

private activity bonds (pab) and chfa

Colorado Counties, Inc. (CCI)
December 14, 2022

colorado housing and finance authority



mission

We strengthen Colorado by investing in affordable housing and community development.

vision

Everyone in Colorado will have the opportunity for housing stability and economic prosperity.

about chfa

CHFA was established in 1973 by the Colorado General Assembly.

*financing the places where
people live and work®*



CHFA is not a state agency and does not receive and direct appropriations.

Board of Directors: **11 Members**



CHFA received authority to use bond proceeds for economic development activities in 1982.



Approximately **\$29.7B** has been raised and invested in Colorado to date.

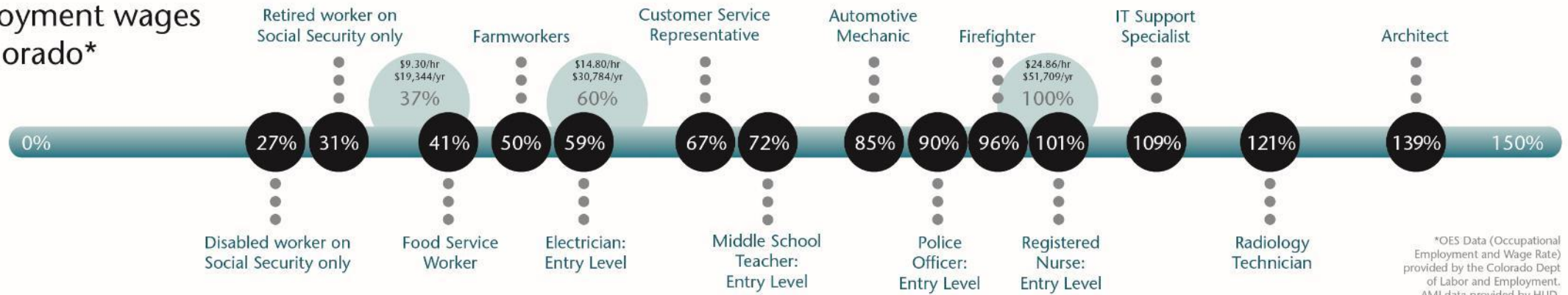
housing continuum



employment wages in colorado

employment wages
in colorado*

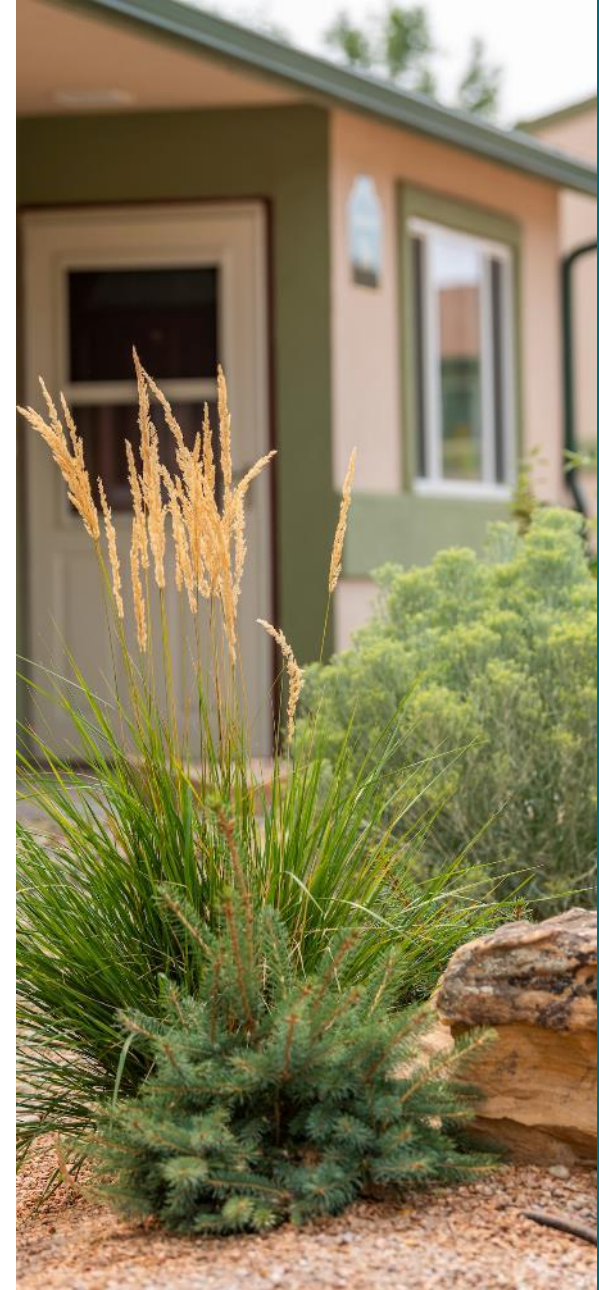
ami



*OES Data (Occupational Employment and Wage Rate) provided by the Colorado Dept. of Labor and Employment. AMI data provided by HUD.

uses for private activity bonds (pabs)

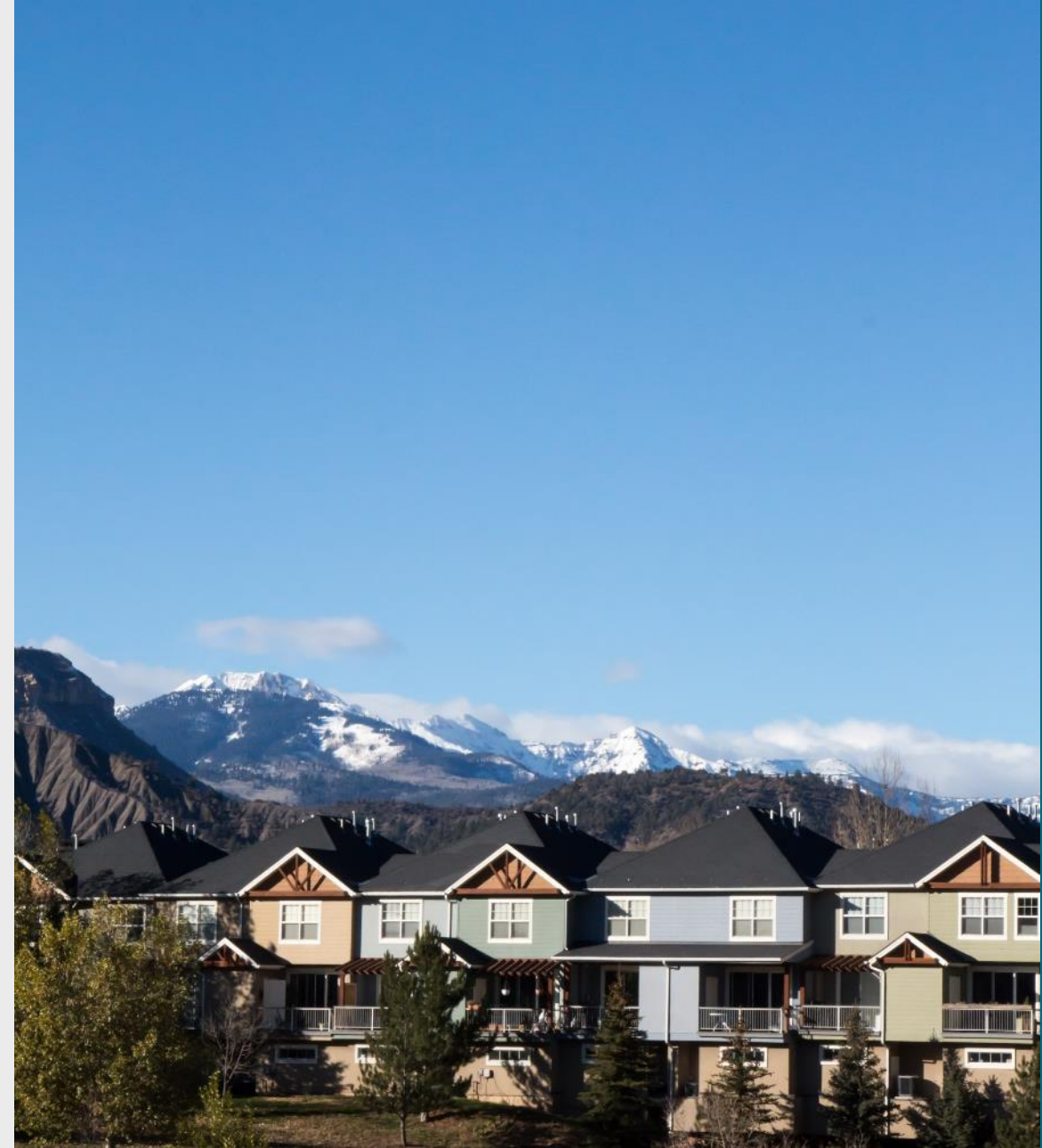
- Financing for small manufacturing
- Mortgage loans for first-time homebuyers
- Affordable multifamily housing
- Mortgage credit certificates for first-time homebuyers
- Qualified home improvements (energy efficiency improvements)



