

# affordable rental housing low income housing tax credits (lihtc)

Making Housing Affordable: Financing Tools and Approaches

March 6, 2019



*financing the places where  
people live and work*

# what is chfa?

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

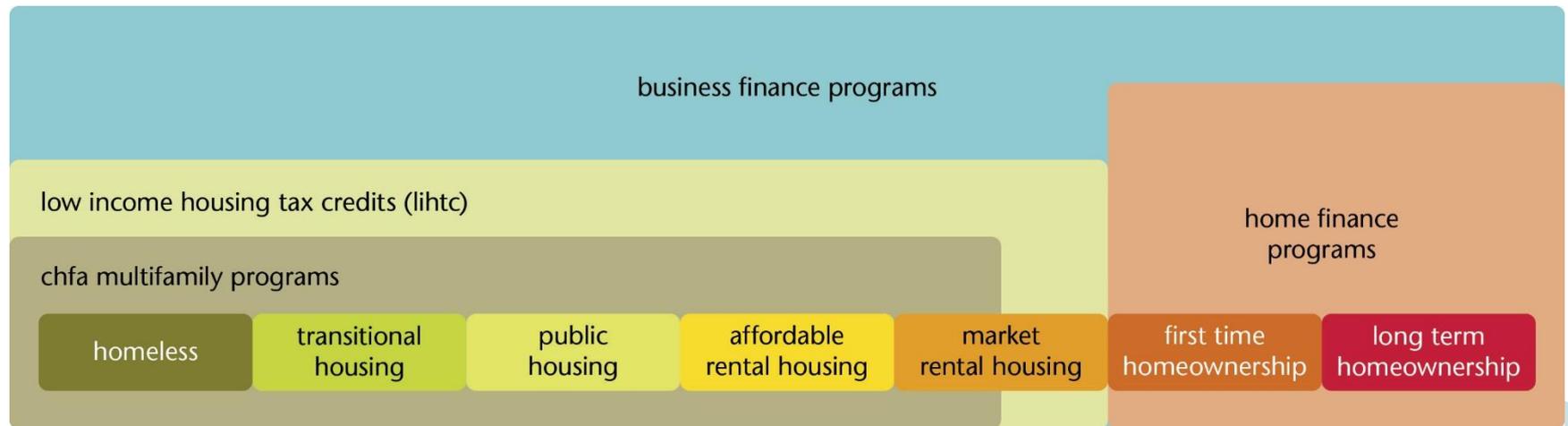
homeownership

affordable  
rental housing

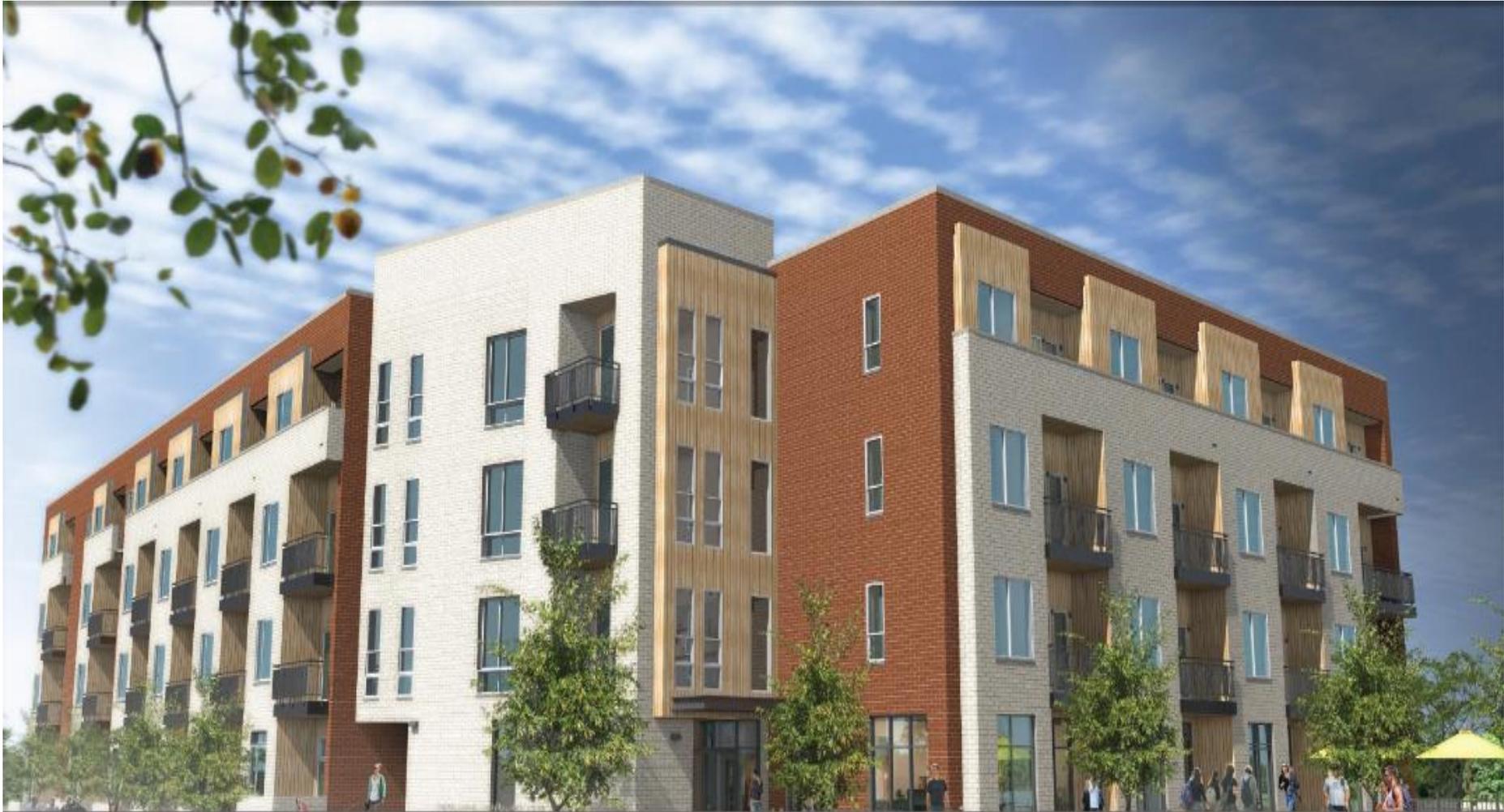
business finance



# how chfa serves colorado's housing continuum



# lihtc allocation process

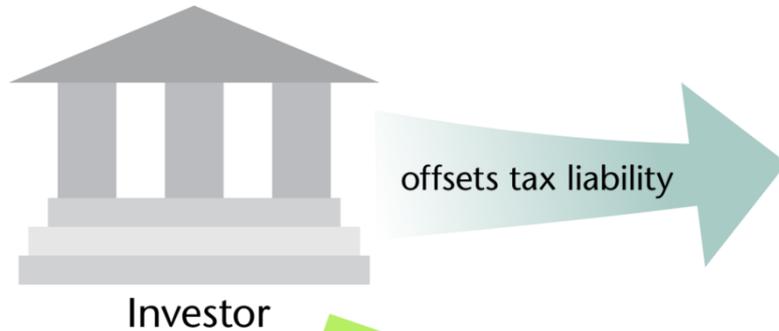


