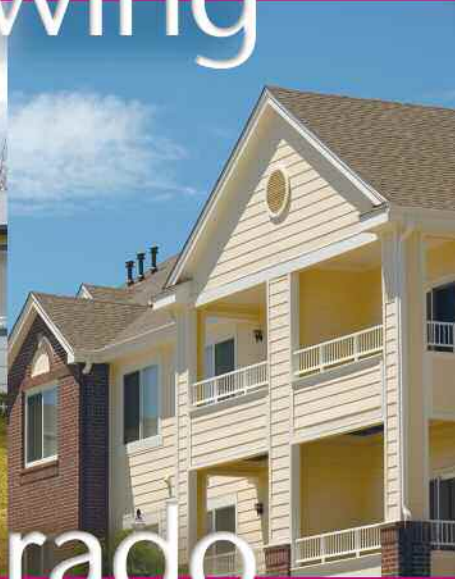


growing



colorado

colorado housing and finance authority

growing colorado: chfa's community and economic impacts

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chfa's impact on colorado



chfa's impact on colorado

Since its first loan in 1974, Colorado Housing and Finance Authority (CHFA) has been investing in Colorado's communities to improve the quality of life for its citizens statewide. CHFA provides financing and down payment assistance to homebuyers, loans to developers of multifamily affordable rental units, and loans for small businesses and economic development projects. For over 30 years, CHFA's mission has been to finance the places where people live and work in Colorado.

Since 2000, CHFA has issued an annual average of \$600 million in bonds. Statistics provided by the CHFA investment team demonstrate that approximately 98% of investors who invest in CHFA bonds are from outside of Colorado. The result is that CHFA's programs bring approximately \$588 million in new capital to the state, demonstrating its ability to raise capital to support its lending activities.

The purpose of this document is to demonstrate the ripple effect of those dollars, not only on Colorado's economy, but also on the people who receive the direct benefits from CHFA loan programs.

economic impact

Everyone agrees that financing homes and businesses is good for communities. Affordable, safe, decent housing gives families stability. New jobs provide our citizens with opportunities. But in addition to these soft benefits, every dollar CHFA lends results in an immediate and quantifiable local earning, new construction and land purchases as well as additional new demand for goods and services across the state.

To measure the impact of its loan programs on the Colorado economy, CHFA has created a two stage methodology based upon the Bureau of Economic Analysis' RIMSII. The use of a standardized accounting framework provides the model with the necessary degree of transparency so that our impact can be compared and contrasted with other programs within Colorado and across the United States.

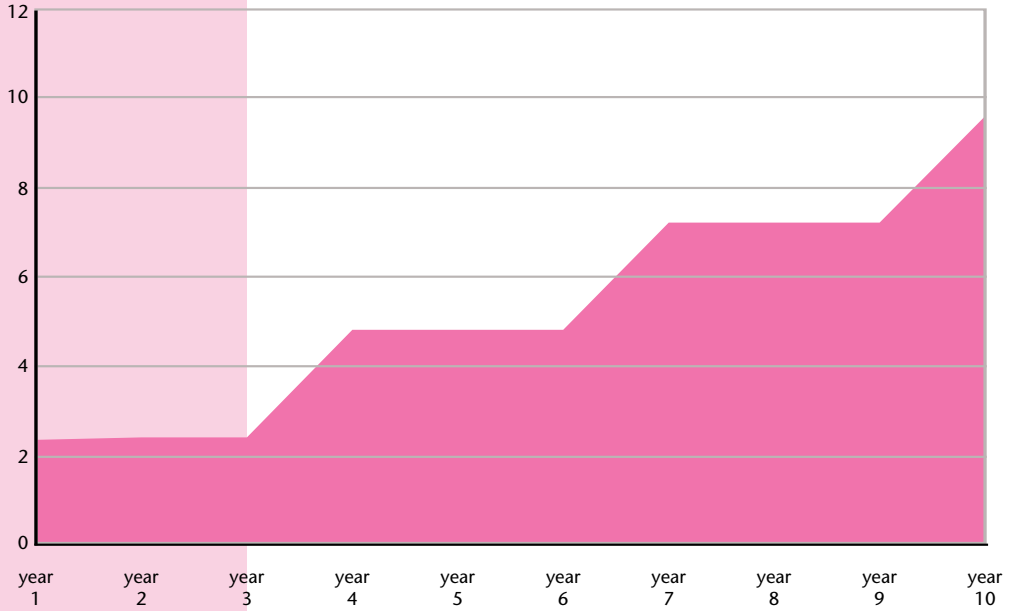


the economic impact of single family programs



economic impact of single family programs

return on the dollar



economic impact of single family programs

The economic impact of single family programs is predominantly felt through their direct effect upon the construction, financial, insurance and real estate sectors of the economy. Wider effects are then felt as the initial spending within these sectors continues to ripple through the economy supporting further jobs, adding additional earnings and creating new demand for goods and services.

