challenges and opportunities facing homeownership in Colorado
presenters

- Paige Omohundro
  - Home Finance Business Development Manager
  - Colorado Housing and Finance Authority

- Joe DelZotto
  - President
  - Delwest Development Corp.

- Jane Harrington
  - Executive Director
  - Colorado Community Land Trust
topics to explore

- Why is homeownership important for our communities?
- What challenges and opportunities exist?
- How can single family development may be accomplished?
- How and why the land trust model works as one solution to solving the affordability gap?
why is homeownership important?

- Boosts household wealth through equity and appreciation
- Provides tax advantages
- Good for the overall economy
- Provides emotional, economic, and physical stability
- Improves health and social outcomes while reducing crime
what are the challenges?

- Lack of affordable housing inventory
- Rising home prices
- Interest rate uncertainty
- Tightening, lack of or understanding of credit
- Limited savings for down payment
what are the opportunities?

- Despite the challenges, Coloradans are getting housed
- CHFA hit our goal, serving 8,322 homeowners
- Over 13,000 households attended a CHFA-homebuyer education course
- CHFA invested $94.1 million in down payment assistance (seconds and grants)
- CHFA’s single family first mortgage servicing portfolio sits at 31,310 first lien loans (total balance of $6.6 billion)
current stats

- CHFA is well on its way to hitting its 2019 goal
- CHFA First Mortgage Loans = $1.55 billion
  - Up 50% over this same time last year
- Median loan amount = $276,892
  - up $25K over 2018
- Median credit score = 679
- Median income = $70,000
- Median AMI = 98%
- First-time homebuyers = 89%
## chfa customer profiles

<table>
<thead>
<tr>
<th>Generation X Adults with Children</th>
<th>Millennial Adults with Children</th>
<th>Millennial One-person</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Median Household: 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Median Income: $71,090</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 48% in Denver Metro</td>
<td>• 24% of production</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 1,981 mortgages</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 41% Hispanic borrowers</td>
<td>• 38% purchase attached housing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 51% in Denver Metro</td>
</tr>
</tbody>
</table>
what financing tools are available?

- Purchase and refinance loan options
  - Offer 30-year fixed interest rate loans through our network of approved lenders
  - Conventional, FHA, VA, and USDA-RD loan options
- Downpayment assistance available
  - Grant = 3% of first mortgage loan amount
  - Silent second = 4% of first mortgage loan amount
- Offer free in-person homebuyer education statewide
what financing tools are available?

- Minimum credit score of 620 on most programs
- Minimum borrower contribution of $1,000
- Income limits as high as $120,100
- Maximum loan limit of $484,350
- Most property types acceptable
single family development

- How can single family development may be accomplished?
- Challenges
- Partnerships
- Success story?
THE CHALLENGES OF AFFORDABLE HOME DEVELOPMENT
LACK OF INCENTIVE

Affordable Rentals
- Section 42 tax code
- LIHTC
  - 20 @ 50% AMI
  - 40% @ 60% AMI
- Development Fee Incentive

Affordable Single Family?
- No Federal Programs Available
- IHO - Locally / Land Trusts
INCOME TAX

Corporation

Public Home Builder
Tax Rate: 21%

Assume $2 million Profit:

21% = $420,000

LLC

Private Builder - LLC
Tax Rate: 43%

43% = $860,000
2011 | 2017

13 out of top 21 Builders were Private | 7 out of top 21 Builders were Private

50% Less Private Home Builders
2 Profits Push Costs Up

Developer Profit  Builder Profit
**PROPERTY TAX**

- Home Price $399,000

Assessed Value = Appraised Value ($399,000) $x Assessment Rate (7.2%) = 28,800

<table>
<thead>
<tr>
<th>County</th>
<th>Assessed Value</th>
<th>Mill Levy</th>
<th>Property Tax</th>
<th>Property Tax Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams Unincorporated (Clear Lake)</td>
<td>$28,800</td>
<td>123.832</td>
<td>$3,566.00</td>
<td>$297.00</td>
</tr>
<tr>
<td>Denver</td>
<td>$28,800</td>
<td>77.365</td>
<td>$2,228.00</td>
<td>$186.00</td>
</tr>
<tr>
<td>Stapleton</td>
<td>$28,800</td>
<td>139.382</td>
<td>$4,014.00</td>
<td>$335.00</td>
</tr>
<tr>
<td>Commerce City (Reunion)</td>
<td>$28,800</td>
<td>193.454</td>
<td>$5,558.00</td>
<td>$463.00</td>
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</tbody>
</table>
For Sale

- Finance – Still Difficult
- Low Loan To Value
- Interest Rates Prime + 1, 2, 3?
- Personal Guarantee
- Limited Number of Spec Homes
- Taxed at Ordinary Income
- Presale Requirements
- Start / Stop Construction
- Option & Upgrades = Profit Center
- High Litigation Risks (especially in condos)

Rentals

- No Pre Sale Requirements
- Build All At Once
- Leasing is easier than selling
- Long term interest rate favorable
- Depreciation of 27 years
- Low Litigation Risks
Originally Planned to Build 72 Lots

- Adams County comes in 9 months later
- Removes 16 Lots
- Requests a 54” cement drain pipe

If this was affordable would Adams County pick this location for urban drainage?

