

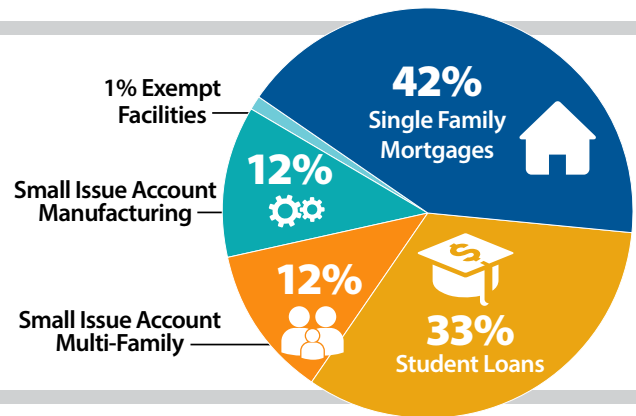


**WORKFORCE SERVICES**  
HOUSING & COMMUNITY DEVELOPMENT

# Private Activity Bond Program

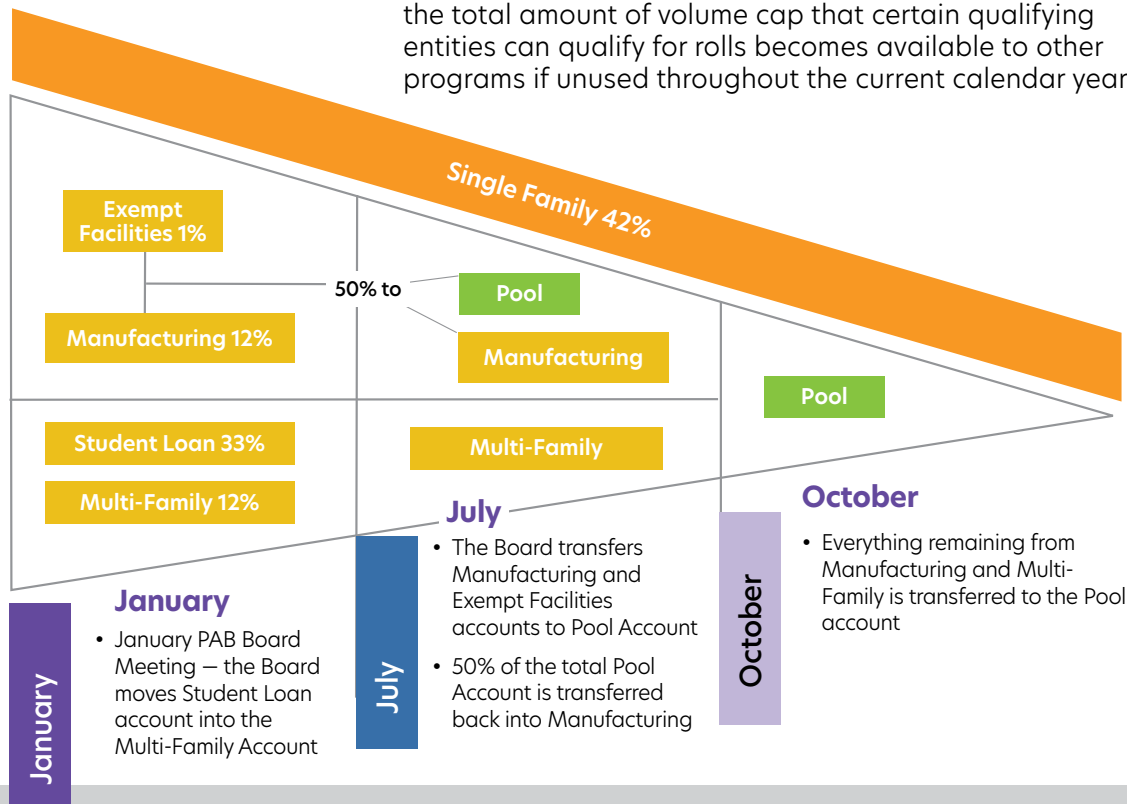
## Project Costs Report

The Private Activity Bond (PAB) Program is Utah's tax-exempt bonding authority creating a lower cost, long-term source of capital under the Federal Tax Act of 1986. The Federal Government allocates over \$37 billion per year to states on a per capita basis. Each state establishes its usage priorities by statute. The Utah State Legislature has distributed our volume cap into the various allotment accounts listed at the right.



