

A RESOLUTION TO CARRYFORWARD THE CITY'S 2025 PRIVATE ACTIVITY BOND ALLOCATION

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What are Private Activity Bonds (PAB)?



What is a bond?

A loan from investors to a government that is paid back with interest.

What are private activity bonds?

A type of municipal bond provided for specific qualified projects, such as low- to moderate-income housing developments. The investors of these bonds are exempt from federal income tax on the interest earned, making them an attractive investment.

What is a conduit issuer? (The City is a conduit issuer of PAB)

A government entity that issues bonds on behalf of another organization to raise funds for projects or activities that serve a public purpose, such as affordable housing. Conduit issuers function as pass-through entities and are not responsible for repaying the bonds. The government entity's tax-exempt status is transferred to the bond investors, resulting in lower borrowing costs and reducing the overall development cost for housing.

Who pays back Private Activity Bonds?

The revenue generated by the affordable housing development is used to repay the bonds. If the development defaults, the investor in the bonds bears the financial liability, not the issuer.

What are Private Activity Bonds (PAB)?



What are Low Income Housing Tax Credits (LIHTC)?

The Low-Income Housing Tax Credit (LIHTC) program was created by Congress in 1986 as Section 42 of the Federal Tax Reform Act. Its purpose is to encourage the construction and rehabilitation of low-income rental housing by providing a federal income tax credit as an incentive to investors.

What is the relationship between LIHTC and PAB?

LIHTC and PABs are used together to finance affordable housing developments. To qualify for one of the LIHTC awards, developers need to finance 50% of their project with PAB.

What is area median income (AMI)?

AMI is a representation of the midpoint of income distribution within a specific geographic area (El Paso County) and determines eligibility for federal programs.

Eligible Basis

Depreciable costs associated with a project used to determine the amount of tax credits a project receives

Household Size	AMI	Income	AMI	Income
Household 4	100%	\$112,500	60%	\$67,500
Household 2	100%	\$90,000	60%	\$54,000
Household 1	100%	\$78,800	60%	\$47,280

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Process to Issue Bonds

Application

• Open application, will be May 1 and November 1 each year.

Review

- Applications are reviewed by the Private Activity Bond Committee
- The committee (at minimum) consists of: Chief Housing Officer or designee, City Attorney's Office or bond counsel, and one or more representatives from City Finance. Airport, public works, and economic development are included in the committee.

Inducement Resolution

- Evaluating: Do the bonds align with City priorities?
- Review criteria: Project readiness, experience with PAB, AMI of occupants, populations served, services that benefit the community

Ordinance

- Evaluating: The City intends to issue the bonds subject to a commitment for purchase of the bonds and delivery of due diligence items and an indication of sufficient debt and equity to cover development costs.
- The City does not issue more than 52% of eligible basis

Fees Charged for Issuance

- 120 basis points on the issuance amount, 10bps ongoing annual compliance fee
- Fees are used for
 - Fee Rebate Program: Reimburses development-related charges incurred by affordable and attainable developments.
 - Starting in 2025, partial salary of one staff member.

2025 Allocation - \$31.8M

- Statewide Population in 2024: 5,901,339 (YoY increase 23,729)
- Per Capita Multiplier: \$130 (\$5 increase/capita)
- Statewide PAB available in 2024: \$767,174,070 (YoY increase \$32.4M)
- Allocations to Designated Local Issuing Authorities:

Area	2024	2025	PAB Increase
State	\$734,701,250	\$767,174,070	\$32,472,820
CHFA	\$362,350,625	\$376,587,035	\$14,236,410
Denver	\$44,836,357	\$46,714,547	\$1,878,190
COS	\$30,523,317	\$31,865,865	\$1,342,548
EPC	\$14,181,423	\$14,739,412	\$557,989

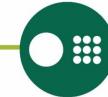


How are PABs allocated?



HOW DO PRIVATE ACTIVITY BONDS (PAB) WORK?





The Internal Revenue Service (IRS) distributes private activity bonds to the state of Colorado a ccording to population size and a per capita multiplier of \$130. In 2025 CO received \$767.1M 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 \$31.8M PABs in 2025. In comparison, Denver received \$46.7M and El Paso County received \$14.7M.

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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 <u>revenue</u> bonds to Affordable housing developers, meaning the debt service payments are generated from specific <u>revenue</u> 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.

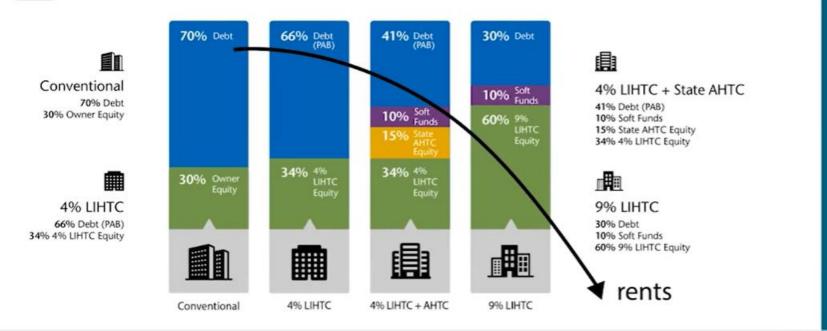
THE CITY'S PRIVATE ACTIVITY BOND ALLOCATIONS



How are PABs used?



comparing housing tax credits





As of September 2021



What is a Carryforward?

- By September 15, 2025 the City must elect to carryforward unused 2025 cap for one or more carryforward purposes, or assign, relinquish, or issue the cap.
 - The City was allocated \$31.8M
 - The City was assigned \$7m in PAB from the Colorado Springs Housing Authority (CHSA) in connection with an affordable housing application.
 - Total 2025 Carryforward: \$38,865,865
- The PAB working group elected to carryforward 2025 cap until 12/31/2028 for financing of residential facilities for low- and middle-income families or persons.



Available PAB

PAB Allocations	2018	2019	2020	2021 (+4.5M Statouido Balanco)	2022	2023	2024 (+5M Statewide Balance)	2025 (+7M Statewide Balance)
COS Allocations	24,200,033.00	24,866,520.00	25,162,725.00	30,988,131.00	26,492,032.00	29,163,118.00	35,523,317.00	38,865,865.00
Bonds Issued								
Atrium at Austin Bluffs (\$8M)	8,000,000.00							
Academy Heights (\$22M)	16,200,033.00	5,799,967.00						
Village at Solid Rock (\$10.8M)		10,800,000.00						
Sumner House (\$7.224M COS + \$4.5M State)		4,266,553.00	2,957,965.28	4,500,000.00				
Copper Rose (\$24M)			22,204,759.72	1,795,240.28				
InterQuest Ridge (\$4M)		4,000,000.00						
Paloma Gardens (\$21.25M)				21,250,000.00				
Bentley Commons (Transfer to CHFA \$16.655M)				3,442,890.72	13,212,109.28			
PAB Balance	0.00	0.00	0.00	0.00	13,279,922.72	29,163,118.00	35,523,317.00	38,865,865.00
Inducement Resolution Passed								
Royal Pine (\$40M)					13,279,922.72	26,720,077.28		
Pipeline, PAB Committee Recommended								
Bradley Ridge (\$76.8M)						2,443,040.72	35,523,317.00	38,865,865.00
Remaining Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00



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