

# private activity bonds (pab) and chfa

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

colorado housing and finance authority



# mission

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

# vision

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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.



**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.

*financing the places where people live and work<sup>®</sup>*

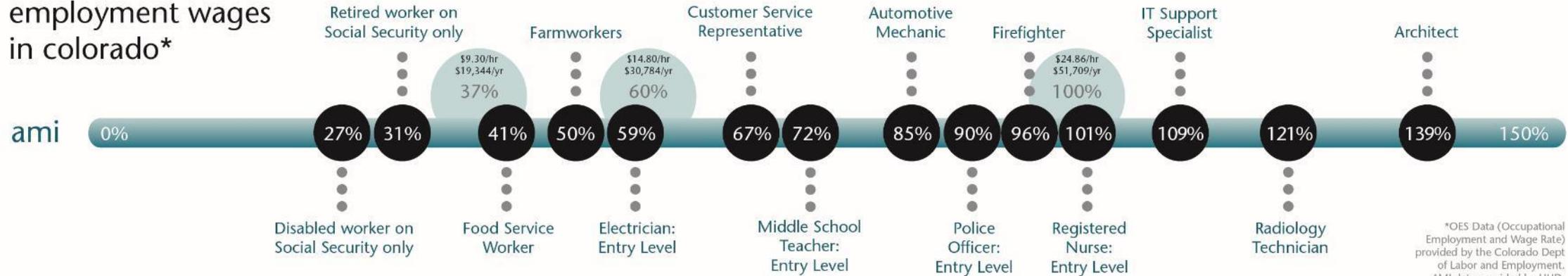
# housing continuum

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# employment wages in colorado

employment wages  
in colorado\*

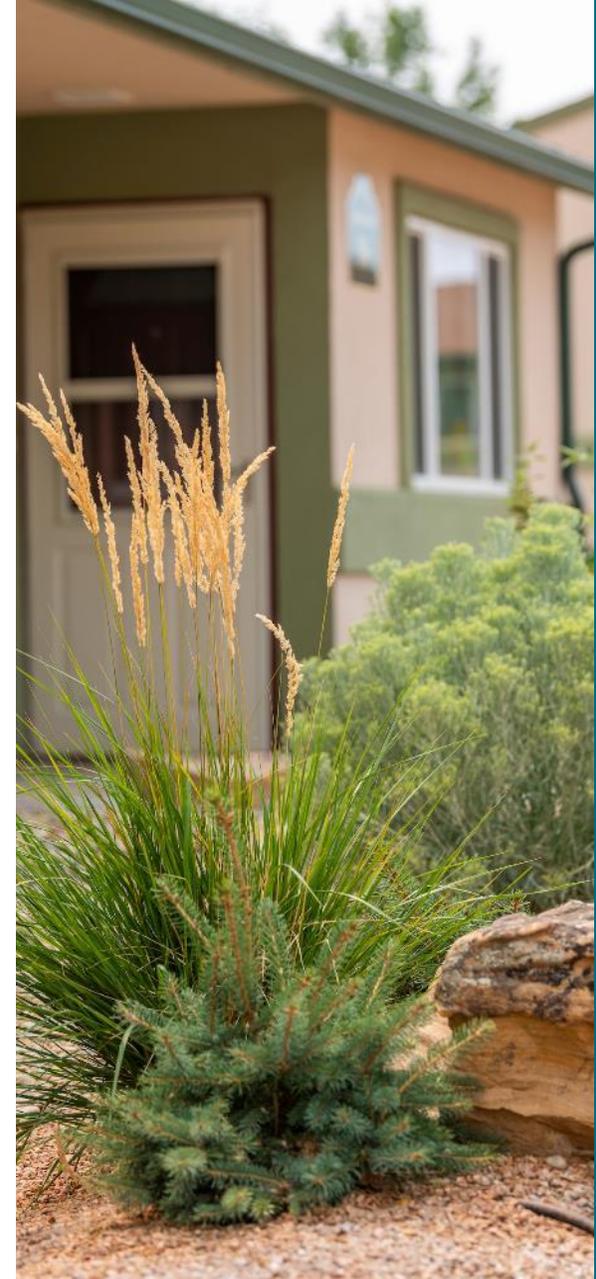


\*OES Data (Occupational Employment and Wage Rate) provided by the Colorado Dept of Labor and Employment. AMI data provided by HUD.