According to State of Utah Statute 35A-8-2101, et seq., the total amount of volume cap that certain qualifying entities can qualify for rolls becomes available to other programs if unused throughout the current calendar year.

### PAB Allocation Timeline



In 2017, the PAB program was transferred from the Governor’s Office of Economic Development to the Housing and Community Development Division (HCD) in the Department of Workforce Services (DWS). This report is to outline trends the program has seen since coming under the jurisdiction of HCD.

## Multi-Family Applications

Qualified applicants can apply to any of the five yearly meetings held by the PAB Board of Review. Meetings are held quarterly with a yearly closing meeting in December. While still available to applicants, it is less common for applicants to apply in December’s meeting as it would only allow the applicant to have one month before the January PAB meeting.

Since 2020, developers interested in developing affordable housing have dramatically increased due to market demands. Due to the higher number of applicants post-2020 application cycles have become competitive. See the chart below for the percentage of applicants since 2017.



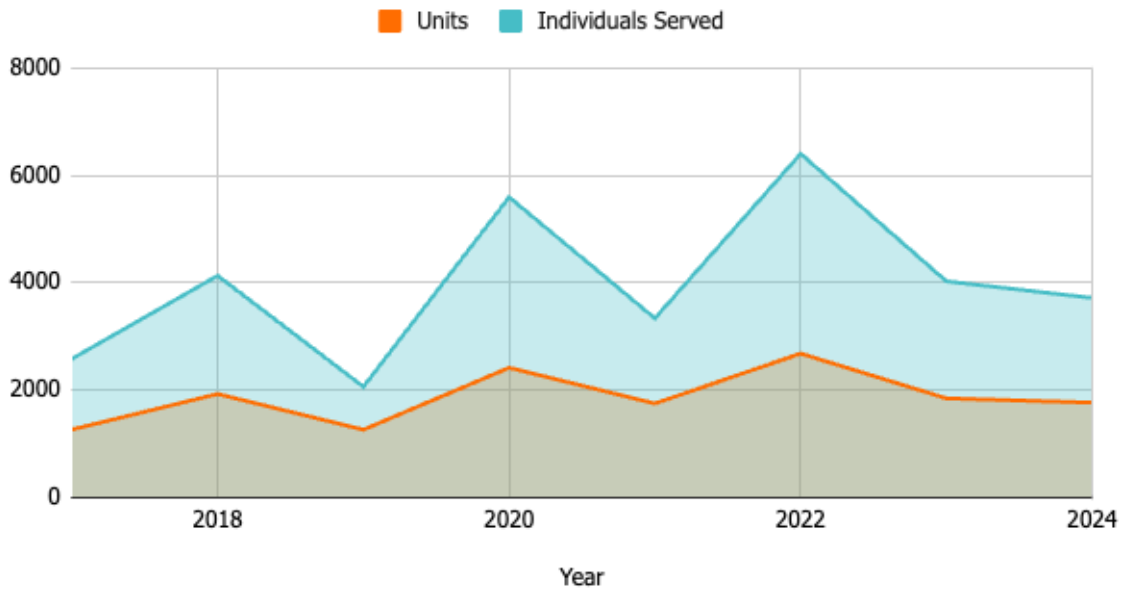
PAB uses two metrics to judge the relative project costs: the units in a development and the number of individuals served. The number of individuals served is calculated following the U.S. Code Section 42 Low-Income Housing Credit’s impute income limitation applicable to unit (Section 42(g)(2)(C): (i) In the case of a unit which does not have a separate bedroom, 1 individual. (ii) In the case of a unit which has 1 or more separate bedrooms, 1.5 individuals for each separate bedroom.) and is as follows:

Bedrooms	Number of Individuals Served
Studio	1
1-bedroom	1.5
2-bedroom	3
3-bedroom	4.5
4-bedroom	6

