



multifamily bond recycling initiative

Overview and Guidelines
as of March 12, 2026



about chfa

CHFA was established in 1973 by the Colorado General Assembly.

financing the places where people live and work[®]



CHFA is not a state agency and does not receive any direct appropriations.

Board of Directors: **11 Members**



CHFA received authority to use bond proceeds for economic development activities in 1982.



Approximately **\$40.2B** has been raised and invested in Colorado to date.

mission



We strengthen Colorado by investing in affordable housing and community development.

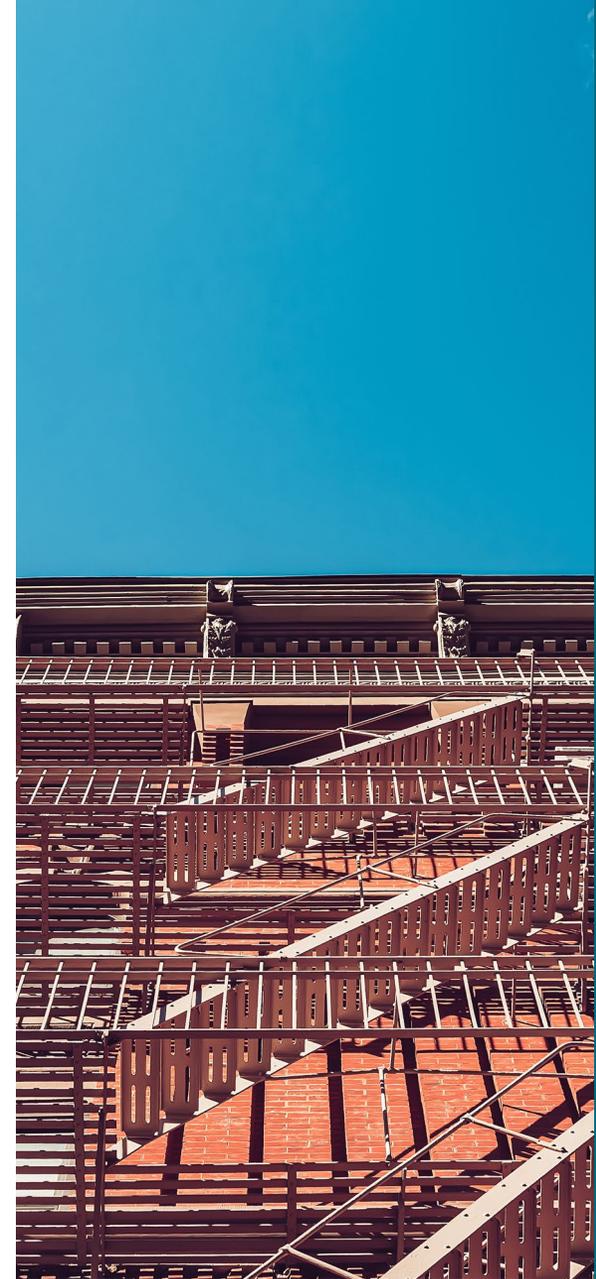
vision



Everyone in Colorado will have the opportunity for housing stability and economic prosperity.

what you will learn

- What are Private Activity Bonds (PAB)
- What are recycled bonds and why are they critical to Colorado
- New opportunities to expand PAB recycling
- Bond recycling rules
- Project impact



what are private activity bonds?

- Private Activity Bonds (PABs) are tax-exempt municipal bonds issued by state and local governments or authorities
- PABs finance projects developed by private entities that provide a public benefit
- PABs provide low-interest-rate debt financing
- PABs are required to qualify for federal 4% Housing Tax Credits