# uses for private activity bonds (pabs)

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- 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)

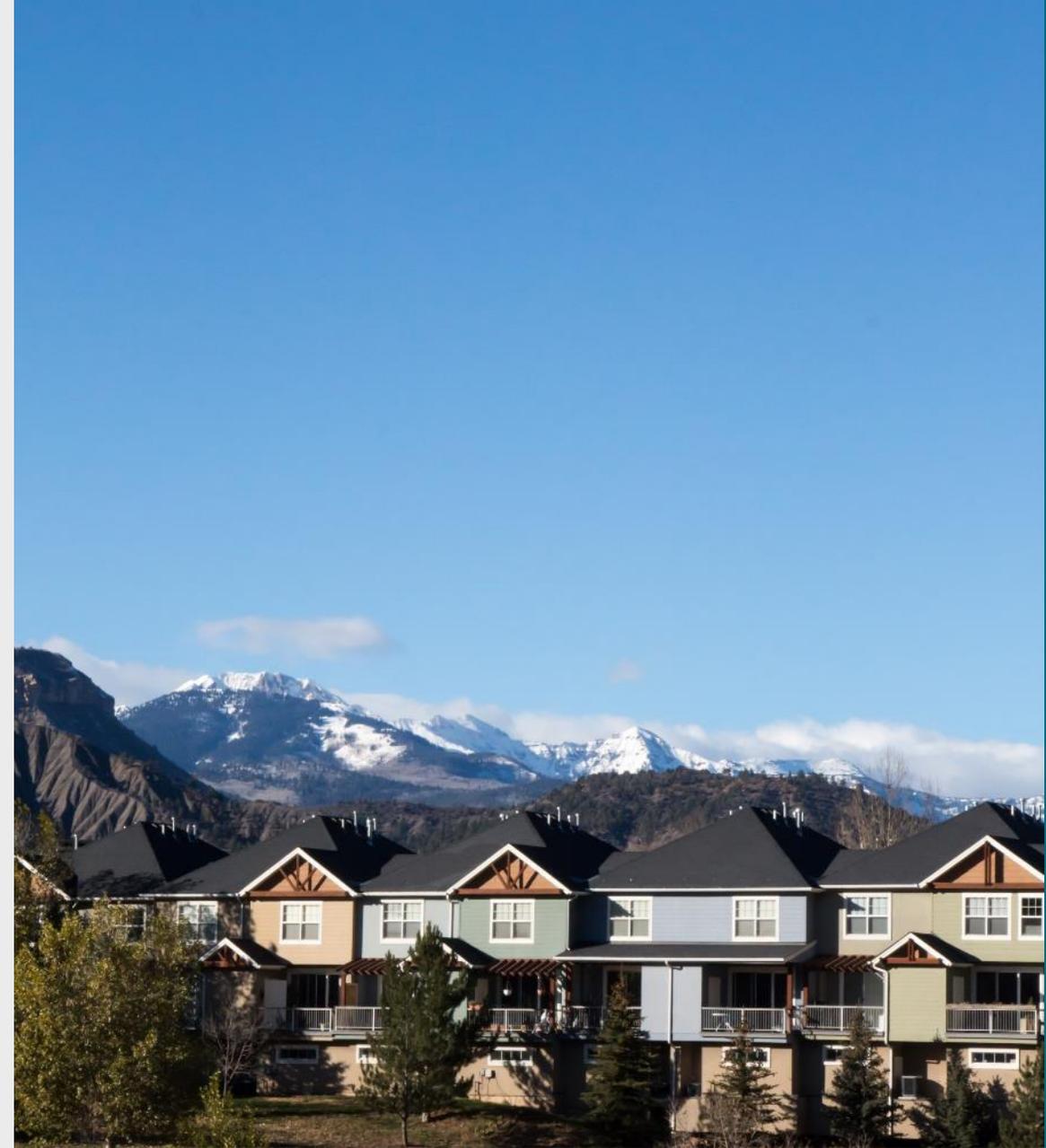


# pab volume cap uses

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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

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- 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

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Bonds issued to support a specific manufacturing facility

Below market (tax-exempt) financing

Manufacturing or processing facilities and equipment



# pub and industrial development bonds

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## 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



