



# RENTAL HOUSING OVERVIEW: **CHFA PRODUCTS**

Feb 29, 2024



# LA PLATA ECONOMIC DEVELOPMENT ALLIANCE

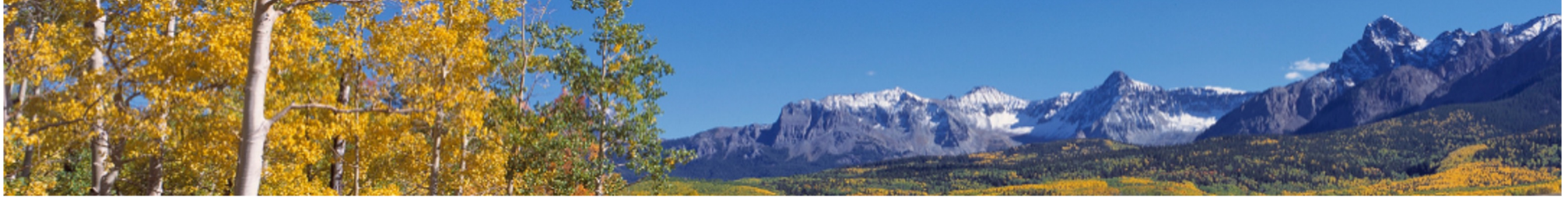
## OUR MISSION

To create a vibrant and resilient economy through the recruitment, retainment, and growth of business to preserve our quality of life. This mission is achieved by workforce development, enabling business capacity, supporting affordable housing for the community workforce that is essential for long-term economic sustainability, and fostering public and private partnerships.

## OUR VISION

The Alliance will enable La Plata County to be one of the most vital, vibrant communities in the country to live, work, learn, and play.





# OUR TEAM

## BOARD

The Alliance Board consists of nine representatives. Five representatives are from the private sector and are elected for three-year terms by Alliance members. The four public sector representatives are appointed by their respective jurisdictions. One public sector representative serves from each of our three communities (Durango, Bayfield, and Ignacio) as well as La Plata County to ensure that the Alliance represents all of La Plata County.

## STAFF

**Mike French**, Executive Director

**Sarah Tober**, Deputy Director

**J.J. Desrosiers**, Program Manager

**Sarah Schwartz**, Housing Program Manager



# ABOUT PROJECT MOXIE



**Project Moxie** is an affordable housing and homelessness solutions strategy consulting firm. Working alongside communities, we connect them with the right resources and funding to create affordable, green, and safe housing for everyone, everywhere.

## Jenn Lopez, President (she/her/hers)

- Fort Lewis College Class of 1995 - Go Skyhawks!
- Over 20 years of experience in affordable housing.
- Held a senior position in the Hickenlooper administration in Colorado and led regional housing efforts in southwest Colorado for several years.
- Loves working with local community leaders and excels at both strategy development and implementation work.
- Masterful resource developer. I love asking for dollars and helping you to design your program and tell your story.
- Current clients include: The Anchorum Health Foundation, Santa Fe County, Santa Fe Community Foundation, La Plata Economic Development Alliance, Total Concept and MGL Partners.





# PRESENTATION

1. Below Market Housing Definitions
2. Quick overview of affordable rental housing development
3. CHFA staff presents their programs
4. Questions



# WHAT IS “AFFORDABLE HOUSING”?

**Affordable housing means paying no more than 30% of gross income for rent/mortgage + utilities.**





**Regulated affordable housing** — what we commonly refer to as “affordable housing” are homes that have income restrictions. When the public sector invests in a housing unit, a restrictive covenant or land use restriction agreement is recorded. These limit the cost of the unit and who is eligible to rent or buy the home.

**Naturally occurring affordable housing (NOAH)** — this is market-rate housing that happens to be leased or sold affordably.



# TRADITIONALLY CONSIDERED “AFFORDABLE HOUSING”

Area Median Income (AMI) = \$61,400 (*one person*)

|              |  |  |  |  |
|--------------|---|---|---|---|
| <b>x30%</b>  | \$18,420  | \$21,060  | \$23,700  | \$26,310  |
| <b>x50%</b>  | \$30,700  | \$35,100  | \$39,500  | \$43,850  |
| <b>x60%</b>  | \$36,840  | \$42,120  | \$47,400  | \$52,620  |
| <b>x80%</b>  | \$49,120  | \$56,160  | \$63,200  | \$70,160  |
| <b>x100%</b> | \$61,400  | \$70,200  | \$79,000  | \$87,700  |

A single parent working 40 hours/week at minimum wage

Two parents each working full time at minimum wage.

