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# Private Activity Bonds (PAB)

Department of Finance  
Department of Housing Stability  
July 30, 2024

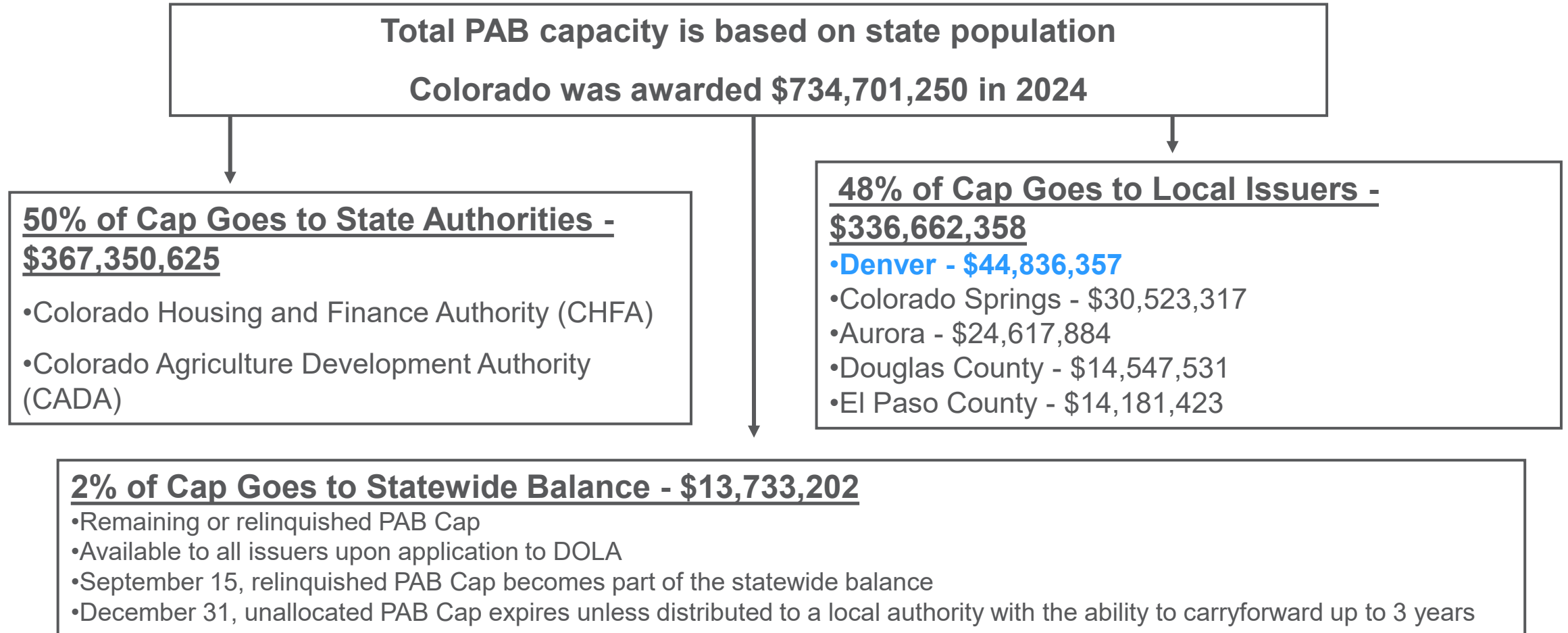
# Action on Bill Number 24-0985

- Requesting City Council to approve the carry forward of \$44,836,357 of State-issued Private Activity Bond (PAB) allocation
- Carry forward is requested due to natural timing of financing and constructing of projects
- State law allows municipalities to carry forward PAB allocation for up to three years
- Projects have been identified to use Denver's PAB allocation within this timeframe

# What is a Private Activity Bond (PAB)?

- A bond issued by local and state governments for the purpose of financing a project that is owned and operated by a private party
- The interest paid on the bonds is exempt from federal and state tax
- Essentially, a PAB lowers the financing costs for a project, providing critical opportunities for affordable housing projects
- The Internal Revenue Service (IRS) limits the amount of tax-exempt PABs that can be issued, thus creating the PAB allocation process based on a state's population.

