



# middle-income housing tax credit

Stakeholder Outreach Meeting • October 16, 2024



# middle-income housing tax credit

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- New pilot state Housing Tax Credit for middle-income rental housing
- 80% to 120% AMI, up to 140% AMI in rural resort counties
- 5-year standalone credit, claimed ratably
- Minimum affordability term: 15 years
- Optional transferable structure if allocated to a governmental or quasi-governmental project owner
- Authorization timeframe: 2025-2029 (5 years)



# middle-income housing tax credit (mihtc)

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## Models features of the federal LIHTC program

- Definitions of Applicable Fraction, Qualified Basis, Imputed Income Limits are parallel
- Units are both income and rent restricted (30% of imputed income limit)
- Recapture – prospective loss and recapture of credit akin to LIHTC IRC 42(j)
- Land Use Restriction Agreement (LURA) recorded

## Models features of the state AHTC program

- Allocation Certificate
- Claimable against the same types of state taxes – income or insurance premium
- Three-year carryforward if amount of credit allocated exceeds taxes due
- Specially allocable among members of the partnership



# mihtc – rural resort counties

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Affordability designation up to 140% of AMI

- Archuleta County
- Chaffee County
- Eagle County
- Grand County
- Gunnison County
- La Plata County
- Ouray County
- Pitkin County
- Routt County
- San Juan County
- San Miguel County
- Summit County



# mihtc – transferable structure

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Only a governmental or quasi-governmental entity may transfer credits

- Compensation must be invested in the development
- Qualified taxpayer can claim credits in same manner as an owner of a qualified development
- Qualified taxpayer is subject to the same conditions and allocation rights as an owner of a qualified development
- Credit is subject to recapture

If recaptured, the governmental or quasi-governmental entity shall notify the Colorado Department of Revenue of the identify of the qualified taxpayer to which it transferred the credit





# mihtc – pilot program

## Annual Amount To Award

\$5M	2025
\$5M	2026
\$10M	2027
\$10M	2028
\$10M	2029
\$40M	Total



# mihtc allocation plan – initial framework

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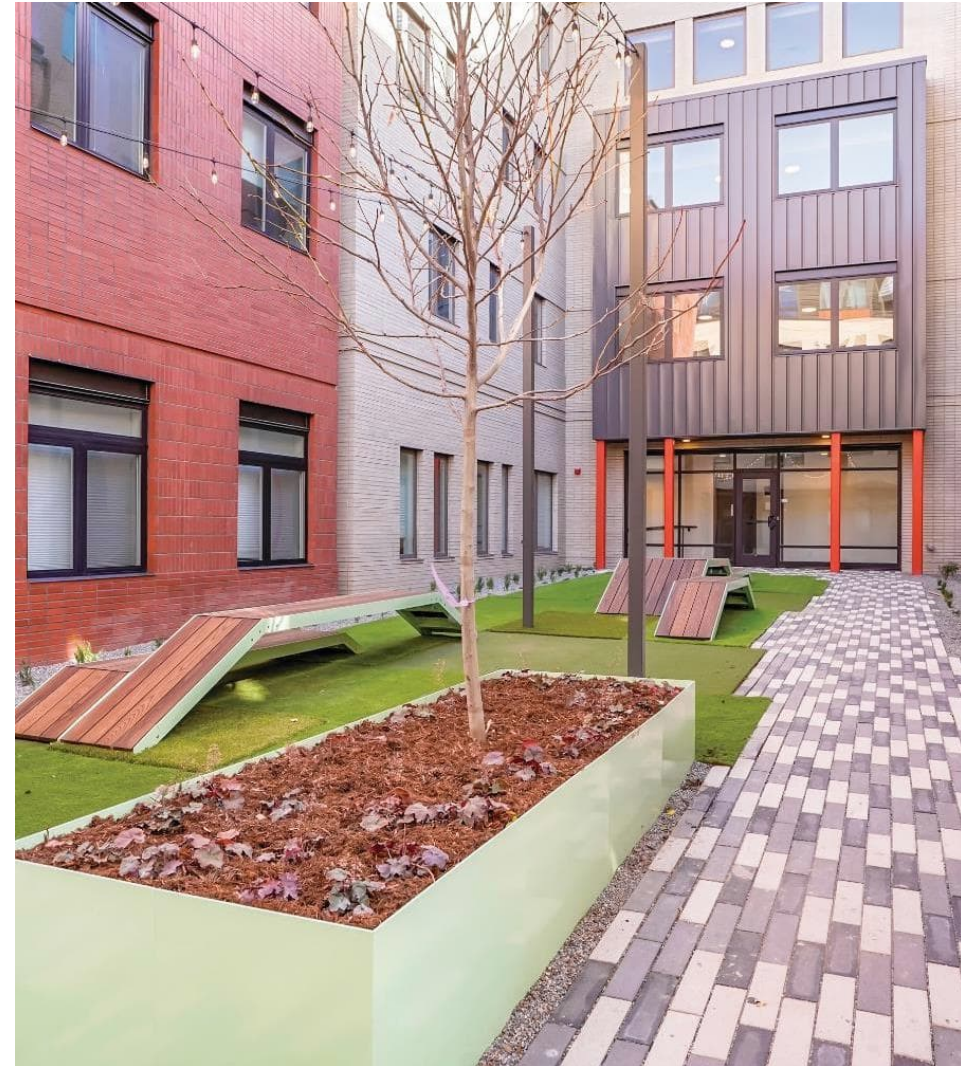
One year plan: 2025

