



## Legislation Text

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**File #:** 20-019, **Version:** 1

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A Resolution declaring the intent of the City of Colorado Springs to issue \$21 million of Multifamily Housing Private Activity Bonds to finance the construction of an affordable multifamily housing development known as Draper Commons

**Presenter:**

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**Summary:**

A Preliminary Inducement Resolution for the issuance of \$21 million of Private Activity Bonds (PAB) for Draper Commons, a 280 unit multi-family affordable rental development made up of studio, 1BR, and 2BR apartments for households earning an average of 60% area median income. The proposed project is located at 335 Victoria St. near the intersection of Fountain Blvd. and Wahsatch Ave. in the SE part of downtown.

**Previous Council Action:**

N/A

**Background:**

Private activity bonds (PAB) are a form of tax-exempt financing in which the City acts as the conduit issuer, but assumes no debt responsibility. Annually, the City of Colorado Springs receives an allocation of PAB from the State of Colorado. The allocation is based on population. Year over year, the City of Colorado Springs has seen an increase in its PAB allocation as a result of continued growth. In 2018, the City's allocation totaled \$24,200,033 and in 2019 the City's allocation totaled \$24,866,520.

Prior to 2018, the City routinely assigned its PAB allocation to El Paso County. The County has used the City's PAB to finance affordable multi-family rental projects, including Copper Range, a 240 unit work force housing development where rents are capped at 60% of area median income (AMI), Traditions at Colorado Springs, a 180 unit senior affordable housing project with similar rent caps, and the acquisition and rehabilitation of Whitney Young Manor, a 200 unit senior affordable rental complex.

In 2018 and 2019, the City Council voted to carry forward its PAB allocations for the purpose of financing qualified residential rental projects, an eligible use of PAB under the IRS code. The carry forward is consistent with PAB use in other jurisdictions around the state. Recently, Colorado ranked among the top 10 states in the country for affordable multifamily PAB financing, issuing a combined total of \$539,000,000 in 2017. 97% of PAB use was for affordable multifamily rental housing.

The developer accessing PAB financing agrees to carry all costs related to the bond issuance, including attorney's fees, document preparation, and public notifications. As a result, the City's administrative burden is reduced.

This item supports the City's strategic goal relating to building community and collaborative relationships by addressing a shortage of affordable housing.

Furthermore, this item is supported by and implements PlanCOS Vibrant Neighborhoods Policy VN-2 -A pertaining to attainable housing and providing a variety of housing types for various life stages and income levels.

**Financial Implications:**

Approximately \$16M of the City's 2018 private activity bond allocation and \$5M of the City's 2019 PAB allocation, for a total of \$21 million, will be set-aside for this project, leaving a balance of approximately \$20M remaining to allocate to other affordable multi-family rental projects.

The proposed resolution was reviewed by the City Council Budget Committee on January 14, 2020. The Budget Committee recommended moving forward with introduction of a preliminary inducement resolution at the City Council Work Session on January 27, 2020.

**Board/Commission Recommendation:**

N/A

**Stakeholder Process:**

N/A

**Alternatives:**

Adopt the resolution as presented.

Adopt the resolution with modifications.

Not adopt the resolution.

**Proposed Motion:**

Adopt a resolution declaring the intent of the City of Colorado Springs to issue a portion of its multifamily housing revenue bonds to finance the construction of an affordable multifamily housing facility known as Draper Commons.

N/A