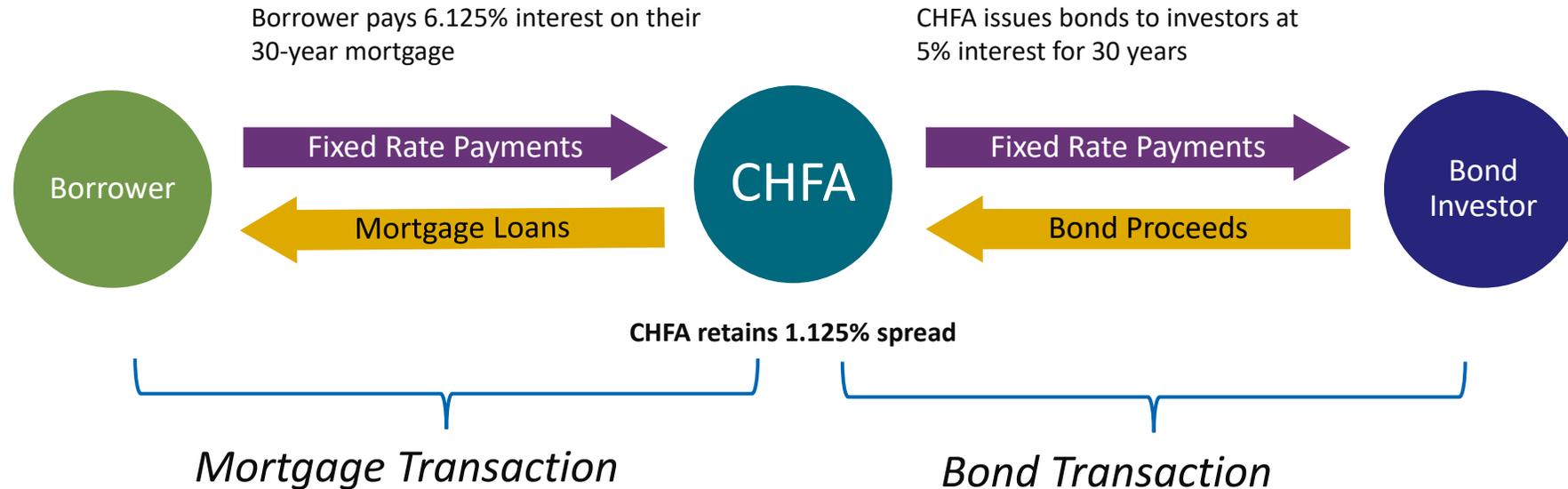
# private activity bonds and homeownership

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



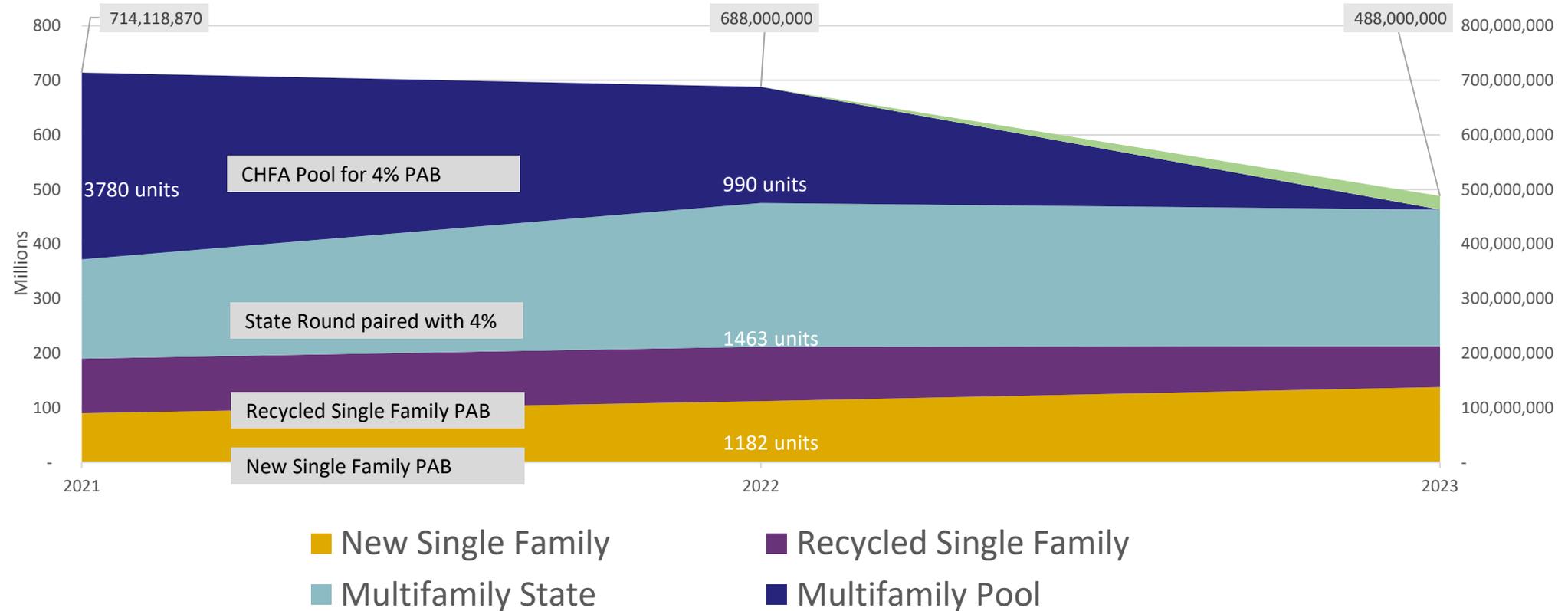
# chfa has historically been a spread lender



