

# *Private Activity Bonds (PAB)*



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## **Agenda**

- Private Activity Bond (PAB)  
Allocation Process
- Uses of PABs in today's market
  - Multi-family Housing
  - Single family Housing
  - Industrial development
  - and more!
- Issuing PABs

## What are Private Activity Bonds?

- NOT cash
- Authority to issue tax-exempt bonds for **privately** developed projects.
- IRS allows a limited amount per state, also know as PAB “Cap” or Capacity.
- Municipalities (or Authorities) issue the bonds, but have no obligation to repay investors.
- Investors buy the bonds.
- Underwriters use the investors’ \$\$, or “bond proceeds,” to make a loan to the project.
- The project pays back the loan & investors get repaid with interest.

## Initial PAB Allocation Process

\$95 per person in the state = the “Volume Capacity”  
\$5,116,796 in 2012

50% of Allocation



### Statewide Authorities

- CHFA
- College Invest
- CO Agriculture Development Authority (CADA)
- \* CO Health Facilities Authority
- \* CO Educational and Cultural Facilities

50% of Allocation



### Local Governments

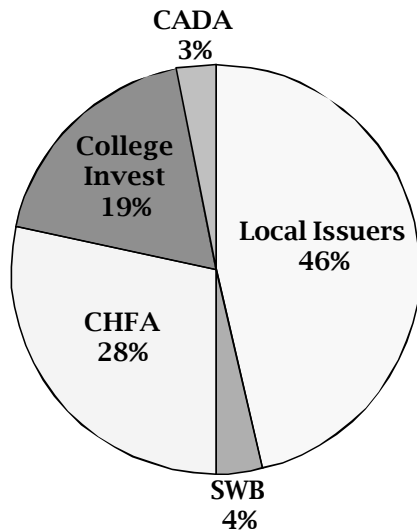
- 21,053 Persons or more
- \$47.5 per capita



### Statewide Balance (SWB)

Remaining cap admin. by  
CO Dept. of Local Affairs

## January 2012 PAB Allocation



49 Local Issuers - \$225,130,301

CHFA - \$138,047,810

College Invest - \$90,000,000

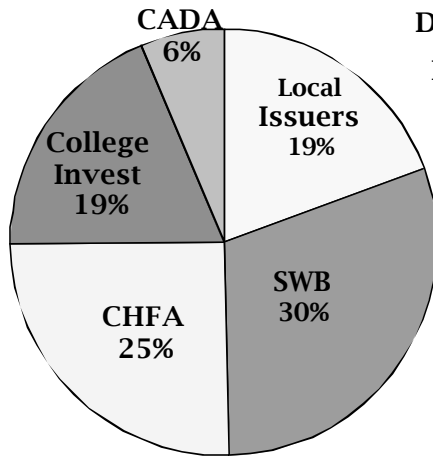
CADA - \$15,000,000

SWB - \$17,917,509

## Local Issuers & Statewide Authorities

- **Receive allocation by January 15<sup>th</sup>**
- **Establish priorities & act by September 15<sup>th</sup>**
  - **Bond issuance** requires an inducement resolution and closing by December 23<sup>rd</sup>; OR
  - **Carry-Forward** bond cap for eligible purpose to close within a 3 year period; requires filing with IRS; OR
  - **Assign** to another issuer for eligible purpose; OR
  - **Relinquish** to Statewide Balance.
  - **If you Receive an Assignment** - issue it or carry it forward, or it will also relinquish on 9/15.

## September 15, 2011 PAB Allocation



Denver	- \$29,385,875
El Paso Co	- \$28,733,939
Lafayette	- \$3,507,280
4 Other Locals	- \$30,763,759
CHFA	- \$120,976,056
College Invest	- \$90,000,000
CADA	- \$30,000,000
SWB	- \$144,406,711

## Statewide Balance Applications

- **DOLA receives allocation by January 15<sup>th</sup> & relinquished bond cap on Sept. 15<sup>th</sup>.**
- **Monthly application cycles:**
  - March thru October, \$750 application fee.
  - 8 week process, inc. PAB Allocation Committee.
  - Relinquished bond cap distributed through October round.
- **All must close by December 23<sup>rd</sup>**
  - 0.25% issuance fee
  - 0.01% issuance fee on bonds issued from direct allocations to local governments & authorities

## Statewide Balance Applications

- **Demonstrated local need & support:**
  - Certified copy of an inducement resolution from the local government.
  - Local financial commitment of PAB allocation or other local financial subsidies.
  - Market study demonstrating need.
  - Housing Affordability - going beyond IRS requirements.

## Statewide Balance Applications

- **Feasibility:**
  - Reasonable costs for development & operation.
  - Readiness to proceed - site controlled, local planning & zoning approved, credit enhancement secured, tax credits reserved.
  - Financially sound - income/expense estimates reasonable, good underwriting ratios, sources & uses balance.
  - Development team experience, capacity.
- **Typical bond issue size is \$3 - \$25 million**
  - For rental, total development cost of \$6MM+

## 2010-11 SWB Awards

<b>Date</b>	<b>Allocation</b>	<b>Project</b>
11/10	60,000,000	<b>Colorado Springs Utilities</b>
12/10	30,000,000	Denver Housing Programs
12/10	25,000,000	El Paso Co. Housing Programs
7/11	10,737,220	<b>Traditions at Lafayette</b>
12/11	2,500,000	<b>Littleton Housing Authority, Powers Circle Apts.</b>
12/11	15,000,000	Denver Housing Programs
12/11	25,000,000	El Paso Co. Housing Programs
12/11	10,000,000	Loveland Housing Authority
12/11	45,000,000	Boulder Housing Partners
12/11	14,000,000	Adams County Housing Authority
12/11	29,064,259	CHFA Housing Programs