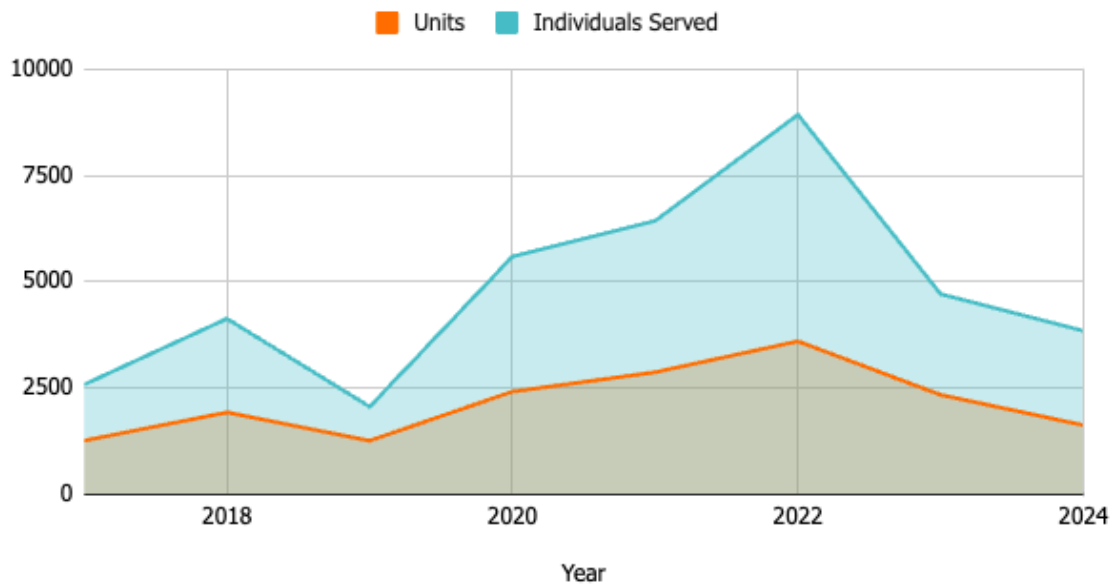
All tables in this report will use both metrics (unit count and individuals served) to display the data collected since 2017.

Below are two tables: one which displays the projects which applied for PAB allocation (Proposed Production) and a second which displays the projects which were awarded PAB allocation (Approved Production).

