A Brief History of Federal Housing Legislation
(and a bit of State and Local)

Housing NOW! Conference
Keystone, Colorado
October 9, 2019
National Housing Act of 1934
Federal Housing Administration created

The Beginning
U.S. Housing Act of 1937

Created the US Housing Authority for building low-rent public housing by local housing authorities
Agricultural Adjustment Acts of 1933 and 1938

Created the Farmers Home Administration to insure loans made by private lenders in rural areas
Amendment to the National Housing Act in 1938

Created the Federal National Mortgage Association

“Fannie Mae”

Then Came...
Housing Act of 1949
Created the Urban Redevelopment Administration and first introduced the term “urban renewal”.

Followed By...
GI Bill - 1944
Created the Veterans Administration Home Loan Guaranty Program

Followed By...
Housing Act of 1949
Created the Rural Development
Section 538 Multifamily Loan Guaranty Program

And also,
Housing Act of 1949
Created the Rural Development Section 515 Multifamily Direct Loan Program
And
Housing Act of 1949
Created the Rural Development Section 514 and 516 Farm Worker Housing Grant and Loan Programs

And
Housing Act of 1949
Created the Rural Development
Section 521 Rental Assistance
Program for Rural Rental and
Farm Worker Housing

Followed by...
Housing Act of 1954
Modified urban renewal by requiring communities to adopt code enforcement, relocation, and other measures.
And Then Came...

Housing and Urban Development Act of 1965

Created HUD as a Cabinet Level Agency
Housing and Urban Development Act of 1968

Divided FNMA into a private corporation and the Government National Mortgage Association, a publicly supported entity

And Then...
Housing and Community Development Act of 1974
Amended the U.S. Housing Act of 1937 to create the Section 8 rental assistance program
Community Reinvestment Act of 1977

Created law requiring banks to take steps to make more loans in low and moderate income neighborhoods

Next came..
Tax Reform Act of 1986
Created the Low Income Housing Tax Credit Program
and the Private Activity Bond Program

Followed by...
Community Renewal Tax Relief Act of 2000

Created the New Market Tax Credit Program for economic development

And after that,
Housing and Economic Recovery Act of 2008

Created temporary fixed rate for 9% LIHTC, supplemental LIHTC funding and National Housing Trust Fund
American Recovery and Reinvestment Act of 2009
More stimulus funds for LIHTC programs and other economic development

And to really help...
Protecting Americans from Tax Hikes Act of 2015

Amended 1986 Tax Reform Act to make 9% LIHTC rate permanent
Consolidated Appropriations Act, 2018

Increase the housing credit ceiling by 12.5% for years 2018, 2019, 2020, and 2021;
Consolidated Appropriations Act, 2018

Create a permanent new minimum set-aside election known as “average income,”

And finally,
Housing and Economic Recovery Act of 2008

Housing Trust Fund

$174MM in funding announced in May 2016 – DOH
At the Colorado General Assembly
Div. Of Housing - 1970
CHFA – 1974
State LIHTC – 2001-2, 2015-16
HB 1465 – 2017-19!
At the Colorado General Assembly
2019 Session

HB19-1245 – Aff. Hsg. Fund from Vendor Fees
HB19-1288 – State Aff. Housing Credits
At the Colorado General Assembly
2019 Session

HB19-1011, 1238 & 1309 – Manufactured Housing
HB19-1319 – List of Undev. State Land
At the Colorado General Assembly
2019 Session

HB19-1009 – MJ Tax for Vouchers
HB19-1118 – Cure period
HB19-1328 – Bedbugs
And Locally
Boulder CHAP - 1991
Summit County - 2016
Denver AHF 1 & 2 - 2018
Rodger Hara
Principal
Community Builders Realty Services LLC
rodger.hara@comcast.net
720.323.0253
the power of tax credits

Steve Johnson, Director, Community Development
about chfa

- CHFA was established in 1973 by the Colorado General Assembly.
- Not a state agency. No direct appropriations.
- CHFA received authority to do commercial loans in 1982.
- To date, approximately $19 billion has been raised and invested in Colorado.
We strengthen Colorado by investing in affordable housing and community development.
Everyone in Colorado will have the opportunity for housing stability and economic prosperity.
affordable defined

- Housing that consumes no more than 30% of family income is defined as *affordable*.
  - Families paying more than 30% are considered cost burdened.

