



Legislation Text

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A resolution approving the assignment of 2014 Private Activity Bond Volume Cap Allocation to El Paso County

From:

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Summary:

Each year, the City of Colorado Springs receives a State of Colorado allocation of Private Activity Bond (PAB) volume cap, and has four options: (1) use the allocation; (2) assign the unused PAB allocation to El Paso County; (3) return the unused portion of the allocation to the State of Colorado; or (4) carry forward the allocation for a specific purpose. For 2014, the City received \$21,585,500 in PAB allocation. The City has until September 15, 2014 to determine how the annual PAB allocation will be used or the City's allocation will automatically revert to the State. Historically, the City has assigned any unused portion of the City's PAB allocation to El Paso County in order to retain the benefits of PABs in our area and to avoid returning the allocation to the State.

In 2014, the City did not issue PAB funds for eligible projects. The Executive Branch recommends that City Council approve the attached Resolution and Assignment to transfer the remaining unused allocation to El Paso County. As indicated in the attached letter (Attachment I), El Paso County intends to carry forward this allocation for single or multi-family housing purposes for up to three years, as allowed by Federal regulations. These housing projects have historically been the primary use for City and County PAB funds (Attachment II).

With City Council approval of the attached Resolution and Assignment, the City's 2014 unused PAB allocation of an amount equal to \$21,585,500 will be assigned to El Paso County for future use towards single and multi-family housing purposes and/or other programs or projects approved in the Allocation Act.

Previous Council Action:

At its September 10, 2013 Formal meeting, City Council approved the assignment of the City's remaining 2013 allocation of \$20,233,718 to El Paso County for single and multi-family housing purposes. At the September 11, 2012 Formal meeting, City Council approved the assignment of the City's remaining 2012 PAB allocation of \$19,919,268 to El Paso County for single and multi-family mortgage revenue bond programs. In 2010, Colorado Springs Utilities used the City's allocation of \$22,018,495 toward financing the acquisition of the Front Range Power Plant.

Background:

Private Activity Bonds - PABs are a form of tax-exempt financing in which the City acts as the issuer

under the County and Municipality Development Revenue Bond Act, Section 29-3-101 CRS. Bonds issued by the City under this authority are special, limited obligations of the City payable solely from the revenues of the entity on whose behalf the City has issued the bonds. The advantage to qualifying entities that borrow through the City is that the borrowed funds are financed at lower interest rates because the bonds are exempt from federal and state income tax. There is no financial risk to the City since PAB financings do not constitute a debt or financial obligation of the City of Colorado Springs.

Nationally, the most frequent uses of the PAB allocation are for single-family housing bonds, student loans, and multi-family housing projects. In Colorado counties and municipalities, housing and industrial development projects have been minimal and small issue or manufacturing uses are much less frequent.

Over the years, the City has used its PAB allocation as an economic development tool offered to new or expanding manufacturing projects on a limited basis. Industrial Development Bonds (a form of PABs) are authorized to allow counties and municipalities to promote industry, develop trade or other economic activity by inducing for-profit and not-for-profit enterprises to locate, expand or remain in their communities.

PAB Program - Each year the City of Colorado Springs receives a PAB volume cap allocation from the State for tax-exempt financing of industrial, housing or other eligible projects. The City has until September 15 of each year to: (1) use or declare a use for its allocation for qualified projects; (2) assign its remaining allocation to El Paso County; (3) return it to the statewide balance; or (4) carry forward the allocation for a specific purpose. The County also has until September 15 of each year to declare a use for the allocation, otherwise the allocation is recaptured by the State for use elsewhere in Colorado. However, the County's use declaration can be amended after the September 15 deadline should a different use be identified.

Unused PAB Assignments - Typically, the City has assigned any unused portion of the City's PAB allocation to El Paso County to retain the benefits of the PABs in the Colorado Springs area and to avoid returning the allocation to the State. The County has historically used the assignment for various housing purposes when no other qualifying projects have surfaced that the City or County could act upon in a timely manner.

Financial Implications:

There is no financial risk to the City since PAB financings do not constitute a debt or financial obligation of the City of Colorado Springs.

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

1. City Council may assign the City's unused 2014 PAB volume cap allocation to El Paso County.
2. City Council may choose not to assign the City's unused 2014 PAB volume cap allocation to El Paso County, which necessitates returning the unused allocation to the State of Colorado.

Proposed Motion:

Move approval of the attached Resolution assigning the \$21,585,500 unused City of Colorado Springs' 2014 Private Activity Bond volume cap allocation to El Paso County for projects allowed under the Allocation Act.

N/A