

■ **Advanced the overall mission of the agency**

Colorado Housing and Finance Authority (CHFA) finances the places where people live and work by providing loans for affordable housing and economic development. Historically, CHFA has done this by issuing tax exempt and taxable bonds, relying heavily on Private Activity Bond (PAB) Volume Cap to issue the bonds at affordable interest rates.

Each year, CHFA receives an allocation of Volume Cap from the Colorado Department of Local Affairs (DOLA). Also, CHFA works with local jurisdictions to transfer their allocations of Volume Cap to CHFA. These transfers have historically increased CHFA's initial allocation pool by up to 30 percent (\$30-\$40 million) annually. However, over the past five years CHFA has doubled the number of households served, growing its portfolio to more than \$3 billion in loans outstanding. Due to this consistent growth, demand began exceeding the amount of PAB Volume Cap allocated and/or transferred to CHFA. As a result, CHFA developed a comprehensive strategy for managing and increasing this critical resource which involved a more concerted effort to encourage transfers.

To begin, CHFA conducted a comprehensive analysis of PAB Volume Cap, gathering historic information on the allocation and use of Volume Cap in Colorado. With this information, CHFA developed a strategy for increasing awareness of the various ways in which to use Volume Cap and the importance of leveraging the resource with local jurisdictions. The results of the analysis served as the impetus for CHFA applying to the Colorado Statewide PAB Balance for the first time in its history, and receiving a supplemental allocation of Volume Cap in the amount of \$25 million.

■ **Are innovative**

Beyond this initial effort, CHFA developed and implemented a formal PAB strategy with the goal of securing sufficient Volume Cap to support production at least two years in advance. The Corporate Debt and Investment Management team developed a forecasting financial model to monitor the amount of Volume Cap on-hand to meet ongoing production.

The PAB strategy outlines a greater emphasis on coordinating specific efforts to increase CHFA's allocation of Volume Cap from all potential sources, including:

- Federal allocation of Volume Cap to states
- Initial allocation from the Department of Local Affairs
- Transfers from local jurisdictions
- Statewide PAB balance
- Internal leveraging and recycling techniques

■ **Are replicable**

The strategy created by CHFA is an excellent model for other state HFAs facing a similar situation wherein they need to make a case for receipt of additional PAB from their states' allocations. The materials created to show the use and economic support provided by CHFA's PAB issuance were all created in-house, and are easily replicated by other states.

■ **Demonstrated coalition building**

The strategy required CHFA maintain strong lines of communication with DOLA, the statewide PAB Allocation Committee, and other key stakeholders involved in the initial allocation of Volume Cap. CHFA continuously works to ensure the Authority's priorities for using Volume Cap are in alignment with DOLA's. CHFA's PAB strategy efforts at the state level included:

- Maintaining a regular schedule of meetings with the Colorado Division of Housing and DOLA to share and align priorities for utilizing Volume Cap.
- Partnering with key stakeholders to increase awareness of private activity bond uses in local communities, thereby demonstrating CHFA's expertise as the premier issuer of tax exempt bonds in Colorado.
- Analyzing market demands for Volume Cap in Colorado and utilizing the information to prepare its annual request for Volume Cap to DOLA. This includes monitoring when the \$5 inflation adjusted increase in the per capita formula is likely to occur.
- Monitoring the composition of the state's PAB Committee in order to strengthen partnerships.

In addition CHFA will consider applying to the Statewide Balance every September in order to supplement its annual allocation of Volume Cap. The determination will be based on need, availability of Volume Cap, existing market conditions, and market demand.

On the local level, CHFA expanded its efforts to leverage Volume Cap from jurisdictions through transfers from PAB-eligible municipalities. In order to establish strong relationships with local jurisdictions, CHFA provides technical assistance and education to local municipalities, and emphasizes CHFA's expertise in tax exempt bond financing. As such, CHFA's PAB strategy for increasing assignments from local municipalities included:

- Partnering with jurisdictions to leverage their PAB with CHFA resources (including PAB), as demonstrated in a Transit Oriented Development PAB pool with the metro Denver municipalities;
- Partnering annually with the DOLA to host regional educational forums that provide an overview of PAB and describe how local jurisdictions can utilize their allocation of Volume Cap;
- Meeting directly with representatives from local jurisdictions to demonstrate how CHFA uses Volume Cap to support affordable housing and/or economic development throughout Colorado and to request a transfer of Volume Cap; and,
- Regularly notifying elected and community officials of PAB-financed projects in their legislative districts to increase awareness of how CHFA uses Volume Cap to support local communities.
- Partnering with local municipalities that do not currently receive Volume Cap to apply for an allocation from the Statewide Balance on their behalf (e.g., Town of Fountain, Teller and Elbert Counties).
- Partnering with select local municipalities that transfer their PAB Cap to CHFA on joint media outreach to inform citizens about the partnership and resulting benefit to the local economy and citizens.

■ **Forged effective relationships with state and/or federal legislators**

CHFA understood continual outreach and communication with legislators was important to make this PAB strategy work. Therefore, the strategy called on CHFA to:

- Monitor state legislation, particularly any legislation that affects the Volume Cap allocation formula or impacts statewide authorities eligible for PAB.
- Conduct annual outreach to key legislative leaders, including providing a summary of CHFA's loan production (single family, multifamily, manufacturing) in targeted legislative districts.
- Prepare an annual PAB Report for distribution to the state's PAB Committee, the Governor's Office of Economic Development, and select political leaders to ensure CHFA formally communicates the way it uses Volume Cap to impact communities in Colorado.

■ **Anticipated, identified, and prioritized legislative issues**

In addition to state legislative monitoring, CHFA actively participated in efforts to support federal legislation that increased housing bond authority nationally. In particular, CHFA supported the Housing and Economic Recovery Act of 2008 (HERA).

■ **Reached targeted audiences**

In Colorado, 45 local jurisdictions receive an annual allocation of Volume Cap. As part of the PAB strategy, CHFA contacted or met directly with representatives of each of those municipalities to share information and solicit a transfer of Volume Cap to CHFA. CHFA prioritized its efforts to ensure sufficient resources were spent with local jurisdictions most likely to transfer Volume Cap to CHFA.

■ **Employed analytical skills to anticipate and identify the potential ramifications of issues**

CHFA formed a core team of senior level staff to continuously monitor and manage the PAB process, and established a point person to coordinate meetings with local jurisdictions, communicate with key internal staff involved in the PAB process, track Volume Cap transfers from municipalities on an ongoing basis, and other related activities.

■ **Demonstrated effective use of resources**

CHFA prioritized each local jurisdiction into one of three categories (Priority Level One through Three) with the greatest amount of time and effort spent on local jurisdictions in the Priority One category. Although CHFA staff endeavored to meet with representatives from all 45 municipalities that receive Volume Cap, meetings with representatives from local jurisdictions in the Priority One category were scheduled ahead of meetings with municipalities in other categories.

■ **Provided benefits that outweigh costs**

CHFA printed community-specific PAB information booklets in-house. The booklets contained staff-prepared data and customer stories, so the cost for this project would consist of the cost of the paper we used to print the booklets, \$55.00 in hard costs plus staff time. The benefit was the largest value of transfers ever received in CHFA's history, at almost \$52 million. The original allocation to CHFA from DOLA was \$113.9 million, so these efforts demonstrated a 45 percent increase in CHFA's PAB potential. Those benefits are significantly greater than the cost.

■ **Achieved strategic objectives**

The \$52 million in transfers received in 2008 exceeded CHFA's goal of \$43 million in PAB transfers.