



# TOWN OF ERIE

645 Holbrook Street  
Erie, CO 80516

## Town Council

**Board Meeting Date: 8/8/2017**

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**File #: 17-298, Version: 1**

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**SUBJECT:** A Resolution Authorizing Assignment To The Colorado Housing And Finance Authority Of A Private Activity Bond Allocation Of The Town Of Erie Pursuant To The Private Activity Bond Ceiling Allocation Act

**DEPARTMENT:** Finance

**PRESENTER:** Steve Felten

**FISCAL INFORMATION:**

Cost as Recommended: n/a

Balance Available: n/a

Budget Line Item Number: n/a

New Appropriation Required: n/a

**STAFF RECOMMENDATION:** Approve resolution for transfer of PAB allocation to CHFA.

**SUMMARY AND BACKGROUND OF SUBJECT MATTER:**

Private activity bonds (PAB's) are tax-exempt bonds issued by or on behalf of local or state government for the purpose of providing special financing benefits for qualified projects. The financing is most often for projects of a private user, and the government generally does not pledge its credit. These bonds are used to attract private investment for projects that have some public benefit. There are strict rules as to which projects qualify (e.g., single-family mortgage revenue bonds sold by local or state agencies, low-income housing projects, hazardous waste facilities, small-issue manufacturing industrial development bonds for construction of manufacturing facilities, among others). This type of a bond results in reduced financing costs because of the exemption from federal tax.

Each year the IRS publishes the maximum amount of PAB's each state may issue, referred to as its "cap". For 2017, Colorado's cap was approximately \$554 million. Pursuant to Federal legislation, each state is authorized to allocate rights to issue PAB's to various state agencies, county and local governments. In Colorado, just under half of the State cap is allocated to the Colorado Housing and Finance Authority (CHFA). The remaining cap is allocated to the State's counties and municipalities that exceed a minimum population size. The Town received an allocation of \$1,074,200 for 2017.

Allocations of PAB expire each September 15th unless one of two actions is taken. If a specific project is planned that will utilize PAB's, the local government can roll over its allocation for up to three years. Alternatively, the local government can reallocate its allocation to CHFA, which then can use the allocated PAB cap in the furtherance of its mission "to increase the availability of affordable, decent, and accessible housing for lower income Coloradans." Currently the Town has no potential projects that could utilize this allocation.

CHFA has formally requested that the Town reallocate its PAB allocation to CHFA. Staff recommends that the

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Board authorize allocation of the Town's 2017 private activity bond allocation of \$1,074,200 to the Colorado Housing and Finance Authority.

**ATTACHMENTS:**

- a.) Resolution 17\_
- b.) Assignment of Allocation
- c.) Town Attorney Certificate