



## AGENDA ITEM SUMMARY

City Council

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### STAFF

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

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### SUBJECT

**Resolution 2023-048 Authorizing the Assignment of the City's 2023 Private Activity Bond Allocation to Housing Catalyst and Colorado Housing and Finance Authority for CARE Housing to Finance the Construction and Rehabilitation of Affordable Homes.**

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### EXECUTIVE SUMMARY

The purpose of this item is to support the new construction and rehabilitation of affordable housing at several locations in the City by assigning the City's 2023 Allocation of Private Activity Bond (PAB) capacity. PAB capacity is required for development projects using 4% Low-Income Housing Tax Credit financing.

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### STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

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### 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 2023, the total PAB capacity amount available statewide is \$700,791,120. 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 \$10,289,735 (Attachment 2). 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 4 percent 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 three (3) requests (attached) for more than twice as much available PAB capacity which are summarized as follows:

Applicants	Project	Location	Amount Requested
CARE Housing	Heartside Hill	Fort Collins	\$ 4,000,000
Housing Catalyst	Pipeline (Montava)	Fort Collins	\$ 6,289,735
Steele Properties	Weatherstone Apartments	Aurora	\$10,289,735
<b>Total Requests</b>			<b>\$20,579,470</b>
Available PAB Cap			\$10,289,735

CARE Housing is seeking \$4.0 million in PAB Capacity to add to the previously secured \$16.1 million already committed to the project by CHFA. This will provide the Heartside Hill Apartments project with the remaining PAB capacity required to finance the construction of 72 new affordable rental apartments (Location Map for Heartside Hill).

Housing Catalyst is seeking \$6,289,735 in PAB capacity for their pipeline of qualifying projects, which may include affordable housing at Montava, a proposed development in the northeast quadrant of the City (Location Map for Montava). 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 year's request would support at least 36 affordable homes. Since the project's Housing Catalyst is planning about 100 units each, PAB cap must be built up over several years to meet the needs of the pipeline of projects.

Steele Properties is seeking \$10,289,735 in PAB capacity to be assigned to the Aurora Housing Authority for the rehabilitation of the Weatherstone Apartments located in Aurora, Colorado. This 204-unit community

needs substantial renovation. The project will require a total of \$34.0 million in PAB capacity and has received \$7.5 million to date (Location Map for Weatherstone).

### **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 three (3) applications and made the following findings:

- The committee decided that adding restricted housing to the City's affordable housing inventory is a current City priority.
- Leverage of other investments was considered. Applications for projects that already have some PAB committed were credited with leveraging. This year, all applications demonstrated leverage.
- The Committee favored using the 2023 allocation in multiple projects.
- The Committee considered how much of an impact the City's \$10,289,735, or a portion thereof, would make on the proposed development projects.
- 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 two applications allocating the City's 2023 PAB capacity as follows:

- \$4.0 million in PAB cap to be assigned to CHFA for CARE Housing's Heartside Hill Apartments
- \$6,289,735 in PAB cap to be assigned to Housing Catalyst for new construction or rehabilitation projects in Fort Collins

This prioritizes local needs, supports multiple projects, and leverages other investments.

Staff requests that Council consider a resolution assigning the 2023 PAB Allocation to Housing Catalyst and to CHFA to allow these agencies to issue bonds for qualifying projects. Additionally, the City will enter into Assignment of Allocation Agreements with the issuers to complete the transaction.

### **CITY FINANCIAL IMPACTS**

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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 and the rehabilitation of existing housing stock will require goods and labor which will benefit the local economy.

### **BOARD / COMMISSION / COMMITTEE RECOMMENDATION**

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The Affordable Housing Board considered this request at their May 2023 meeting and supports the PAB Committee's recommendation.

## **PUBLIC OUTREACH**

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The Affordable Housing Board heard this matter at their remote 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**

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1. Resolution for Consideration
2. Exhibit A to Resolution
3. Exhibit B to Resolution
4. City Allocation Letter
5. Care Housing Request Letter
6. Housing Catalyst Request Letter
7. Steele Properties Request Letter
8. Heartside Hill Site Location Map
9. Montava Site Location Map
10. Weatherstone Site Location Map
11. Draft Affordable Housing Board Minutes, May 4, 2023 (Excerpt)