



South Metro Housing Options

POLICY FOR ISSUANCE OF BONDS

The Housing Authority of the City of Littleton, Colorado dba South Metro Housing Options (SMHO), is committed to partnering with developers and stakeholders to create affordable, inclusive, and sustainable housing that gives all Littleton and Arapahoe County residents the opportunity to thrive.

The Colorado Housing Authorities Law, specifically [*Part 2 of Article 4 of Title 29 of the Colorado Revised Statutes*](#), establishes and governs local housing authorities. The statute outlines the powers and functions of housing authorities to address and eliminate unsafe and unsanitary housing conditions, and to provide safe and sanitary housing for low-income individuals and families, and other accommodations that substantially benefit persons of low-income as determined by SMHO.

Under this law, SMHO is granted broad governmental powers, including the authority to issue bonds to finance housing projects. SMHO may issue revenue bonds to finance affordable housing developments:

- **Direct Interest Bonds:** Projects in which SMHO has a direct role (owner, developer, partner, lessee, manager, or otherwise).
- **Conduit Bonds:** Projects in which SMHO has no direct ownership interest but serves as a conduit issuer.

This policy specifically provides guidance for developers applying for financial assistance through SMHO-issued qualified private activity bonds (PABs) and outlines the procedures SMHO will follow to review and evaluate applications.

ISSUANCE REQUIREMENTS

To issue bonds, SMHO requires that all proposed projects meet the following criteria:

- Conduct **pre-proposal consultation** with SMHO staff.
- Submission of a **complete proposal** and payment of applicable fees (as described herein).
- **Project location: SMHO will give preference to projects in the following order: 1)** within

the City of Littleton then 2) Arapahoe County and then 3) other area determined to be acceptable to the SMHO Board of Commissioners.

- The project must have at least:
 - 40% of the units affordable to households earning not more than 60% Area Median Income
OR
 - 20% of the units affordable to households earning not more than 50% of the Area Median Income.
- **No financial risk or obligation** to SMHO, including guarantees, debt, or capital contributions.
- Developers must commit to a **30-year affordability period**, secured by a recorded restrictive covenant.
- **Indemnification** protecting SMHO and its officers, agents and commissioners from partner liabilities and all other liabilities related to the bonds and the project.
- Demonstration of **sufficient financing and cash flow** to support SMHO participation and issuer fees, and DOLA PAB fees.
- Developer must **pay or reimburse SMHO for all fees and expenses**, including legal and consulting fees.
- All projects must comply with the requirements for “projects” contained in Housing Authorities Law, as well as fair housing laws.
- All projects utilizing tax-exempt bonds must comply with the requirements of the Internal Revenue Code and related treasury regulations.

APPLICATION PROCESS

The SMHO Board reserves the right to amend the following process while maintaining adherence to all local, state and federal rules.

Step 1: Required Pre-Proposal Consultation

Before submitting an application, all prospective developers must schedule a pre-proposal meeting with SMHO staff. This consultation ensures alignment with SMHO goals and policies.

To schedule a meeting, contact Sarah Buhr PAB@smho.co or 720-726-5066.

Step 2: Application Submission

Following a successful consultation, developers may be invited to submit a full proposal, including all required documentation outlined in this policy. This application will be shared with the SMHO Board.

- Applications must be submitted **at least six weeks before** the SMHO Board meeting when the Board will consider the proposal.
- Submit all materials electronically to **PAB@smho.co**
- Incomplete applications will not be accepted.

Required Fees for Bond Issuance by SMHO:

Fee Type	Amount	Refundable
Application Processing	\$2,500	No
Financial Review	\$10,000	Yes, if review not initiated
Bond Issuance Fee	Greater of 0.85% of bond face value or \$65,000	No
Annual Monitoring Fee	0.15% of outstanding principal but no less than \$2,000	No

Note: All pro formas and project budgets must accurately reflect SMHO’s bond issuance and monitoring fees and appear in cash flow before developer fee. Budget should also include costs for Bond Counsel and Issuer’s Counsel, as applicable. Annual monitoring fee may be modified for nonprofits.

EVALUATION AND APPROVAL PROCESS

The evaluation and approval process occurs in two phases:

Phase 1: Initial Review

- SMHO staff review the completeness of the application.
- At SMHO’s discretion, a SMHO-selected financial consultant may be engaged to conduct a Financial Review including review of the project pro forma and financing plan.
- Projects inconsistent with SMHO’s mission may be declined at this stage in the sole discretion of SMHO.

Phase 2: Board Consideration

- Staff present qualifying proposals to the SMHO Board at a **publicly noticed meeting**. This meeting occurs prior to the TEFRA Hearing (see below).
- Developers must attend (virtually or in person) to present and answer questions.
- Public comment will be accepted as noted in the meeting agenda.
- Most meetings are held **on the 2nd Thursday of each month** (verify exact date with SMHO staff).
- The Board may approve, conditionally approve, deny, or table a proposal at its full discretion.
- Approval at this stage may include a formal Inducement Resolution (as described below).

