



BOB MUNROE - PARTNER



Discussion

- **Affordable housing in Colorado**
 - **A look back over 10 years:**
 - * **Population growth.**
 - * **Rent and Income history.**
 - * **Who are the people we are talking about.**
- **For Sale Housing.**
- **Rental Housing including examples.**
- **What's in the future?**
- **Questions**

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Colorado has three distinct economic environments:

1. Metro Areas: read as Front Range with cities larger than 100,000 +/- people.
2. Resort Areas: represented by Aspen, Summit County, Vail, Telluride, Durango, etc.
3. Rural Areas: read as areas with smaller towns (Montrose, Delta, Ft. Morgan, Sterling, Lamar, Trinidad) and agriculture as the primary economic engine.

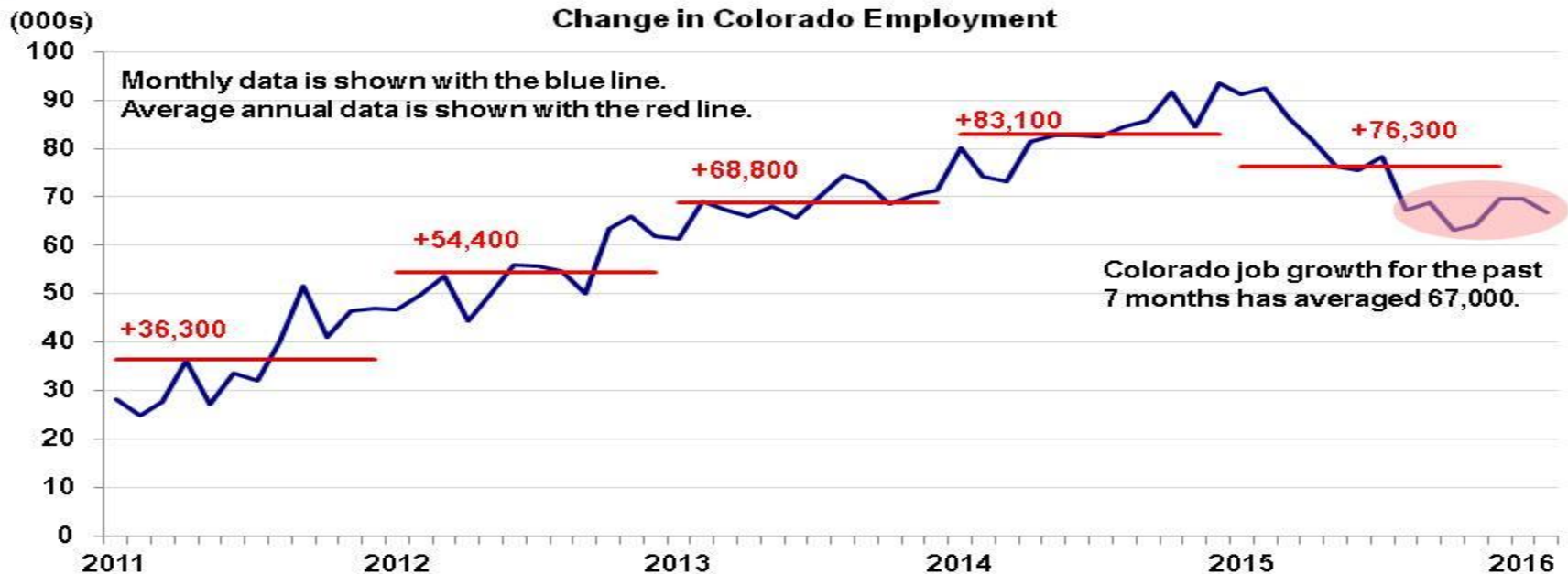
Each has its own unique and specific economic drivers, income levels, population needs, and housing needs.

Brief Historic Overview

- Population growth: 2010 2019
 - State 5,048,281 5,770,545
 - Metro Denver 2,554,816 2,932,415+
 - C/C Denver 603,354 716,492+

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Change in Colorado Employment Year-Over-Year



Source: Bureau of Labor Statistics, NSA.