- Federal programs that support affordable housing generally target persons earning no more than 60% of the area median income.
  - $43,200 ($20.77/hour) for a 2-person household in Denver.
Colorado Housing Continuum by AMI

- **homeless shelter**: below 30% AMI
- **transitional**: below 30% AMI
- **permanent supportive (PSH)**: below 30% AMI
- **affordable rental housing**: 30% to 60% AMI
- **first time homeownership**: 50% AMI and above
- **market rental housing**: 60% to 120%* AMI
- **long term homeownership**: 50% AMI and above

Employment wages by AMI*

- **27%**: Disabled worker on Social Security only
- **31%**: Food Service Worker
- **41%**: Retired worker on Social Security only
- **50%**: Electrician: Entry Level
- **59%**: Customer Service Representative
- **67%**: Middle School Teacher: Entry Level
- **72%**: Automotive Mechanic
- **85%**: Police Officer: Entry Level
- **90%**: Registered Nurse: Entry Level
- **96%**: Firefighter
- **101%**: Architect
- **109%**: IT Support Specialist
- **121%**: Architect

*OES Data (Occupational Employment and Wage Rate) provided by the Colorado Dept of Labor and Employment. AMI data provided by HUD.
chfa’s role in affordable rental housing

- CHFA provides construction and permanent financing that supports the construction and preservation of multifamily affordable rental developments
- Allocator of federal LIHTC and state AHTC
- Issuer of private activity bonds (PAB)
- HUD project based Section 8 contract administrator
- Property compliance and loan servicing
what did affordable housing look like in the 1950’s and 1960’s?
what does affordable housing look like today?
the financing dilemma

- Lower rent results in lower revenue
- Lower revenue results in lower cash flow
- Lower cash flow results in lower debt capacity

Therefore, to build affordable housing you need to:

- Subsidize the revenue (vouchers), or
- Subsidize the asset (tax credits)
the cash flow gap

1 bedroom rents by ami

area median income

- $1,800
- $1,600
- $1,400
- $1,200
- $1,000
- $800
- $600
- $400
- $200
- $0
- 50%
- 60%

Market Rate
LIHTC
## the asset gap

<table>
<thead>
<tr>
<th></th>
<th>Market</th>
<th>Affordable</th>
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<tbody>
<tr>
<td>Effective Gross Income</td>
<td>$1,490,746</td>
<td>$677,612</td>
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<tr>
<td>Less Project Expenses</td>
<td>(355,042)</td>
<td>(355,042)</td>
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<tr>
<td>Net Operating Income</td>
<td>$1,135,704</td>
<td>$248,692</td>
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<tr>
<td>Available for Debt Service (1.2x)</td>
<td>$946,420</td>
<td>$207,243</td>
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<tr>
<td>Maximum Loan</td>
<td>$13,890,435</td>
<td>$3,041,671</td>
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<td>Actual LTV</td>
<td>77%</td>
<td>17%</td>
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low income housing tax credits
impact of LIHTC

9% LIHTC deals funding sources:

- Deferred Developer Fee: 2%
- Soft Debt: 13%
- Hard Debt: 20%
- 9% Federal Credit Equity: 65%
low income housing tax credits

Investor

$ sales of tax credits

offsets tax liability

Developers of Multifamily Affordable Housing

allocates tax credits

chfa®
how do they work

- Credits against federal or state income tax liability sold to generate equity
- Reduce the development cost
- Ensure long-term affordability
  - Rent schedules published annually by HUD
    - Vary by household size and county
- Private sector assumes the risk
- IRS/DOR and CHFA governs
each state can decide...

