



## Pikes Peak Housing Network **FUNDING TOOLBOX**

Funding sources for affordable housing are varied and complicated.

**Listed below are some sources of funding that currently exist to support the development of affordable housing in Colorado.**

Each source is **linked** for your convenience.

### **Federal Funding Sources:**

#### [U.S. Department of Housing and Urban Development \(HUD\)](#)

Established in 1965, HUD's mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination. To fulfill this mission, HUD administers a variety of federal appropriated grant and loan programs which are dispersed through the state, county and local governments. Funding for HUD and its programs is authorized annually through the Transportation-HUD budget appropriation.

#### [State Funding Sources: Department of Local Affairs \(DOLA\)](#)

- [HOME Program](#)

The HOME Investment Partnership Program (HOME) was created by the National Affordable Housing Act of 1990. HOME funds provide competitive funding to local governments, non-profits, and private developers. The purpose of the HOME Program is to provide a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or ownership or provide direct rental assistance to low-income people.

#### **Eligible Grantees:**

- Local governments
- Community Housing Development Organizations (CHDOs)
- Nonprofit and for-profit housing developers

#### **Eligible Activities:**

- Homebuyer assistance (generally through Down Payment Assistance (DPA) programs)
- Rehabilitation for owner-occupied homes (Single-Family Owner-Occupied (SFOO) programs)

- Rental housing acquisition, rehabilitation and construction
- Tenant-Based Rental Assistance (TBRA)
- **Housing Development Grant Funds (HDG)**

Created by the Colorado state treasury, the Housing Development Grant Fund (HDG) is administered by the Division of Housing (DOH)., This fund consists of monies appropriated to the Colorado Affordable Housing Construction Grants Fund by the General Assembly. HDG provides funds for acquisition, rehabilitation, and new construction through a competitive application process to improve, preserve or expand the supply of affordable housing, to finance foreclosure prevention activities in Colorado, and to fund the acquisition of housing and economic data necessary to advise the State Housing Board on local housing conditions.

#### **Eligible Grantees**

- Non-profit developers
- Housing authorities
- Local governments

#### **Eligible activities**

- New construction
- Property acquisition
- Rehabilitation of existing units
- Housing services
- **Housing Development Loan Fund (HDLF)**

The HDLF program was created to meet federal matching funds requirements. This fund makes loans for development, redevelopment or rehabilitation of low or moderate-income housing. Loans provided through HDLF require collateral.

#### **Eligible Grantees**

- Non-profit developers
- Housing authorities

#### **Eligible activities**

- Housing development
- Housing redevelopment

- **Neighborhood Stabilization Program**



The Neighborhood Stabilization Program (NSP) was first created by Congress in the Housing and Economic Recovery Act of 2008, followed by the American Recovery and Reinvestment Act of 2009 (NSP2), and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (NSP3). The program is an effort to mitigate the neighborhood effects of foreclosures in areas of greatest need. NSP funds help stabilize the property values in targeted

communities by decreasing the rate of decline in property values.

NSP is a component of the **Community Development Block Grant (CDBG)**. All funds must serve households at or below 120% of the area median income and a minimum of 25% of the funds must serve households at or below 50% of the area median income.

### **Eligible Grantees**

- Units of local government
- Non-profit organizations
- For-profit organizations (developers and contractors)
- Quasi-governmental entities (housing authorities and urban renewal authorities)

### **Eligible Activities**

NSP funds may be used for activities which include, but are not limited to:

- Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties
- Purchase and rehabilitate homes and residential properties abandoned or foreclosed
- Establish land banks for foreclosed homes
- Demolish blighted structures,
- Redevelop demolished or vacant properties

- **Colorado Housing Investment Fund (CHIF)**

In February 2012, the State of Colorado together with 48 other states reached a settlement with the five largest mortgage servicing companies. Through this settlement, Attorney General John Suthers announced over \$50 million, all custodial funds through the Attorney General's office, would be used for homeowner relief, foreclosure prevention and affordable housing. The Colorado Housing Investment Fund (CHIF) was created from the Attorney General's custodial funds with \$13.2 million to address Colorado's need for affordable rental housing. In 2015, an additional, \$23 million in custodial funds were added to the CHIF based on the success of the Fund.

The CHIF funds can be used two ways: 1) Short term, low interest loans to bridge the long-term permanent financing sources (a portion of loan may remain in the project as permanent debt); and 2) Short term loan guarantees for new construction and rehabilitation. The CHIF funds will revolve back into the CHIF fund allowing Division of Housing to make more loans, as the short term loans are repaid or loan guarantees are released. Please see the attached term sheets for criteria guiding funding decisions: 1) LOAN POOL or 2) LOAN GUARANTY.

At this time, applications are accepted on the first of every month. However, please contact your Housing Development Specialist prior to submitting an application for CHIF to confirm availability of funds

Eligible Borrowers:

- Non-profit developers
- For-profit developers
- Housing authorities

Eligible Activities (see term sheet – activities restricted by funding mechanism):

- Acquisition
- Bridge loans
- New construction
- Rehabilitation

### **National Housing Trust Fund (HTF)**

The HTF is a new affordable housing production program administered by the U.S. Department of Housing and Urban development and capitalized through Fannie Mae and Freddie Mac. The program increases and preserves the supply of decent, safe, and sanitary affordable housing for extremely low-income households, those earning at or below 30% of the area median income (AMI).



- [Colorado Housing Finance Authority \(CHFA\)](#)
- [Low Income Housing Tax Credits \(LIHTC\)](#)

The Low Income Housing Tax Credit program, which can be used only for rental housing, has been the federal government's primary program to produce affordable rental housing since the late 1980s. Rather than providing direct funding, it spurs equity investments in affordable developments by giving investors a dollar-for-dollar credit against their federal tax liability over 10 years. These are generally used for projects of 20 units or more because of the cost of selling the credits.