# PAB Allocation Process - Administered by DOLA



# PAB Allocation Parameters

- Once a local government is awarded a PAB allocation, the IRS allows the PAB allocation to be carried forward for up to 3 years
  - Locally, this requires action by Denver City Council
- By Feb. 15 each year, the IRS requires issuers to make an irrevocable election for the carryforward from the previous year.
  - Issuers elect to carryforward their PAB into “buckets.” Historically, Denver has designated its carryforward toward Single Family Mortgage/Mortgage Credit Certificate (MCC) and Multifamily uses.
- Typically, the city applies for and receives additional PAB allocation from the unused statewide balance.

# Denver's PAB Partners

- Denver Housing Authority
  - Providing affordable housing options to citizens
- Colorado Housing Finance Authority
  - Provides affordable housing and financing options for income restricted housing units
- Private Developers
  - Providing Low Income Housing Tax Credit projects creating income restricted housing units

# Denver's Current PAB Allocations as of July 2024

Sources and Uses of PAB Allocation							
PAB Year	Sources	Uses	Source/Use Description	Remaining PAB (incl. proposed)	Current Carryforward Amounts Remaining		Expiration
					Single Family & MCC	Multifamily	
2024		\$ (6,000,000)	\$24MM- 2024 4330 S. Monaco Project - placeholder for \$6MM	\$ 8,241,488	TBD in Feb. '25	TBD in Feb. '25	12/31/2027
		\$ (6,000,000)	\$21MM- 2025 Loretto Heights Family Apartments- placeholder for \$6MM				
	\$ 44,836,357	\$ (24,594,869)	\$54MM-4995 N. Washington Direct Allocation for 2024				
2023		\$ (11,498,524)	\$12.5MM-St. Francis CHFA Delegation	\$ -	\$ -	\$ -	12/31/2026
		\$ (11,000,000)	\$11MM- All Saints Apartments				
	\$ 10,000,000	\$ (30,405,131)	\$54MM-4995 N. Washington				
	\$ 42,903,655		2023 Statewide Balance Award- for 4995 N. Direct Allocation for 2023				

# Denver's Current PAB Allocations as of July 2024 (continued)

Sources and Uses of PAB Allocation							
PAB Year	Sources	Uses	Source/Use Description	Remaining PAB (incl. proposed)	Current Carryforward Amounts Remaining		Expiration
					Single Family & MCC	Multifamily	
2022	\$ 2,500,000 \$ 39,668,757	\$ (40,168,757) \$ (1,000,000) \$ (1,000,000)	\$41.5MM- 2023 DHA Delegation- Sun Valley Flo \$37MM- 2022 DHA Delegation- Sun Valley Sol \$12.5MM- St. Francis CHFA Delegation 2022 Statewide Balance Award- for St. Francis Center West Direct Allocation for 2022	\$ -	\$ -	\$ -	12/31/2025
2021	\$ 6,814,851 \$ 40,412,528	\$ (1,331,243) \$ (684,469) \$ (19,540,191) \$ (25,670,000) \$ (1,476,500)	\$41.5MM- 2023 DHA Delegation- Sun Valley Flo \$37MM- 2022 DHA Delegation- Sun Valley Sol \$19.5MM- Northfield Flats \$25.67MM- MOC Freshlo \$12.5MM- St. Francis CHFA Delegation 2021 Statewide Balance Award Direct Allocation for 2021	\$ -	\$ -	\$ 1	12/31/2024
2020	\$ 2,000,000 \$ 1,370,000 \$ 38,110,648	\$ (35,315,531) \$ (2,000,000) \$ (2,165,117) \$ (2,000,000)	\$37MM- 2022 DHA Delegation- Sun Valley Sol \$2MM- CHFA Delegation for Aspgren \$15.425MM- Mercy The Rose on Colfax Additional \$2MM assignment to DHA for Thrive Delegation Agreement from CHFA for Northfield Flats Delegation Agreement from CHFA for Freshlo Direct Allocation for 2020	\$ -	#N/A	#N/A	12/31/2023
<b>Total PAB Allocation Capacity:</b>				\$ -	#N/A	#N/A	

■ - This color represents proposed PAB uses & sources.  
■ - This color represents induced PAB uses.



# Examples of Projects Supported by Denver's PAB Allocation

- Marina Square
- Loretto Heights Family Apartments
- 4995 Washington St
- St. Francis Center - West
- Northfield Flats
- MOC Freshlo
- The Rose on Colfax
- Various CHFA Projects
- Various DHA Projects



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# Thank you