Affordable Housing Financing Fund

Proposition 123: Concessionary Debt Program

September 5, 2023

COLORADO Office of Economic Development & International Trade

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Welcome and Introductions

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OEDIT

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CHFA

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CHFA

Today's Agenda

This webinar will review funding priorities, program guidelines, and details on the application process for the Concessionary Debt program established by Proposition 123.

12:00pm	Welcome and Introductions
12:05pm	Review Agenda and Objective
12:10pm	Proposition 123 Affordable Housing Financing Fund Overview
12:15pm	Concessionary Debt Funding and Priorities
12:20pm	Program Guidelines and Details
12:55pm	Application Process and Timeline
1:05pm	Questions and Discussion
1:30pm	Adjourn

Affordable Housing Financing Fund

Affordable Housing Financing Fund: Overview

Affordable Housing Financing Fund

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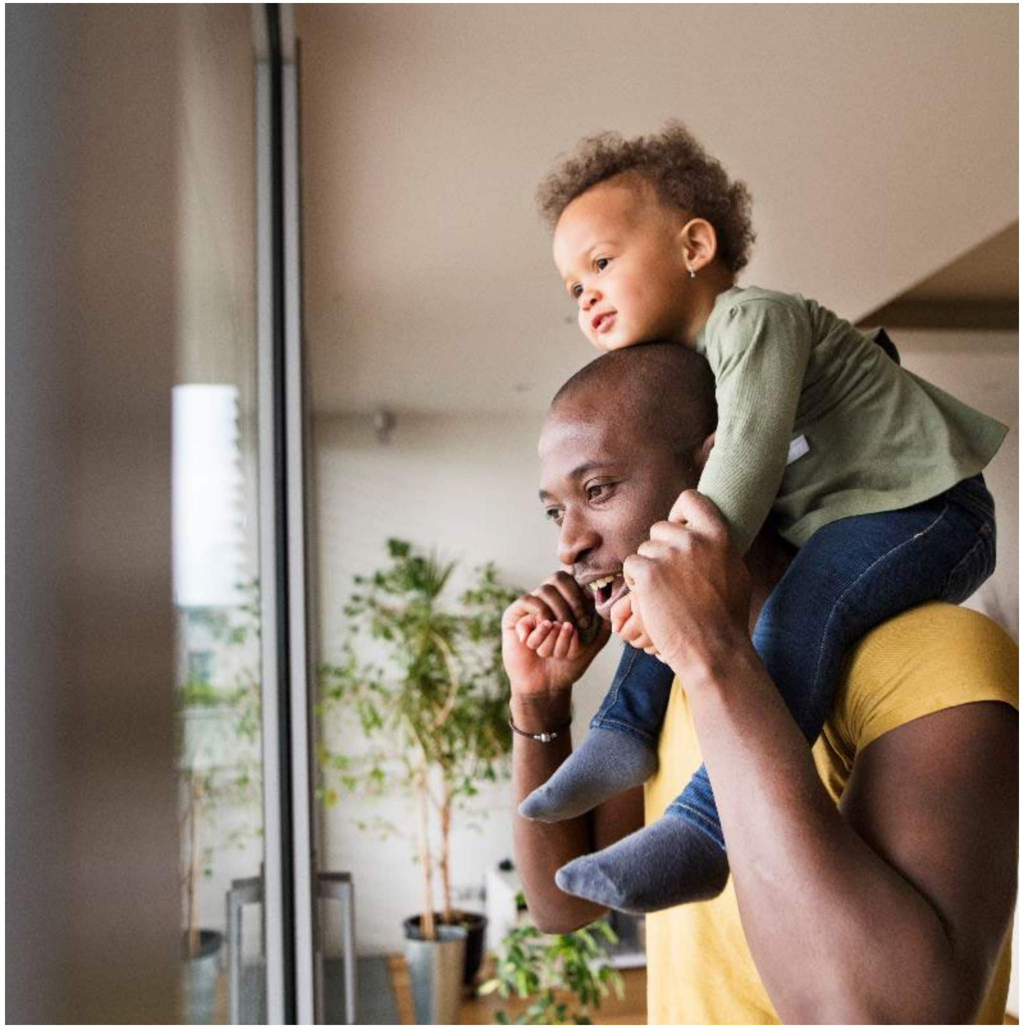
Proposition 123