pab volume cap uses

CHFA uses PAB volume cap to support our three-pronged mission

- Single Family
- Multifamily
CHFA lending and conduit issuance
- Business Finance (BF) and Economic Development



chfa's role

- CHFA issues tax-exempt bonds to support investment in communities statewide
- CHFA has used its PAB volume cap in support of:
 - single family mortgages;
 - multifamily affordable rental developments;
 - small manufacturing facilities (IDBs);
- **CHFA is the allocator of the 9% and 4% federal housing credit and the state affordable housing tax credit**



pub and industrial development bonds

Bonds issued to support a specific manufacturing facility

Below market (tax-exempt) financing

Manufacturing or processing facilities and equipment



pab and industrial development bonds

Eligible uses for bond proceeds:

- Acquisition of land (less than 25%)
- New construction of core manufacturing facilities
- Acquisition/rehab projects (equivalent of 15% of cost of building must be spent on rehab of building)
- Acquisition of new machinery and equipment
- Maximum of 25% can be used for non-manufacturing facilities and equipment
- Maximum of 2% in soft costs

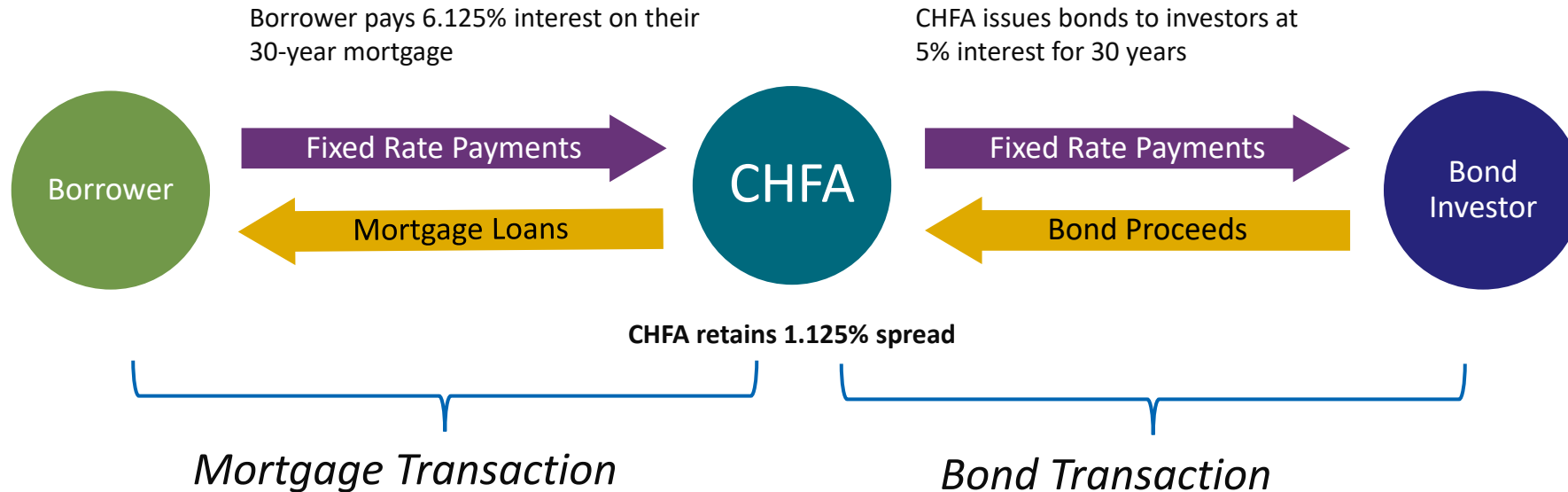


private activity bonds and homeownership

- Tax-exempt financing for qualified borrowers
 - First-time homebuyer
 - Within targeted area
 - Qualified veteran
- CHFA FirstStepsm
 - Below market rate; 30-year fixed
 - 4% down payment assistance loan
 - Zero percent
 - Due upon sale/refi
- Mortgage Credit Certificates (CHFA MCCsm)



