affordable rental housing
low income housing tax credits (lihtc)

Making Housing Affordable: Financing Tools and Approaches
March 6, 2019
what is chfa?

- chfa’s mission
  - we strengthen colorado by investing in housing and community development
  - three lines of business

- homeownership
- affordable rental housing
- business finance
how chfa serves colorado’s housing continuum
lihtc allocation process

Affordable Homes Next to the Yale Station Light Rail in Denver
lihtc allocation process
how is market rate housing financed?

70% debt
30% equity
how is affordable housing financed?

30% debt

70% gap
conventional vs. 4% vs. 9% lihtc

- **conventional**
  - 70% debt
  - 30% owner equity

- **4% lihtc**
  - 60% debt
  - 25% other
  - 15% lihtc equity

- **9% lihtc**
  - 20% debt
  - 10% other
  - 70% lihtc equity
example: impact of 9% tax credits @ $.95

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Total Project Costs</td>
<td>$15,000,000</td>
<td></td>
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<tr>
<td>Tax Credit Equity</td>
<td>$9,932,692</td>
<td>66%</td>
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<tr>
<td>Project Debt</td>
<td>$4,167,308</td>
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</tr>
<tr>
<td>Grants</td>
<td>$500,000</td>
<td>3%</td>
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<tr>
<td>Deferred Developer Fee</td>
<td>$400,000</td>
<td>3%</td>
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9% lihtc volume cap per state

- $2.70 \times \text{state population for 2019}
- $15,000,000 \text{ in annual credit for Colorado}
- \text{Approx.} \$140,000,000 \text{ in equity for projects}
the **good**, the **bad**, and **ugly** aspects of developing projects with lihtc
the good

- the developer agrees to long-term affordability
- private sector assumes risk for project success
- competitiveness generates strong projects
- each state customizes its program through a qualified allocation plan
the bad

- Very, very, very competitive process of getting awards of LIHTC
- It’s complicated
- Because of lower rents – need multiple funding sources in addition to LIHTC equity
  - Multiple restrictions
  - Multiple partners
the ugly

- Neighborhood opposition
- High cost of building
  - Land costs
  - Additional municipal requirements
  - Geotechnical challenges
  - Construction labor shortages
lihtc investment in Colorado (as of 1.1.2019)

- 832 lihtc properties
- 62,657 affordable units
- 50,968 jobs impacted
- $11,121,092,053 total economic impact
questions

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