State Affordable Housing Fund

$160M FY22-23
$318M FY23-24

Affordable Housing Support Fund	Affordable Housing Financing Fund
DOLA	OEDIT/CHFA
Year 1: $64M Year 2: $127.2M	Year 1: $94M Year 2: $187M
40%	60%



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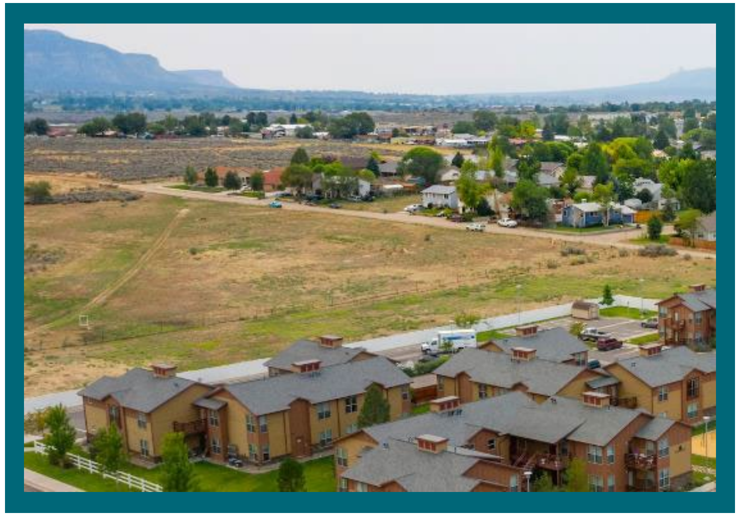
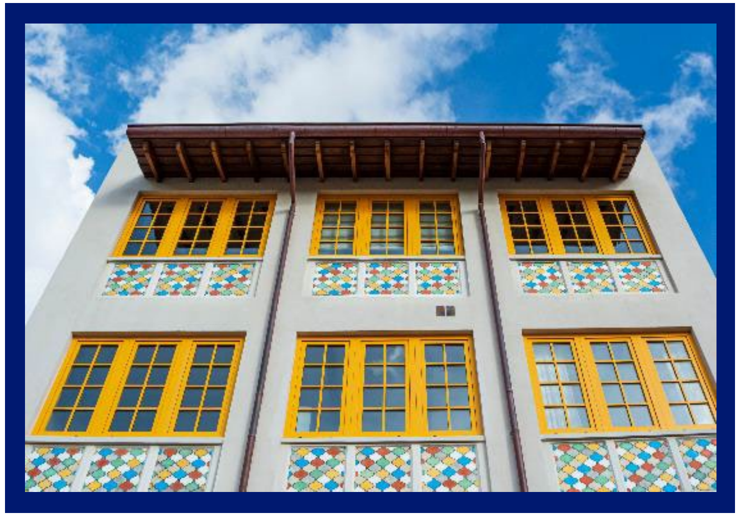