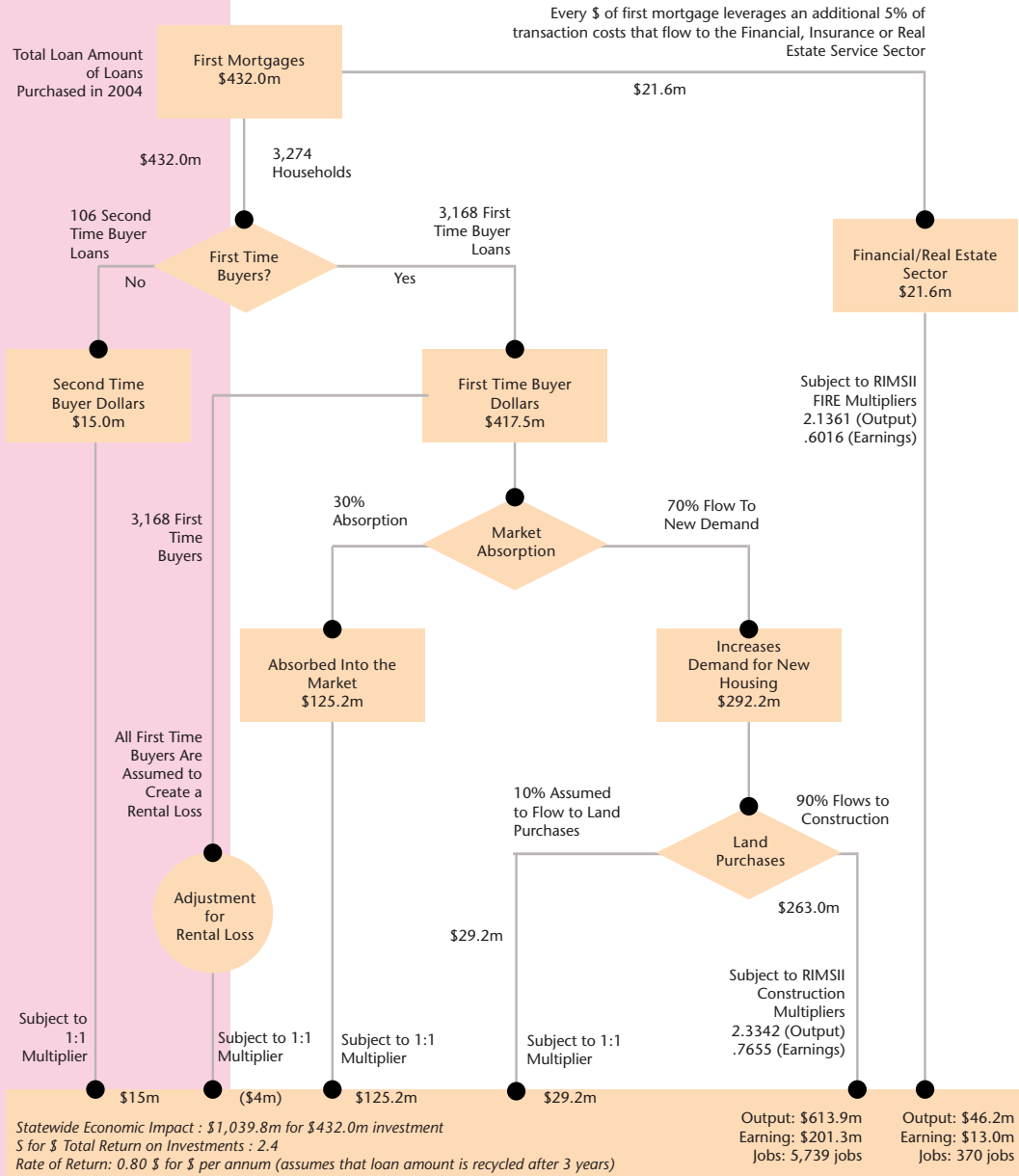
Furthermore, providing households with loans to purchase their own home encourages them to build roots within a community, to spend money locally and to contribute to the local tax base through their property taxes.

The model developed by CHFA does not assume that every new mortgage results in a net new demand for construction, but that a proportion of new homeowners are absorbed by the market each year to account for natural changes in population. This represents a departure from models utilized elsewhere which assume, theoretically speaking, a zero absorption rate. In addition, CHFA was careful to account for land acquisition, a cost which creates no additional earnings. These are minor, yet important distinctions since the CHFA model results are conservative in nature, and provide precise impact estimates. The flow of funds model for 2004 is shown in the following flowchart.

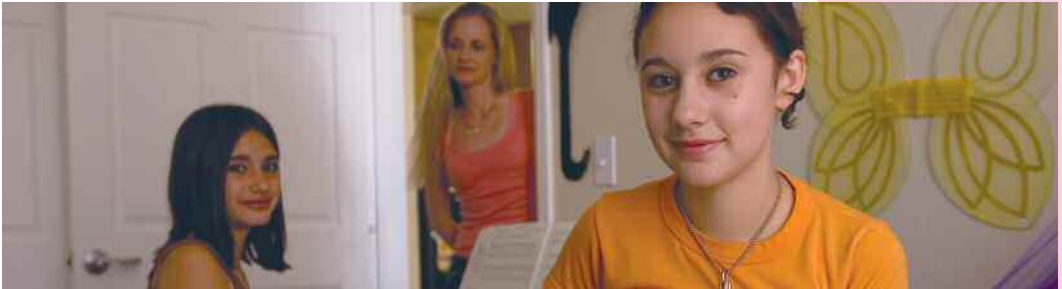
In 2004, CHFA's total production included 3,274 loans amounting to over \$432 million in first mortgages. The total impact of these loans was the creation of 6,109 jobs, associated earnings of \$214.3 million, and \$829.5 million in new demand for goods and services. In total, this represents an economic impact to the state of over \$1 billion within 12 months of the loans being made by CHFA. On average, borrowers remain with CHFA between three and four years and CHFA's ability to successfully recycle these funds provides us with an estimated annualized return of \$2.4 for every \$1 made in loans.