# AMI RENTAL LIMITS

**Maximum Household Incomes of Renters**  
(2023 HUD-derived numbers)

| AMI  | Number of persons per household |           |           |
|------|---------------------------------|-----------|-----------|
|      | 2                               | 3         | 4         |
| 30%  | \$24,960                        | \$28,080  | \$31,170  |
| 50%  | \$41,600                        | \$46,800  | \$51,950  |
| 60%  | \$49,920                        | \$56,160  | \$62,340  |
| 80%  | \$66,560                        | \$74,880  | \$83,120  |
| 100% | \$78,500                        | \$88,300  | \$98,100  |
| 120% | \$99,840                        | \$112,320 | \$124,680 |
| 140% | \$116,480                       | \$131,040 | \$145,460 |

**Affordable Rental Price based on Bedroom Size**  
(2023 HUD-derived numbers)

| AMI  | Bedroom size |         |         |
|------|--------------|---------|---------|
|      | 1            | 2       | 3       |
| 30%  | \$585        | \$702   | \$810   |
| 50%  | \$975        | \$1,170 | \$1,351 |
| 60%  | \$1,170      | \$1,404 | \$1,621 |
| 80%  | \$1,560      | \$1,872 | \$2,162 |
| 100% | \$1,950      | \$2,340 | \$2,702 |
| 120% | \$2,340      | \$2,808 | \$3,242 |
| 140% | \$2,730      | \$3,276 | \$3,783 |

\* Calculations assume (1) an Interest Rate of 6.32, (2) ability to contribute 33% of income to housing costs, & (3) a 3% down payment.

\*\* Sources: Affordable Home Ownership rates based on HomesFund formula, Affordable Rental Rates based on Colorado Housing and Finance Authority (CHFA) formula.





# MORE TERMS AND DEFINITIONS

## 1. Workforce Housing

Used often at the local level to define the need of the low-moderate income workforce. This includes those in the service, recreation, and often civil service sectors.

## 2. Middle Income Housing

Used to indicate affordability for white collar households.

## 3. Community Housing

Used to indicate affordability for low to moderate income households with an emphasis on local residents.

## 4. Attainable Housing

Used interchangeably with the categories to the left and above depending on context. Usually not used to refer to very low income housing.

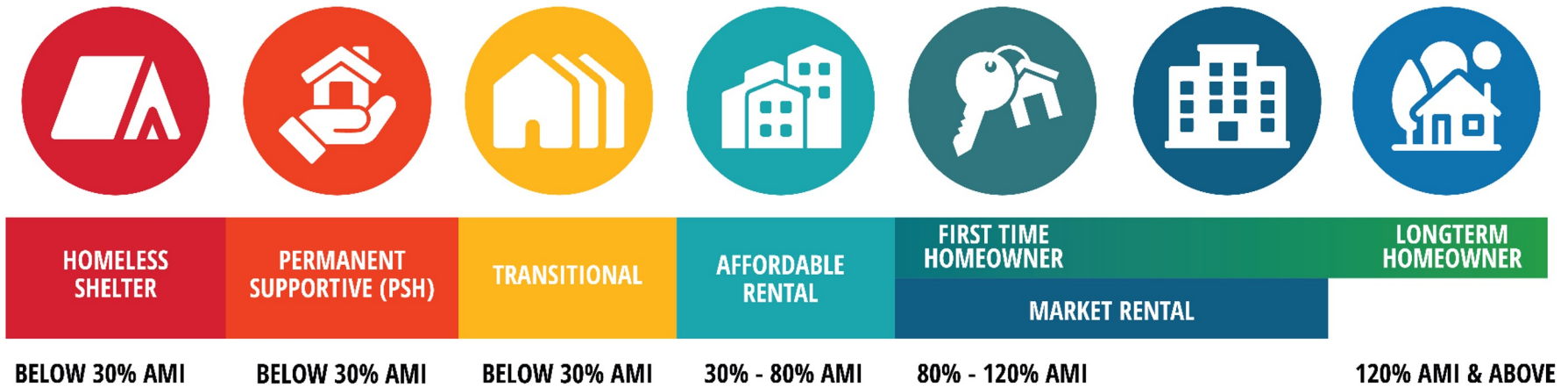
## Below-Market Housing

**Housing at affordability levels that the market currently does not provide on its own.**

We prefer this term because it eliminates the ambiguity or preconceived notions sometimes elicited by the categories to the left.

