

Fort Collins Housing Authority Development Toolbox



The following are financing “tools” available to the Fort Collins Housing Authority for development and acquisition of affordable housing.

Financing:

Low-interest, double tax-exempt bank financing: Housing authorities are able to borrow up to \$10 million annually from commercial lenders at “double tax-exempt rates”, meaning the interest is exempt from both state and federal taxes. This low-interest financing/bonding authority cannot exceed \$10 million per year per IRS Code.

Private Activity Bonds: Private Activity Bond (PAB) allocations can be obtained from the City of Fort Collins or State of Colorado, typically for projects over 50 units. This could be used if FCHA exhausts its own \$10 million tax-exempt financing cap.

Colorado Housing Finance Authority (CHFA): CHFA is a source of construction and permanent financing. The rates are typically ½ of a percent higher than FCHA’s own tax-exempt borrowing or PAB allocation because CHFA issues bonds and then charges this additional interest to its borrowers.

Low Income Housing Tax Credit Program (LIHTC): Congress created The Tax Credit program in 1986 as Section 42 of the federal Tax Reform Act. Its purpose is to encourage the construction and rehabilitation of low-income rental housing by providing a federal income tax credit as an incentive to investors. Both individual and corporate investors may receive ten years of tax credits in return for investing equity capital into the development of eligible housing projects. Applications are submitted to CHFA for this competitive program. The scoring system can be reviewed at www.colohfa.org. The LIHTC program cannot be used in conjunction with tax-exempt financing.

Federal Home Loan Bank of Topeka (FHLB): The Federal Home Loan Bank offers low interest rates on construction loans and permanent financing for affordable housing. They sell bonds to member banks and therefore the rates change with the bond market.

Funding Partners for Housing Solutions: Funding Partners offers a "gap" loan fund to both non-profit and for-profit organizations that acquire, develop, rehabilitate or hold affordable housing units for low-income residents. Short-term in nature, terms are typically written between 4 - 7% simple annual rates, with flexible repayment schedules according to the needs of the project and maturity within 3 years, or less. Origination costs are typically 1% or less of the total loan amount.

HUD Section 811 Supportive Housing for Persons with Disabilities, Capital Advance: Nonprofit organizations are the only eligible applicants for this HUD program. The Capital Advances may be used to construct, rehabilitate, or acquire structures, to be developed into a variety of housing options, such as:

- Independent living projects;
- Dwelling units in multifamily housing developments;
- Condominiums;
- Cooperative housing; and
- Small group homes.

Capital Advance funds may also be used in combination with other non Section 811 funding sources to develop additional units for mixed-finance or mixed use projects. This HUD program is highly competitive and based upon congressional appropriations. Rental subsidy is included.

Gap Subsidy:

City of Fort Collins: Grants from the federal HOME, Community Development Block Grant (CDBG), and the City’s own contribution of Affordable Housing funds. Awards are typically about \$8,500 per unit. Competitive process is held twice per year.

State of Colorado: Grants from the federal HOME program and the State’s Affordable Housing funds. Normal maximum per unit subsidy is in the range of \$4,000 to \$8,500 per unit. Higher subsidies are usually awarded for higher affordability in the project. Competitive process is ongoing throughout the year.

Federal Home Loan Bank of Topeka (FHLB): “Affordable Housing Program” grants are awarded through a competitive process twice per year. Average subsidies per unit are around \$3,000 per unit.

Colorado Association of Realtors Housing Opportunity Fund (CARHOF): Funds are often granted for things like down payment assistance or projects within a development such as parking lot rehab on an acquisition.

Public Housing Capital Fund Program Allocation: Public Housing Capital Funds can be used for development. Unfortunately, at this point in time FCHA has a backlog of capital needs and is using a portion of the capital funds for operations.

Cost Savings:

Development Fee Waivers: Housing authorities are exempt from certain development fees by state statute. These are non-enterprise fund fees such as plan check fees, street oversizing, parkland, general government, fire, school district, and average \$7,000 per unit.

Exemption from Special Assessments: Housing authorities are exempt from special assessments.

Sales Tax Exemption: Housing authorities are exempt from sales tax.

Priority Processing: Affordable housing projects receive priority processing from the City of Fort Collins which is designed to expedite the development review and permitting process.

Property Tax Exemptions: Housing authority properties are exempt from property taxes.

Rent Subsidy:

Section 8 Housing Choice Voucher Program Tenant-based Assistance: This program provides subsidy that allows participants to rent in the open market. Participants pay 30% of their income to the landlord and FCHA pays the difference to the landlord up to a certain payment standard based upon the HUD issued “Fair Market Rent” for the Fort Collins/Loveland Metropolitan Statistical Area.

Section 8 Housing Choice Voucher Program Project-based Assistance: HUD allows housing authorities to assign up to 20% of their Housing Choice Vouchers to properties rather than families. After one year, the families residing in such units may take their assistance with them to the open market.

Other sources:

Landbank Program, City of Fort Collins: The Land Bank Program acquires unimproved sites that are appropriate for affordable housing and holds them long-term (5-years minimum) so that they are available when needed. Ultimately, Land Bank sites will be sold at discount to non-profit or for-profit developers to build affordable housing projects through a competitive process.

Miscellaneous: Tax-increment financing, Urban Renewal Authority, GO-CO (Lotto) Funds for possible parks/playground, foundations, and partnerships with health and human service agencies.