Maximum annual award per  
project up to \$1.65M

Award up to three projects

New construction only in 2025

Application timeframe: May 2025



# mihtc application process

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- Review meeting for questions, optional – January and February 2025
- Letter of intent to apply, required – March 17, 2025
- Application date – May 19, 2025
  - Initial application fee: \$5,000
- Review of initial applications for competitive review selection
  - Approximately one month timeframe
  - Review of initial applications with MIHTC priorities
  - Selection of approximately six applications for competitive review
  - Competitive application fee: \$10,000
- Competitive underwriting and analysis for up to three awards
  - Approximately two-month timeframe

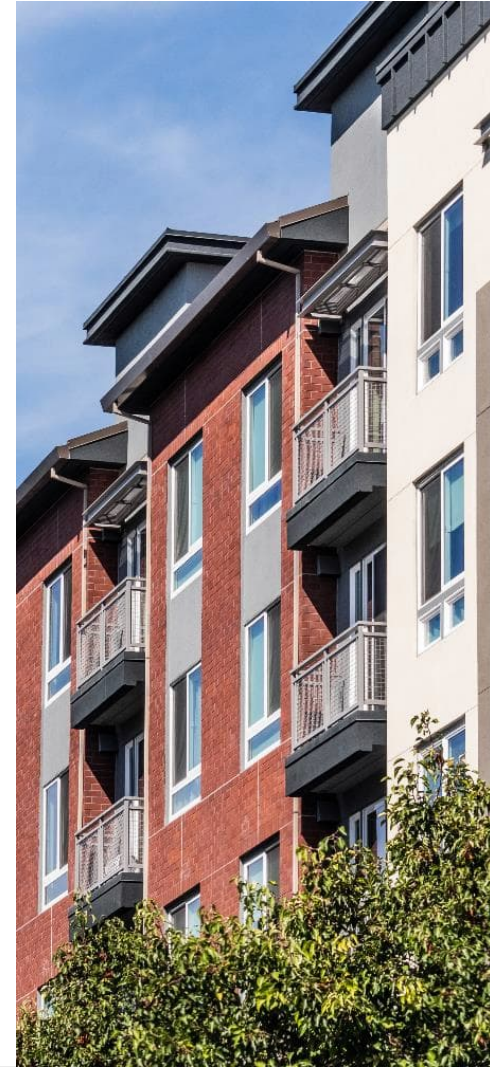




# mihtc application requirements

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1. Application
2. Site control
3. Market study
4. Zoning in place and entitlement timeline
5. Financing letters of interest
6. Environmental report(s)
7. Cost estimates and project drawings
8. Project team experience
9. Minimum amenities
10. Energy efficiency and sustainability requirements
11. Narrative



