

# Affordable Housing Financing Fund

August 21, 2024

## Proposition 123: Concessionary Debt Program Multifamily Finance Guidelines



**COLORADO**  
Office of Economic Development  
& International Trade



## Proposition 123: Concessionary Debt Program

The program provides debt financing to eligible for-profit and nonprofit entities, local governments including housing authorities, and tribal governments for the creation of affordable housing

## Multifamily Finance Guidelines 08-21-2024

<b>Eligible Projects</b>	<ul style="list-style-type: none"><li>• Low- and middle-income multifamily affordable rental developments</li><li>• Preservation of existing developments at risk of losing affordability</li></ul>
<b>Program Benefits</b>	<ul style="list-style-type: none"><li>• Below-market interest rates</li><li>• Flexible repayment terms</li><li>• Senior debt or subordinate financing available</li></ul>
<b>Program Allocation</b>	Program funding is 15% to 35% of total Affordable Housing Financing Fund annual allocation
<b>Eligible Borrowers</b>	For-profit, nonprofit, governmental entities including housing authorities, and tribal governments
<b>Program Limits</b>	Maximum loan size limited to the lesser of 90% of value or cost when considering all must-pay debt, debt service coverage ratio of 1.15 as a senior loan and 1.05 as a subordinate loan when combined with the senior debt, or \$6,000,000, whichever is less. The maximum loan limit may be reduced based on funding availability.
<b>Minimum Debt Financing</b>	\$400,000
<b>Use of Proceeds</b>	Eligible project costs include acquisition, construction hard costs, professional fees, financing costs, soft costs, and reserves.
<b>Loan Repayment</b>	Amortizing and non-amortizing loan structures available based on underwriting

<b>AMIs Served</b>	<ul style="list-style-type: none"> <li>• 60% average AMI for all restricted units comprising the project</li> <li>• If debt is subordinate, the senior debt AMI requirements may be operative instead, provided those requirements demonstrate alignment to the debt program's intent to support low- and middle-income multifamily rental housing.</li> <li>• Up to 25% of the development's units may be unrestricted but would be excluded from eligible project financing</li> </ul>
<b>Collateral</b>	Loans will be collateralized by the project assets
<b>Interest Rates and Fees</b>	<ul style="list-style-type: none"> <li>• 2.5% fixed rate</li> <li>• 1% origination fee</li> <li>• Standard loan closing costs</li> </ul>
<b>Affordability Restrictions</b>	A Regulatory Agreement requiring affordability for the greater of the loan term or 30 years will be required.
<b>Priorities</b>	<p>Statutory Priorities:</p> <ul style="list-style-type: none"> <li>• High-density housing</li> <li>• Mixed-income housing</li> <li>• Environmental sustainability</li> </ul> <p>Strategic Policy Priorities:</p> <ul style="list-style-type: none"> <li>• Shovel-ready projects that result in new units</li> <li>• Use of Colorado manufactured modular/offsite building technology if reasonably cost-competitive with traditional construction methods</li> <li>• Inclusion of home-based or commercial child care facilities</li> <li>• Geographic diversity</li> </ul>

This chart is intended only to highlight certain program requirements. Loans are subject to other requirements, including the CHFA Credit Policy and applicable operating and replacement reserve requirements. To view all program details, please read the program guidelines. Please note that the programs are subject to change.





# Proposition 123: Concessionary Debt Program

## Multifamily Finance Guidelines

### Program Description and Eligible Projects

The Proposition 123 Concessionary Debt Program (Program) provides debt financing to eligible low- and middle-income rental projects, including debt financing of existing affordable housing projects for purposes of preserving the affordable rental units. Shovel-ready projects that result in the construction of new units will be prioritized.



### Program Benefits and Funding Allocation

The Program provides senior or subordinate loan structures at below market interest rates to help finance the development of new affordable rental housing units and the preservation of existing affordable housing units.

The total amount allocated to Concessionary Debt from Proposition 123 funding is limited annually to between 15% and 35% of the State's Affordable Housing Financing Fund.

### Eligible Borrowers

A project that applies for funding from the Program must be located in a Colorado jurisdiction that has completed and received approval of a Proposition 123 Local Government Affordable Housing Commitment from the Colorado Department of Local Affairs - Division of Housing. For-profit entities, nonprofit, government entities including housing authorities, and tribal governments with prior experience in developing affordable housing are eligible to apply.