Colorado-based Business and Economic Research <http://cber.co>

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- Income growth:

"Area Median Incomes Four Person Household"

<u>AMI</u>	<u>2010</u>	<u>2019</u>
100%	\$75,900	\$92,800
80%	\$60,700	\$74,240
60%	\$45,540	\$55,680
50%	\$37,950	\$46,400
40%	\$30,360	\$37,120
30%	\$22,750	\$27,840

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Significant pressures on the housing market, seniors are living longer and staying in their homes.

Federal housing policy slowed investments in public housing the 1960's and we never caught up again.

Construction costs and labor are higher today and growing.

Zoning can increase costs to develop and decrease number of units annually.

Housing on the outskirts of the city ensures transportation becomes an issue as well.

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One in four Colorado renters spends more than 50 percent of their income on housing.

A full 40 percent of Colorado's renters now spend more than a third of their income on housing.

More than 100,000 people moved to Colorado in 2015 while builders added only 25,000 homes to the housing stock (2015 census).

Colorado cost-burdened households, earning less than \$50,000 annually, account for \$2 billion less spending each year on consumer goods.

Today, Colorado ranks as the 11th most expensive state for housing

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National Low-Income Housing Coalition Affordable Housing Data – Colorado

157,858 units or 21%

Renter households that are extremely low income

\$25,540

Maximum income for 4-person extremely low-income household (state level)

-114,071

Shortage of rental homes affordable and available for extremely low-income renters

\$49,780

Annual household income needed to afford a two-bedroom rental home at HUD's Fair Market Rent.

76%

Percent of extremely low-income renter households with severe cost burden

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Within the Denver Metro Area, who are the people and what are their incomes? 2019 Data

Wages/Salaries		AMI - Fam. 4 - Den.	Job Titles
Annual	Hourly	% Range	
\$103k - \$72k	\$49.52 - \$34.62	80% - 110%	Managers; Nurses/PAs; IT staff; software developers; sales; school administrators; police administrators; construction management.
\$72k-\$58k	\$34.62- \$27.88	60% - 80%	Managers; school teachers; Nurses; sales; truck drivers; IT staff; secretaries; construction supervisors.
\$48k-\$58k	\$27.88 - \$23.08	50% - 60%	Primary school teachers; managers; medical/dental assistants; sales; secretaries; office admin; IT clerical; construction labor.
\$40k - \$48k	\$23.08 - \$19.23	45% - 50%	Primary school teachers; managers; medical/dental assistants; sales; secretaries; office admin; IT clerical; construction labor.
\$32k - \$40k	\$19.23 - \$15.38	35% - 45%	School assistants; customer service staff; phone center staff; medical office assistants; custodians; retail sales clerks; common labor.
\$26k - \$32k	\$15.38 - \$12.5	30% - 35%	Nursing aides; cashiers; cooks; wait staff; janitors; housekeeping staff; child care staff; custodians; common labor.
\$23,088	\$11.10	25%	Colorado Minimum Wage (\$8.08 with tips)

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For Sale Housing

Issues

	<u>2010</u>	<u>2019</u>
Median Family Income:	\$66,174	\$76,643
Population Increase		
Interest Rate Markets		
Cost of Construction		
Resulting Cost of Land		

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For Sale Housing

	<u>2010</u>	<u>2019</u>
Median Home Price:	@\$215,000	@\$440,000
Down Payment = 10%:	\$21,500	\$44,000
Am/Term:	30 yr.	30 yr.
Interest Rate:	4.7%	3.66%
Monthly Payment – PITI:	\$1,271	\$2,362
Annual Income – 35%:	\$35,566	\$80,983
AMI:	58%	87%

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For Sale Housing

Resources

CHFA Lending Programs - \$65,202 Median Income Served

Down Payment Assistance Programs

Land Trust Organizations

Legislation Change for Latent Defects

Local Jurisdictions Changing Priorities

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Rental Housing

Issues

	<u>2010</u>	<u>2019</u>
60% AMI Family of 4 Income:	\$45,540	\$55,680
Percentage Change:		22.3%
Average 2 bdrm Rent:	\$1,110	\$1,866
Percentage Change:		68.1%