Adds $7,100 per house
54” Cement Drainage Pipe = $185k

Adds $3,300 Per House
EVERYONE PAYS MORE!
<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>“Potential”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land (Market Value)</td>
<td>$ 25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Land Trust?</td>
</tr>
<tr>
<td>Pre Development</td>
<td>$ 4,200</td>
<td></td>
</tr>
<tr>
<td>Land Development</td>
<td>$ 44,050</td>
<td></td>
</tr>
<tr>
<td>Hard Cost</td>
<td>$214,000</td>
<td>$ 20,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10% Discount</td>
</tr>
<tr>
<td>Tap Fees</td>
<td>$ 20,000</td>
<td></td>
</tr>
<tr>
<td>Permits</td>
<td>$ 5,000</td>
<td></td>
</tr>
<tr>
<td>Warranty</td>
<td>$ 1,500</td>
<td></td>
</tr>
<tr>
<td>Indirect</td>
<td>$ 7,500</td>
<td>$ 3,750</td>
</tr>
<tr>
<td>Financing</td>
<td>$ 6,000</td>
<td>$ 2,000</td>
</tr>
<tr>
<td>Builder Risk + General Liability</td>
<td>$ 2,000</td>
<td></td>
</tr>
<tr>
<td>G &amp; A</td>
<td>$ 6,000</td>
<td>$ 1,000</td>
</tr>
<tr>
<td>Marketing</td>
<td>$ 1,500</td>
<td>$ 1,000</td>
</tr>
<tr>
<td>Commission + Closing Costs</td>
<td>$21,000</td>
<td>$ 21,000</td>
</tr>
<tr>
<td>Builder Profit</td>
<td>$ 35,000</td>
<td>$ 20,000</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>$392,750</td>
<td>$ 93,750</td>
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</table>

Just an Idea...

The Goodbary
1,679 Sq. Ft.
4 bed | 3 bath

Potential = $299,000
Thank you
one solution: land trusts

- Who is CCLT?
- What is a land trust?
- Stewardship
- Creating homeowners and preserving home affordability
- Appreciation model
Jane Harrington
Executive Director
Colorado Community Land Trust
1245 E. Colfax, #206
Denver, Co 80218
(303) 856-7357
What is Colorado Community Land Trust?

CCLT is a 501 (c) (3) corporation that provides home ownership
CCLT owns the land under the home
CCLT leases the land to the home owner
Home owner has a 99-year leasehold to the land and a deed to the home
The land lease contains certain requirements regarding
• control over who can make a mortgage to a home buyer and what types of mortgages a home buyer can use
• Owner occupancy, no renting of the home
• Resale price determined by appraisal based formula so that home remains affordable to target market over time
At present there are 200 homes in the Program, with 14 more under construction in 2018 to be sold in early 2020.

Began selling homes in 2004. In that time, 62 homes have been resold and they have been resold more than once for a total of 117 resales.

As compared to a traditional deed restriction or covenant affordable program, CLT’s perform Stewardship of the land and the home.
What is Stewardship?

Stewardship is a set of practices designed to help households maximize allowed home appreciation, while protecting the program and its community investment. The CCLT works with buyers before and after they buy their homes to ensure that buyers are well-prepared for homeownership, financially responsible, and can maintain the property. Public investment is protected through monitoring the physical asset and enforcing program requirements over time.

- Through sound development practices and Stewardship, no homeowner has lost their home to foreclosure.
- Home buyer classes and counseling is required
- CCLT works with home owners who experience financial difficulties toward
  - Loan modifications
  - Outright purchase of the home by CCLT in event there is no options for preserving home ownership
- Working with Home Owner Associations on issues such as
  - Budgeting
  - Fair and consistent HOA dues collections
  - Property management agent selection
What Types of Mortgages can Home Buyers Qualify for?

CCLT developed a “lending infrastructure” prior to any homes being developed

• FHA approval of the land lease and the Program under applicable mortgagee letters
• Fannie Mae approval
  o Desk top underwriting
  o Specific appraisal requirements for CLT leasehold loan to value determination.
• CHFA approval of program and adoption of Fannie Mae appraisal requirements
What Incomes are Served?

The majority of homes are sold to households at or below 80% Area Median Income (AMI) but a few can be sold to households up to 100% AMI.

At this point, average income served at time of purchase is 67% AMI ($30,000- $55,000, depending on family size).

Average age of buyer is 39 years.

Average household size is 2.
<table>
<thead>
<tr>
<th>Buy Date</th>
<th>Home Sale Price</th>
<th>Buyer Cash To Buy</th>
<th>Mortgage</th>
<th>Seller Cash Back</th>
<th>Mortgage Pay Down</th>
<th>Allowed Appreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/26/2005</td>
<td>$275,000.00</td>
<td>$144,700.00</td>
<td>$115,760.00</td>
<td></td>
<td></td>
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<tr>
<td>3/9/2018</td>
<td>$429,000.00</td>
<td>$183,666.00</td>
<td>$17,120.00</td>
<td>$21,560.00*</td>
<td></td>
<td>$26,950.00</td>
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<tr>
<td>10/29/2009</td>
<td>$300,000.00</td>
<td>$158,300.00</td>
<td>$155,432.00</td>
<td></td>
<td></td>
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<tr>
<td>12/27/2017</td>
<td>$410,000.00</td>
<td>$189,978.00</td>
<td>$18,267.00</td>
<td>$19,250.00</td>
<td></td>
<td>$15,400.00*</td>
</tr>
</tbody>
</table>

*Resale formula adjusted in 2015 for future buyers
Thank You

www.coloradocclt.org
thank you

- Questions?