**Example:** many very low income households work, some moderate income households don't work, and none of the categories to the right explicitly name seniors adults.

# HOUSING CONTINUUM BY AMI





# RENTAL STRATEGIES & TOOLS

**Below market housing tends to be developed through one of two of the following strategies:**

*Note: these strategies can be (and often are) combined.*

## **Development Subsidy**

Reduce the costs of developing new below-market housing so people earning a certain income level can afford it.

Put another way, it allows the developer to be able to afford to offer below market prices without impacting their development.

**In essence, it brings housing costs down to match local incomes.**

## **Household Subsidy**

Reduce a person's housing costs through a rental voucher like the popular housing choice voucher program.

Vouchers typically provide a payment to the household to cover the difference between what they can afford (<30% of income) and what a market rate rental charges, thereby creating an affordable monthly rental payment.

# RENTAL STRATEGIES

**Land** - Getting free or discounted land is a common practice for providing affordable rental housing.

**CHFA Financing** : multiple programs will be presented as part of this panel today.

**Tax Credit Equity** This is the most popular federal program and it creates tens of thousands of affordable rentals across the country annually.

**Fee Waivers** - This is a common practice that local governments use to subsidize affordable units. This waiver is anywhere from 10k-40k

**HUD Financing** - low interest loans and non recourse loans can help lower debt payments.

**PAB** - Private activity bonds provide lower cost debt and are allocated by state and local governments.

# LOW INCOME HOUSING TAX CREDIT



Anthracite Place  
CHFA rental housing customer, Crested Butte, Colorado



# HOW IS MARKET RATE HOUSING FINANCED?

70% debt

30% equity



# HOW IS AFFORDABLE HOUSING FINANCED?

30% debt



70% tax credit equity





# WHY DO HOUSING CREDITS WORK?

The developer agrees to long-term affordability

Private sector assumes risk for project success

Competitiveness generates strong projects

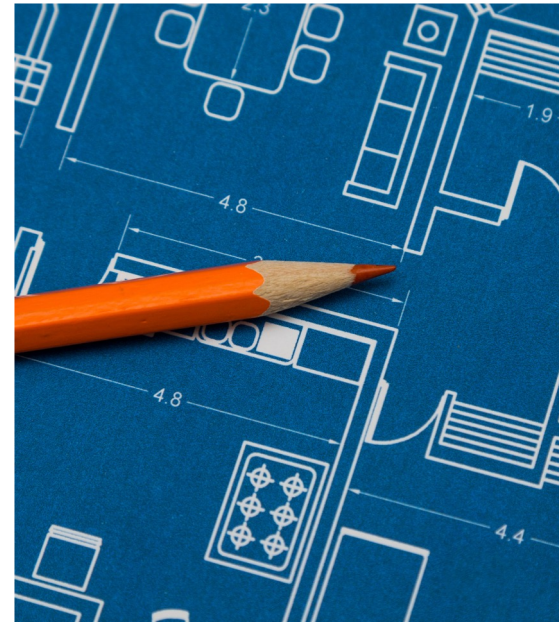
State agency (CHFA) customizes its program through a  
Qualified Allocation Plan (QAP)





# WHO ARE THE PLAYERS?

- **Allocation agency (CHFA)**
  - Competitive allocation of credits
- **Developer**
  - For profit, not for profit, or housing authority
- **Investor(s)**
  - Valuing the federal tax liability offset
- **Lender(s)**
  - Long-term debt