### Loan Terms and Conditions

Loans from the Program may be structured as construction and/or permanent financing. Permanent loans are eligible for loan terms up to 30 years unless in a subordinate position and the senior lender requires a longer term. The minimum loan size is \$400,000 and maximum size varies by type of use and available program funding.

- Senior or subordinate loans made to low- and middle-income projects are limited to the lesser of 90% of value or cost when considering all must-pay debt, debt service coverage ratio of 1.15 as a senior loan or 1.05 as a subordinate loan when combined with the senior loan, or \$6,000,000, whichever is less.

### Interest Rate and Fees

Loans from the Program will have a fixed interest rate of 2.5%.

All loans will have a 1% origination fee due to CHFA with standard closing costs, including but not limited to legal fees, third-party reports, and title costs.

## Security Interest

Program loans in senior position will be secured by a First Deed of Trust and Security Agreement on the real estate and personal property comprising the project. Subordinate loans will be secured by a Second or Third Deed of Trust and Security Agreement on the real estate and personal property, depending on where the loan is determined to be in the capital stack.

## AMI Restrictions

Rents for the restricted units in projects financed through the Program must average 60% of Area Median Income (AMI) or below, as defined by the U.S. Department of Housing and Urban Affairs (HUD) and published by CHFA. Up to 25% of units in a project may be unrestricted but will be excluded from eligible project financing. Where the Program loans are in a subordinate position, the affordability threshold required by the senior lender may be operative instead, provided they demonstrate alignment to the debt program's intent to support low- and middle-income multifamily rental housing. Projects located in Rural Resort jurisdictions, classified by the Department of Local Affairs, that have received an approved Proposition 123 Rural Resort petition are allowed to propose AMIs up to the amount allowed in the approved petition.

## Affordability Covenants

All projects will be subject to a Proposition 123 Regulatory Agreement which will require the units to be maintained and rented as affordable units for the longer of the loan term or 30 years.

## Reporting

Projects will be subject to ongoing compliance.

## Statutory Priorities

All applications will be evaluated with an emphasis placed on the following criteria:

1. High density housing evaluation informed by local density definitions and/or maximum allowable density when feasible based on local conditions.
2. Mixed income is defined as serving a broad range of income levels within the 60% average AMI.
3. Environmental sustainability as defined below.

### Strategic Policy Priorities

- Shovel-ready projects that result in new units
- Use of Colorado manufactured modular/off-site building technology if reasonably cost competitive with traditional construction methods.
- Inclusion of home-based child care units or commercial child care facilities
- Geographic diversity

Projects must meet the three statutory priorities listed above in order to apply and will be prioritized based on compliance with the Strategic Policy Priorities listed above. In addition, projects must meet each of the following Environmental Sustainability guidelines:



## Environmental Sustainability Standards

1. Certification from one of the following:
  - i. Enterprise Green Communities Certification Plus
  - ii. Enterprise Green Communities
  - iii. Zero Energy Ready Homes
  - iv. Energy Star NextGen Certification
  - v. National Green Building Standards
2. Projects located in jurisdictions that have not adopted the 2021 or higher International Energy Conservation Code may opt out of the certification if they commit to using the 2021 or higher IECC and State Model Energy and Solar Ready codes when they develop the units. **Note:** Per SB24-214 on or after January 1, 2025 all State funded projects with new units are required to use Energy Star appliances.
3. All projects must be located within half mile of a regularly scheduled transit stop or community center where jobs and services are located.
4. All projects must have water efficient design inside and outside. Full guidance can be found at [coloradowaterwise.org](https://coloradowaterwise.org).
5. All projects must monetize federal and state energy efficiency tax credits.
6. Projects must report utility costs and performance to the Energy Star Portfolio Manager system (<https://portfoliomanager.energystar.gov>).



*\* **Waiver:** if a project cannot meet any of the Environmental Sustainability requirements listed above, it may present an alternative standard or request a waiver. The waiver will need to be justified with documentation demonstrating the following: increased cost, lack of contractor knowledge (rural), limited location options (rural), no transit system (rural), or other barriers.*

## Application Submission

Applications for funding will be accepted beginning September 16 through October 15, 2024. Application requirements are outlined on the Proposition 123 website, [coloradoaffordablehousingfinancingfund.com](https://coloradoaffordablehousingfinancingfund.com). Applications will be reviewed based on the Statutory and Strategic Policy Priorities listed above and the following:

- financial feasibility
- funding availability
- number of units created relative to local need/demand
- leveraging local support and private capital