

# Rural Preservation Academy

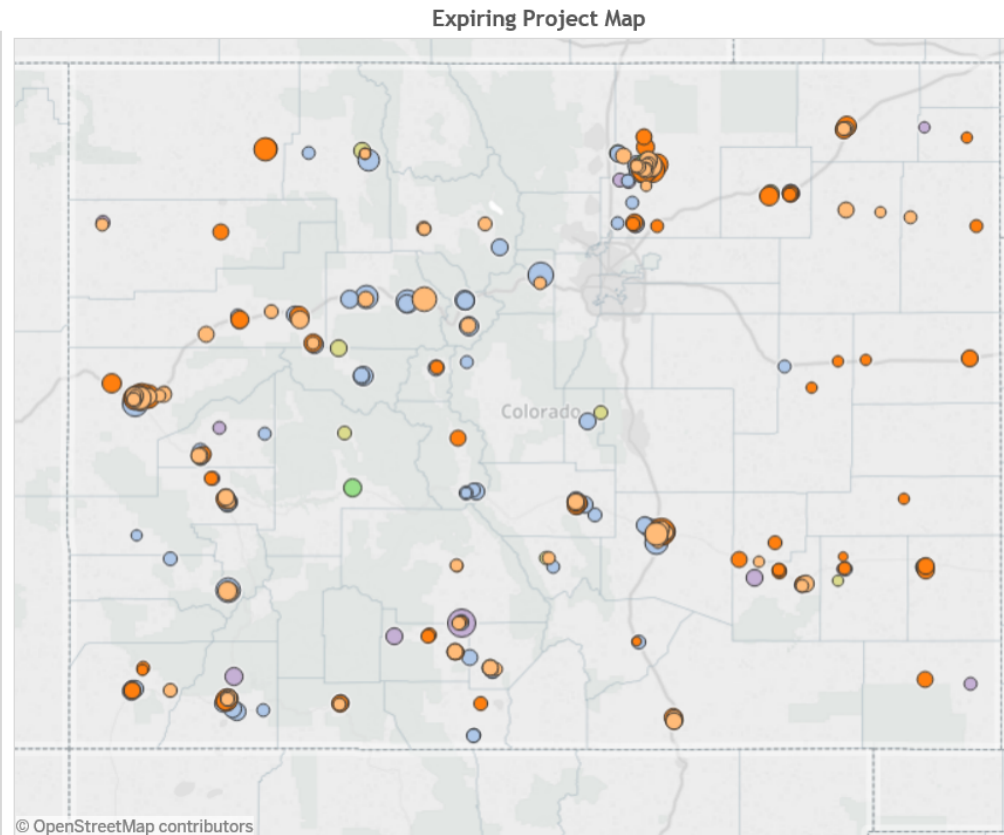
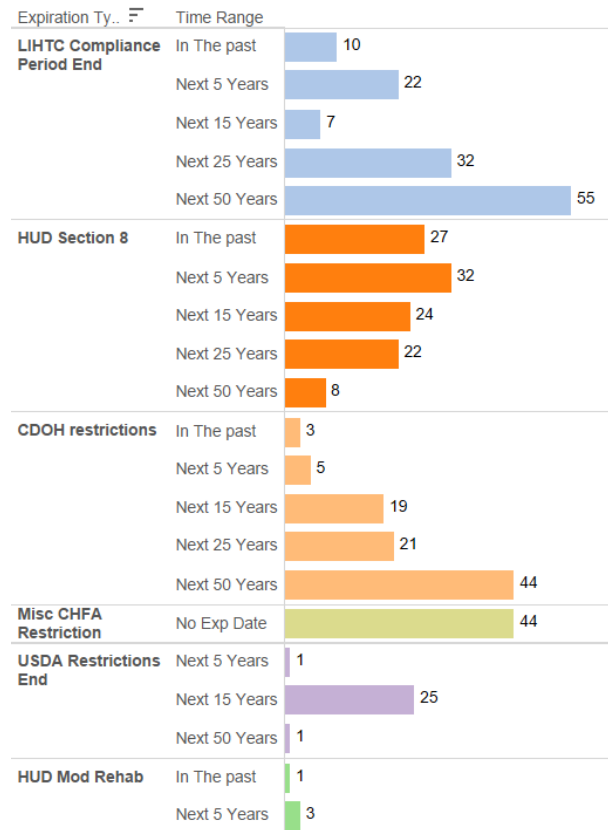
## June 3, 2020

