

THE CITY'S PRIVATE ACTIVITY BOND (PAB) ALLOCATION

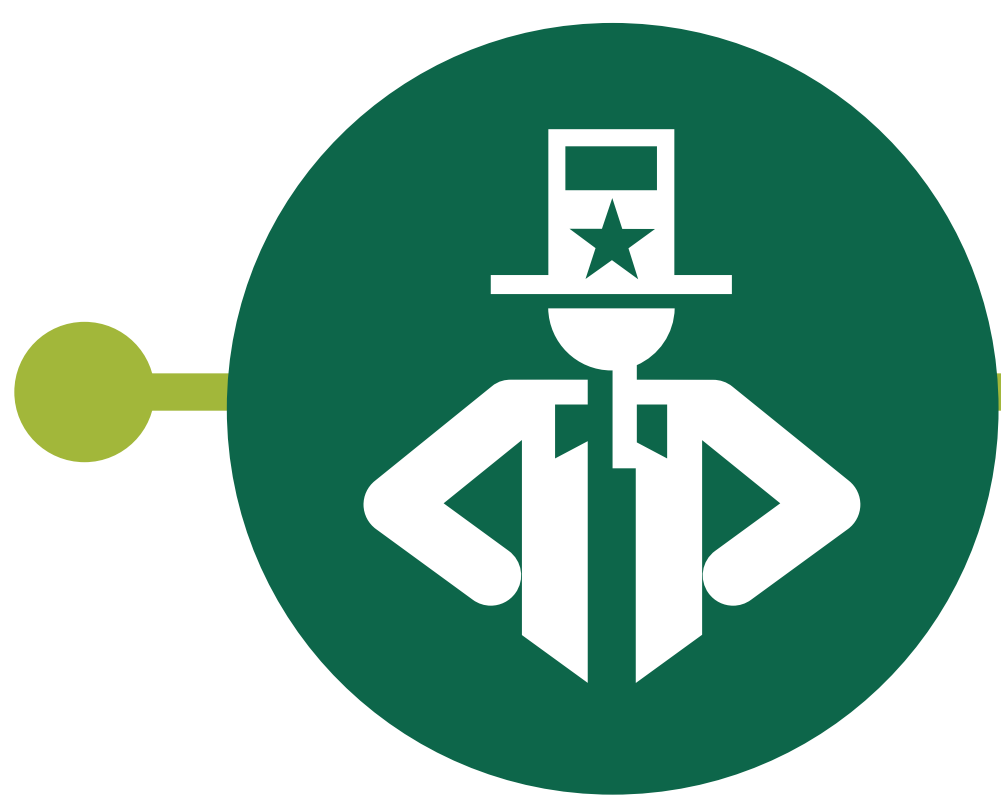


Private activity bonds are tax-exempt bonds issued by the City to finance affordable housing development. These bonds offer lower borrowing costs and attract private investors, expanding funding availability for designated projects.

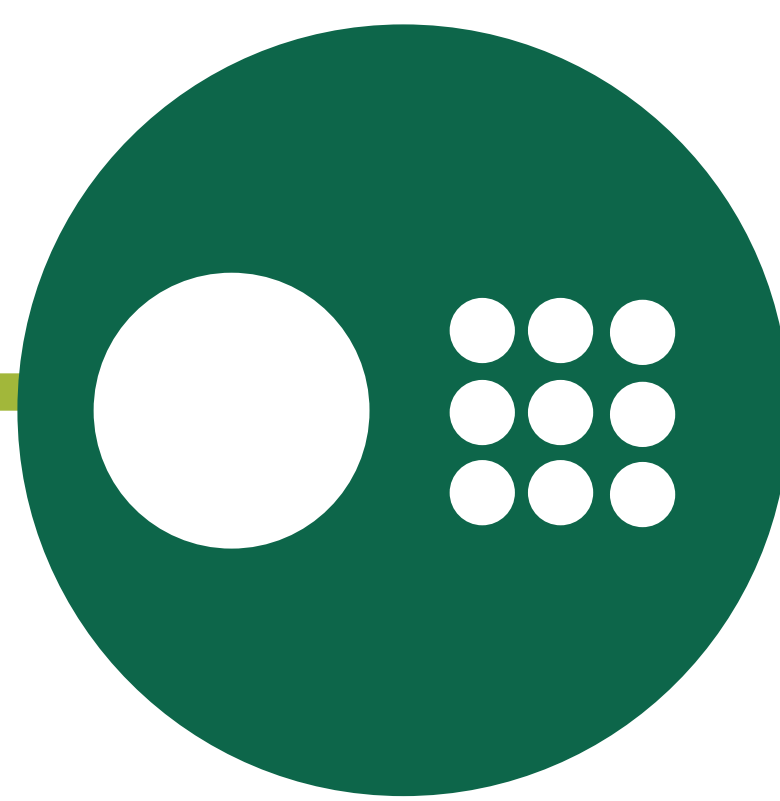
\$29.1M

The City's 2023 PAB allocation from the State of Colorado

HOW DO PRIVATE ACTIVITY BONDS (PAB) WORK?



The Internal Revenue Service (IRS) distributes private activity bonds to the state of Colorado according to population size and a per capital multiplier of \$120. In 2023 CO received \$700.7M in private activity bonds.



Half of the bonds are allocated to the Colorado Housing and Finance Authority, while the remaining portion is distributed to municipalities proportional to population.



The City received \$29.1M PABs in 2023. In comparison, Denver received \$42.9M and El Paso County received \$13.7M.



The City issues the bonds to developers as a pass-through entity. When pass-through entities issue PABs, the tax-exempt status of the entity flows through to the investor who purchases the bonds.



Developers borrow funds from investors at lower interest rates because the interest the investors are earning is tax-exempt. As a result of the lower interest rates, the overall development cost is lower.



The City issues the PABs as revenue bonds to affordable housing developers, meaning the debt service payments are generated from specific revenue sources tied to the project such as rental income. **As a result, the City's general funds or taxpayers' money are not directly pledged for the repayment of PABs.**

THE CITY'S PREVIOUS PRIVATE ACTIVITY BOND ALLOCATIONS

