

Rural Preservation Academy

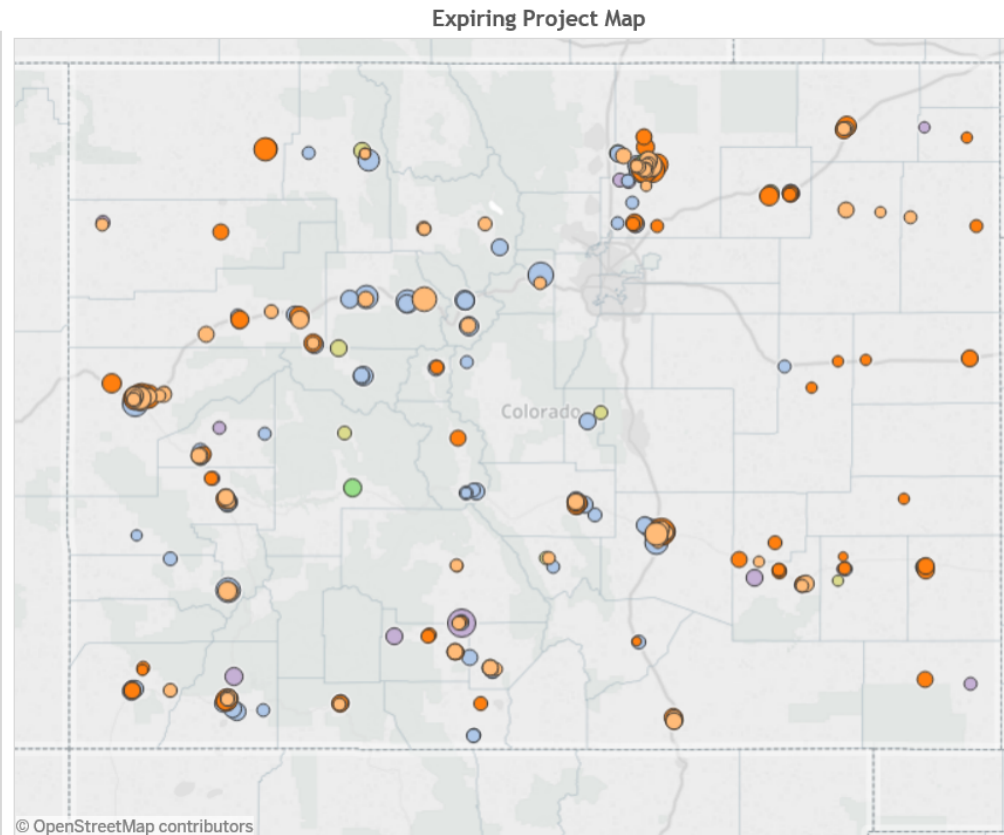
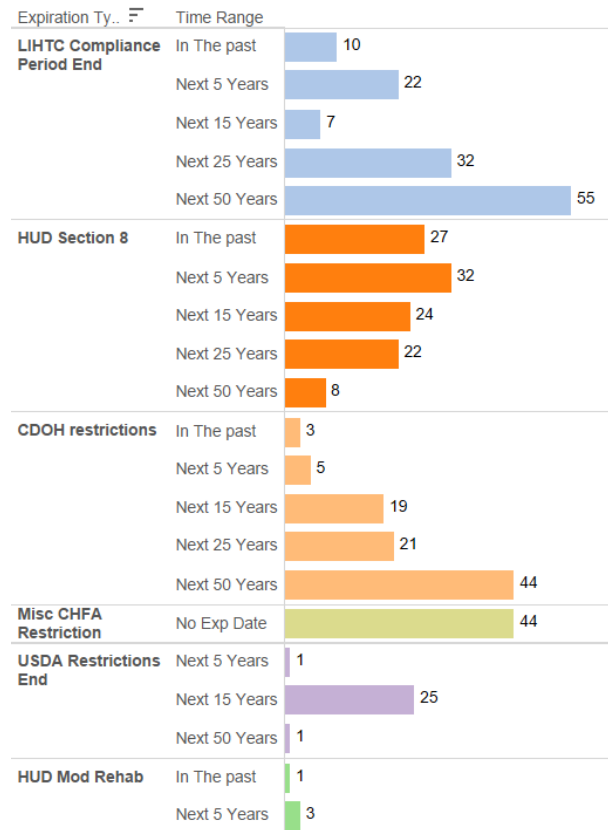
June 3, 2020

Meghen Brown
Tax Credit Officer
Colorado Housing and Finance Authority



*financing the places where
people live and work*

Where are these properties located?