Meghen Brown  
Tax Credit Officer  
Colorado Housing and Finance Authority



*financing the places where  
people live and work*

# Where are these properties located?



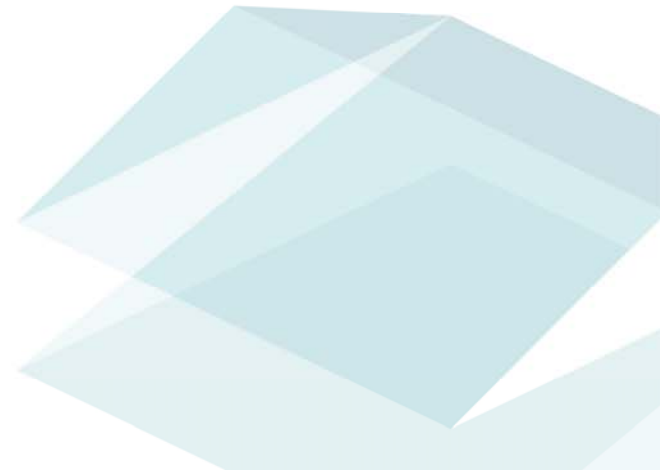
# What are my options to preserve rural rental housing?

- 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?

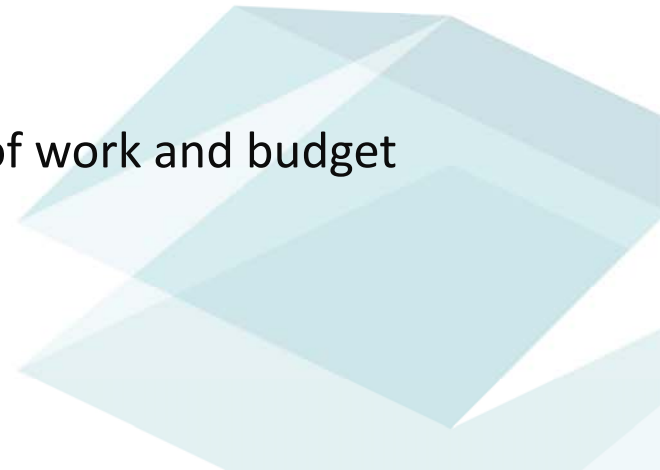
- May use LIHTC equity to cross-subsidize the rehab across several projects.
  - Some units may attract more credit (i.e. in a QCT or DDA)
  - Other units may need more rehab



# 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

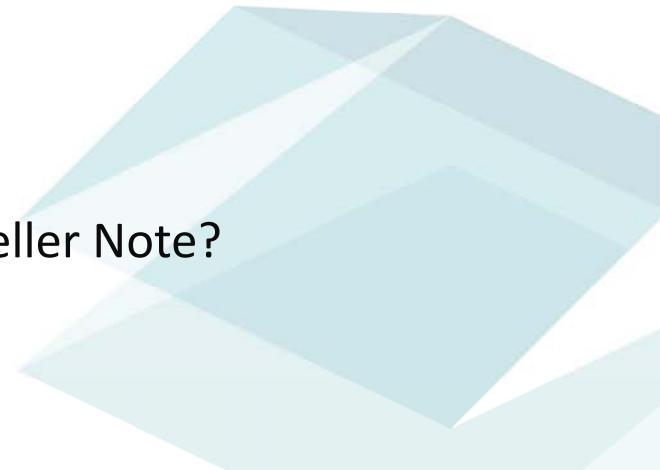




# How are these projects underwritten?

## 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?

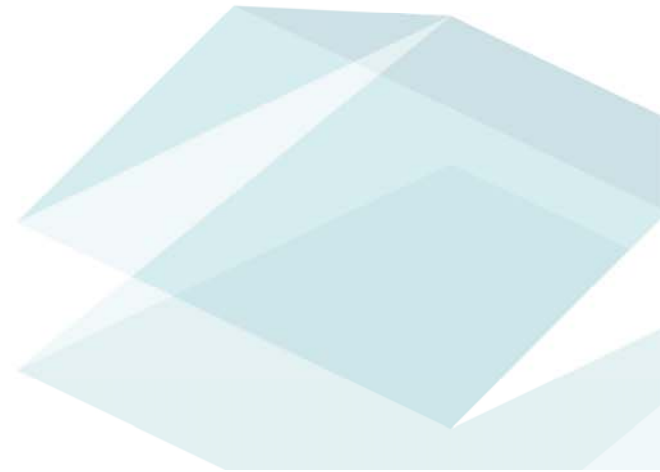
due diligence

- 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](mailto: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?



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