



## Legislation Text

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### Resolution to Carryforward the City's 2018 Private Activity Bond Allocation for Qualified Residential Rental Projects

**Presenter:**

Steve Posey, HUD Program Administrator, Community Development Division

**Summary:**

The City's 2018 Private Activity Bond (PAB) volume cap, as determined by the Colorado Department of Local Affairs, is \$24,200,033. By September 15th of each year, the City must decide whether to issue bonds for a specific project or projects, assign the City's volume cap to another government entity such as El Paso County (EPC), assign the City's volume cap to another issuer such as the Colorado Housing Finance Authority (CHFA), or relinquish its volume cap to the statewide balance for use on other projects in Colorado.

PAB can be used for multiple purposes, some of which include construction or expansion of light manufacturing facilities, redevelopment of blighted areas, and capital projects for qualified non-profits. The Economic Development and Community Development Divisions reached out to staff at Colorado Springs Utilities, the Urban Renewal Authority, the Public Works Department, and the Colorado Springs Airport to circulate information about the City's PAB volume cap and identify projects potentially qualified for PAB financing. Currently, there are no projects eligible for carryforward other than qualified residential rental projects in the planning stages.

In 2016, 90% of PAB issues nationwide were used to finance the development and preservation of affordable housing. Since 2015, 100% of PAB issued in the El Paso County region, including the City of Colorado Springs, has been used to finance affordable housing. In recent years, the City has assigned its volume cap to El Paso County. Rather than assign its volume cap to El Paso County in 2018, staff recommends carrying forward the City's allocation of PAB to support the development of qualified residential rental projects. PAB can be carried forward a maximum of three years.

**Previous Council Action:**

Granicus File 17-1041: 2017 Resolution to Assign PAB to El Paso County approved by CC.

**2018 TIMELINE:**

July 9, 2018 - Overview of PAB types and potential uses presented at CC Work Session.

August 13, 2018 - Resolution introduced to carryforward PAB allocation for multi-family affordable housing.

August 28, 2018 - Resolution on Regular Meeting Agenda.

September 15, 2018 - Notification to the Colorado Department of Local Affairs, Division of Housing, of the City's election to carryforward its volume cap for affordable multi-family housing.

**Background:**

PAB is one of many financing tools available to private developers. As a result, PAB use is sensitive to local market conditions such as the cost of conventional financing, the experience level and willingness of the developer to use PAB, ease of access to PAB funds and the overall volume cap of the issuer.

Strategies for maximizing the use of PAB to finance qualified projects include:

1. Establishing an internal working group made up of staff from Community Development, Economic Development, Public Works, Colorado Springs Utilities, the Urban Renewal Authority, and the Colorado Springs Airport to explore opportunities for PAB use in qualified projects.
2. Increasing awareness of the availability of tax-exempt financing for local entities/developers.
3. Identifying housing developers using PAB in their funding stack & providing info about the City's current housing needs, volume cap, and a means to access PAB funding.
4. Pairing City entitlement HOME funds with PAB for affordable housing projects to ensure timely expenditure of funds and potentially generate ongoing CDD revenue stream.
5. Consider implementation of a credit enhancement program for qualified non-profits.

This item supports the City's strategic goal relating to building community and collaborative relationships by raising awareness of the availability of PAB financing among City Departments, Enterprises, and the private sector.

**Financial Implications:**

Government entities act as conduit issuers of PAB, often collecting fees for service, while assuming no debt responsibility. PAB issuers typically charge an initial fee and an annual compliance fee. The fees cover administrative time as well as annual monitoring of projects for compliance. Fees vary as a percentage of total development costs and typically range from 15-20 basis points or 1.5 - 2%. Fees can be negotiable based on the ability of the project to absorb the cost, the willingness of the developer to use PAB as a financing tool, and the recommendations of bond counsel.

All expenses related to bond issuance are paid by the developer. These include legal fees, a direct allocation fee payable to the Colorado Department of Local Affairs, and servicing costs of other 3rd parties involved in the bond transaction. Significantly, the City assumes no liability for repayment of the bonds.

**Board/Commission Recommendation:**

N/A

**Stakeholder Process:**

N/A

**Alternatives:**

Local governments that fail to notify the State by September 15 automatically relinquish their PAB to the Statewide Balance.

**Proposed Motion:**

Motion to adopt the resolution as presented.

N/A