The initial loan provides ongoing benefits to the state's economy which are associated with increased expenditures on consumer durable items, as well as the ability for households to build equity in their homes. Although CHFA has not officially estimated these, it is obvious that the measurable economic benefits are present.

flow of funds model - single family

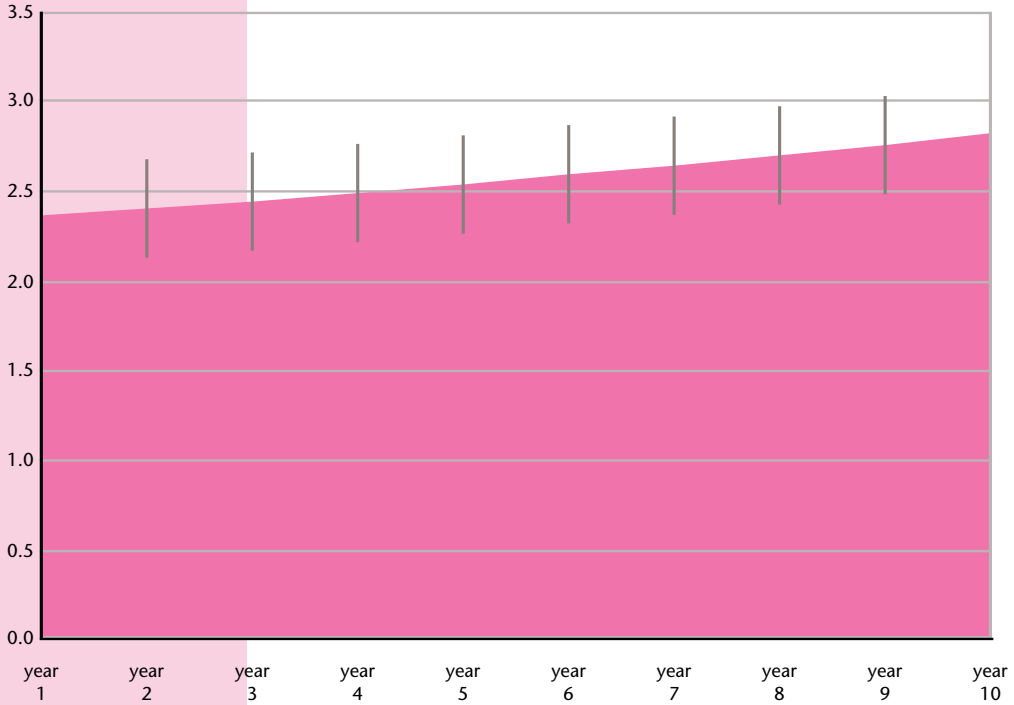


the economic impact of multifamily programs



economic impact of multifamily programs

return on the dollar



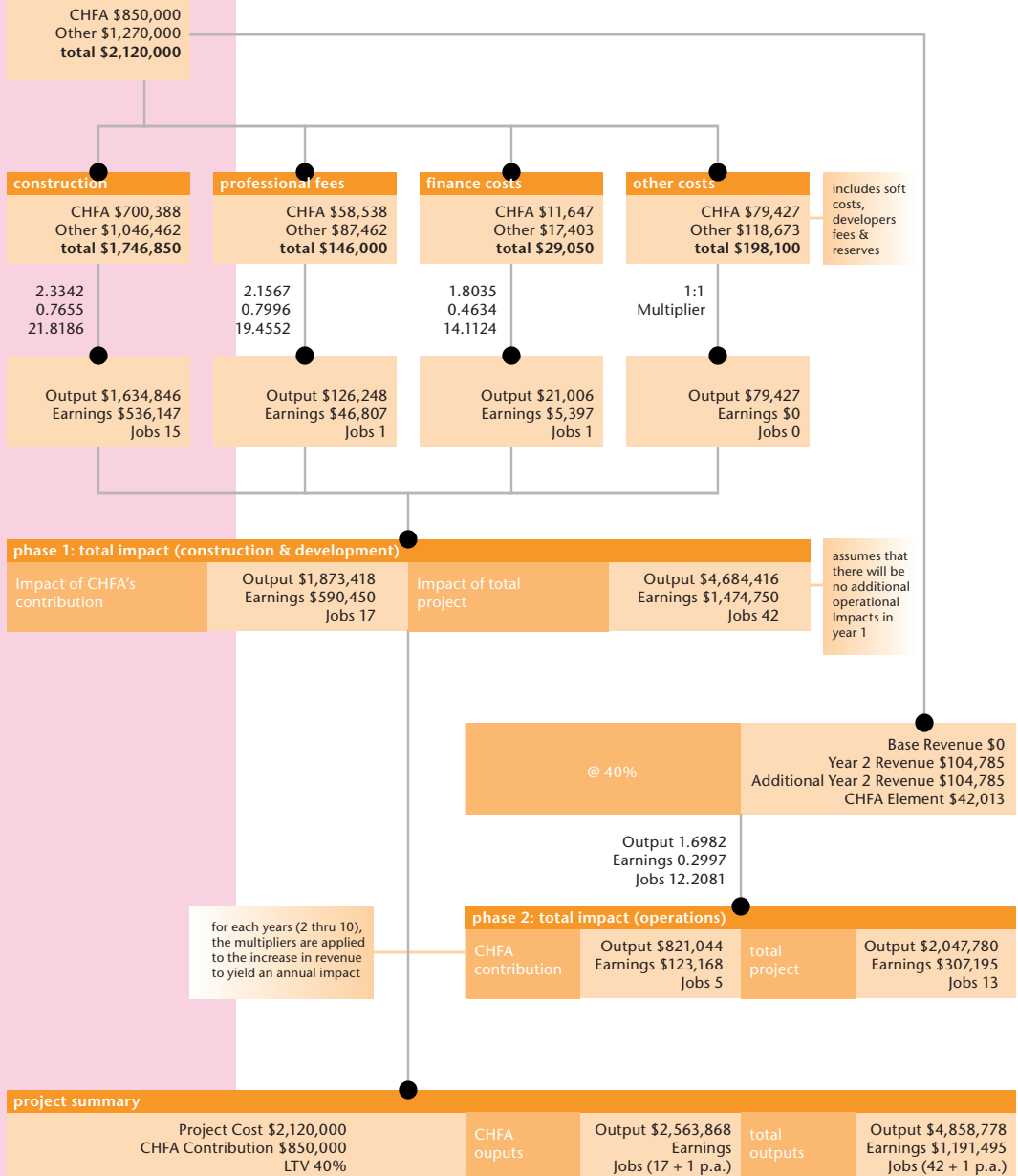
economic impact of multifamily programs

The model used to estimate the economic impact of multifamily developments was fundamentally different from that used to estimate the impact of our single family programs because of the heterogeneous nature of the deals we support and the need for CHFA's long term participation. The model developed by CHFA counted the level of CHFA participation, as well as the specific uses of funds on a deal by deal basis. The model accounts for the absence of a typical deal by factoring in a variance of +/- 5%. The effect of CHFA's long term participation can also be seen in the flatter return curve shown to the left. As an example, the flow of funds for Lyons Senior Housing is shown in the following flowchart.