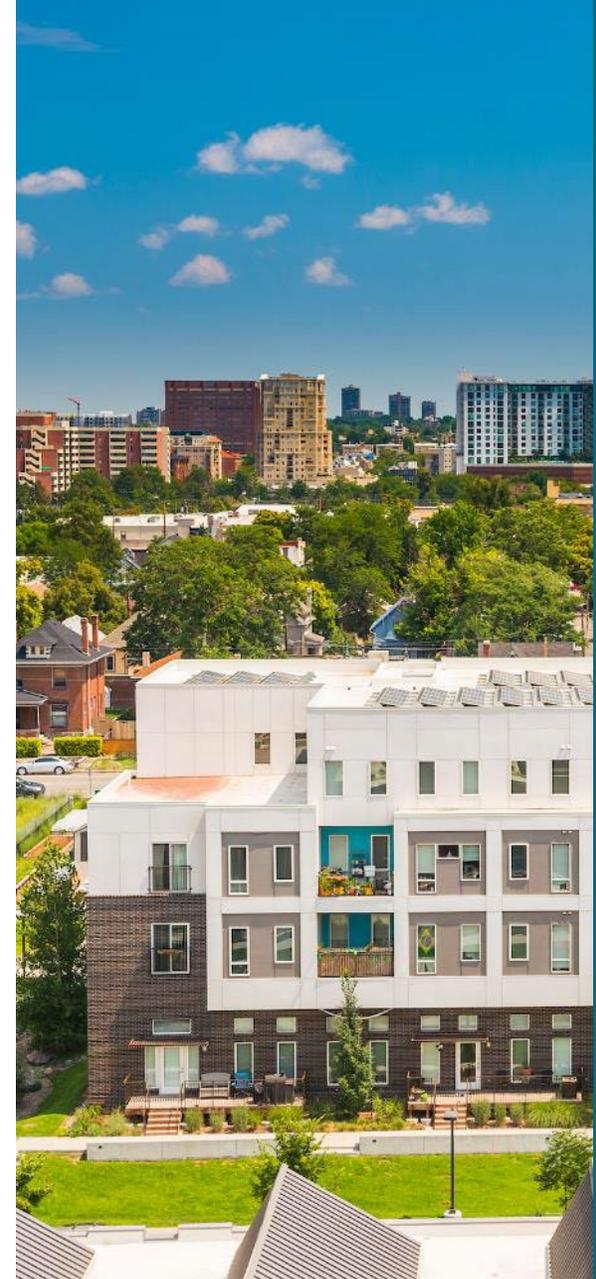
pab in colorado

- Each year Colorado receives a population-based allocation of PAB volume cap
 - Per statute:*
 - 50% to statewide authorities
 - Colorado Agricultural Development Authority
 - Colorado Housing and Finance Authority
 - 50% to local governments pro-rata by population
 - Balance to Depart of Local Affairs
- Majority of PABs in Colorado are used for multifamily affordable rental developments
- Colorado is oversubscribed for PABs