# LOW-INCOME HOUSING TAX CREDITS

Investors purchase credits to offset federal tax liability

Equity from the sale of credits reduces debt, resulting in lower rents

Both 9% and 4% credits available

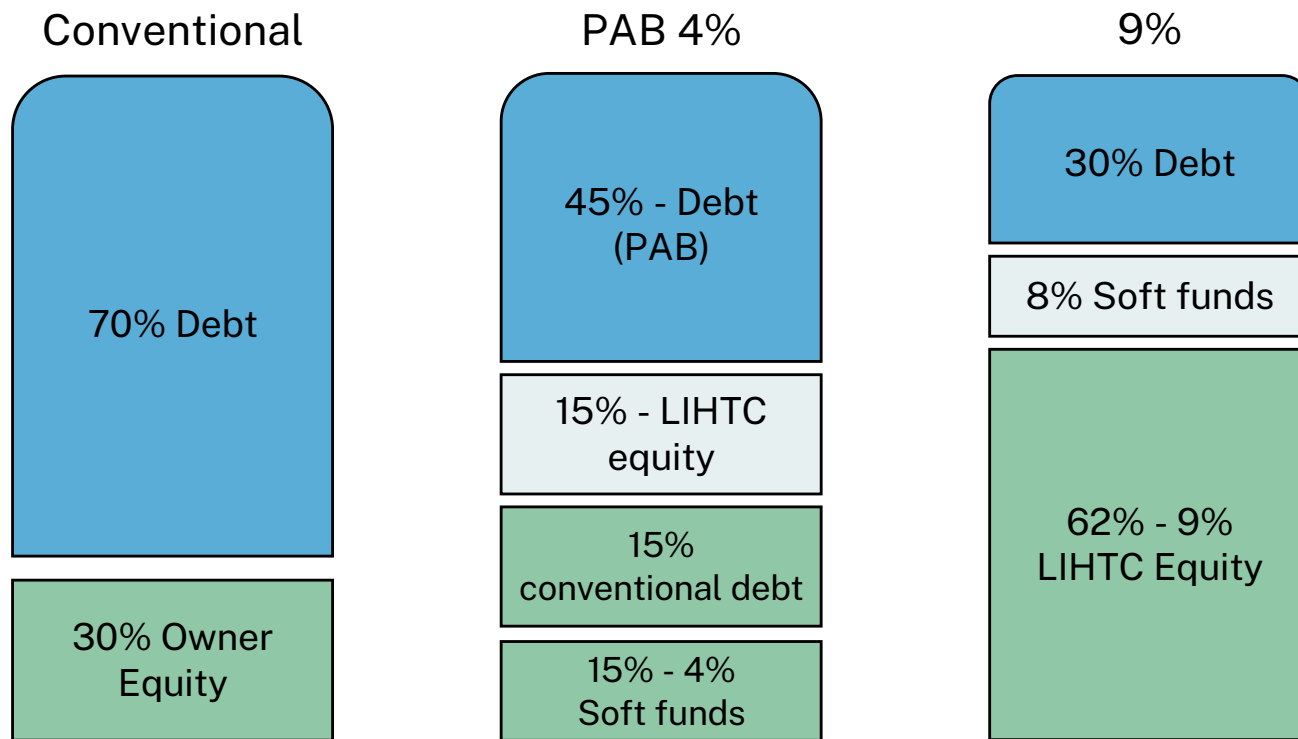
4% credits are “as of right” with the use of tax-exempt bonds

9% credits are competitive

For 9% LIHTC, states receive a finite allocation of tax credits each year, allocated on a per capita basis (approx. \$15M per year in CO)



# CONVENTIONAL VS. STATE (4% vs 9%)





# RENTAL EXAMPLE

Best Western: Residences at Durango

City of Durango controlled real estate contract

Contracted with Project Moxie to do due diligence and select developer in fall of 2021

Project was packaged using 4% and PAB funds-  
Thanks Terry!

Critical to have experienced development partner

City played role facilitating gap funding- also critical

120 new rental units in 2025.





## ROLE OF LOCAL GOVERNMENTS

- Provide land and/or gap funding for rental projects
- **Coordinate underwriting** or follow state underwriting to ensure project is not over-subsidized or under-subsidized.
- When providing resources for a project **use an RFQ or RFP** process to identify projects and developers
- Be cautious in selecting projects to fund: these programs are very complex; **look for experienced developers** to ensure success and manage risk.
- Manage a funding selection process **1-2 times a year** to save on staff time, this way staff is not responding to numerous requests and having to underwrite projects throughout the year
- Having standard documents and protocols for funding LIHTC will ensure timely processes that match the LIHTC application timeline as well.