## Approved Production



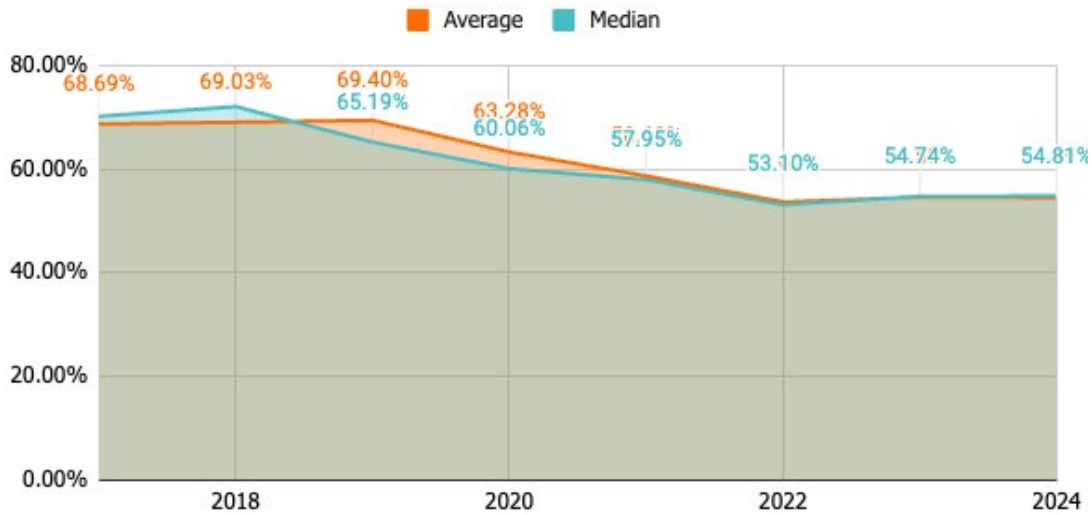
## Proposed Production



# 50% Test

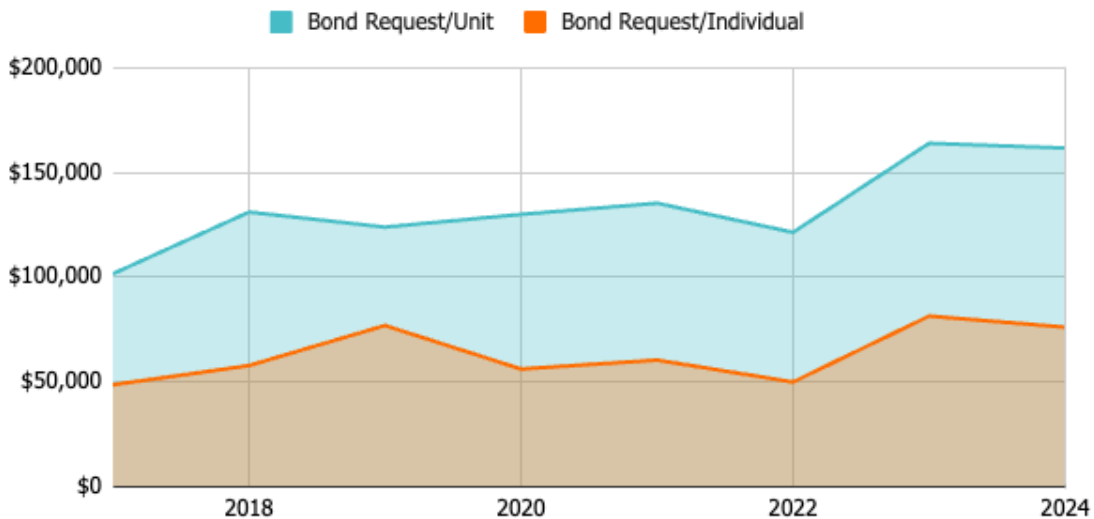
In 2022, the PAB program underwent significant changes. One of those changes was instituting an allocation of volume cap to ensure that their requested allocation does not exceed 58% of the aggregate basis of the proposed project. Projects are further incentivized to use less than 55% to earn additional points via Good Standing Scoring (see PAB Policy Manual). PAB projects are required under federal code for at least 50% of the total project costs to be covered by PAB allocation. The volume cap threshold is to help preserve as much volume cap as possible to increase the potential amount available for allocation. The chart below shows that as the program became more competitive in nature, developers have dropped their requests, with a further decrease in 2022 with the new policies implemented. Projects have now plateaued on the 50% Test.

## 50% Test



The amount of bond cap requested by an individual project has increased over the last several years. While one may assume that as project costs increase, the bond requests would also increase. However, due to the newly implemented threshold on the 50% Test, the bond cap request amounts have experienced a slight depression.

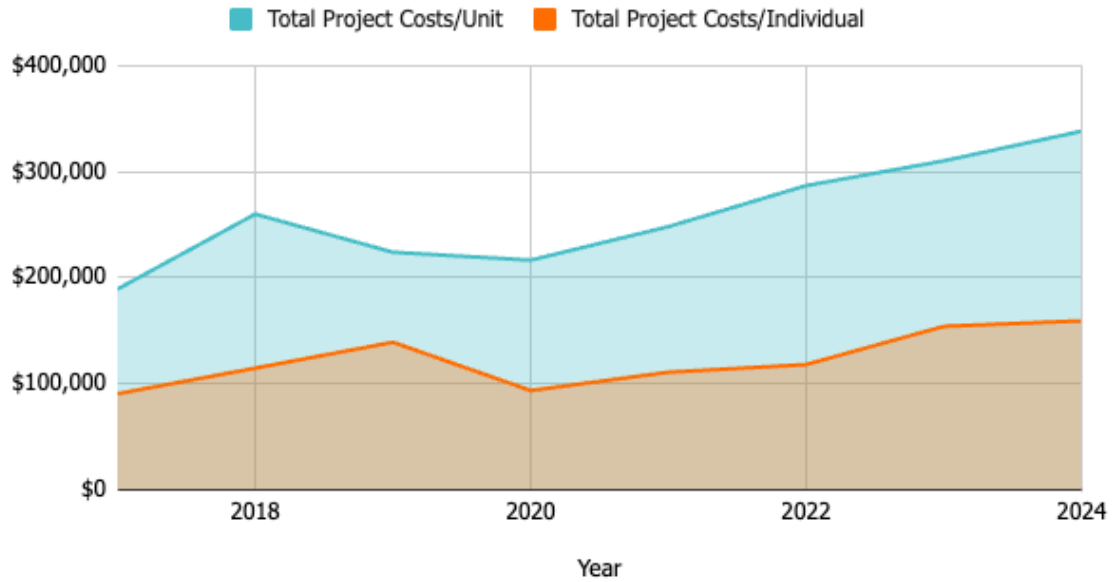
## Bond Request per Unit and per Individual



