chfa's multifamily lending preservation tools

Terry Barnard
Manager, Multifamily Production and Outreach
September 9, 2020

chfa®
financing the places where people live and work

chfa multifamily

- Long-term, fully amortizing permanent loans
  – 4%, 9%, and non-LIHTC projects
- Construction-to-permanent loans – 4% LIHTC projects
- Flexible Funding – Housing Opportunity Fund
- Gap Financing
  - Healthy Housing Program
  - Capital Magnet Funds

financing solutions

- 542(c) Risk Sharing Mortgage Insurance
  - FHA mortgage insurance credit enhancement tool available to Housing Finance Agencies
  - Generally utilized for loans > $3 million
  - CHFA and HUD "share" the risk of default 50/50
  - 50/50 structure allows for CHFA to underwrite the loans in lieu of HUD
  - Streamlined and faster processing than HUD's fully-insured programs
  - Mortgage Insurance Premium (MIP) of 0.125%

chfa multifamily financing solutions

Long-term permanent loans	1)	Recycled Bond/9 Percent Tax Credit Loan
	2)	SiMPLe – Small Multifamily Permanent Loan Program
Larger construction-to-perm loans	3)	4 Percent LIHTC Tax Exempt Loan Program – CHFA4U
Flexible funding source – varied uses	4)	HOF – Housing Opportunity Fund
Secondary debt sources	5)	Healthy Housing
	6)	Capital Magnet Funds

chfa®

chfa multifamily financing solutions

Long-term permanent loans

1) **Recycled Bond/9 Percent Tax Credit Loan** – typically, loans > \$3 million and <\$6 million, uses Risk Share

2) **SiMPLe – Small Multifamily Permanent Loan Program** – typically \$1 to \$3 million, uninsured

Larger construction-to-perm loans

3) **4 Percent LIHTC Tax Exempt Loan Program** – construction-to-perm loans, cash collateralized or private placement with a bank partner; perm loans > \$6 million utilizing Risk Share

Flexible funding source – varied uses

4) **HOF – Housing Opportunity Fund** – direct loans of less than \$1 million (1st or 2nd loans behind a CHFA senior loan), interest rate subsidy in other cases

Secondary debt sources

5) **Healthy Housing** – first or second loans of \$500,000, 3% interest, 17-year term with 30-year amortization; second loans can be paired with CHFA senior financing or non-CHFA debt.

6) **Capital Magnet Funds** – first or second loans of up to \$750,000, 3% interest, 17-year term, 35-year amortization; second loans can be paired with CHFA senior debt or non-CHFA debt; up to 20% can be a grant if CHFA is the senior lender

chfa

financing solutions

- General Requirements
  - 10-year lockout
  - Non-recourse permanent loans
  - Minimum 1.15 debt service coverage ratio
  - Loans are sized to the lesser of 90% of value or total development cost
  - Loans in our portfolio are eligible to be refinanced up to 100% of cost, as long as the loan does not exceed 90% of value

financing solutions

- Mobile Home Park Financing
- Middle-Income Program
- Small Scale Housing Finance

chfa®

Small housing innovation project (SHIP)

- How can CHFA facilitate the development, preservation, and management of smaller housing projects (under 20 units)?
  - Innovation framework – define problem, discovery phase, ideation, prototype, feedback, new program(s)
  - Identifying the need
    - Potential product ideas – acquisition financing, partnering with local lenders, perm loan, construction-to-perm loan, single family development construction loan
    - Continuum of Technical Assistance Network

chfa®

Small housing innovation project (SHIP)

- Small-scale housing need isn't just about financing. There is a need for technical assistance for projects to succeed as well.

Finance Subgroup

- **Direct Permanent Loans**
- **Multifamily Collateral Support**

Technical Services Subgroup

- **Online Tools**
- **Group Toolkits**
- **On-call Technical Assistance**
- **Small Grants for Soft Costs**

