

Private Activity Bonds Frequently Asked Questions

What are Private Activity Bonds (PAB)?

Private Activity Bonds are a unique form of government-issued tax-exempt financing allowed by the Internal Revenue Service to finance private development. The amount of PAB available each year is capped by the IRS based on a per capita formula.

The City of Colorado Springs received a direct allocation in 2024 of \$30,523,317 in PAB. Since 2018, the City of Colorado Springs has used its PAB allocation exclusively to finance development of multi-family housing for low-income households. To date, the City has issued \$118,429,518.28 to finance the development of 8 projects totaling 1,166 units.

How does a developer apply for PAB financing?

Developers interested in applying for PAB financing through the City of Colorado Springs can access the application materials at the following link:

<https://portal.neighborlysoftware.com/coloradospringsco/Participant>

Applications are accepted on competitive basis twice per year, typically due November 1st and May 1st unless otherwise posted.

What criteria does the City of Colorado Springs use to review applications?

Applications will be scored based on the following criteria:

- Project readiness
- Experience with PAB financing
- Area Median Income (AMI) levels of proposed occupants
- Priority for special needs populations
- Priority for services that benefit the community

Among other items requested via the Neighborly platform, applications must include:

- Phase I ESA
- Market Study
- Documentation of completed pre-application meeting with Land Use Review
- Preliminary financial commitments, including workbook and letters of interest from primary financing sources
- Site control or purchase and sale agreement

What process does the City of Colorado Springs use to issue PAB financing?

Once a project and a developer are determined eligible for PAB financing, City staff convenes an internal PAB evaluation committee made up of staff from Planning, City Finance, and the City Attorney's Office.

Per Administrative Regulation 2020-04, the "...committee's evaluation will result in one of the following:

- A recommendation to refer the applicant to another PAB issuer;
- A conditional commitment to issue PAB for the project;
- A recommendation to introduce a preliminary inducement resolution at an upcoming regularly scheduled meeting of the City Council."

Passage of the preliminary inducement resolution by City Council does not guarantee that the project will receive PAB financing, however, it is a declaration of the City's intent to issue PAB subject to conditions, including:

- A commitment to purchase the bonds
- A favorable legal opinion of the bonds
- Submittal of a market study, appraisal, survey, title policy, environmental audit, and plans and specifications
- Evidence of sufficient financing
- Indemnity and reimbursement agreements
- Adoption of a final bond ordinance

Once the development team has made adequate progress satisfying the conditions outlined in the preliminary inducement resolution, City staff will schedule introduction of the bond ordinance at an upcoming regular meeting of the City Council. The bond ordinance is introduced at a City Council Work Session (2nd & 4th Mondays of every month) then heard at two subsequent regular meetings (2nd & 4th Tuesdays of every month).

Bond ordinances require two public hearings at regularly scheduled City Council meetings, as well as a TEFRA hearing (Tax Equity and Fiscal Responsibility Act), typically scheduled between the 1st & 2nd readings of the bond ordinance. City Council agendas are posted in advance of the meeting in accordance with relevant public meeting laws.

Passage of the final bond ordinance by City Council allows the developer and City staff to enter into various tax and regulatory agreements related to the issuance of PAB financing for a specific project.