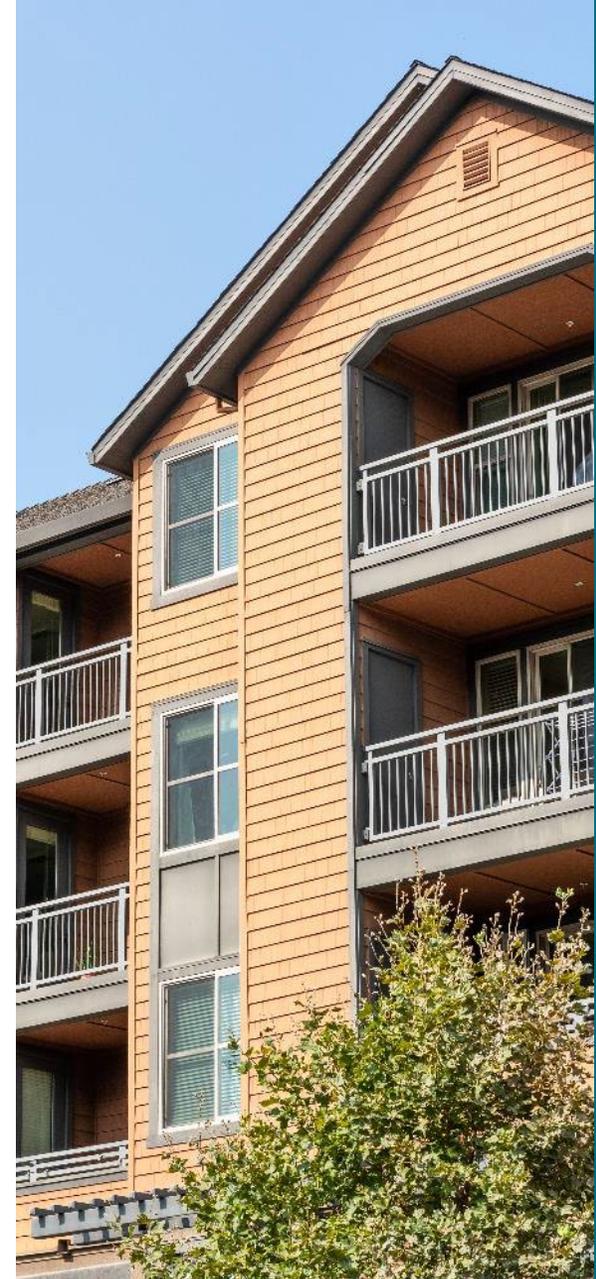
impact of recent legislation

- Opportunity created by H.R. 1
 - Reduction in “finance-by” test from 50% to 25%
 - Applies to projects placed in service after December 31, 2025
 - Same amount of PABs can finance more projects
- Challenges include
 - By reducing PABs, interest cost increases, especially for the permanent loan financing
- Solution is Recycled Bonds



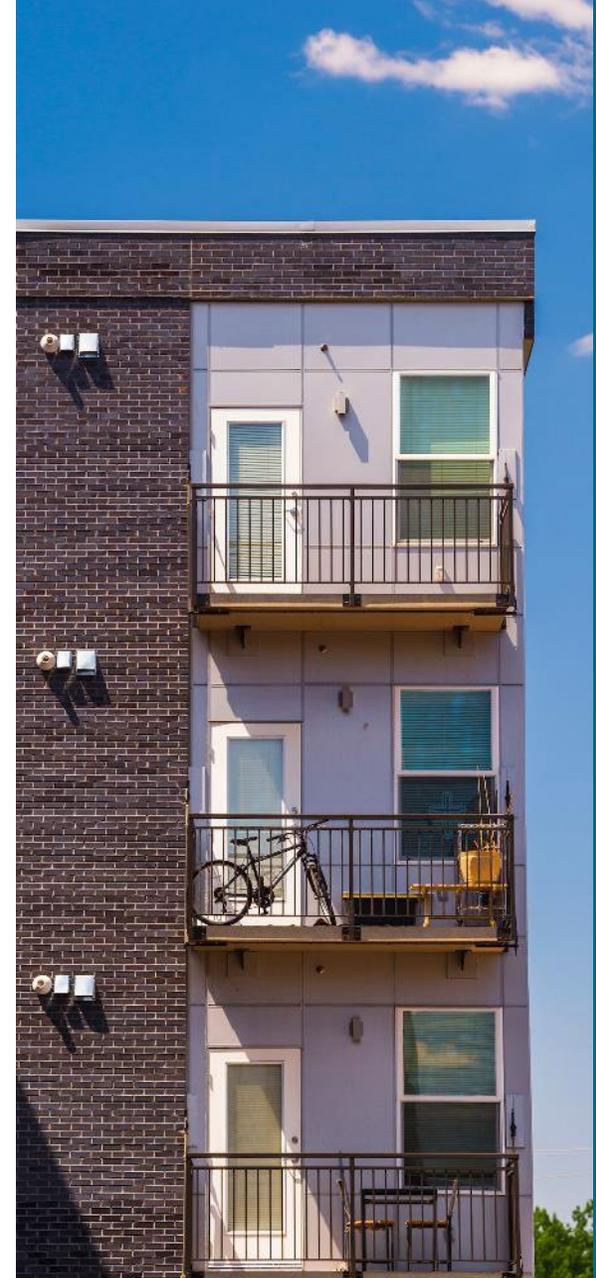
what are recycled multifamily bonds?

- Recycled bonds are previously issued PABs which are repaid from a loan repayment.
- Recycled bonds do not count toward the 25% “financed by” test for Housing Tax Credits
- Recycled bonds provide an additional source of tax-exempt debt that is not new money



goals for bond recycling initiative

- Create more affordable rental housing in Colorado with our limited PAB resources
- Reduce the borrowing costs for developers of multifamily affordable rental housing
- Encourage maximum industry participation
- **Window of opportunity is limited to the next three or four years**