preservation examples

Morningside Heights – La Junta, CO

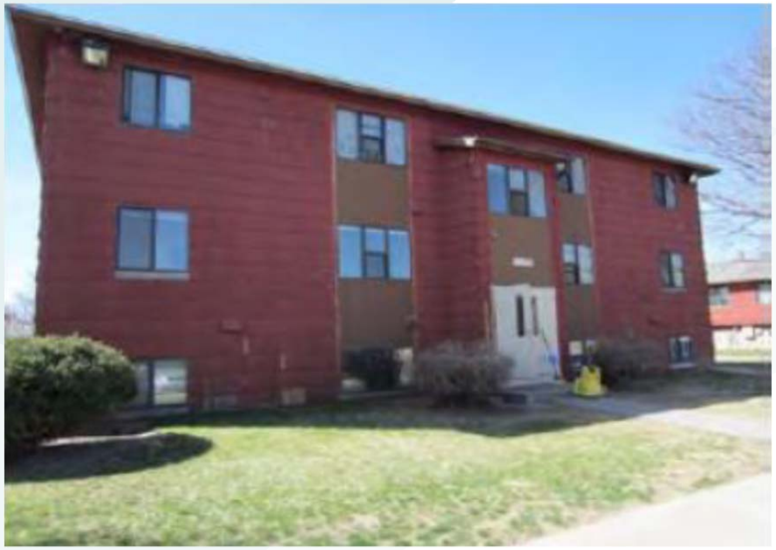
- 50-unit project built in 1973 with 1-, 2-, 3-, and 4-bedroom units
- 100% rent subsidized by Section 8 HAP contract
- 9% LIHTCs awarded in 2013
- $9.7 million total development cost
- $5.8 million in hard rehab costs ($116K per unit)
- CHFA provided a 30-year perm loan of $1,787,000 through the FHA Risk Share program
- Other sources included CDBG, CDOH, sponsor contribution, and LIHTC equity

chfa®
financing the places where people live and work

preservation examples

Morningside Heights – La Junta, CO

Before Rehab



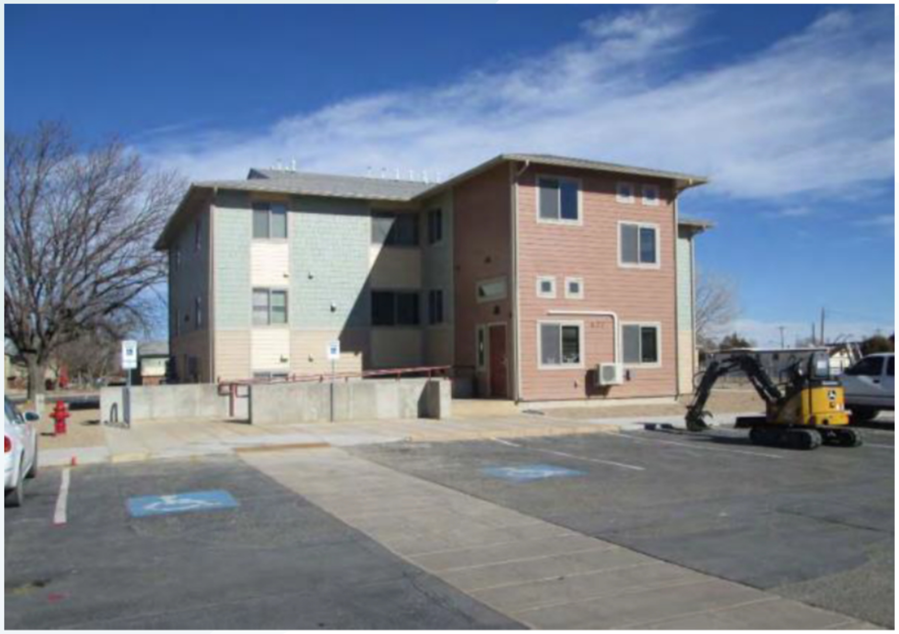
chfa

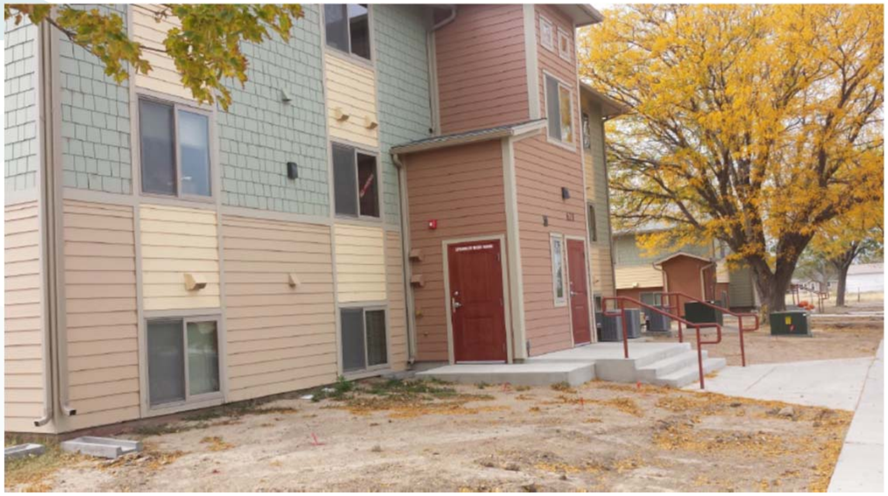
financing the places where people live and work

