A RESOLUTION TO CARRYFORWARD THE CITY'S 2026 PRIVATE ACTIVITY BOND ALLOCATION

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Agenda

1. What are Private Activity Bonds (PABs)?
2. 2026 PAB
3. Carryforward

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)?

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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 25% 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.

Aggregate Basis

The project's full development cost.

Household Size	AMI	Income	AMI	Income
Household of 4	100%	$116,400	60%	$69,840
Household of 2	100%	$93,200	60%	$55,920
Household of 1	100%	$81,500	60%	$48,900

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 according to population size and a per capita multiplier of $135. In 2026 CO received $811.6M 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 $33.7M PABs in 2026. In comparison, Denver received $49.6M and El Paso County received $15.5M.

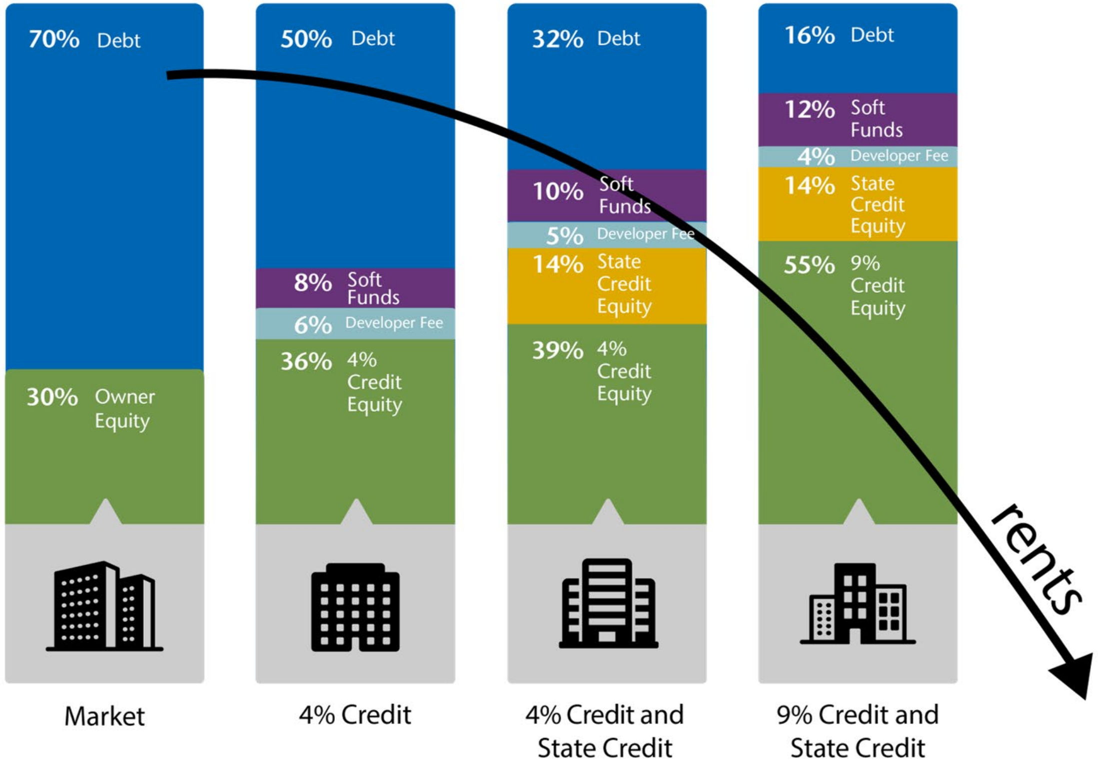
The City issues the bonds to developers as a pass-through entity. When pass-through entities issue PABs, the tax-exempt status of the entity flows through to the investor who purchases the bonds.

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 PRIVATE ACTIVITY BOND ALLOCATIONS

How are PABs used?



comparing housing tax credits

As of March 2025

2026 Allocation - $33.7M

- **Statewide Population in 2025:** 6,012,561 (YoY increase 111,222)
- **Per Capita Multiplier:** $135 ($5 increase/capita)
- **Statewide PAB available in 2026:** $811,695,735 (YoY increase $44.5M)
- **Allocations to Designated Local Issuing Authorities**:

Area	2025	**2026**	**PAB Increase**
State	$767,174,070	$811,695,735	$44,521,665
CHFA	$376,587,035	$400,847,868	$24,260,833
Denver	$46,714,547	$49,621,639	$2,907,092
COS	**$31,865,865**	**$33,712,319**	**$1,846,454**
EPC	$14,739,412	$15,543,383	$803,971

2026 PAB

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PAB Allocations	2018	2019	2020	2021 (+4.5M Statewide Balance)	2022 (+2022 EPC Cap 11,631,398)	2023	2024 (+5M Statewide Balance)	2025 (+7M Statewide Balance) (-11,631,398 EPC Swap for 2022 cap)	2026
COS Allocations	24,200,033.00	24,866,520.00	25,162,725.00	30,988,131.00	38,123,430.00	29,163,118.00	35,523,317.00	27,234,467.00	33,712,319.00
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				
Royal Pine ($40M)					24,911,320.72	15,088,679.28			
Bradley Ridge ($72.5M)						14,074,438.72	35,523,317.00	22,902,244.28	
PAB Balance	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**4,332,222.72**	**38,044,541.72**

Process to Issue Bonds

1. Application
2. Staff and Committee Review
3. Inducement Resolution
4. Ordinance

Carryforward

- By September 15, 2026 the City must elect to carryforward unused 2026 cap for one or more carryforward purposes, or assign, relinquish, or issue the cap.
  - **Total 2026 Carryforward: $33,712,319**

- The PAB working group elected to carryforward 2026 cap until 12/31/2029 for financing of residential facilities for low- and middle-income families or persons.
- **Council Action:** Approve the resolution as presented to carryforward the 2026 PAB for use in residential facilities for low- and middle-income families or persons.

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