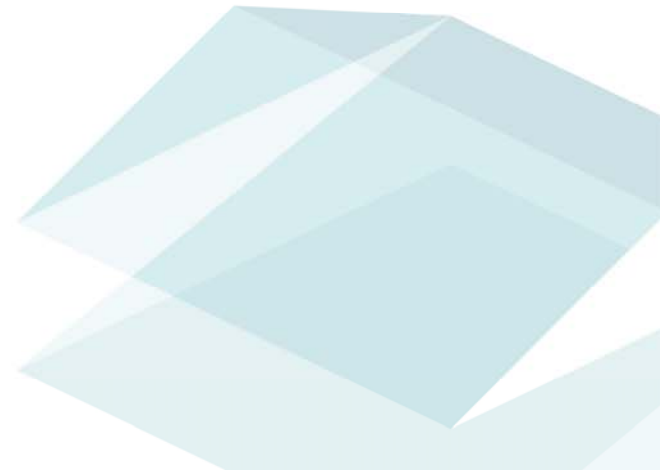
What are my options to preserve rural rental housing?

- Renew USDA or HUD contracts
 - Rental assistance
 - Low-cost debt
- Attract additional soft funds
- Finance rehabilitation with Low Income Housing Tax Credit (LIHTC)
 - Stand-alone project for 50+ units
 - Scattered-site project to bundle several smaller properties



What are the primary benefits of a scattered-site project?

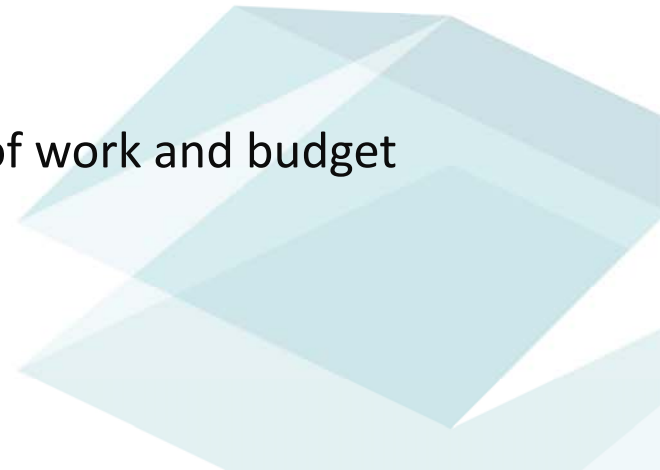
- May use LIHTC equity to cross-subsidize the rehab across several projects.
 - Some units may attract more credit (i.e. in a QCT or DDA)
 - Other units may need more rehab



When can I apply?

General considerations

- If previously financed with LIHTC, after year 15, but projects at risk of converting to market-rate will be more competitive
 - Previous LURA still enforced
- If not financed with LIHTC, anytime
- If existing affordability is still intact...
 - Make the case for why this is needed now
 - Refer to PCA and cost estimate to identify scope of work and budget



When can I apply?

- 4% non-competitive application- year round
 - Need to bring bond cap from local jurisdiction or DOLA

- 4%/ State Credit- August 1, 2021 (LOI due June 1, 2021)
 - Need some form of local support – one source will suffice for a scattered-site project
 - Must conduct public hearing(s) in each community

- 9%- February 1, 2021 (LOI due December 1, 2020)



What are the challenges?