Denver Rent Burdened: @ 50% or at least 280,000 households

Overall Rent Growth since 2010: @ 48%

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Three Primary Resource Allocators for Affordable Rental Production:

- **Colorado Housing & Finance Authority**
 - **Low Income Housing Tax Credit, both Federal and State, Private Activity Bond (PAB) cap.**
- **Department of Local Affairs, Division of Housing**
 - **State level HOME, CDBG, NHTF, PAB cap, other**
- **Local recipient jurisdictions – County and City**
 - **HOME, CDBG, PAB cap, other**

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- **Colorado Housing & Finance Authority**
 - **Low Income Housing Tax Credit – Federal: Allocation Authority of \$15.0 million in Annual LIHTC.**
 - **State Housing Tax Credit: Allocation Authority of \$10.0 million in Annual STC.**
 - **Private Activity Bond (PAB) cap: 2019 Authority of \$289,017,110.**

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- **Department of Local Affairs, Division of Housing**
 - **Federal HOME, CDBG, etc.: \$13.5 million**
 - **State Resources – current: \$24.5 million**
 - **PAB – Statewide Balance: \$16.9 million
(see handout)**

CHFA receives Capital Magnet Grant from Department of Treasury Community Development Financial Institution (CDFI) Fund of \$7.1 million.

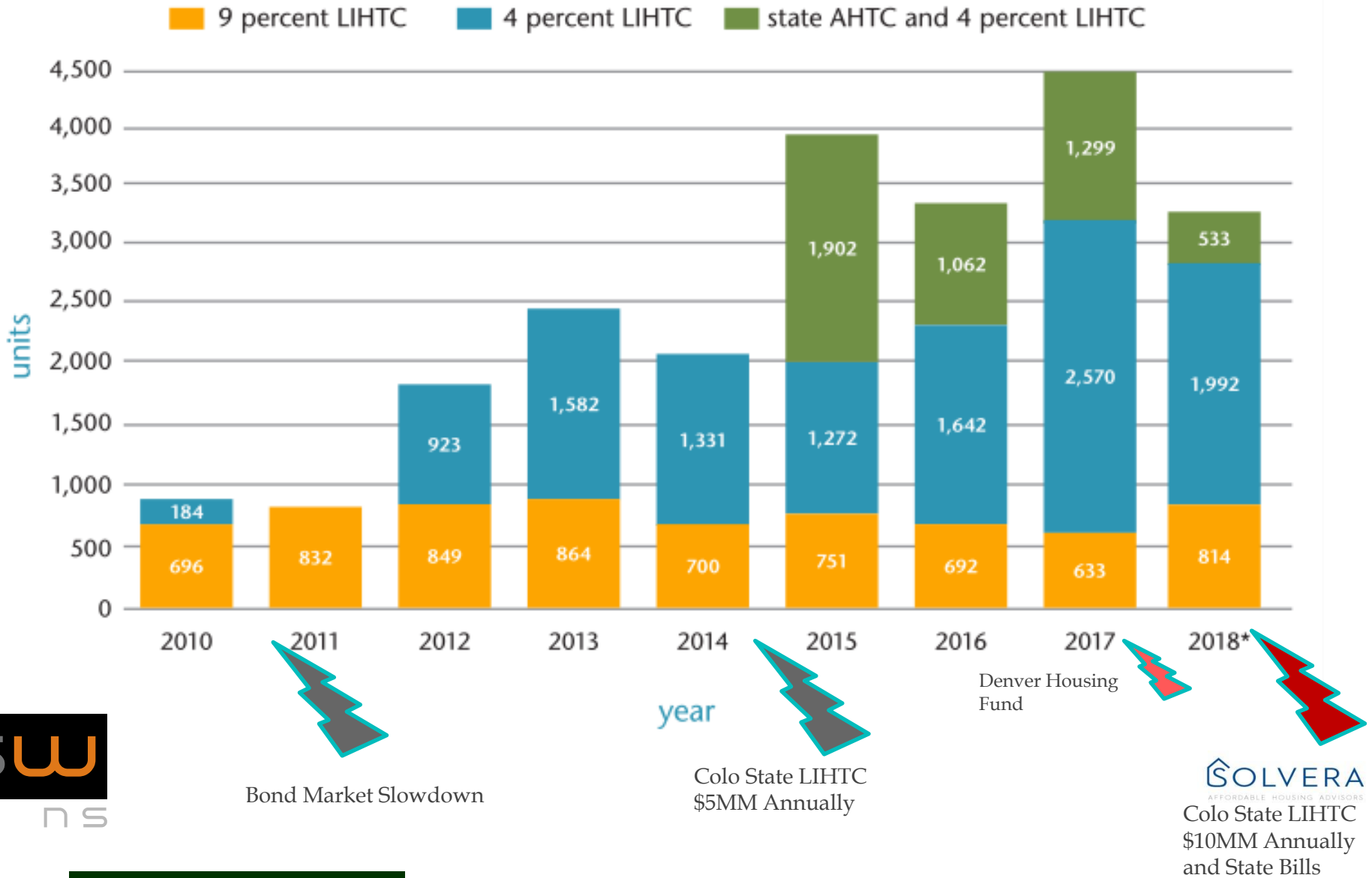
Although specific terms and conditions are not yet public, CHFA will use the award to establish a statewide housing fund that will provide low-interest financing for developers building or preserving affordable rental housing.