This said, the actual initial impact of multifamily programs is similar to the impact of single family programs with the initial impacts being felt in construction, rehabilitation, financial and real estate sectors.

In 2004, CHFA contributed over \$32 million to multifamily housing programs in Colorado and supported 23 individual developments. This resulted in an initial economic impact to the state of 422 jobs; \$15 million associated earnings and \$58 million in demand for new goods and services. Over the next 10 years CHFA estimates this amount to be \$94 million.

flow of funds model - multifamily

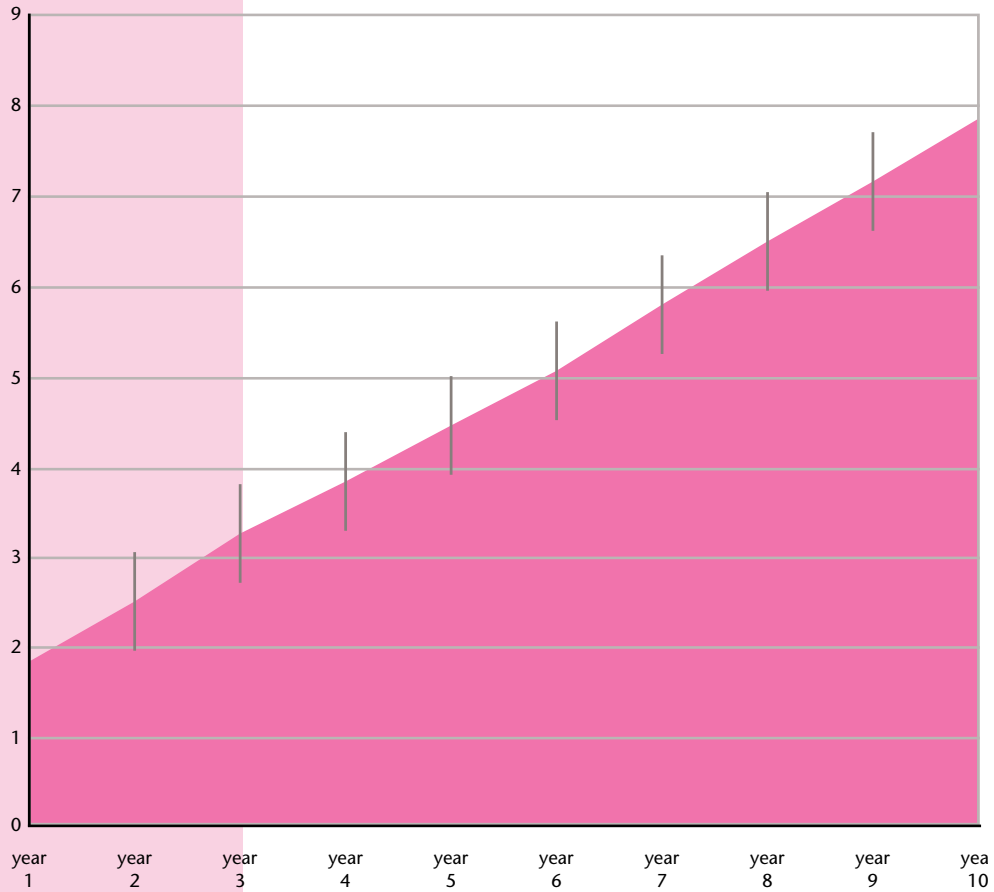


the economic impact of business finance programs



economic impact of business finance programs

return on the dollar



economic impact of business finance programs

The economic impacts of business finance programs vary the most depending on the industrial or retail sector supported. The model developed by CHFA incorporates both the direct effects of the loan, equipment or real estate purchase and the ongoing impacts on revenues, jobs created and associated earnings. As with multifamily developments, there is an absence of a typical deal. The flow of funds for SAL Holding, LLC, which is used as an example deal, is shown in the following flowchart.