preservation examples

Morningside Heights – La Junta, CO

After Rehab





financing the places where
people live and work

preservation examples

Casa Del Sol – Pueblo, CO

- 154-unit project built in 1970 with Studio, 1-, 2-, and 3-bedroom units
- 100% rent subsidized by Section 8 Mod Rehab HAP contract, going through a RAD2 conversion
- 4% LIHTCs awarded in 2019
- $22.7 million total development cost
- $8.1 million in hard rehab costs ($53K per unit)

chfa®

financing the places where people live and work

preservation examples

Casa Del Sol – Pueblo, CO

- CHFA provided several layers of financing:
  - a 2-year uninsured construction loan of $15,530,000, converting to a 38-year $13,300,000 perm loan with Risk Share insurance at stabilization
  - $700,000 CMF 2nd Loan
  - $50,000 CMF Grant
- Other sources included CDOH, deferred developer fee, NOI from operations, and LIHTC equity

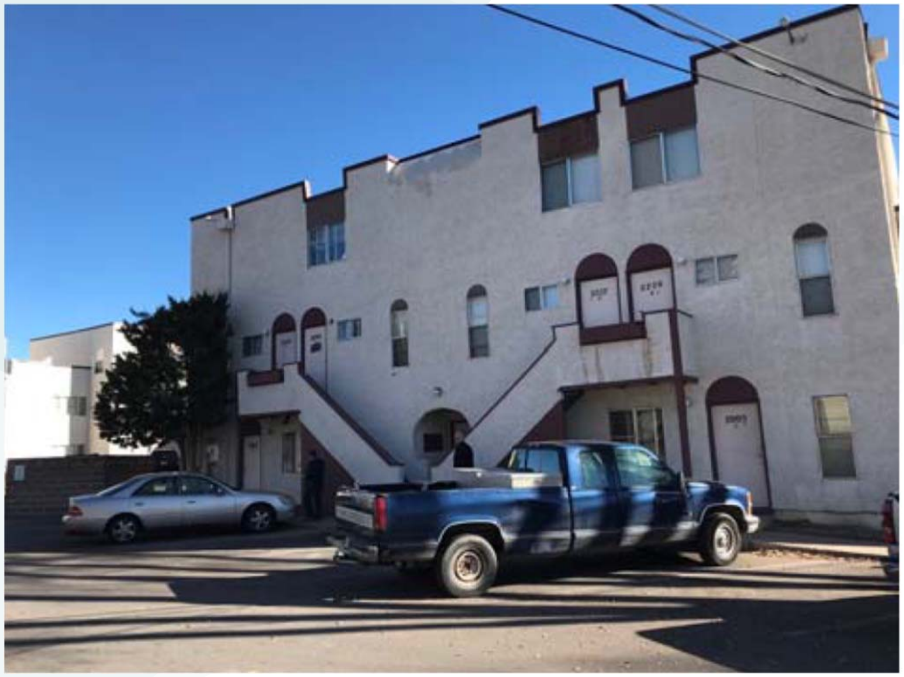
chfa®

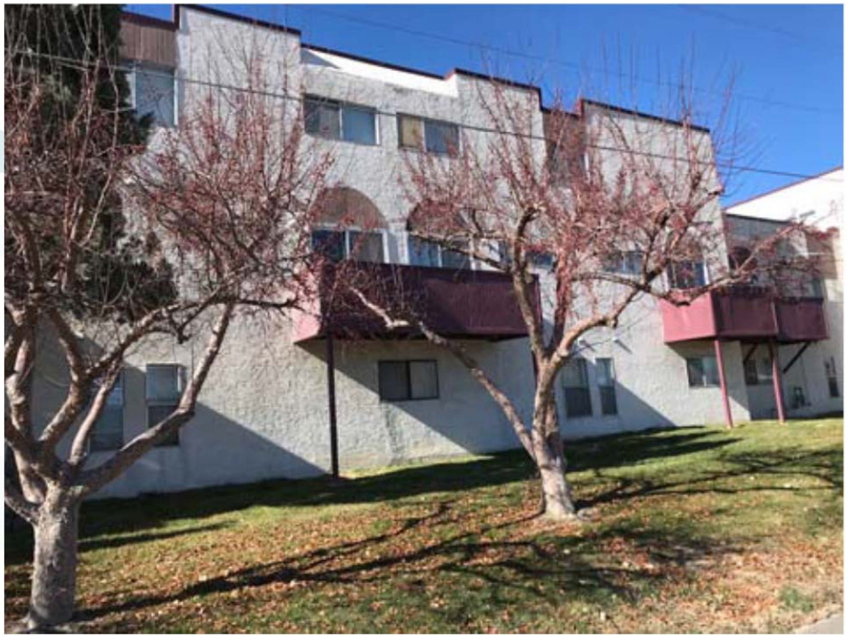
financing the places where people live and work