- Approval at this stage does not obligate SMHO to issue bonds.

BOND ISSUANCE PROCESS

If the SMHO Board initially approves the proposal the following actions will be taken.

Bond Counsel

- SMHO will engage Bond Counsel of its choosing, in its sole discretion, to represent its interests and ensure compliance.
- The developer must pay all reasonable Bond Counsel and Issuer's Counsel expenses, as applicable.

Tax Equity and Fiscal Responsibility Act (TEFRA) Public Notice, Hearing and Approval

- Following the Board's acceptance of the proposal, SMHO staff will work with the applicant to schedule a federally-required TEFRA Hearing which will be scheduled pursuant to Section 147(f) of the Internal Revenue Code. The public hearing is designed to ensure transparency and public input when government entities provide tax-exempt financing for affordable housing developments.
- The applicant is responsible for assisting Bond Counsel in preparing the notice and verifying the accuracy of all items therein related to the project and the plan of finance for the issuance of bonds, as well as providing SMHO with all necessary information to publish the notice and hold the public hearing.
- SMHO will assist Bond Counsel in preparing the TEFRA Report and submitting it to the applicable elected representative (e.g., City Council or the Mayor).

RESOLUTIONS

SMHO will consider adopting the necessary resolutions to support the issuance of bonds for each project. These include:

1. Inducement Resolution

- Signals SMHO's intent to support the project with PAB financing.
- Establishes the ability for the developer to reimburse eligible pre-issuance costs from future bond proceeds.
- May cover the full anticipated project amount, including any planned multi-year allocations.

2. Authorizing Resolution

- Adopted just prior to each bond closing for a specific tranche of bonds.
- Formally approves the bond issuance and substantially final drafts of the related bond documents, subject to certain parameters such as maximum

- principal amount, maximum interest rate and not to exceed maturity date.
- Delegates authority to the Chair of the Board, or the Executive Director, to finalize the bond sale and documents, all pursuant to the Colorado Supplemental Public Securities Act, Section 11-57-201 *et seq.*, of the Colorado Revised Statutes.
- Confirms that:
 - The project qualifies as an eligible activity under state and federal law.
 - The financing supports SMHO’s public mission.
 - The bonds are special, limited revenue obligations of SMHO, with no financial liability to SMHO.
 - The project is financially viable and necessary to meet community needs.

SMHO staff will work closely with Bond Counsel to ensure the timing and process for each resolution are legally compliant and appropriate for the project.

BOND CLOSING

- The bond closing will occur at a mutually agreed-upon time and location.
- All parties must finalize legal and financial documents prior to closing.

POST-ISSUANCE COMPLIANCE

The developer must establish and maintain a compliance plan acceptable to SMHO and Bond Counsel. The borrower will reimburse and indemnify SMHO for all post-closing costs related to compliance responsibilities, including any related to arbitrage rebate filings and IRS audits.

APPLICATION REQUIREMENTS

Developers must provide the following information:

1. **Project Description:** Name, location, neighborhood context, target population, unit mix and AMI set asides, and scope of work.
2. **Bond Request:** Amount requested and source of volume cap allocation, as well as aggregate basis calculations. Indicate whether SMHO assistance will be requested for any volume cap assignment, delegation, carryforward and/or statewide balance request.
3. **Funding Sources:** Detailed description of all loans, equity, and grants.
4. **Credit Enhancements:** Guarantees or other financial security measures.
5. **Location Map:** Including current zoning information and site control.
6. **Ownership Structure:** Project ownership details and participants.
7. **Developer Information:** Background, experience, and prior affordable

- housing projects. Name and resume/experience for Property Manager.
8. **Financial Statements:** Past two fiscal years plus year-to-date.
 9. **Development Budget:** Sources and uses of funds.
 10. **Operating Budget:** Stabilized Year 1 projections.
 11. **Development Schedule:** From financing to anticipated lease-up.
 12. **Readiness to Proceed:** Evidence of site control and required entitlements.
 13. **Pro Forma:** Minimum 15-year projections with assumptions for revenue, expenses, vacancy, reserves, debt service, NOI, and cash flow. Include documentation of ongoing SMHO PAB fees.
 14. **If existing property:** income and expense statements for last 2 years, rent rolls, and YTD statements.

WAIVERS

A developer may request in writing that the Board waive specific provisions of this policy for good cause. The Board may grant such waivers at its sole discretion, provided legal counsel confirms compliance with applicable laws.

RESERVATION OF AUTHORITY

SMHO reserves the right to:

- Accept or reject proposals at any time for any reason.
- Modify, revise, or eliminate this policy in whole or in part.
- Waive one or more meeting and/or resolution requirements.
- Require additional information or conditions to ensure compliance and alignment with SMHO's mission.