City of Denver Housing Fund of \$15.7 million per year for 10 years.

In Fall 2016, the Denver City Council approved the first-ever dedicated fund for affordable housing in Denver. Through a balance of property tax revenue and a one-time fee on new development, the fund is estimated to raise \$150 million over the next 10 years to create or preserve 6,000 affordable homes for low- to moderate-income families.

As of April 16, 2018, Denver Mayor Michael Hancock has proposed doubling this fund to \$30.0 million per year and partnering with Denver Housing Authority in creating a bond fund of \$105 million in support of affordable housing in Denver.

State of Colorado LIHTC Units Produced 2010 - 2018



Background

- Part of 1986 Tax Reform Act to encourage the construction and rehabilitation of low-income rental housing.
- Administered by the Treasury Department under Section 42 of the IRS Tax Code and allocated by State Agencies through State Qualified Allocation Plan (QAP).
- Emphasis on Private Sector involvement (i.e. developing and managing Properties).
- Objective: Provide Investor Equity to Lower Debt Service, thereby allowing lower rents.
- Credit is a Dollar-for-Dollar Federal Tax Reduction.

How does LIHTC work?

- | <u>9% (70%) LIHTC</u> | <u>% TDC</u> |
|---------------------------|--------------|
| □ Highest level of equity | 65% - 70% |
| □ Hard Debt | 15% - 20% |
| □ Other funds | 20% - 10% |
| □ Very competitive | |
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- | | |
|--|-----------|
| • <u>4% (30%) LIHTC</u> | |
| □ Lower level of equity than 9% | 30% - 35% |
| □ Hard Debt | 50% - 55% |
| □ Other funds | 20% - 10% |
| □ Requires use of tax exempt
Private Activity Bonds (PAB) | |
| □ NOW Very competitive | |

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9% LIHTC Example – 36 total units

Sources of Funds

Perm Loan	\$1,500,000	
CDOH	\$360,000	
City Funds	\$0	
Capital Magnet Funds	\$0	
Cash Flow During Rehab	\$0	
Existing Reserves	\$0	
Deferred Developer Fee	\$270,000	
Tax Credit Equity	\$9,037,932	\$ 951,361
Total Sources of Funds	\$11,167,932	

Uses of Funds

Land	\$1,019,500
Existing Structures	\$0
Site Work	\$131,400
Construction/Rehab	\$6,490,906
Professional Fees	\$589,500
Construction Interim Costs	\$495,104
Permanent Financing	\$94,500
Soft Costs	\$520,022
Syndication Costs	\$47,000
Developer Fees	\$1,258,000
Project Reserves	\$522,000
Total Uses of Funds	\$11,167,932

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9% LIHTC Example – 36 total units



