City and County of Denver
Department of Finance

Private Activity Bonds
Overview

- Private Activity Bonds (PAB) are tax-exempt bonds issued by or on behalf of the City and County of Denver.
    - PABs are often issued to help attract private investments into certain qualified projects that will have a public benefit, like affordable housing.

- Due to the tax-exempt nature of the bonds, the IRS limits the amount of PABs allocated year.
    - The IRS allocates a certain amount of PAB capacity to the states based on population and, in turn, Colorado allocates PAB capacity to local issuers like Denver.

- Through PABs, the City can borrow at tax exempt rates for private entities to lower the borrowing costs for those entities, but the City does not pledge its credit for these bonds.
    - The City is merely the tax-exempt bond issuer, and the underlying borrower pays the City an issuance fee.

- PABs do not count toward the City's debt capacity, and the ratings are based on the credit of the underlying borrower.

- PABs are special limited obligations payable solely from the revenues and funds pledged from the underlying borrower.
    - The underlying borrower, not the City, is financially liable to the bond purchaser.

- In the past, the City has issued PABs at the Parkhill Village West to provide 156 affordable housing units and at 2300 Welton to provide 233 affordable housing units.

- PABs are very different types of bonds from General Obligation Bonds, which require voter approval and do count toward the City's debt capacity.