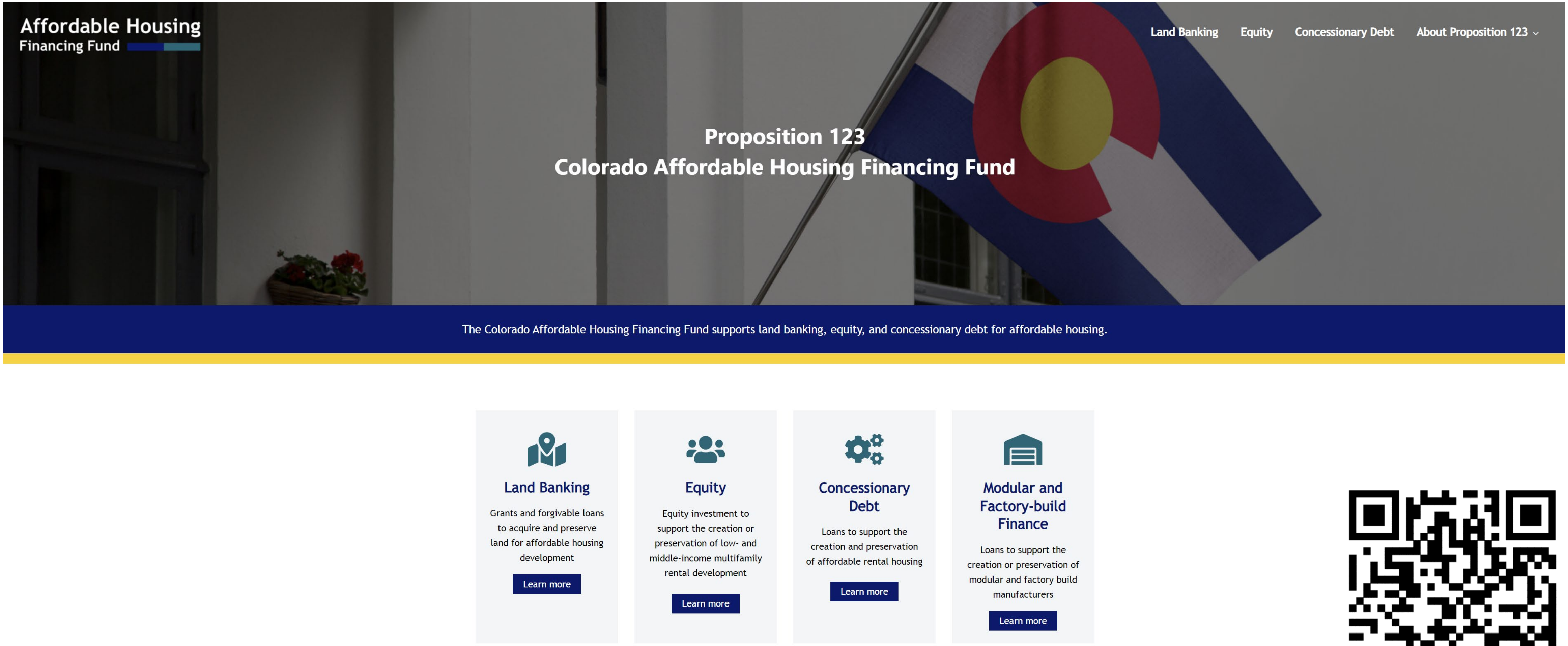
Land Banking
Program

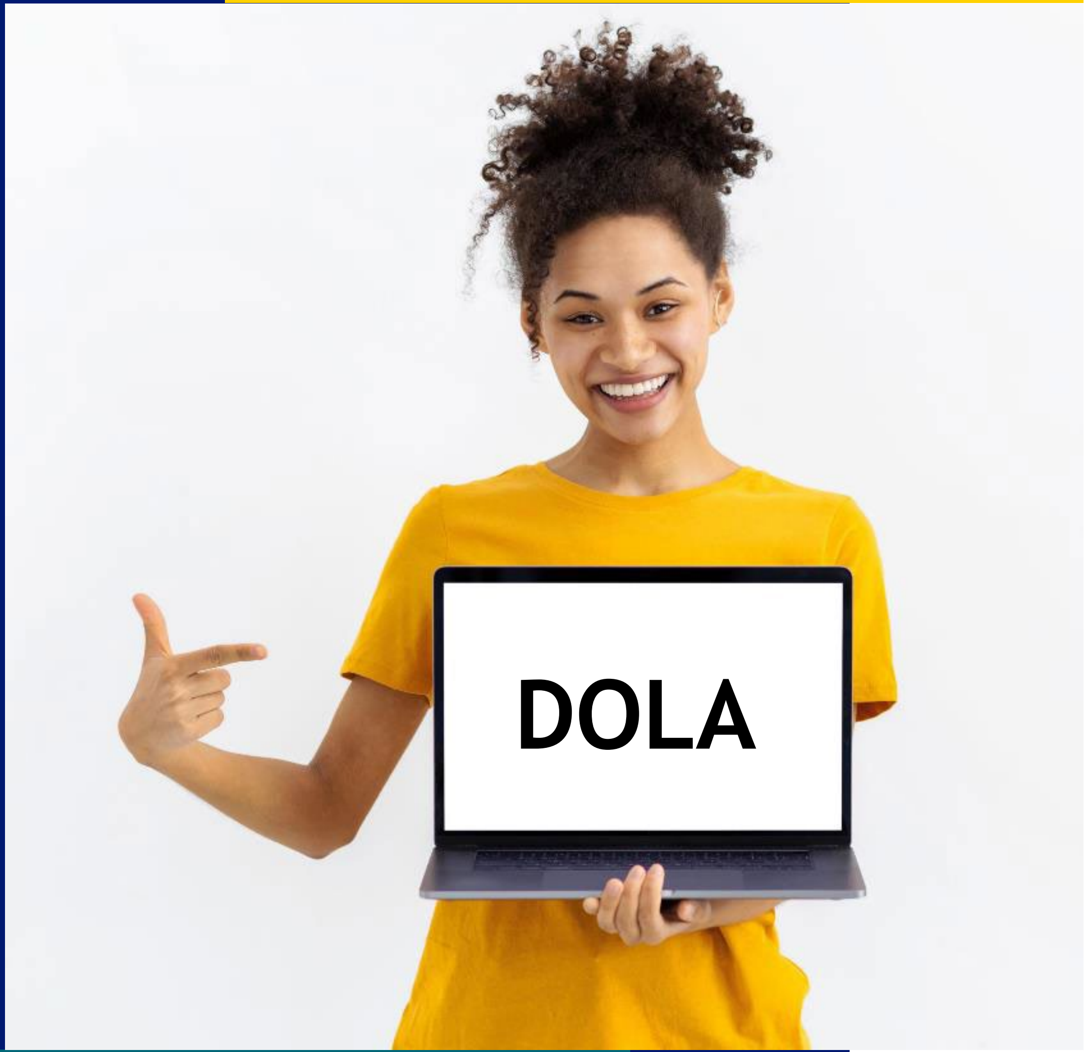
Equity
Program



Concessionary Debt
Program

ColoradoAffordableHousingFinancingFund.com





First Step!

DOLA's local government opt-in

OEDIT-CHFA programs rely on DOLA's Opt-In and Petition Process