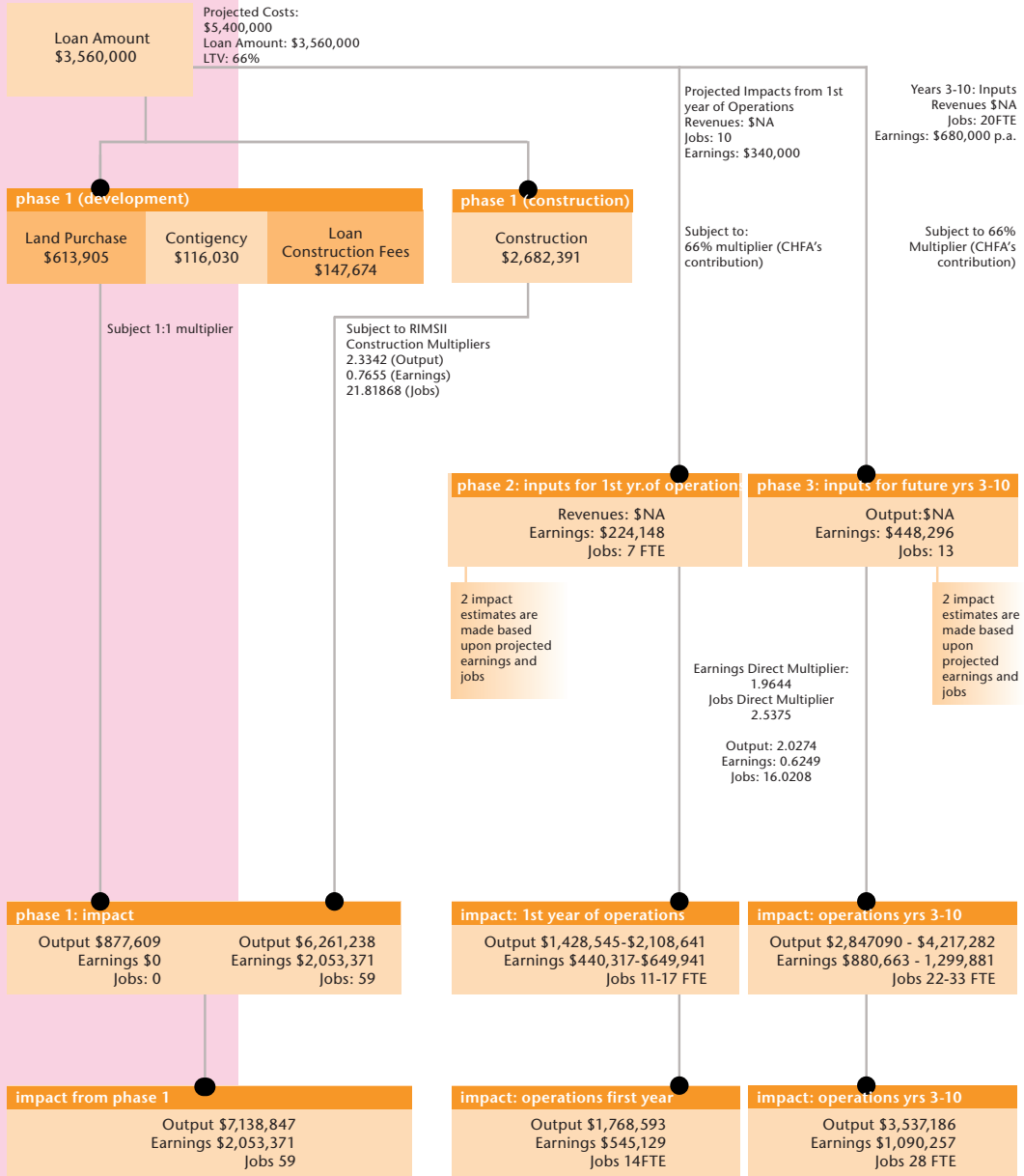
Although this is not always the case, the impact of these programs tends to have a lower initial impact than single or multifamily programs. Businesses using funds to increase jobs, add earnings and increase sales will result in a much steeper yield curve in future years.

In 2004, CHFA supported 96 small and medium sized businesses in Colorado with over \$84 million. This resulted in an estimated economic impact of 460 jobs, \$22 million of associated earnings and \$130 million in additional demand for goods and services in the first year.

Over a ten year span this is expected to amount to the creation of 1000 jobs, \$660 million in local earnings and demand for goods and services across the state.

It is important to note that the model does not measure or take into account the impact of retained jobs or earnings on local communities and therefore the overall impact should be considered over and above the numbers provided here.

flow of funds model - business finance



whom does chfa serve?



whom does chfa serve?

Knowing the economic impact of each dollar CHFA invests is intriguing, but it is only part of the picture. Identifying the actual beneficiaries of those loans is important for CHFA as we measure the progress we make toward meeting our mission.

CHFA housing programs serve a very broad cross section of Colorado residents across the housing continuum. Each year, CHFA examines the characteristics of people served by CHFA's multifamily and homeownership programs to understand the beneficiaries of our production and determine future program needs. This section provides an overview of the latest study, including household information on rural/urban residences, racial composition, family structure, age and disabled status by CHFA program type. A complete breakdown of the incomes served within each of CHFA's housing programs can be found on pages 22 and 23. Information about the specific location of CHFA's housing loans can be found on pages 24 and 25.

Our business finance portfolio has also been reviewed to show industry and ownership profiles of the businesses served in 2004.

whom does chfa serve?

Beneficiaries of Multifamily Housing

In 2004, CHFA made loans to 23 multifamily developments, totaling \$32 million. These figures represent both 5% of the total number of loans and 5% of the dollar volume of loans made to multifamily developers in the state. These loans, and the tax credits allocated in 2004, brought the total Asset portfolio to almost 54,000 units.

The data show that 91% of CHFA-served multifamily households fall below 50% of median income and 71% of the households served by CHFA have incomes below 30% of median income. Overall, incomes increased slightly (12%) from 2003 to 2004, but not enough to offset the need for affordable housing. The incomes of minority households have declined during the same period, going from \$16,680 to \$11,124, demonstrating CHFA is reaching lower income households.

The RAP portfolio, which consists of 15 CHFA owned rental developments located around the state, has the highest incomes in CHFA's Asset Management portfolio. As such, CHFA is working with on-site management to offer homebuyer education classes to the residents of these buildings.

CHFA's rental portfolio meets or exceeds the percentage of many of its target groups within Colorado's population, demonstrated as follows:

- The multifamily portfolio serves 16% rural residents; Colorado's population is 16% rural.
- 22% of the multifamily households are minority, compared with 20% statewide.
- 22% of the households in rental units are single parents, compared with 8% statewide.
- 29% are elderly and 14% are disabled, compared with 18% and 5% of the population respectively.

whom does chfa serve?



whom does chfa serve?