# mihtc priorities for initial review

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- Project marketability and market conditions
- Distribution of applications
- Project readiness
- Site and location
- Development and management team experience
- Length of affordability commitment
- Advanced energy efficiency and sustainability commitment



# mihtc – minimum underwriting

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- 4% developer fee
- 7% vacancy
- 1.15 debt coverage ratio (DCR)
- \$4,500 per unit per annual (PUPA)
- 2% income, 3% expense trending
- Minimum 4 months operating reserves
- \$300 replacement reserves





# mihtc competitive criteria for award

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- Project marketability and market conditions
- Distribution of awards
- Project readiness
- Site and location
- Development and management team experience
- Length of affordability commitment
- Advanced energy efficiency and suitability commitment
- Project costs
- Overall financial feasibility and viability



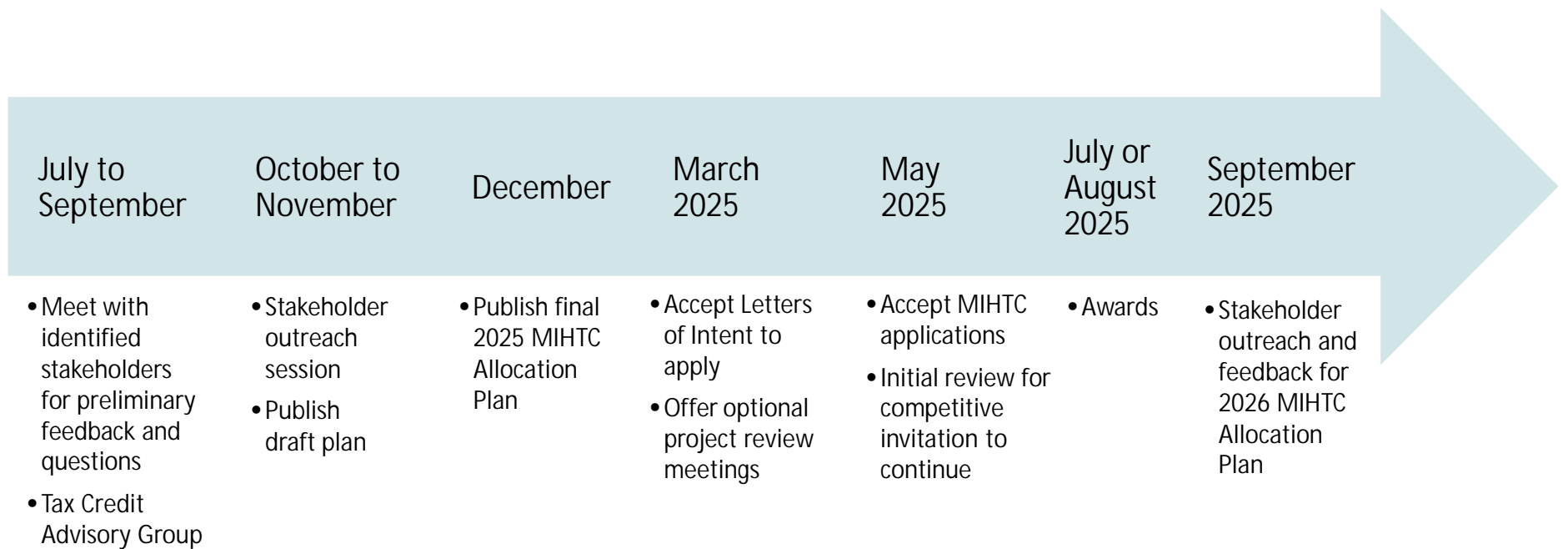
# mihtc compliance

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- Modeled on Housing Tax Credit practices
- Key differences to lighten administrative burden on residents and property management:
  - Flexible income verification methods
  - Basic Annual Recertification for 100% income-restricted units
  - Asset certification and verification not required
- Three-year compliance reviews and physical inspections conducted by CHFA
- Monthly occupancy and demographic data submissions
- Annual owner certification required
- Noncompliance reporting process in coordination with Colorado Department of Revenue



# mihtc roadmap







thank you!

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