



# TOWN OF ERIE

645 Holbrook Street  
Erie, CO 80516

## Town Council

**Board Meeting Date: 8/9/2022**

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**File #:** 22-281, **Version:** 1

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**SUBJECT: Agenda**

A Resolution of the Board of Trustees of the Town of Erie Assigning the Town of Erie 2022 Private Activity Bond to the Boulder County Housing Authority

**DEPARTMENT:** Planning and Development Department

**PRESENTER:** Ariel Tolefree, Affordable Housing Manager

**TIME ESTIMATE:** 10 minutes

**STAFF RECOMMENDATION:**

Staff recommends the Town assign its 2022 PAB allocation of \$1,680,707 to the Boulder County Housing Authority (BCHA) so that the allocation can be used towards an affordable housing project, Willoughby Corner Phase 1A Senior Apartments, in Lafayette.

**SUMMARY AND BACKGROUND OF SUBJECT MATTER:**

Private Activity Bonds (PAB) are allocated by the State to the Town of Erie annually. PABs are federally tax-exempt bonds and are often used as debt instruments by affordable housing developments. These bonds are applied to active projects that will close and fund within the year of allocation. The PAB bond allocations are renewed annually for each municipality. The Town's 2022 allocation of \$1,680,707 have been requested by the Boulder County Housing Authority (BCHA) toward the Willoughby Corner Phase IA Senior Apartments in Lafayette. Granting the PABs to BCHA assures the Town that they may only be used for a local affordable housing project.

Private Activity Bonds - Definition and Use

PABs are tax-exempt bonds issued by or on behalf of local or state government for the purpose of providing special financing benefits for qualified projects. These bonds are used to attract private investment for projects that have some public benefit. The financing is most often applied to projects of a private developer, and the government generally does not pledge its credit. There are strict rules as to which projects qualify (e.g., single-family mortgage revenue bonds sold by local or state agencies, low-income housing projects, hazardous waste facilities, small-issue manufacturing industrial development bonds for construction of manufacturing facilities, among others). This type of a bond results in reduced financing costs because of the exemption from federal tax.

Each year the IRS publishes the maximum amount of PABs each state may issue, referred to as its "cap". For 2022, Colorado's cap was approximately \$639 million. Pursuant to federal legislation, each state is authorized to allocate rights to issue PABs to various state agencies, county and local governments. In Colorado, just under half of the State cap is allocated to the Colorado Housing and Finance Authority (CHFA). The remaining cap is allocated to the State's counties and municipalities that exceed a minimum population size. Erie received an allocation of \$1,680,707 in 2022.

Allocations of PAB expire each September 15 unless one of two actions is taken. If a specific project is planned that will utilize PABs, the local government can roll over its allocation for up to three years. Alternatively, the local government can reallocate its allocation to CHFA, which then can use the allocated PAB cap in the furtherance of its mission "to increase the availability of affordable, decent, and accessible housing for lower income Coloradans."

#### Town of Erie 2022 PAB Allocation

The BCHA has formally requested that the Town of Erie reallocate its 2022 PAB allocation to BCHA for use on local projects. The timing for finding a suitable housing project in Erie did not allow for staff to use or roll over the PABs. However, the Assignment of Allocation document allows BCHA to use the PABs for the Willoughby Corner project.

Willoughby Corner Phase 1A Senior Apartments ("Willoughby Corner" or the "Project") is a proposed new community in East Lafayette, which will be located at SE corner of E. Emma Street and 120th Street, with views west to the Flatirons and direct connections to regional trail networks and open space. BCHA, in concert with an intergovernmental agreement (IGA) with the City of Lafayette, will develop the 24-acre site into a community of 400 permanently affordable homes constructed in multiple phases. Willoughby Corner is a new construction 63-unit apartment building, age-restricted for residents 55 and over, with income at or below 60% AMI. This building is the first of the master-planned community and will be the cornerstone of the neighborhood. The entire Phase 1, which includes the Project, will deliver 156 multi-family homes, one community building with resident amenities and services, and significant site improvements. Phases 2 and 3 of the master-plan will be 100% affordable and include additional apartments, one community building, and townhomes and duplexes, 80 of which will be affordable for-sale.

Given the Town's lack of an existing project that would qualify for PAB allocation, the opportunity to benefit Willoughby Corner provides affordable housing in close proximity to the Town. In future years as the Affordable Housing efforts expand within the Town, annual PAB allocations will be evaluated and utilized as opportunities arise for projects within Erie.

Fiscal Impact: No fiscal impact

#### **Board Priority(s) Addressed:**

- ✓ Engaged and Diverse Community
- ✓ Prosperous Economy
- ✓ Small Town Feel
- ✓ Safe and Healthy Community
- ✓ Effective Governance
- ✓ Fiscally Responsible

**ATTACHMENTS:**

1. Resolution Number 22-87
2. Assignment of Allocation to Boulder County Housing Authority (BCHA)
3. 2022 PAB Allocations per Department of Local Affairs
4. BCHA 9% Housing Credit Application Narrative
5. BCHA Willoughby Corner Summary Source and Use Table
6. Staff Presentation