# Project Cost Data

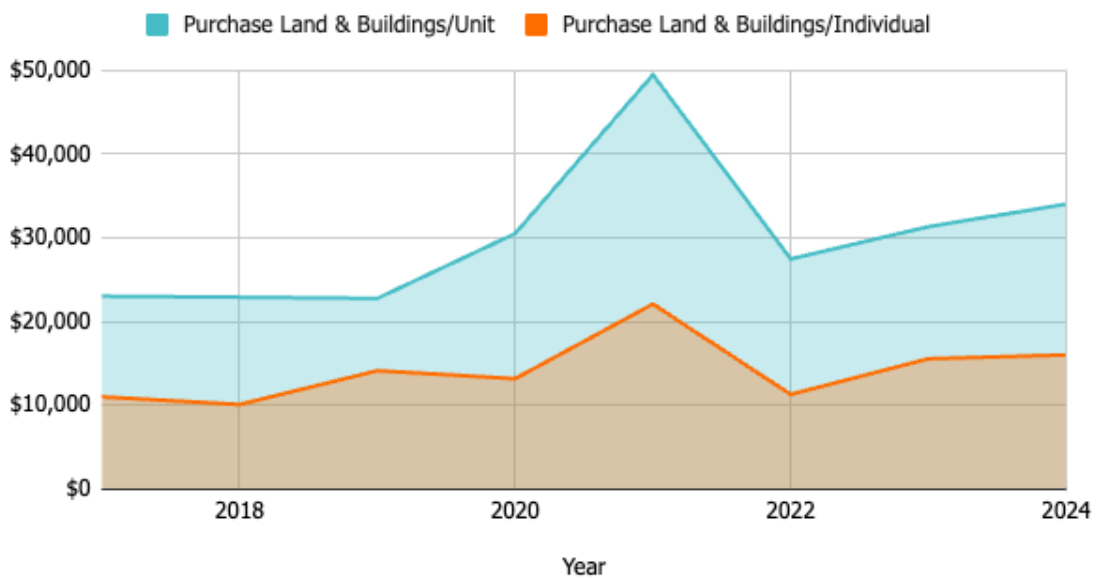
In the last few years there have been many conversations and cries of dismay at the rising prices of materials. PAB staff has compiled the proposed project costs in all submitted PAB applications since 2017 when HCD took responsibility for the PAB program. Total project costs include everything for an affordable housing project to be built including: construction costs, syndication costs, permanent loan costs, land cost, etc. Total project costs are as follows:

## Total Project Costs/Unit and Total Project Costs/Individual

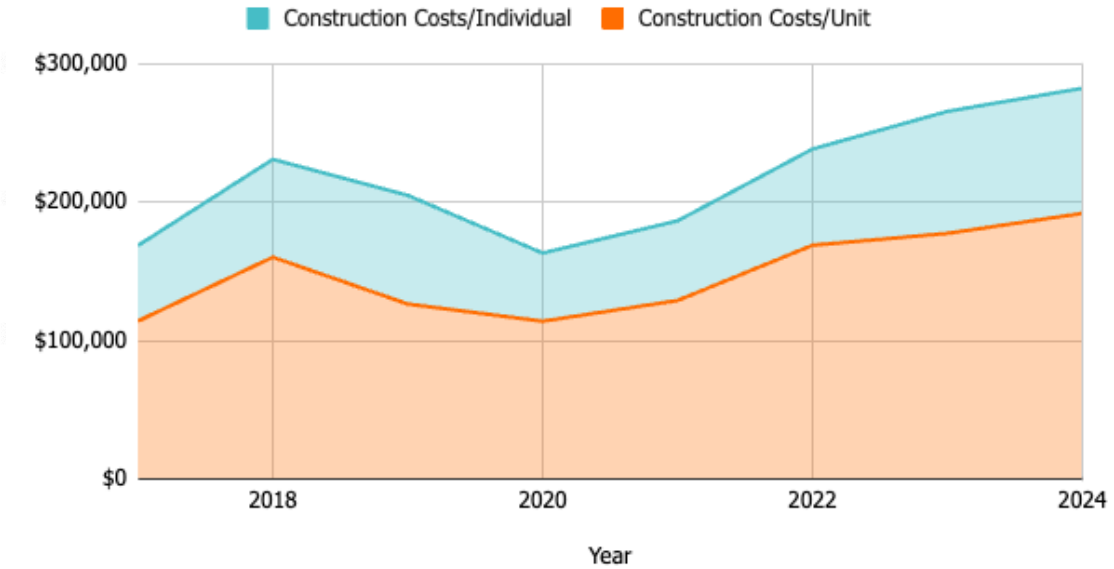


Additionally, PAB has received continual feedback that two of the categories in which costs have increased the most are land costs and construction costs. Their documented proposed history is as follows respectively:

## Purchase Land & Buildings per Unit and per Individual

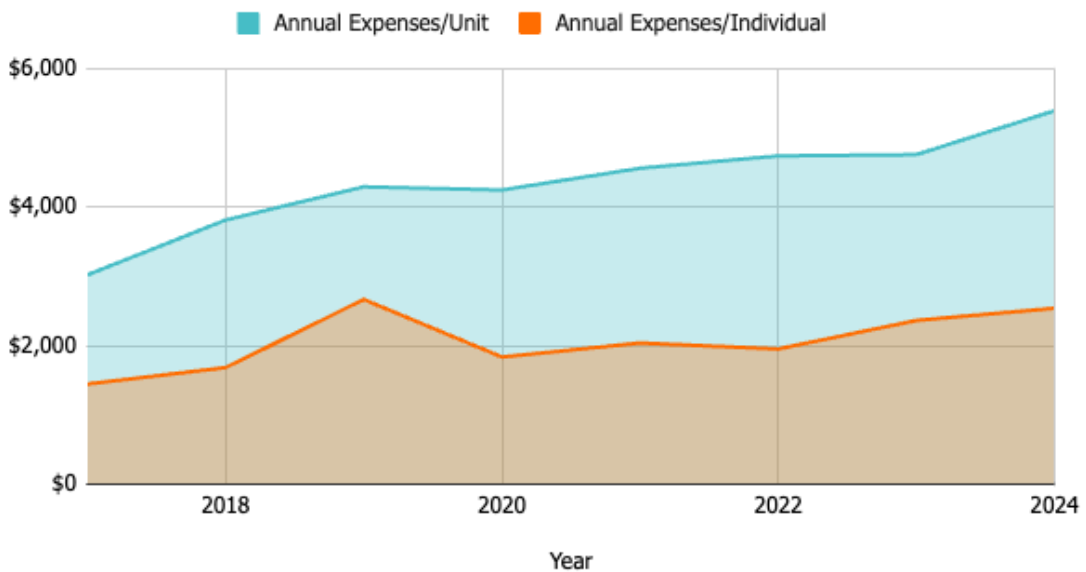


## Construction Costs/Unit and Construction Costs/Individual



PAB applicants are also required to submit projected annual expenses as well. Annual expenses include things like general maintenance, property taxes, operating costs, administrative costs, etc. It should be noted that these projected costs have also risen:

## Annual Expenses/Unit and Annual Expenses/Individual



## Conclusion

The two most noticeable takeaways from this report are the cost increases since 2020 and the newly competitive nature of the program since 2020. There has been some plateauing of project costs since the exponential increases from 2020-2023 and also some slowing of the proposed projects. Overall, the market seems to be steadying and updates to program policies have provided additional structure.