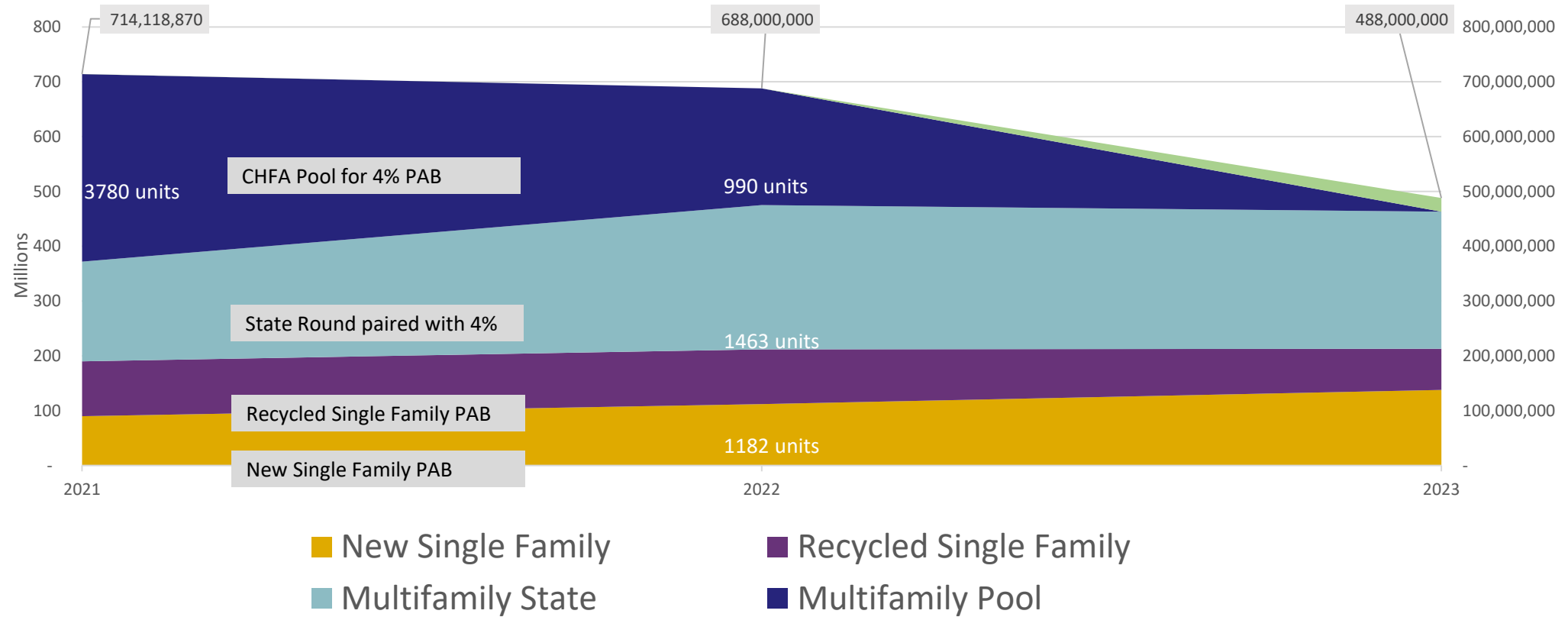
chfa has historically been a spread lender



Mortgage interest rate	6.125%
Bond interest rate	<u>-5.000%</u>
CHFA's earned spread	1.125%