# QUESTIONS?

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Project Moxie Contact:

Jenn Lopez

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# chfa multifamily lending

Terry Barnard  
*Manager, Multifamily Production and Outreach*

January 26, 2024



# let's build community together

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Mission-driven.  
Community-focused.  
Trusted partner.

With over 48 years of experience, CHFA Multifamily Lending is your trusted partner. Together, we can build stronger communities by providing safe, secure, and affordable homes for our fellow Coloradans.

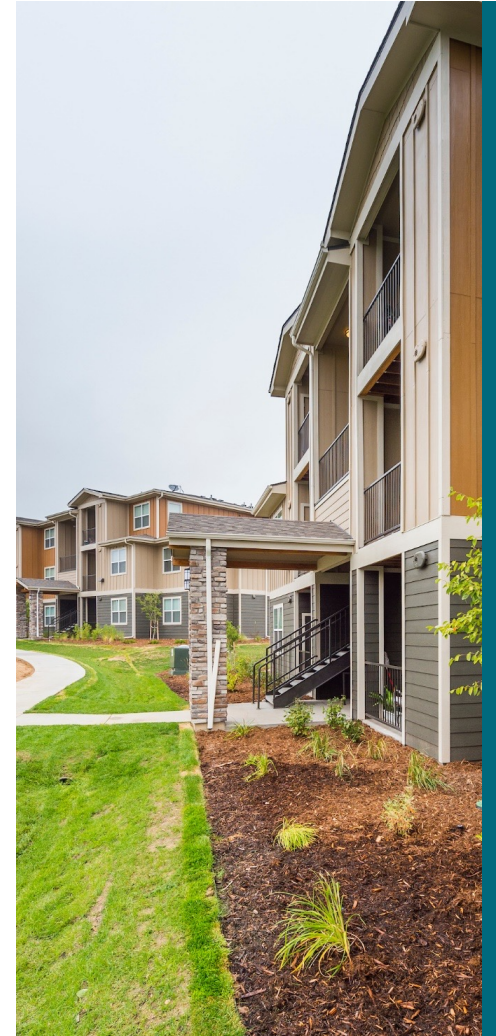
Our comprehensive suite of flexible financing programs allows us to find the right fit for your property and help you reach your goals.



# chfa multifamily lending

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- Long-term, fully amortizing permanent loans
  - 4 percent, 9 percent, and non-LIHTC projects
- Construction-to-permanent loans – 4 percent LIHTC projects
- Flexible Funding and Gap Financing – Housing Opportunity Fund
  - Interest rate subsidy for CHFA senior loans
- Innovative Solutions
  - Small-scale affordable housing
  - Mobile home park financing
  - Colorado Affordable Housing Preservation Fund
  - Middle-income Access Program



Porter House Apartments, CHFA rental housing customer, Greeley, Colorado



# senior debt programs



## SMART

Sizeable Multifamily  
Affordable Risk Share Tool

SMART provides \$3M to \$6M in permanent insured financing, featuring up to 40-year fixed rates and the lowest FHA mortgage insurance premium in the industry. Whether you have a tax credit or non-tax credit project, CHFA delivers quickly with a flexible solution tailored to your needs.



## SIMPLE

Small Multifamily  
Permanent Loan

SIMPLE provides up to \$3M in uninsured permanent financing for 9% LIHTC projects. With streamlined execution, you can get to loan commitment in as little as 60 days of submitting a complete application.



## CAPABLE

Construction & Permanent  
Affordable Bond Loan

CAPABLE combines construction and permanent financing to provide over \$6M for 4% LIHTC projects, using a streamlined process only available to housing finance agencies. It offers lower interest rates due to index pricing associated with Private Activity Bonds, and the lowest mortgage insurance premium in the industry.



## PAIRABLE

Partnership-to-Perm  
Affordable Bond Loan

PAIRABLE provides loans of over \$6M in permanent insured financing for 4% LIHTC projects, featuring lower interest rates due to index pricing associated with Private Activity Bonds. Pair this with your preferred construction financing partner to get the deal done on time.

