

### **What are Private Activity Bonds (PAB)?**

Private Activity Bonds are a unique form of government-issued tax-exempt financing allowed by the Internal Revenue Service to finance private development. Examples of projects financed with PAB include new construction of multi-family housing for low-income households, small manufacturing facilities, acquisition of property for redevelopment in blighted areas, and private utility or waste disposal systems. The amount of PAB available each year is capped by the IRS based on a per capita formula.

In Colorado, the IRS made \$700,791,120 of PAB available for use in 2023. The State of Colorado and the Colorado Housing Finance Authority received allocations totaling approximately \$350,000,000 while the balance was allocated to local jurisdictions across the state. The City of Colorado Springs received a direct allocation in 2023 of \$29,163,118. Since 2018, the City of Colorado Springs has used its PAB allocation exclusively to finance development of multi-family housing for low-income households. To date, the City has issued \$101,774,518 to finance the development of 6 projects totaling 976 units.

### **How does a developer apply for PAB financing?**

Developers interested in applying for PAB financing through the City of Colorado Springs can access the application materials at the following link:

[Housing Development | City of Colorado Springs](#)

Applications are accepted on a rolling basis throughout the year.

### **What criteria does the City of Colorado Springs use to review applications?**

First and foremost, the City of Colorado Springs reviews applications for compliance with the regulations determining eligibility for PAB financing. Briefly, these include:

- Qualified residential rental project
  - Proposed unit mix and AMI levels
- Assurance of eligibility over the life of the bond
  - Proposed affordability period
- Timeliness of the issue
  - Site control
  - Zoning in place
  - Other finance commitments
- PAB = no more than 55% eligible costs

Additionally, the City of Colorado Springs evaluates the applicant based on:

- Corporate entity in good standing

- Experience of the development team
- Previous experience using PAB
- Financial wherewithal to assure non-default

**What process does the City of Colorado Springs use to issue PAB financing?**

Once a project and a developer are determined eligible for PAB financing, City staff convenes an internal PAB evaluation committee made up of staff from Planning, City Finance, and the City Attorney's Office.

Per Administrative Regulation 2020-04, the "...committee's evaluation will result in one of the following:

- A recommendation to refer the applicant to another PAB issuer;
- A conditional commitment to issue PAB for the project;
- A recommendation to introduce a preliminary inducement resolution at an upcoming regularly scheduled meeting of the City Council."

Passage of the preliminary inducement resolution by City Council does not guarantee that the project will receive PAB financing, however, it is a declaration of the City's intent to issue PAB subject to conditions, including:

- A commitment to purchase the bonds
- A favorable legal opinion of the bonds
- Submittal of a market study, appraisal, survey, title policy, environmental audit, and plans and specifications
- Evidence of sufficient financing
- Indemnity and reimbursement agreements
- Adoption of a final bond ordinance

Once the development team has made adequate progress satisfying the conditions outlined in the preliminary inducement resolution, City staff will schedule introduction of the bond ordinance at an upcoming regular meeting of the City Council. The bond ordinance is introduced at a City Council Work Session (2<sup>nd</sup> & 4<sup>th</sup> Mondays of every month) then heard at two subsequent regular meetings (2<sup>nd</sup> & 4<sup>th</sup> Tuesdays of every month).

Bond ordinances require two public hearings at regularly scheduled City Council meetings, as well as a TEFRA hearing (Tax Equity and Fiscal Responsibility Act), typically scheduled between the 1<sup>st</sup> & 2<sup>nd</sup> readings of the bond ordinance. City Council agendas are posted in advance of the meeting in accordance with relevant public meeting laws.

Passage of the final bond ordinance by City Council allows the developer and City staff to enter into various tax and regulatory agreements related to the issuance of PAB financing for a specific project.