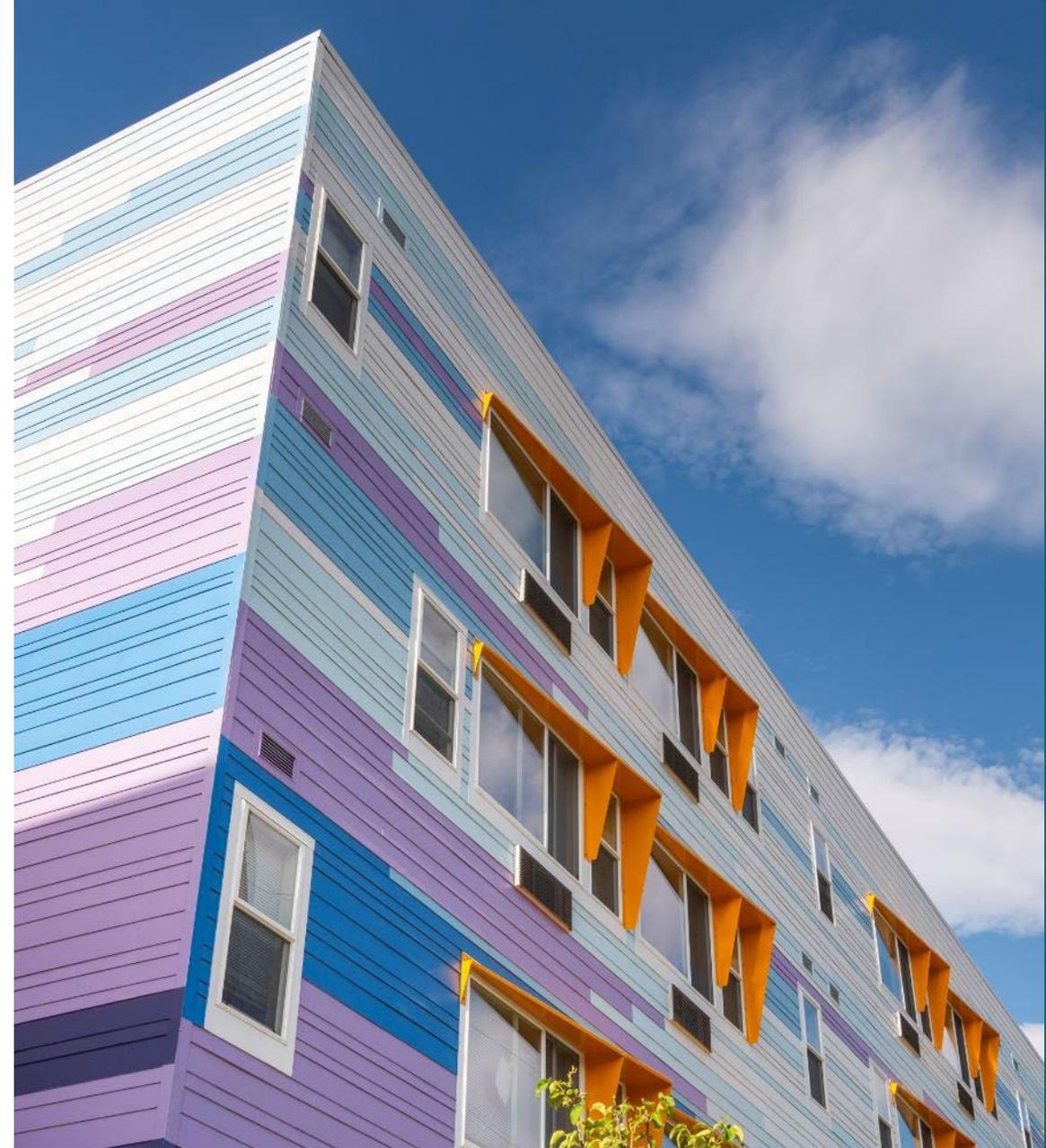
preserving pab loan repayments

- CHFA can preserve any PAB loan repayment within four years of issuance
- CHFA can preserve bonds from any issuer in Colorado
- CHFA will cover all costs to preserve bonds
- **Notify CHFA of a repayment amount of \$100,000 or higher within two weeks of upcoming repayment**



redeploying recycled bonds

- CHFA can provide recycled bonds to **any eligible project with any issuer** in Colorado
- Recycled bonds issued by CHFA are covered by CHFA's standard issuer fee – no additional cost
- Recycled bond fees for non-CHFA issuers are greater of \$10,000 or 0.10% of the recycled bond amount to cover program costs
- No limit on amount or number of transactions



volume cap recycling rules

Section 146(i)(6) of the Tax Code

Key Timing Rules:

- 6-month period for recycling
 - New loan must be made within six months of the date of repayment of the prior loan
- 4-year Issue Date Rule
 - New bonds cannot be issued later than four years from original issue date
- 34-year Maturity Rule
 - New bonds cannot mature later than 34 years from original issue date

“Irrespective of Obligor”/Issuer

volume cap recycling limitations

New Loan only for qualified residential rental projects (142(D))

Timing: Need notice!