# financing solutions

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## 542(c) Risk Sharing Mortgage Insurance

- FHA mortgage insurance credit enhancement tool available to Housing finance agencies
- Generally utilized for loans > \$3 million
- CHFA and HUD “share” the risk of default 50/50
- 50/50 structure allows for CHFA to underwrite the loans in lieu of HUD
- Streamlined and faster processing with HUD
- Mortgage Insurance Premium (MIP) of 0.125 percent

## General Requirements

- 10-year lockout
- Non-recourse construction loans (with Risk Share)
- Non-recourse permanent loans
- Minimum 1.15 debt service coverage ratio
- Loans are sized to the lesser of 90 percent of value or total development cost

# innovative financing solutions

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CHFA Multifamily  
Lending



Mobile Home  
Park Financing



Middle-income  
Access Program



Small-scale Housing  
Permanent Loan and  
Technical Assistance



Colorado Affordable  
Housing Preservation  
Fund

[www.chfainfo.com/rental-housing/multifamily-lending](http://www.chfainfo.com/rental-housing/multifamily-lending)



# proposition 123

Colorado Housing and Finance Authority (CHFA)  
Colorado Office of Economic Development and International Trade (OEDIT)



# Proposition 123

State Affordable Housing Fund

\$160M FY22-23

\$311.4M\* FY23-24

\*OSP estimate/Leg Council = \$314.1M



Affordable Housing  
Support Fund

DOLA

Year 1: \$64M

Year 2: \$124.56M

40%

Affordable Housing  
Financing Fund

OEDIT/CHFA

Year 1: \$96M

Year 2: \$186.84M

60%



# Affordable Housing Financing Fund (AHFF)



## Land Banking Program

15%-25%

\$23.5M (25%) in Year 1



## Equity Program

40%-70%

\$37.6M (40%) in Year 1



## Concessionary Debt Program

15%-35%

\$32.9M (35%) in Year 1

# Implementation highlights

OEDIT selected CHFA as contract administrator for AHFF programs

HB23-1304 passed making improvements/clarifications

Launched [coloradoaffordablehousingfinancingfund.com](https://coloradoaffordablehousingfinancingfund.com)

More than 30 community engagement events held across the state in 2023

Concessionary Debt final project selections in full underwriting

Announcing Land Banking and Concessionary Debt modular awards this month

DOLA/OEDIT/CHFA Prop 123 implementation coordination



## Proposition 123: Land Banking Program

The program provides grants to eligible local or tribal governments and forgivable loans to eligible nonprofits with a demonstrated history of providing affordable housing to acquire and preserve land for the development of affordable housing.



- 25% / \$23.5M available
- Program launched July 18
- LOI deadline August 21
- 113 LOIs received seeking more than \$255M
- 26 projects seeking \$46.9M were invited to submit complete applications by November 1