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

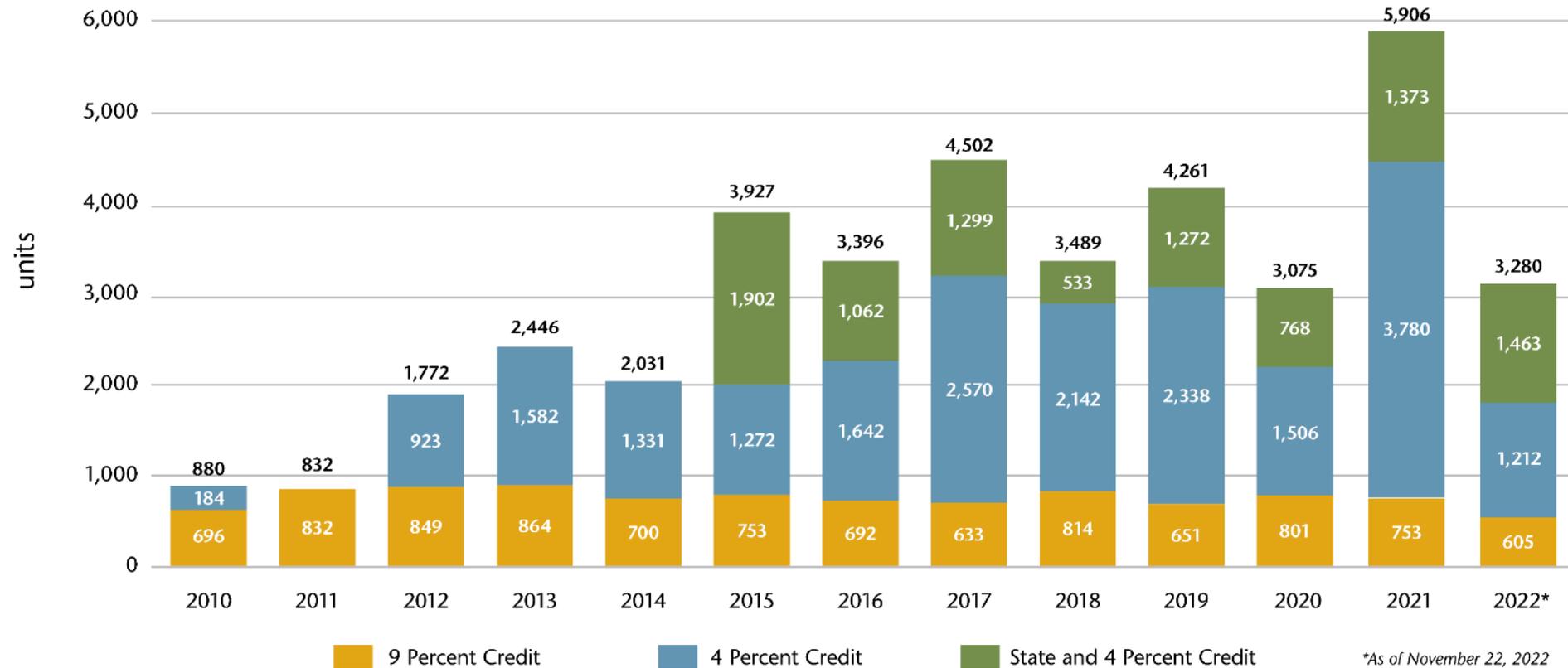
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Can be leveraged for:

- 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?

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- 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?

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- 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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