- Unique priorities
- Set-asides
- Process for awarding credits
  - 2 rounds annually in Colorado
- Maximum award
- Geographic distribution
- Demographic distribution
Colorado priorities include

- Homeless units
- Developments that provide supportive services
- Counties under 175,000 population
the players

- Allocating entity
- Developer
  - For profit, not for profit, housing authority
- Investor
  - Valuing the federal tax liability offset
- Treasury
two types of LIHTC

- 70% present value credit (9% LIHTC)
  - Competitive award process
  - Population-based allocation
  - Deep subsidy

- 30% present value credit (4% LIHTC)
  - Non-competitive
  - Must be paired with Private Activity Bonds
  - Shallower subsidy
  - State credit
## Calculating 9% LIHTC

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<td>$15,000,000</td>
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<tr>
<td>Less land and certain costs</td>
<td>$(1,150,000)</td>
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<tr>
<td>Eligible Basis</td>
<td>$13,850,000</td>
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<tr>
<td>Applicable Fraction (affordable %)</td>
<td>x 100%</td>
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<tr>
<td>Qualified Basis</td>
<td>$13,850,000</td>
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<tr>
<td>Applicable Federal Rate (legislative fix)</td>
<td>x 9%</td>
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<tr>
<td>Annual Credit (for 10 years)</td>
<td>$1,246,500</td>
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Calculating 4% LIHTC

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<tr>
<td>Eligible Basis</td>
<td>$13,850,000</td>
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<tr>
<td>Applicable Fraction (affordable %)</td>
<td>x 100%</td>
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<tr>
<td>Qualified Basis</td>
<td>$13,850,000</td>
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<tr>
<td>Applicable Federal Rate (8/2018)</td>
<td>x 3.28%</td>
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<tr>
<td>Annual Credit (for 10 years)</td>
<td>$454,280</td>
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tale of two credits

Conventional:
- 75% Debt
- 25% Owner Equity

4% LIHTC:
- 60% Debt
- 10% Other
- 30% LIHTC Equity

9% LIHTC:
- 30% Debt
- 8% Other
- 62% LIHTC Equity
ahtc – colorado’s tax credit

- Offset against Colorado income tax
- Paired with 4% Federal credits
- Allocated through a competitive process
- Maximum of $1 million x 6 years
- $10 million total allocation
units supported with tax credits

<table>
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<tr>
<th>Year</th>
<th>9 percent LIHTC</th>
<th>4 percent LIHTC</th>
<th>State AHFC and 4 percent LIHTC</th>
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<tbody>
<tr>
<td>2010</td>
<td>696</td>
<td>184</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>832</td>
<td></td>
<td></td>
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<tr>
<td>2012</td>
<td>849</td>
<td></td>
<td></td>
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<tr>
<td>2013</td>
<td>864</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>1,331</td>
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<tr>
<td>2015</td>
<td></td>
<td></td>
<td>1,902</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td>1,062</td>
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<tr>
<td>2017</td>
<td></td>
<td></td>
<td>1,299</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td>533</td>
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addressing the gap

- Utilizing state credit
- Adding market rate units
- State and local funds
- Serving higher incomes
division of housing
Private Activity Bonds (PAB) Allocation Process

Housing Colorado NOW!
October 9, 2019
What are PABs?

- NOT CASH
- Tax-exempt bonds issued for *privately* developed projects.
- IRS allows a limited amount, also know as PAB “Cap”.
- Municipalities (or Authorities) issue the bonds, but have no obligation to repay investors.
- Investors buy the bonds.
- Underwriters use the investors’ $$, or “bond proceeds,” to make a loan to the project.
- The *project* pays back the loan & investors get repaid + interest.
- PABs make rental housing eligible for 4% LIHTC.
Initial PAB Allocation Process

$105 per person in the state = the “Volume Capacity”
$588,751,170 in 2018 ($105pp); $598,034,220 in 2019 ($105pp)

50% of Allocation

Statewide Authorities
• Colorado Housing and Finance Authority (CHFA)
• CO Agriculture Development Authority (CADA)

50% of Allocation

Local Governments
• 20,000 Persons or more
• $52.50 per capita

Statewide Balance
Remaining cap administered by CO - DOLA/DOH
January 2019 PAB Allocation