## 2022-2023 Land Banking Award Recipients

| Affordable Housing Financing Fund - Land Banking Program |   |  |                                   |                                     |                          |             |
|--|---|--|-----------------------------------|-------------------------------------|--------------------------|-------------|
| Borrower/Sponsor   | Project Name  | County-City  | Total Grant/Loan Amount Requested | Total Acquisition or Purchase Price | Purpose (build)          | Units       |
| The Housing Authority of The City of Aurora              | Walden 35 Phase II                                      | Adams County - Aurora                                  | \$1,450,000                       | \$1,450,000                         | Rental                   | 75          |
| Langston Hughes Affordable Housing                       | Aurora Family Apartments                                | Arapahoe County - Aurora                               | \$5,000,000                       | \$8,200,000                         | Rental                   | 264         |
| Housing Catalyst   | Village on Eastbrook                                    | Larimer County - Fort Collins                          | \$1,610,000                       | \$2,200,000                         | Rental                   | 73          |
| Town of Rangely  | Sagewood West Affordable Housing                        | Rio Blanco County - Rangely                            | \$240,000                         | \$240,000                           | Homeownership            | 6           |
| Archway Investment Corporation                           | Gates Family Housing                                    | Denver County - Denver                                 | \$2,000,000                       | \$2,000,000                         | Rental                   | 178         |
| Chaffee Housing Authority                                | Alpine West   | Chaffee County - Buena Vista                           | \$1,320,000                       | \$1,320,000                         | Rental                   | 81          |
| Habitat for Humanity (Grand County)                      | Habitat Morris Project                                  | Grand County - Granby                                  | \$1,600,000                       | \$1,600,000                         | Rental                   | >24         |
| Denver Cultural Property Trust                           | Five Points Historic Cultural District Affordable Homes | Denver County - Denver                                 | \$1,975,000                       | \$1,975,000                         | Homeownership            | 62          |
| WeFortify  | Dignified Housing Village for At-Risk Young Adults      | El Paso County - Colorado Springs                      | \$470,000                         | \$470,000                           | Rental                   | 18          |
| Blue Spruce Habitat For Humanity                         | Affordable Home Ownership in Evergreen                  | Jefferson County - Evergreen                           | \$50,000                          | \$300,000                           | Homeownership            | 14          |
| SAFER Colorado   | SAFER Colorado  | Arapahoe County - Centennial                           | \$700,000                         | \$5,000,000                         | Rental                   | 54          |
| City of Salida   | Salida Eastside Senior Living Apartments                | Chaffee County - Salida                                | \$750,000                         | \$975,000                           | Rental and Homeownership | 36          |
| Town of Frisco   | 101 West Main Street                                    | Summit County - Frisco                                 | \$5,000,000                       | \$5,000,000                         | Rental                   | 52          |
| City of Grand Junction                                   | City of Grand Junction Salt Flats                       | Mesa County - Grand Junction                           | \$2,200,000                       | \$3,200,000                         | Rental and Homeownership | 400         |
| Elevation Community Land Trust                           | Rural Southern Colorado Homeownership Portfolio 1       | Las Animas County - Trinidad, Walsenberg, Fort Garland | \$750,000                         | \$750,000                           | Homeownership            | 28          |
| Huerfano County Economic Development                     | Northlands Subdivision of the Huajatolla Hills          | Huerfano County - Walsenberg                           | \$225,000                         | \$225,000                           | Homeownership            | 15          |
| <b>Total</b>   |   |  | <b>\$25,340,000</b>               |                                     |                          | <b>1380</b> |



## Proposition 123: Concessionary Debt Program

The program provides loan options to for-profit and nonprofit entities for the creation and preservation of affordable housing, including manufacturers which build modular and factory-build housing.



- Applications for Multifamily, LIHTC Gap, LIHTC Predevelopment accepted September 18 - October 9
  - \$14.9M allocated
  - 38 applications received totaling more than \$113M
  - 7 applicants invited to full underwriting in December, supporting 722 units
- Modular applications (combined with IHIP loan program) accepted October 9 - November 3
  - \$18M allocated
  - 16 applications received seeking more than \$52M
  - 11 applicants invited to interview with the selection committee
  - Final selections will be announced this month

# Proposition 123: Equity Program

The program provides below-market-rate equity investments to eligible for-profit and nonprofit entities for the construction or preservation of low- and middle-income multifamily rental developments.



- The most complex program given range of equity options and the inclusion of a Tenant Equity Vehicle (TEV)
- Working with stakeholders to develop Equity Guidelines and the framework for the TEV, considering best practices and peer models to ensure long-term success and impact of program
- Engagement meetings will be held and final program guidelines published in February/March

# equity financing overview

## Eligible Projects

- Low-income and middle-income multifamily affordable rental developments
- Preservation of existing developments at risk of losing affordability
- This financing cannot be paired with federal or state housing tax credit equity

## Program Benefits

- Flexible source of equity with below market return expectations
- Structured with equity returns based on available cash flow

## Maximum Investment Size

- The Maximum investment amount is \$15,000,000. Investment size will be based on a comprehensive evaluation of the project's financials, supporting documentation, and available program funding

## Minimum Investment Size

- \$1,500,000

## Eligible Uses

- Eligible project costs include acquisition, construction hard costs, professional fees, financing costs, soft costs, and reserves.

## Investment Returns

- Below-market return based on available annual cash flow, with any remaining capital paid in full or in part at a capital event. The program investment term is up to 30 years.

## AMIs Served

- Not to exceed 90% average AMI for all restricted units

## Collateral

- The investment will be secured by the project assets

## Fees

- 1% investment placement fee
- Standard placement costs

## Affordability Requirements

- A Regulatory Agreement requiring affordability for 30 years will be required, which must include a right of first offer upon a future sale.



# thank you!

Terry Barnard

*Manager, Multifamily Production and Outreach*

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