Beneficiaries of Homeownership

In 2004, CHFA closed 3,274 loans totaling over \$432 million, 90% of which were FHA insured. These figures represent 12% of the total FHA market in Colorado, and 22% of the FHA loans to first time homebuyers in the state. CHFA's share of conventional loans represented less than 1% of the total market.

The median income of CHFA's homeownership program beneficiaries lies below 80% of HUD state median family income, with a significant number (1,219 loans in 2004) going to households earning between 30% and 60% of median income. In 2004, the median income for CHFA borrowers was \$40,590 as compared to the HUD state median income of \$63,500. Households at these lower income levels often have a difficult time achieving homeownership without assistance. CHFA's soft second loans allow Colorado families to achieve their dreams.

Total homeownership loans were down 16.5% (542 loans) from 2003 to 2004, mostly in El Paso County (465 loans) due to the merger of mortgage companies and the loss of loan officers with extensive knowledge of our programs.

On a positive note, the same period saw an increase in both the number of households in the 30% to 60% median income bracket and the proportions of minority households served. While 20% of Colorado's households are minorities, 24% of the homeownership loans were made to minorities, which is up from 2003 at 22%, and 15% of homeownership loans were made in rural Colorado, which was an increase of 397 loans.

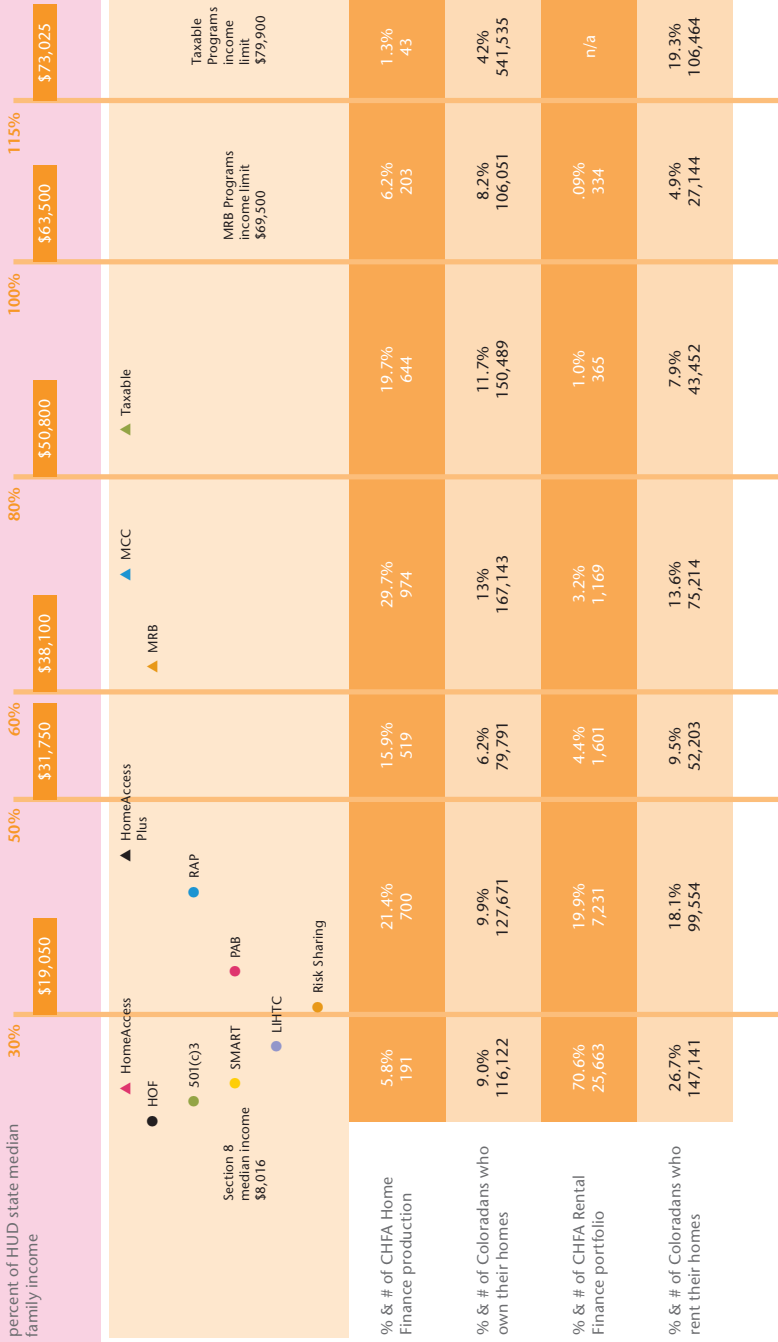
Additional information about CHFA's home mortgage beneficiaries as compared to the Colorado population is as follows:

12% are single parent families, compared with 8% of the state's population.

30% are two-parent families, compared with 24% of the population.

4% are disabled, compared with 5% of the population. This success is attributable to the HomeAccess program.

percent of HUD state median family income



whom does chfa serve?

incomes of households served by chfa programs in 2004

CHFA Rental Finance - median income \$11,988

- **501(c)3 Bonds** The 501(c)3 Bond Program offers construction and permanent financing for nonprofit organizations providing rental housing to low income and other special needs groups.
Median income \$13,896
- **Rental Acquisition Program (RAP)** CHFA owned apartment developments. 40% of the households must have low or very low incomes.
Median income \$26,288
- **Competitive Low Income Housing Tax Credit (LIHTC)** CHFA administers the LIHTC program for Colorado, created to provide a federal income tax credit incentive to the private sector to invest in low income rental housing.
Median income \$17,160
- **Private Activity Bonds with Non-Competitive LIHTC Private Activity Bonds (PAB)** provide tax exempt financing for rental housing development. Developers who receive PAB financing are also eligible for non-competitive LIHTCs (4% tax credits only).
Median income \$21,568
- **FHA Risk Sharing** Provides insurance for tax exempt and taxable mortgages for new construction or acquisition/rehabilitation of rental housing.
Median income \$19,509
- **Small Affordable Rental Transactions (SMART)** This program provides permanent financing of \$1,000,000 or less to rental housing developments. The intent is to provide a streamlined financing vehicle at moderate cost for small properties.
Median income \$15,000
- **Housing Opportunity Fund (HOF)** CHFA's Board of Directors created the HOF in 1989, as a capital source to serve lower income Coloradan's housing needs.
Median income \$12,768