- CHFA must draw on the line of credit prior to the loan repayment

One and Done

- Can only Recycle Once (only one refunding of the refunded bonds)
- Impact of Reissuances/Refundings

Public Approvals

- New bond issue must have TEFRA Approval in accordance with Section 147(f)

LIHTC: Recycled Bonds do **not** satisfy the 25% Test (42(h)(B)(ii))

Recycled Bonds Must Be Drawn in One Lump Sum at Closing

- Potentially creates additional project interest costs

volume cap recycling – minimal documentation

Deemed Exchange

“The transfers between the parties are allocated and deemed to occur, notwithstanding that for the convenience of the parties, payments may be netted or other transfers made to accomplish the recycling.”



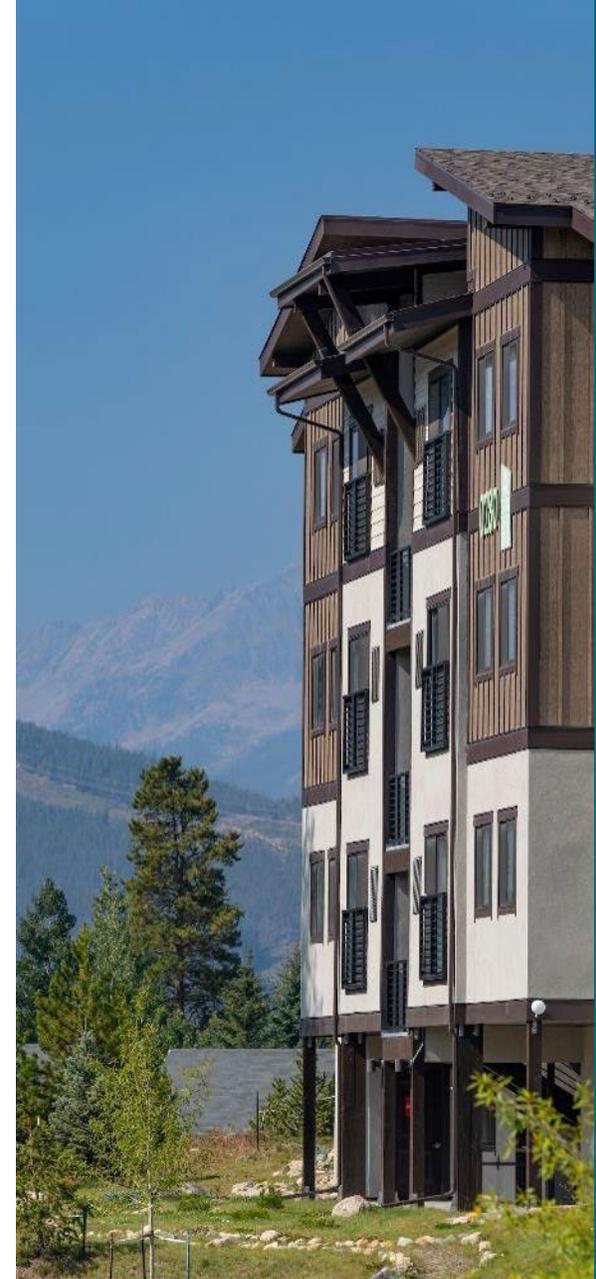
Funds Exchange Agreement
(Loan Repayment)



Funds Exchange Agreement
(New Loan)

strategic use of bond recycling

- In pipeline projects, utilize recycled PAB to supplant “new” PAB
- Reduce financing gaps by lowering interest costs and/or increasing debt capacity
- Finance other affordable housing projects



