not affect the City's credit rating. The construction of new units will require goods and labor which will benefit the local economy.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The Affordable Housing Board considered this request at their May 2, 2024, meeting and supports the PAB Committee's recommendation (Attachment 8).

PUBLIC OUTREACH

The Affordable Housing Board heard this matter at their hybrid May meeting which was open to the public. The process to seek PAB capacity is detailed on the Social Sustainability Department's web page and the guidelines are set forth in the City's General Financial Policies.

ATTACHMENTS

1. Resolution for Consideration
2. Exhibit to Resolution
3. 2024 City Allocation Letter
4. CARE Housing Combined Letter and Request, March 15, 2024
5. Housing Catalyst Request, March 15, 2024
6. Greenbriar-Windtrail Location Map
7. Village on Eastbrook Location Map
8. Affordable Housing Board DRAFT Minutes, May 2, 2024