Colorado Bar Association – 2019

4% LIHTC PAB Example – 253 total units

Sources of Funds

Perm Loan	\$8,000,000	
Seller Carryback Note	\$34,511,415	
Owner Equity (AL rehab)	\$1,550,000	
Energy Outreach CO	\$1,170,060	
Cash Flow During Rehab	\$0	
Existing Reserves	\$1,000,000	
Deferred Developer Fee	\$2,700,000	
Tax Credit Equity	\$24,701,853	\$ 2,573,110
Total Sources of Funds	\$73,633,328	

Uses of Funds

Land	\$0
Existing Structures	\$37,350,000
Site Work	\$0
Construction/Rehab	\$22,703,627
Professional Fees	\$1,015,000
Construction Interim Costs	\$2,115,949
Permanent Financing	\$910,000
Soft Costs	\$614,752
Syndication Costs	\$90,000
Developer Fees	\$7,749,000
Project Reserves	\$1,085,000
Total Uses of Funds	\$73,633,328

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4% LIHTC PAB Example – 253 total units



Colorado Bar Association – 2019

4% LIHTC PAB STC Example – 49 total units

Sources of Funds

Perm Loan	\$3,000,000	
Seller Carryback Note	\$1,700,000	
City Funding	\$735,000	
Seller Funding	\$580,000	
Federal Historic Tax Credits	\$2,868,797	
State Historic Tax Credits	\$616,000	
Deferred Developer Fee	\$852,000	
Federal Housing Tax Credit	\$4,944,856	\$ 520,511
State Housing Tax Credit	\$1,527,541	\$ 391,677
Total Sources of Funds	\$16,824,194	

Uses of Funds

Land	\$0
Existing Structures	\$1,700,000
Site Work	\$0
Construction/Rehab	\$10,190,602
Professional Fees	\$688,377
Construction Interim Costs	\$1,194,500
Permanent Financing	\$258,500
Soft Costs	\$373,715
Syndication Costs	\$105,000
Developer Fees	\$2,085,000
Project Reserves	\$228,500
Total Uses of Funds	\$16,824,194

Colorado Bar Association - 2019

4% LIHTC PAB STC Example – 49 total units



Colorado Bar Association - 2019

4% LIHTC PAB STC Example – 49 total units



Colorado Bar Association – 2019

4% LIHTC PAB STC Example – 49 total units



Colorado Bar Association – 2019

4% LIHTC PAB STC Example – 49 total units



What's In The Future

Colorado Legislation:

- HB 19-1228
- HB 19-1245
- HB 19-1322

Federal Legislation:

- S. 1703

HB-1228: State Housing Tax Credit

Colorado's State Housing Tax Credit (STC) was initially approved in 2001, but was not renewed. In 2014, the STC was re-instated and renewed again in 2016 to expire in 2019.

In 2017, HB-1228 was passed by the Senate and House, and signed into law. The bill extends the STC to 2024 and authorizes an increase in allocation of \$5 million (total of \$10 million) in STC annually beginning in 2020.