preservation examples

Casa Del Sol – Pueblo, CO

Before Rehab



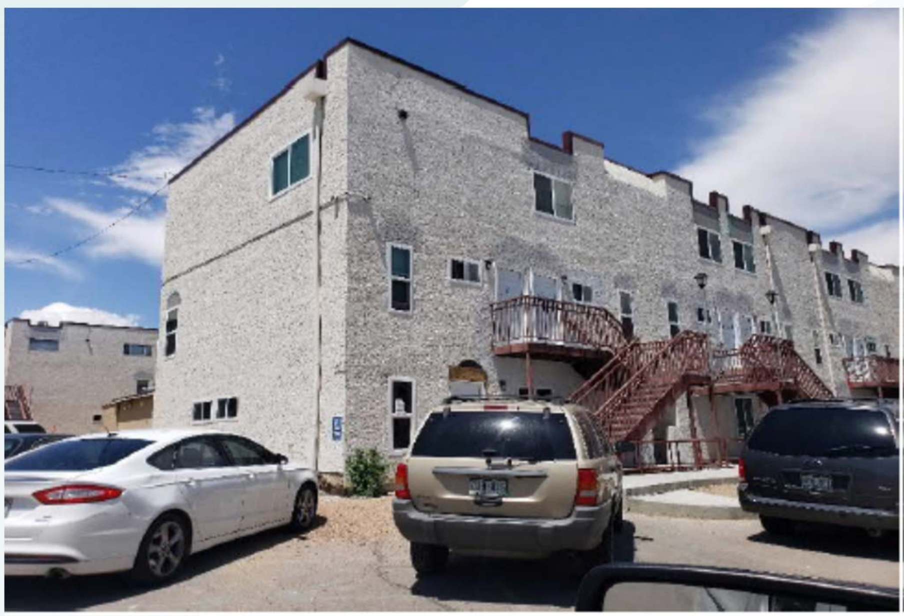


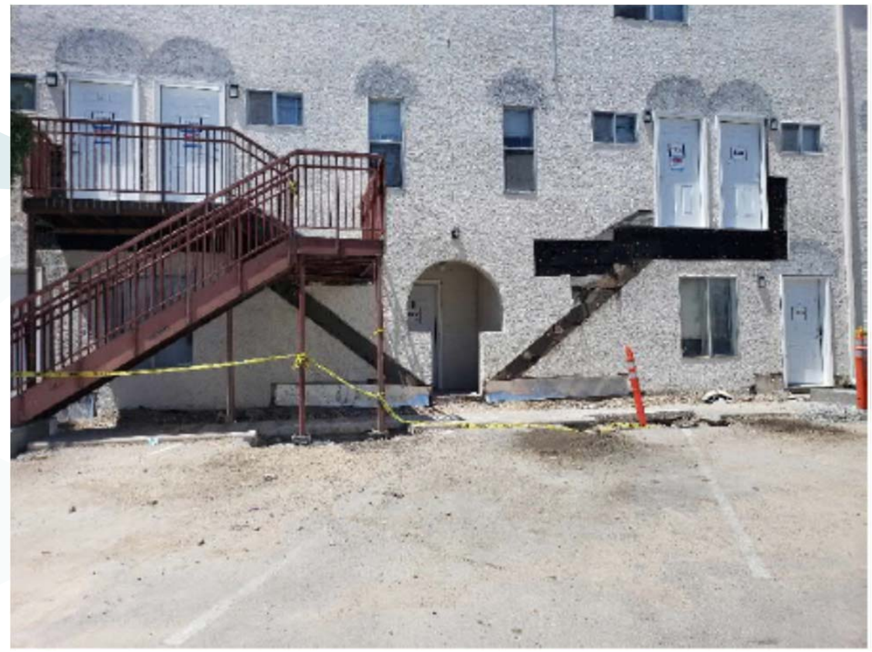
chfa®
financing the places where
people live and work

preservation examples

Casa Del Sol – Pueblo, CO

During Rehab





chfa®

financing the places where people live and work

chfa’s multifamily lending preservation tools

Terry Barnard
Manager, Multifamily Production and Outreach
(303) 297-4866
tbarnard@chfainfo.com

chfa®
financing the places where people live and work