CHFA Home Finance - median income \$40,590

- ▲ **Mortgage Revenue Bond (MRB)** A statewide mortgage program available to income qualified first time home buyers.
Median income \$39,640
- ▲ **HomeAccess**
- ▲ **HomeAccess Plus**
The HomeAccess and HomeAccess Plus Programs are statewide programs for low to very low income disabled first time homebuyers.
Median income \$14,713
Median income \$28,517
- ▲ **Mortgage Credit Certificates (MCC)** Allows homeowners to claim up to 20% of their paid mortgage interest as a federal income tax credit.
Median income \$45,058
- ▲ **Taxable** A statewide mortgage program available to all income qualified home buyers.
Median income \$53,635

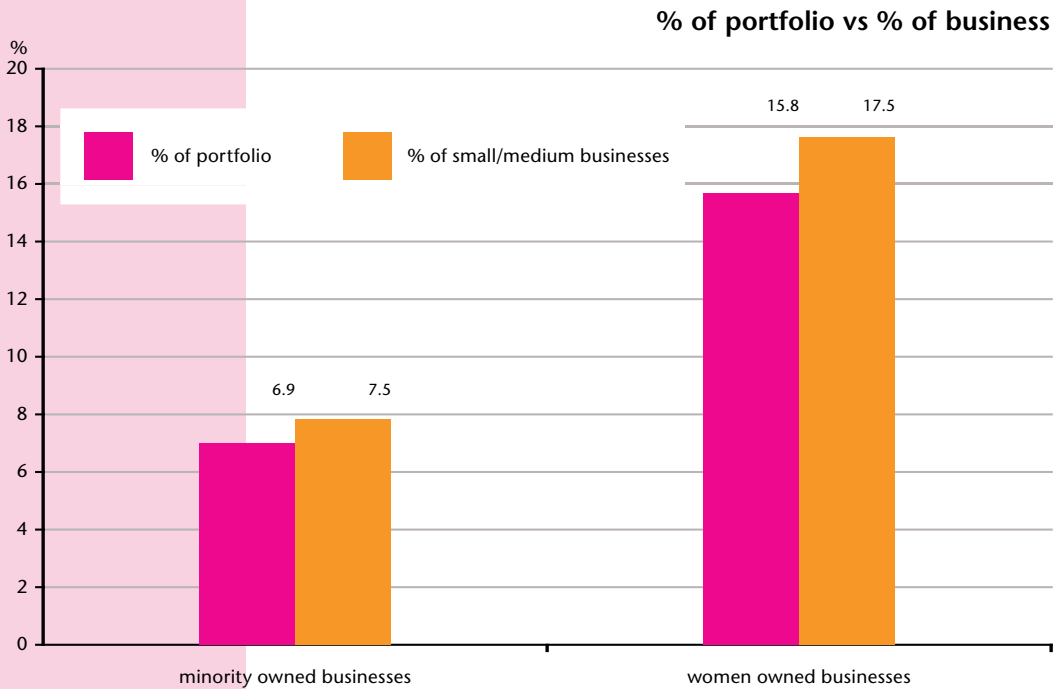
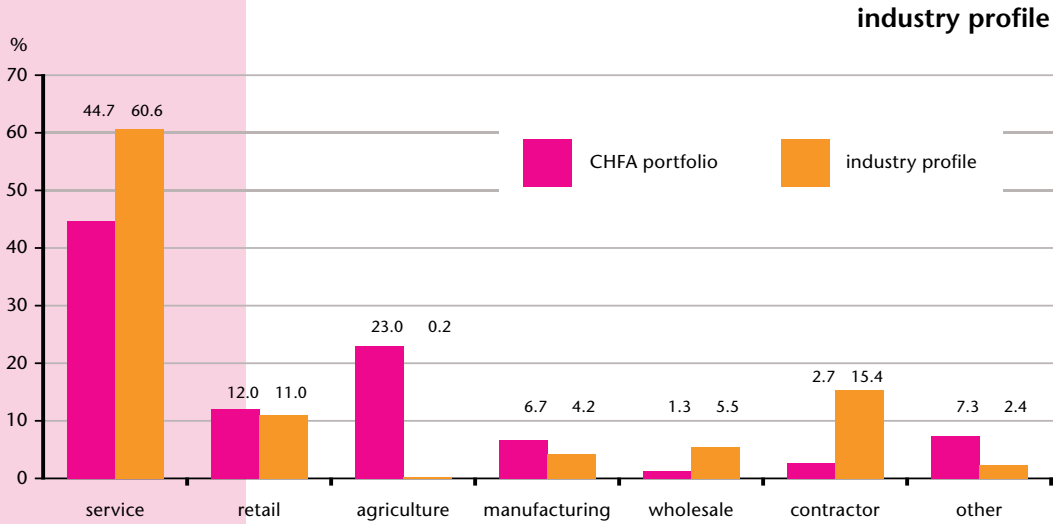
whom does chfa serve? households by county