- One application fee per location. CHFA will do a roll-up master application.
- Each project location would need its own due diligence
 - PCA and Cost Estimate
 - Appraisal and Market Study
 - Green Communities
 - Phase One Environmental report
 - Exception: multiple sites in the same county be aggregated into one market study



How are these projects underwritten?

Physical Considerations

- Capital Budget
 - PCA and Cost Estimate
 - Typical \$30K-\$70K/ unit hard costs
 - Relocation Plan and Budget if needed

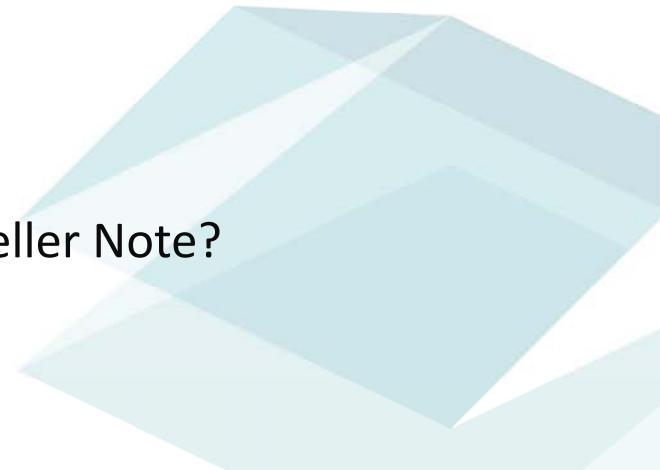
- Operating Expenses (current vs. proposed)
 - Rent roll
 - Audited financials
 - Minimum PUPA \$3,900, average \$5,100



How are these projects underwritten?

Financial Considerations

- Appraisal
 - Use “as is” existing (subsidized) rents
 - Differentiate between land and existing building
- Rental Assistance
 - Increase/ decrease?
 - Market based or budget based?
- Existing Indebtedness
 - What is being paid off?
 - Any Owner Equity that can be contributed as a Seller Note?
- Developer Fee
 - Typically a portion is deferred as a source



How do I get started with a CHFA application?

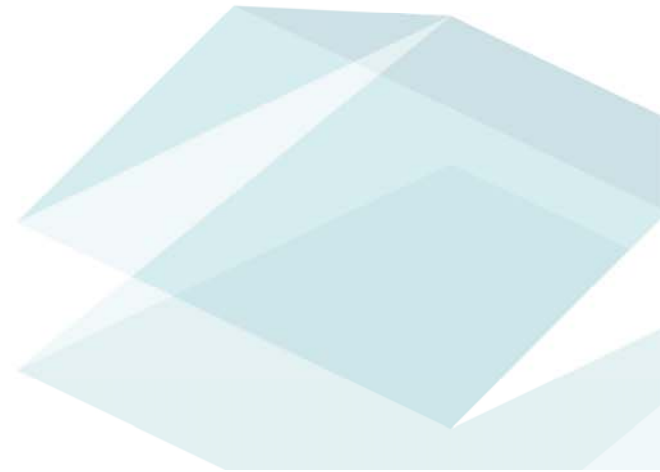
due diligence

- Cost Estimate- must provide the PCA in ASTM E2018 format in addition to the RD format (do not send RD format to CHFA). Preparer needs relevant experience if new to CHFA.
- Watch Construction Services webinar for level of documentation required
<https://www.chfainfo.com/arh/lihtc/Pages/application-chfa-cost-summary.aspx>
- Green Communities- may request a waiver for EV-ready parking spaces. Must provide documentation to support request.
- Market Study- will not require a demand analysis if 100% rental assistance.
 - For more details see Appendix A of the QAP
 - Kim Dillinger (kdillinger@chfainfo.com), appraiser and market analyst



Lessons Learned

- Hire a consultant
- Read the QAP
- Reach out to Tax Credit team for a concept meeting



questions?



Meghen Brown
Tax Credit Officer
Colorado Housing and Finance Authority
mbrown@chfainfo.com
303.297.7433



*financing the places where
people live and work*