- CHFA: 48% ($289,017,110)
- Locals: 47% ($10,000,000)
- SWB: 3% ($16,944,153)
- CADA: 2%

56 Local Issuers - $282,072,957

List of all direct allocations available: [https://www.colorado.gov/pacific/dola/private-activity-bonds](https://www.colorado.gov/pacific/dola/private-activity-bonds)
Local Issuers & Statewide Authorities

• Receive allocation by January 15th
• Establish priorities & act by September 15th
  ➢ Bond issuance requires an inducement resolution and closing by December 23rd; OR
  ➢ Carry-Forward bond cap for eligible purpose to close within a 3 year period - requires filing with IRS; OR
  ➢ Relinquish to Statewide Balance; OR
  ➢ Assign to another issuer for an eligible purpose
  ➢ If you Receive an Assignment - issue it or carry it forward, or it will also relinquish on 9/15.
September 2019 PAB Allocation

- Denver: $37,565,325
- Colorado Springs: $24,866,520
- 16 Other Locals: $77,644,496
- CHFA: $408,945,191
- CADA: $1,064,805.50
- SWB: $40,947,882.50
Developers - How to Assemble PABs

• Identify your issuer
• Talk with your local governments - City, County & neighbors
  ➢ Assignments of “fresh” or current year cap - act by 9/15
  ➢ Delegations of cap they have carried forward
• Talk with CHFA (especially if they will be the issuer)
• Talk with DOH & Apply to the Statewide Balance (with issuer)

➢ Also, save some cap for the rest of us - only use 55% or less of Aggregate Basis (CHFA is using 52-55%)
Locals - How to Deal w/ Developers

• Connect with local housing or economic development organizations - could they use it?
• Reach out to neighboring cities, towns and counties - are there any projects in your region that could use it?
• If there is a project in your area, assign to its issuer
• If not, relinquish to DOLA’s Statewide Balance
• OR assign to CHFA

❖ Again, only use 55% or less of Aggregate Basis
Statewide Balance Applications

• DOLA receives allocation by January 15th & relinquished bond cap on Sept. 15th
• Monthly application cycles:
  ➢ March thru November, $750 application fee.
  ➢ Review criteria are similar to DOH’s Grant/Loan review
  ➢ 8 week process, inc. PAB Allocation Committee & award letter
  ➢ Relinquished bond cap distributed through November round.
• All close by December 23rd (OR re-award for carry forward)
  ➢ 0.128% issuance fee on Statewide Balance Awards
  ➢ 0.009% issuance fee on bonds issued from direct allocations
Statewide Balance Applications

• Demonstrated local need & support:
  ➢ Certified copy of an inducement resolution from the local government/issuer.
  ➢ Local financial commitment of PAB allocation or other local financial subsidies.
  ➢ Market study demonstrating need.
  ➢ Housing Affordability - going beyond IRS requirements.
Statewide Balance Applications

• Feasibility:
  ➢ Reasonable costs for development & operation.
  ➢ Readiness to proceed - site under control, local planning & zoning approved, credit enhancement secured, tax credits reserved.
  ➢ Financially sound - income/expense estimates reasonable, good underwriting ratios, sources & uses balance.
  ➢ Development team experience, capacity.

• Typical bond issue size is $6 - $30 million
  ➢ For rental, TDC of $12MM - $60MM, or 50 - 200 units
# 2017-19 Statewide Balance Awards