impact of recycled bonds

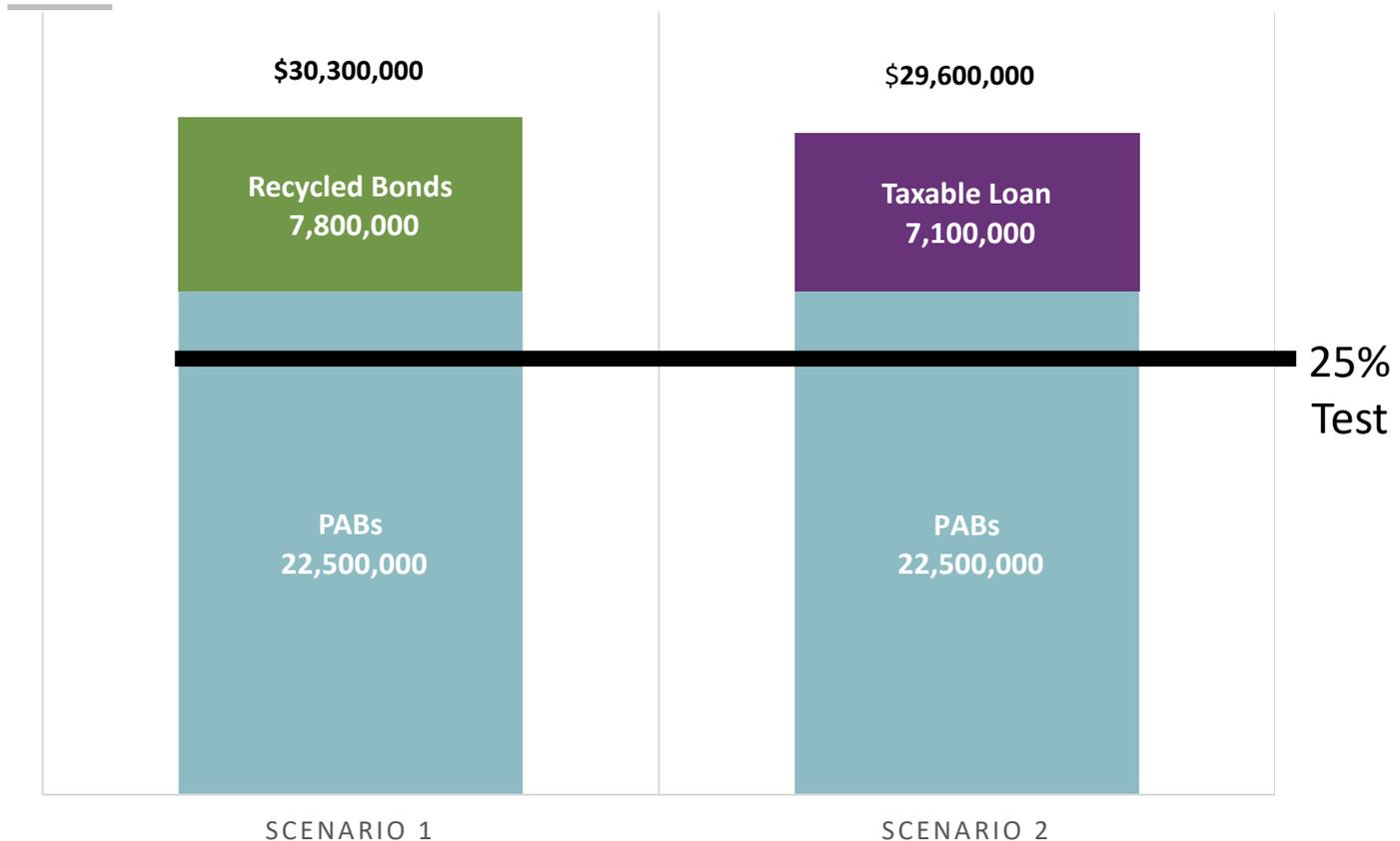
permanent financing vs construction financing

perm financing example assumptions

- Total Aggregate Basis = \$75,000,000
- PABs needed to achieve 30% = \$22,500,000
- NOI = \$2,300,000
- 40-year amortization
- 1.15X DSCR
- Tax-exempt rate = 6.0%
- Taxable rate = 6.75%



tax-exempt bonds in permanent financing



Highlights

- Additional permanent financing of \$700,000
- Less the impact of ongoing issuer fees &
- Additional financing costs

Example Scenario: Taxable versus tax-exempt rates vary; Blended permanent rate is 6.18%