Affordable Homes Next to the Yale Station Light Rail in Denver

# lihtc allocation process



# lihtc allocation process



Developers of Multifamily  
Affordable Housing



# how is market rate housing financed?

*70% debt*  
*30% equity*

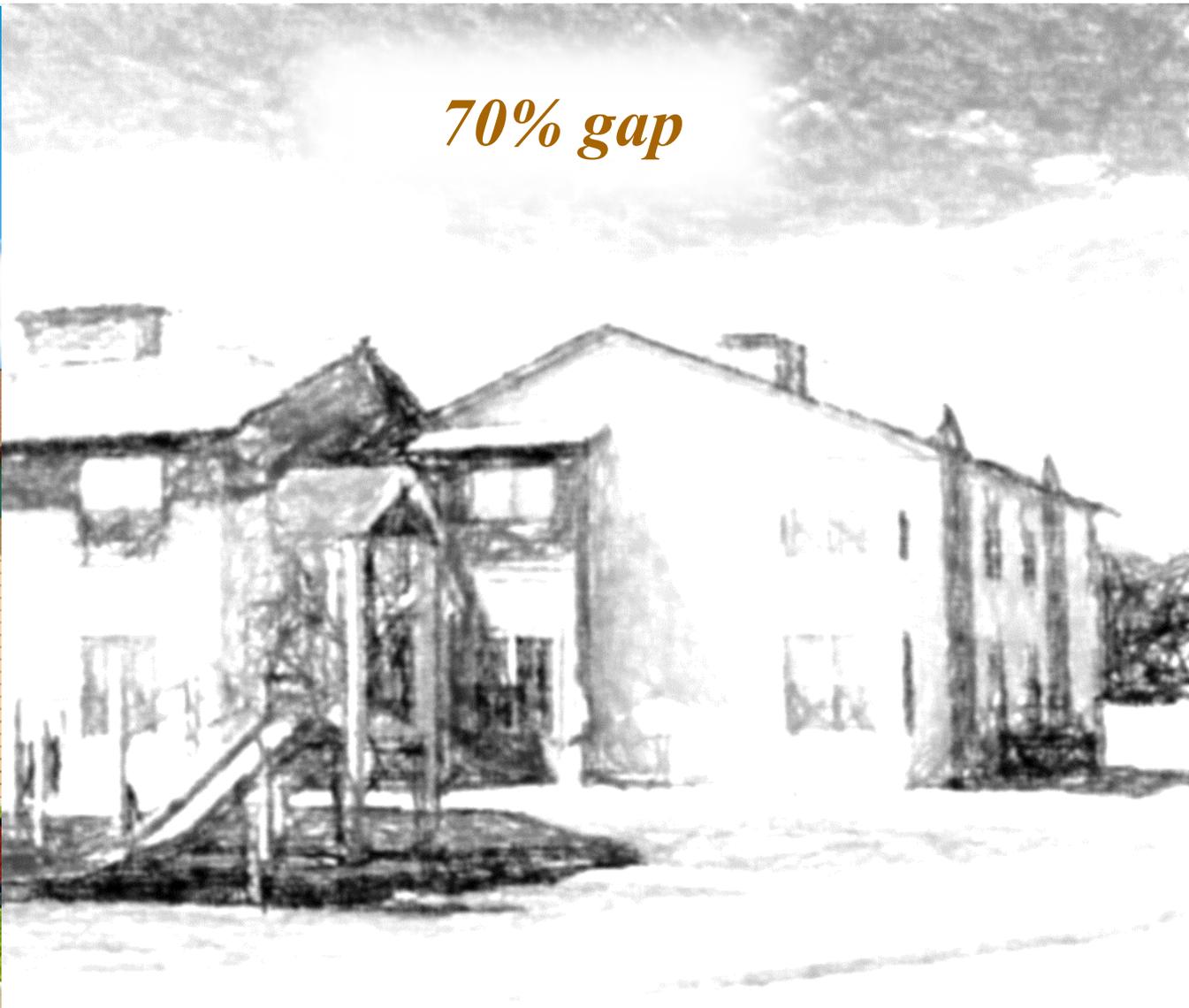


# how is affordable housing financed?

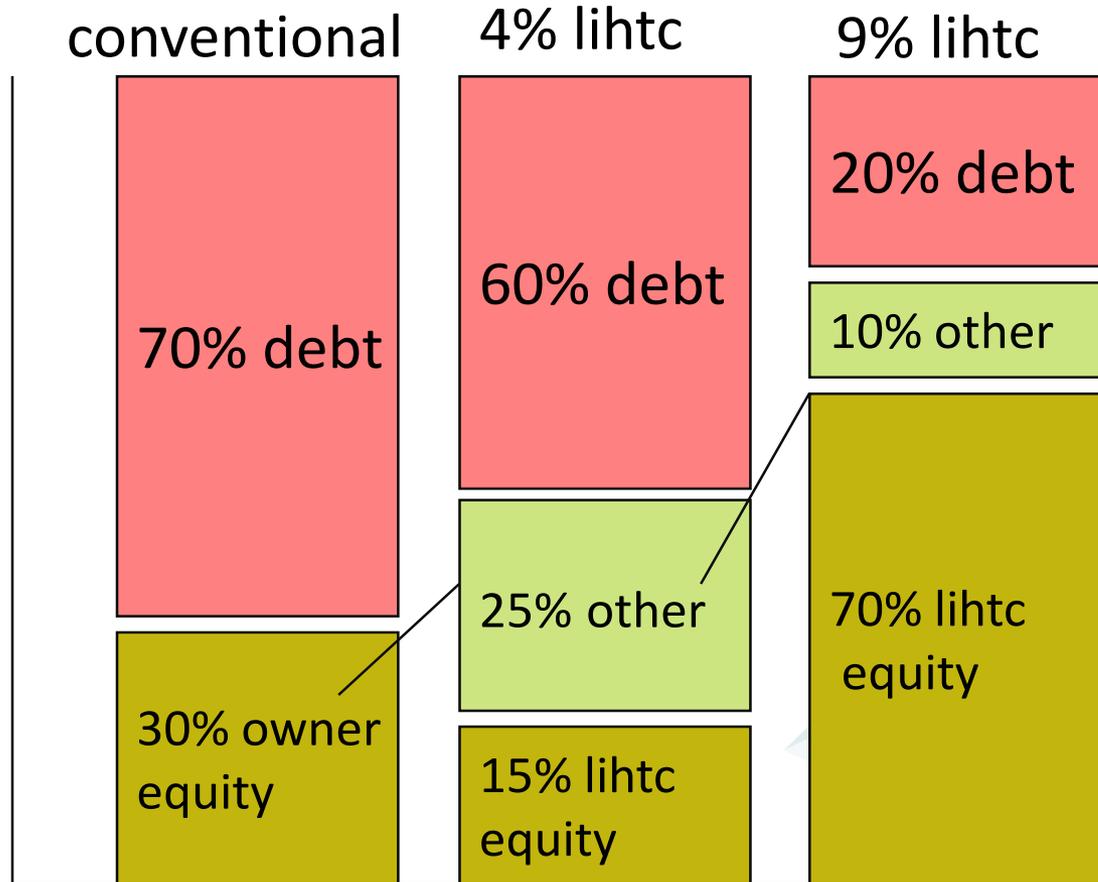
*30% debt*



*70% gap*



# conventional vs. 4% vs. 9% lihtc



# example: impact of 9% tax credits @ \$.95

<u>Total Project Costs</u>	<u>\$15,000,000</u>
<b>Tax Credit Equity</b>	<b>\$9,932,692 66%</b>
Project Debt	\$4,167,308 28%
Grants	\$500,000 3%
Deferred Developer Fee	\$400,000 3%

# 9% lihtc volume cap per state

- \$2.70 x state population for 2019
- \$15,000,000 in annual credit for Colorado
- Approx. \$140,000,000 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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