<table>
<thead>
<tr>
<th>Date</th>
<th>Allocation</th>
<th>Project or Program</th>
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<tbody>
<tr>
<td>10/17</td>
<td>4,500,000</td>
<td>Fall River Apts/Longmont Housing Authority</td>
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<tr>
<td>12/17</td>
<td>19,765,509</td>
<td>Lakeview on the Rise/Housing Catalyst &amp; Pedcor</td>
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<tr>
<td>12/17</td>
<td>7,500,000</td>
<td>Indy Street Flats/MWHS</td>
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<tr>
<td>12/17</td>
<td>8,000,000</td>
<td>Loveland Housing Authority Pipeline</td>
</tr>
<tr>
<td>12/17</td>
<td>31,420,091</td>
<td>Denver Housing Programs/Pipeline</td>
</tr>
<tr>
<td>12/17</td>
<td>3,500,000</td>
<td>Aurora Housing Authority Pipeline</td>
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<tr>
<td>12/18</td>
<td>17,140,000</td>
<td>Loveland Housing Authority Pipeline</td>
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<tr>
<td>12/18</td>
<td>11,936,829</td>
<td>Denver Housing Programs/Pipeline</td>
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<tr>
<td>12/18</td>
<td>13,800,000</td>
<td>Boulder Housing Partners Pipeline</td>
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<td>20,002,000</td>
<td>Unison Housing Partners Pipeline</td>
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<tr>
<td>12/18</td>
<td>12,026,000</td>
<td>Douglas County Housing Partnership Pipeline</td>
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<tr>
<td>7/19</td>
<td>7,000,000</td>
<td>30Pearl/Boulder Housing Partners</td>
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</tbody>
</table>
Ann Watts
Community Access Team Manager & PAB Program Manager
Department of Local Affairs
Division of Housing
(303) 864-7820
ann.watts@state.co.us
https://www.colorado.gov/pacific/dola/division-housing
Gap Funding &
The Colorado Division of Housing
Housing Colorado NOW!
October 9, 2019
Division of Housing Overview

Our Mission: The Division of Housing partners with local communities to create housing opportunities for Coloradans who face the greatest challenges to accessing affordable, safe and secure homes.

DOH supports projects from homelessness prevention to homeownership. Our work includes:

• Increasing and preserving Colorado’s inventory of affordable housing.
• Managing rental assistance vouchers.
• Creating and supporting collaborative approaches to end homelessness.
• Regulating the construction and installation of factory-built structures.
2018 Accomplishments

- 38,000 households served
- 3,562 affordable housing opportunities created
- Over 8,500 vouchers issued with 83% serving people with disabilities
- 573 homes modified to support people with disabilities
- 590 manufactured homes inspected for safety
- 468 formerly homeless men and women provided housing at Fort Lyon with 62% leaving to transitional or permanent housing
- Annual total number of formerly homeless individuals/families stably housed: 1,327
- 272,000 low income Colorado households (HH) pay more than 50% of their income on housing with 258,665 CO HH below 30% AMI
DOH Application Process Summary

• Competitive, monthly applications.

• Local $ support, market, cost per unit, & overall feasibility.

• Rentals below 60% AMI. Prefer most below 50% AMI, and at least 5% of units at or below 30% AMI.

• Grants: Non-Profits, Local Govt & Housing Authorities.

• Loans - For-Profits.

• https://www.colorado.gov/pacific/dola/grant-loan-programs
DOH Available Grants & Loans

• HOME Investment Partnership Program (HOME)
• Community Development Block Grant (CDBG)
• Housing Development Grant (HDG)
• Housing Development Loan Fund (HDLF)
• Colorado Housing Investment Fund (CHIF)
• National Housing Trust Fund (HTF)
• Homeless Solutions Program (HSP)
HOME & CDBG

- Federal $ given to states & local governments
- State CDBG available only if local government does not get its own allocation (non-entitlement areas)
- CDBG - Local government is Applicant, & may either grant or loan the funds to the project
- HOME requires Long-Term Monitoring
- HUD Environmental Clearance, Davis-Bacon, Section 3, Affirmative Marketing & other cross-cutting federal regulations
HDG & HDLF

- State General Fund $
- HDG is for grants or loans, & especially for:
  - Homebuyer and low-income rentals
  - Permanent Supportive Housing & Special Needs Populations
- Rural - statewide
- HDLF is only for loans
CO Housing Investment Fund (CHIF)

- State Attorney General’s mortgage settlement custodial funds
- Revolving Loan Pool
- Up to 30% can convert to long-term debt (up to 17 years) - 70% of the loan must be repaid within 7 years
- Up to 100% of the loan can convert to the 17-year term if the project serves a designated percentage of special needs households
- Limited availability - contact your Housing Development Specialist
National Housing Trust Fund (HTF)