impact of recycled bonds

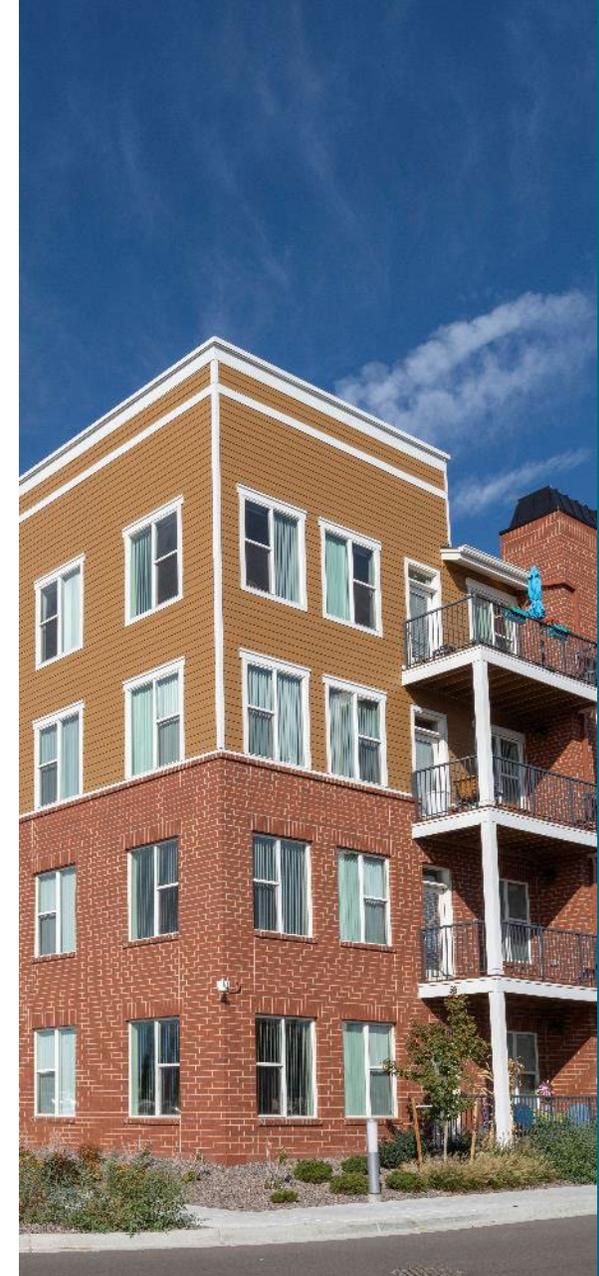
permanent financing vs construction financing

construction financing example assumptions

- Total Aggregate Basis = \$75,000,000
- Permanent loan amount = \$30,000,000
- Construction loan amount = \$50,000,000
- Rate difference (tax-exempt vs taxable) = 75 bps
- Taxable last in/first repaid
- 50% of additional interest is basis eligible

Result

- Gross benefit of approx. \$200,000 mostly eliminated by:
 - Increased Tax Credit equity and additional COI



collective impact

- Colorado is one of the few states that actively recycles PAB for multifamily and homeownership uses
- Since 2017, CHFA has recycled \$217 million in PAB for multifamily
- CHFA is on track to preserve over \$56 million of PABs in 1st quarter 2026



faqs – recycled bonds

Can recycled bonds be issued as drawdown bonds?

- No. Recycled bonds must be fully funded on the issuance date.

Can bonds preserved from one issuer be recycled into a project with a different issuer?

- Yes, so long as the issuers are within the same state.

Can recycled bonds be used for both new construction and acq/rehab projects?

- Yes

Do recycled bonds count toward the 25% test (formerly, 50% test)

- No, only new money PABs count toward the 25% test.

faqs – recycled bonds

Can bonds be preserved after a loan repayment is made?

- No. CHFA must draw on its line of credit prior to the loan repayment in order to preserve bonds in connection with a loan repayment. This is why lead time and notice is critical.

Can bonds preserved from a project be recycled into more than one new transaction?

- Yes, preserved bonds are not limited in the number of projects they can be recycled into. Similarly, a new project may recycle bonds which were preserved from multiple projects.

Is there a limit to the use of recycled bonds in a transaction.

- No, CHFA will use best efforts to make recycled bonds available to projects seeking to use them. CHFA's goals are to maximize utilization of the program in furtherance of efforts to limit PAB use and optimize project feasibility while adhering to the strict timing limitations on recycled bonds.



Denver Maw

Director, Finance

☎ 800.877.chfa (2432) | direct 303.297.7348

✉ dmaw@chfainfo.com

Cory Kalanick

Partner, Public Finance Chair and CHFA Bond Counsel, Taft Law

☎ direct 303.299.9373

✉ ckalanick@taftlaw.com

Kathryn Grosscup

Manager, Housing Tax Credit

☎ 800.877.chfa (2432) | direct 303.297.7368

✉ kgrosscup@chfainfo.com

notification and
questions:

PABmanager@chfainfo.com