**There are two types of credits: 9 percent and 4 percent.**

The 9 percent credits are more valuable because they raise more equity but they can't be used with projects that use tax-exempt bonds or certain other federal subsidies. Like all states, Colorado publishes an annual Qualified Allocation Plan (QAP) that outlines how much credit will be available, along with planned uses. The annual availability of 9 percent credits is limited. These are awarded competitively. States receive a new allocation each year based on population and use the competition to award amounts to individual projects. Developers sell the credits to investors and use the proceeds as equity. Because the credits are granted for 10 years, a \$100 credit award is worth \$1,000. Investors pay 65 to 95 cents per dollar of credit, depending on demand. A \$100 credit award raises \$650 to \$950 in equity. At least 40 percent of the units in a tax credit development must be reserved for households at or below 60 percent of AMI (or at least 20 percent for households with incomes at or below 50 percent of AMI) for at least 30 years. However, because funds are awarded competitively, most developments using 9 percent credits are close to 100 percent affordable and have restrictions up to 99 years. Most set aside at least 10 percent of the tax credit units for extremely low income households (at or below 30 percent AMI).

4 percent credits are mainly used for projects financed with tax-exempt bonds or for preservation projects (older federally subsidized developments). Some developers use them instead of 9 percent credits to avoid a long wait.

### **Tax-Exempt Private Activity Bonds**

Private Activity Bonds (PAB) are the building blocks of communities, leveraging public and private investment to create housing and jobs. CHFA is not alone in deploying PAB to support statewide needs. DOLA allocates PAB support to local city and county issuers.

## County Funding Sources: El Paso County

- **Opportunity Zones**

Created as part of the Tax Cuts and Jobs Act of 2017, Opportunity Zones (OZ) are a federal tax incentive designed to incentivize investors to reinvest capital gains in economically distressed communities, thereby stimulating economic development and job creation. There are eight federally designated Opportunity Zones in the Pikes Peak region. Investors will be able to defer, reduce and potentially eliminate certain federal capital gains taxes by investing their capital gains into Qualified Opportunity Funds. Both the County and City offers assistance in maximizing this investment opportunity.

Tax Benefits:

- Deferral– No up-front tax bill on the rolled-over capital gain and investors can defer their original tax bill until the earlier of a) December 31, 2026, or b) The sale of the Opportunity Zone investment.
- Reduction of tax on the rolled-over capital gain investment for long-term holding. A 5-year holding increases the rolled-over capital gains basis by 10%, and a 7-year holding increases the rolled-over capital gain investment basis 5%, for a total of 15%.
- Tax-free appreciation– If an Opportunity Fund investment is held for ten years, the taxpayer pays no capital gains tax on the appreciation.

- **Housing Trust Fund**

The El Paso County Housing Authority was established in 1993 by the Board of County Commissioners to promote suitable living environments for all persons and families. Funding is available through the finite resources of the Housing Trust Fund. No local, state or federal tax dollars are utilized. Funding is available in the form of loans or the direct purchase of services for which no repayment is required, but loans are preferred. Because the Housing Trust Fund is internally self-sustained, it is imperative to revolve the funds so that more residents are assisted in the future.

Eligibility

The El Paso County Housing Authority provides funding to agencies with experience in the design and administration of innovative programs that address the housing needs in El Paso County.

Programs/projects may include, but would not be limited to, the following:

- Development of new, affordable, accessible housing units (high priority)

- Preservation of existing, affordable, accessible housing units (high priority)
- Initial homeownership
- Homelessness
- Special needs housing
- Housing rehabilitation
- Rental assistance/ Retention of homeownership
- **City Funding Sources: City of Colorado Springs**
- **Emergency Solutions Grant (ESG) Program**

The Emergency Solutions Grant (ESG) provides federal funds to assist individuals and families to quickly regain stability in permanent housing after experiencing a housing crisis or homelessness. ESG funds five program components:

- Street outreach
- Emergency shelter
- Homelessness prevention
- Rapid re-housing assistance
- Data collection via Homeless Management Information System (HMIS)

### **Community Development Block Grant (CDBG)**

The Community Development Division provides funding to local 501(c)(3) and 509(a) non-profit agencies for the provision of public services to low and moderate-income persons in the community. These activities are governed by the federal regulations for the Community Development Block Grant.

Community Development Block Grant (CDBG) funds are provided by the U.S. Department of Housing and Urban Development (HUD) in order to improve local communities by providing decent housing, improved infrastructure, public facilities and services, and improved economic opportunities. Federal law requires that these housing and community development grant funds primarily benefit low- and moderate-income persons; funds may also be used for activities that help prevent or eliminate slums or blight or for projects that meet urgent community needs such as:

- **Housing Stability:** Provide programs that serve households with vital services related to obtaining and keeping safe and stable housing. They include but are not limited to housing counseling or navigation services, eviction prevention, and childcare.

- **Services for key populations:** Provide services that meet any of the above outlined eligible services while primarily serving families with children, seniors or households making 30% or below area median income.
- **Operating Zones**

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- **Community Development Developer Portal**

The purpose of the Affordable Rental Housing Program and Underwriting Guidelines is to identify the city's affordable rental housing policy objectives, describe the activities available to advance the objectives, and describe the manner in which the activities will be evaluated, underwritten and selected for funding. The guidelines are intended to achieve compliance with federal, state and local regulations and set the standards for all affordable rental housing projects funded by the City of Colorado Springs, regardless of funding source.