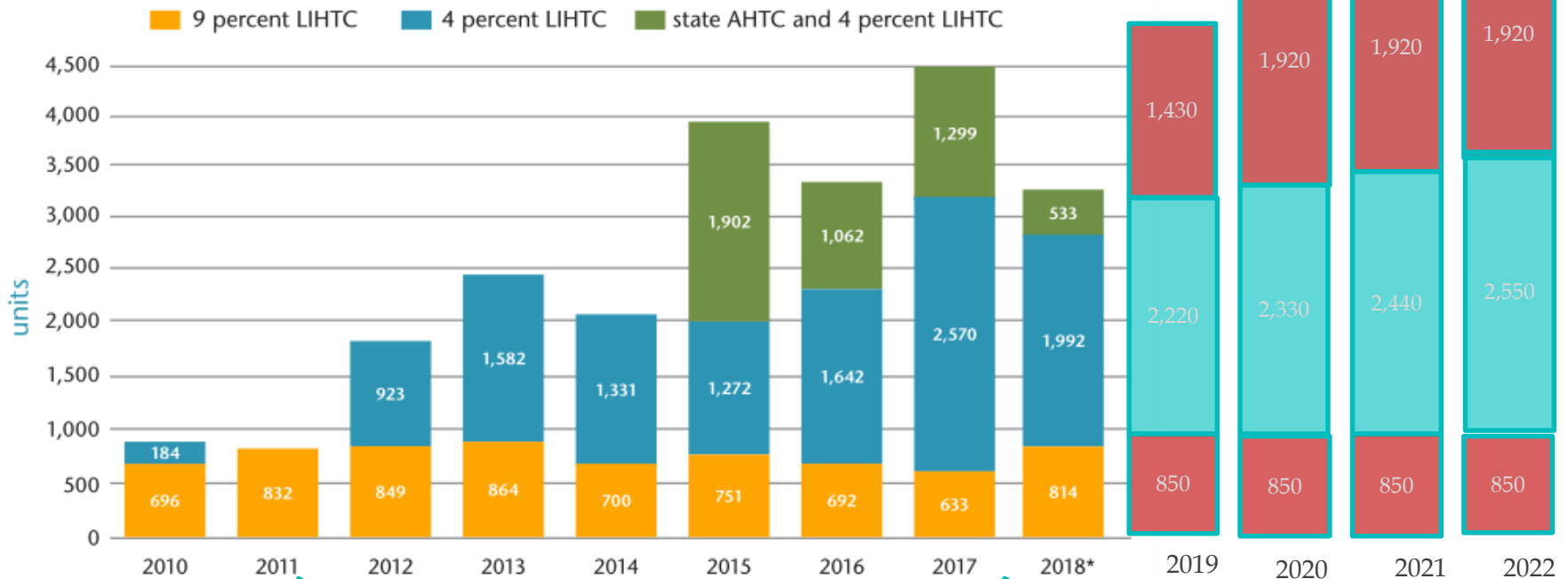
HB-1245: Affordable Housing Funding from Vendor Fee Changes

Beginning January 1, 2020, the act increases the vendor fee, which is an amount that a retailer is permitted to retain for its expenses incurred in collecting and remitting the state sales tax, from 3% to 4%, subject to a \$1,000 monthly cap. This limit applies regardless of the number of the retailer's locations, and a vendor with multiple locations is required to register all locations under one account with the department of revenue. The bill is currently estimated to provide \$50 million per year for the State's Housing Development Grant Fund.

HB-1322: Expand Supply of Affordable Housing

Transfer of money from unclaimed property trust fund to housing development grant fund - expansion of permitted uses of money in housing development grant fund. Assuming certain conditions are satisfied affecting the state's fiscal situation, the act requires the state treasurer to transfer \$30 million commencing with the 2020-21 state fiscal year and through and including the 2022-23 state fiscal year from the unclaimed property trust fund to the Division of Housing - Housing Development Grant Fund to finance the uses described in the statute.

State of Colorado LIHTC Units Produced 2010 – 2018



Bond Market Slowdown

Denver Housing Fund
 Colo State LIHTC
 \$5MM Annually

Colo State LIHTC
 \$10MM Annually
 and State bills

S-1703: Affordable Housing Credit Improvement Act

A **50 percent increase** in per-capita and small state minimum 9% LIHTC allocations, phased in over five years and assumes the temporary 12.5 percent allocation increase from the fiscal year 2018 omnibus appropriations law is made permanent (section 101 of S. 1703);

A permanent **minimum 4 percent rate** for LIHTCs used to finance the acquisition of property or generated by tax-exempt private activity bonds; **Provide a 30 percent basis boost for rural areas;**

Expand tax-exempt multifamily bond recycling by allowing states to recycle multifamily bond proceeds to finance homeownership, another eligible private activity bond activity, thereby allowing more “new” bond cap to be devoted to multifamily production eligible for 4 percent LIHTC (section 601).

S-1703: Affordable Housing Credit Improvement Act (cont.)

Codify recent Internal Revenue Service (IRS) guidance to clarify general public use rule for tax-exempt multifamily bond-financed properties by adding specific language in LIHTC and private activity bond statutes to allow bond-financed housing for specific groups, such as veterans (section 207),

Streamline the average income test for bond-financed LIHTC development;

Clarify protections for domestic violence victims in LIHTC properties; and

Establish a development cost selection criterion in qualified allocation plans.

QUESTIONS