- Federal $ allocated to states
- Funds are available as grants or loans
- Priorities are Permanent Supportive Housing and mixed-income developments with 30% AMI rents that would not be financially feasible but for HTF funding
- Supportive housing eligibility requires a minimum set-aside of 25% of the units for individuals with special needs
- Applications are accepted on a monthly basis
Homeless Solutions Program (HSP)

- A continuing allocation of State funds
- Funds can be used for new construction, acquisition, rehabilitation, and DOH vouchers
- Targeted populations are:
  - Persons experiencing homelessness, veterans experiencing homelessness, persons exiting behavioral health care institutions into homelessness, persons exiting correctional facilities into homelessness
- Funds are designed to support permanent supportive housing, rapid rehousing, and limited supportive services
Tips for a Successful DOH Application

● Contact your DOH Housing Development Specialist EARLY
● Describe your project & discuss compliance requirements
● Ask questions answered concerning the DOH application
● Be thorough - Avoid entering “N/A”
● DOH offers an introductory course, “The Developers’ Toolkit”
● DOH’s “Hammering Out the Deal” course shows what we’re looking for & how to complete our pro-forma
● Communicate with DOH throughout the process
● Embrace creativity to fill the funding gap!
Development Specialist Regional Assignments

<table>
<thead>
<tr>
<th>Staff Name</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Atchley</td>
<td><a href="mailto:Andrew.Autchley@state.co.us">Andrew.Autchley@state.co.us</a></td>
<td>719-298-2903</td>
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<td>Jennifer Stepleton</td>
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<tr>
<td>Spencer Bollacker</td>
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<td>303-864-7811</td>
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<td>Tim Gough</td>
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<td>303-864-7819</td>
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ASSET MANAGERS REGIONAL ASSIGNMENTS

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<tr>
<th>Staff Name</th>
<th>Email</th>
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<td>Christina McKasy</td>
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<td>303-864-7824</td>
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<td>Ebony Russell</td>
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<td>303-864-8449</td>
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<td>Jennifer Digiallondaro</td>
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<td>720-618-3468</td>
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<tr>
<td>Kim Snetzinger</td>
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<td>Teresa McCoy</td>
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<td>303-864-8429</td>
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New Funding for Affordable Housing Development

• HB19-1322 and HB19-1245 add $77 million per year for housing development grants and loans by July 2021

• Triples DOLA’s funds available for acquisition, rehab and new construction of affordable units

• Will support the creation of 3,500 to 6,500 new affordable units in addition to 3,200 per year created with existing funds

• New funds can also be used for rental assistance (vouchers)
Current FY, began July 2019.

*A portion of Marijuana Tax Cash Funds (HSP) are obligated towards vouchers and not development. Vendor fee dollars will be received starting in the winter of 2020, and will be variable. All funding projections are estimates.
Addressing Rural Housing Needs

- HB19-1322 added new uses to address rural housing needs:
  - Development of for-sale homes in non-urban areas for households earning up to 120% AMI
  - Down payment assistance for households up to 100% AMI
  - Home rehabilitation programs
  - Repair, replacement and disposal of mobile homes
  - Land acquisition and infrastructure costs for housing
- DOH will also increase regional staffing and deploy consultants to provide rural technical assistance
Addressing Highest Need

- The new bills also specify uses for Coloradans with the greatest barriers to accessing affordable housing
  - At least $16 million for housing affordable to extremely low income families and individuals, including seniors
  - Rental assistance for homeless families with children, homeless or disabled veterans, family unification, and survivors of domestic violence
  - Vouchers for individuals with substance use disorders transitioning from a treatment program or institution
  - Continued focus on development of multi-family rental for low-income families and individuals
Stakeholder Engagement

• Until mid-October, DOH will gather input from
  • Stakeholders from urban and rural communities
  • Representatives of populations with different income
    levels and diverse housing needs
  • Seven stakeholder meetings
  • Provide input today and through our online survey