	Home Finance		Rental Finance ⁸⁶		Colorado Population	
	# of households	% of total	# of households	% of total	# of individuals	% of total
Adams	296	9.04%	3,537	9.73%	347,961	8.09%
Alamosa	9	0.27%	125	0.34%	14,966	0.35%
Arapahoe	163	4.98%	2,883	7.93%	488,896	11.36%
Archuleta	0	0.00%	67	0.18%	9,898	0.23%
Baca	4	0.12%	47	0.13%	4,517	0.10%
Bent	1	0.03%	38	0.10%	5,998	0.14%
Boulder	71	2.17%	2,310	6.35%	269,785	6.27%
Broomfield	7	0.21%	94	0.26%	39,199	0.91%
Chaffee	1	0.03%	113	0.31%	16,242	0.38%
Cheyenne	0	0.00%	0	0.00%	2,231	0.05%
Clear Creek	0	0.00%	0	0.00%	9,322	0.22%
Conejos	5	0.15%	66	0.18%	8,400	0.20%
Costilla	1	0.03%	0	0.00%	3,663	0.09%
Crowley	9	0.27%	27	0.07%	5,518	0.13%
Custer	2	0.06%	0	0.00%	3,503	0.08%
Delta	12	0.37%	33	0.09%	27,834	0.65%
Denver	209	6.38%	10,274	28.25%	553,693	12.87%
Dolores	2	0.06%	0	0.00%	1,844	0.04%
Douglas	43	1.31%	983	2.70%	175,766	4.09%
Eagle	19	0.58%	208	0.57%	41,659	0.97%
El Paso	903	27.58%	1,980	5.45%	516,929	12.02%
Elbert	1	0.03%	0	0.00%	19,872	0.46%
Fremont	31	0.95%	494	1.36%	46,145	1.07%
Garfield	16	0.49%	278	0.76%	43,791	1.02%
Gilpin	0	0.00%	163	0.45%	4,757	0.11%
Grand	10	0.31%	130	0.36%	12,442	0.29%
Gunnison	3	0.09%	88	0.24%	13,956	0.32%
Hinsdale	0	0.00%	0	0.00%	790	0.02%
Huerfano	4	0.12%	33	0.09%	7,862	0.18%
Jackson	0	0.00%	0	0.00%	1,577	0.04%
Jefferson	145	4.43%	2,514	6.91%	525,330	12.21%
Kiowa	0	0.00%	8	0.02%	1,622	0.04%

whom does chfa serve? households by county

	Home Finance		Rental Finance		Colorado Population	
	# of households	% of total	# of households	% of total	# of individuals	% of total
Kit Carson	9	0.27%	86	0.24%	8,011	0.19%
La Plata	2	0.06%	342	0.94%	43,941	1.02%
Lake	5	0.15%	71	0.20%	7,812	0.18%
Larimer	76	2.32%	2,207	6.07%	251,494	5.85%
Las Animas	10	0.31%	121	0.33%	15,207	0.35%
Lincoln	11	0.34%	69	0.19%	6,087	0.14%
Logan	20	0.61%	242	0.67%	20,574	0.48%
Mesa	329	10.05%	1,180	3.25%	116,935	2.72%
Mineral	0	0.00%	0	0.00%	831	0.02%
Moffat	12	0.37%	198	0.54%	13,184	0.31%
Montezuma	31	0.95%	298	0.82%	23,830	0.55%
Montrose	22	0.67%	278	0.76%	33,432	0.78%
Morgan	45	1.37%	169	0.46%	27,171	0.63%
Otero	46	1.41%	278	0.76%	20,311	0.47%
Ouray	0	0.00%	0	0.00%	3,742	0.09%
Park	10	0.31%	0	0.00%	14,523	0.34%
Phillips	5	0.15%	12	0.03%	4,480	0.10%
Pitkin	1	0.03%	167	0.46%	14,872	0.35%
Prowers	13	0.40%	155	0.43%	14,483	0.34%
Pueblo	428	13.07%	1,214	3.34%	141,472	3.29%
Rio Blanco	6	0.18%	31	0.09%	5,986	0.14%
Rio Grande	4	0.12%	106	0.29%	12,413	0.29%
Routt	17	0.52%	49	0.13%	19,690	0.46%
Saguache	1	0.03%	131	0.36%	5,917	0.14%
San Juan	0	0.00%	0	0.00%	558	0.01%
San Miguel	16	0.49%	338	0.93%	6,594	0.15%
Sedgwick	3	0.09%	0	0.00%	2,747	0.06%
Summit	5	0.15%	273	0.75%	23,548	0.55%
Teller	18	0.55%	28	0.08%	20,555	0.48%
Washington	13	0.40%	28	0.08%	4,926	0.11%
Weld	120	3.67%	1,759	4.84%	180,862	4.20%
Yuma	29	0.89%	40	0.11%	9,841	0.23%
Total	3274	100.00%	36,363	100.00%	4,301,997	100.00%

whom does chfa serve?



whom does chfa serve?

Beneficiaries of Business Finance

CHFA's current portfolio supports 305 small and medium sized business across the state. This included 96 new loans that were originated and purchased in 2004.

The current portfolio demonstrates CHFA's support for a broad spectrum of businesses across all industrial sectors although the impact of our manufacturing and rural programs is clear.

The proportion of loans in our current portfolio that support women-owned and minority-owned businesses demonstrate these markets offer CHFA strong growth potential. The Survey of Small Business Finance highlighted the fact that these businesses have a lower rate of lending from conventional sources although there is tremendous demand.





conclusion

In conclusion, by providing financing to individuals and business over the last 30 years, CHFA's impact on the Colorado economy has been paramount. CHFA has not only made a significant contribution to the state's economy, but more importantly it has positively impacted the places where people live and work.

CHFA will continue to act as a catalyst for community and economic development in Colorado's communities and provide its citizens with various opportunities and programs that will improve their quality of life.





Colorado Housing and Finance Authority

1981 Blake Street
Denver, CO 80202

303 297-2432
800 877-2432

www.colohfa.org

financing the places where people live and work

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