CHFA earns the retained spread over the life of the mortgage loan

summary pab commitments/uses



As of December 13, 2022

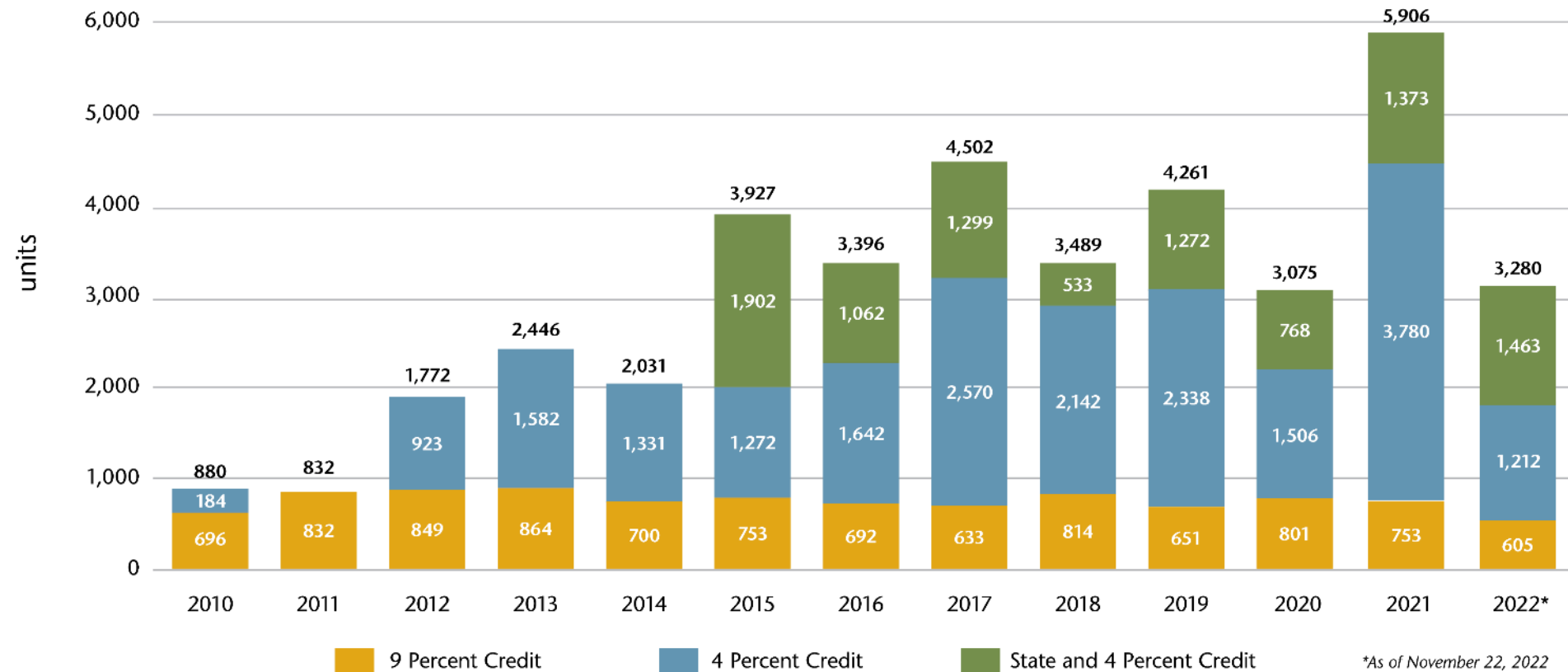
pab and multifamily use

Can be leveraged for:

- New construction
- Acquisition
- Acquisition/rehabilitation
- Tax exempt financing
- 4% Low Income Housing Tax Credits (LIHTC)
 - 30% of the equity
 - High demand, limited supply



units supported with tax credits



As of November 22, 2022

how is pab used to finance affordable rental housing?

- PAB issued by public agency or CHFA to support construction and permanent loans for projects
- Paired with 4% federal housing tax credits to generate equity for financial feasibility
- Combination creates long-term affordability for income-eligible residents



what are 4% federal housing tax credits?

- Designed to be a 30% present value credit, approximately 30% of costs
- Must be paired with PABs
 - PABs must be issued to support at least 50 percent of the development costs
 - ‘Aggregate basis test’ is a must-finance-by requirement for housing tax credit equity
 - Pairing of PAB and Housing Tax Credits combines equity with greater loan proceeds



how to apply for 4% housing tax credits?

All Year

State Credit + 4% Federal Credit applications

- Meet QAP requirements
- August 1
- Oversubscribed approximately 2:1
- Transfer of PAB can meet statutory requirement for local contribution

Annual Round Two

4% Federal Credit only applications

- Meet QAP requirements
- All year except February and December
- Inducement Resolution or transfer of PAB to CHFA required



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