(except Modular Factory financing)

engagedola.org/prop-123

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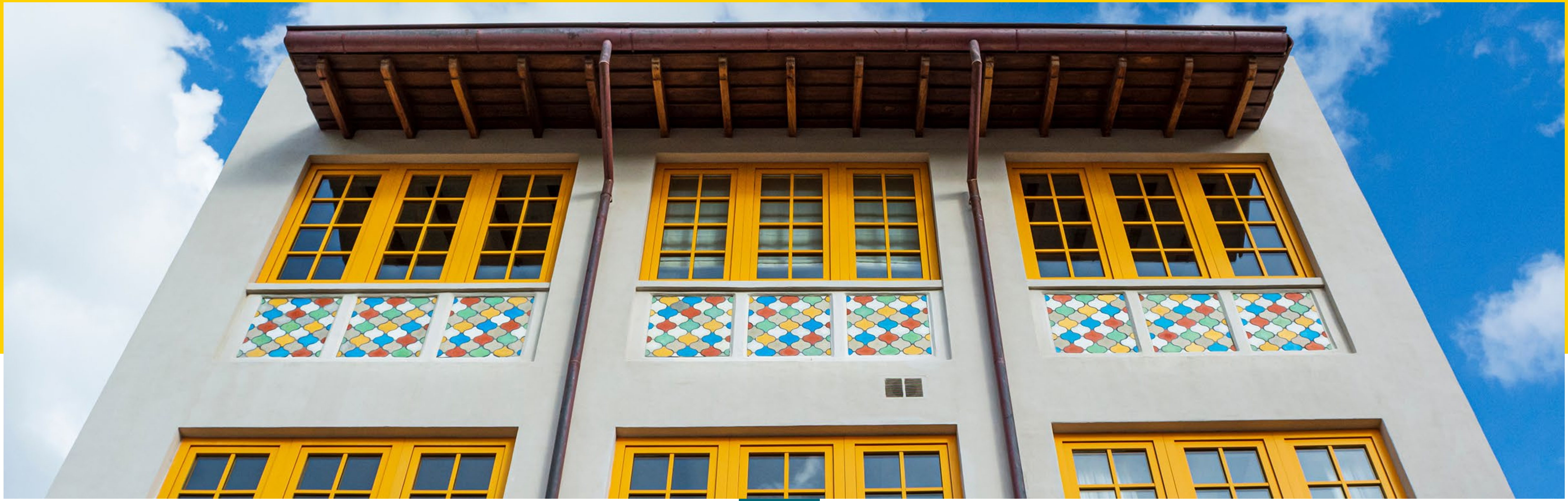

Concessionary Debt Funding and Priorities

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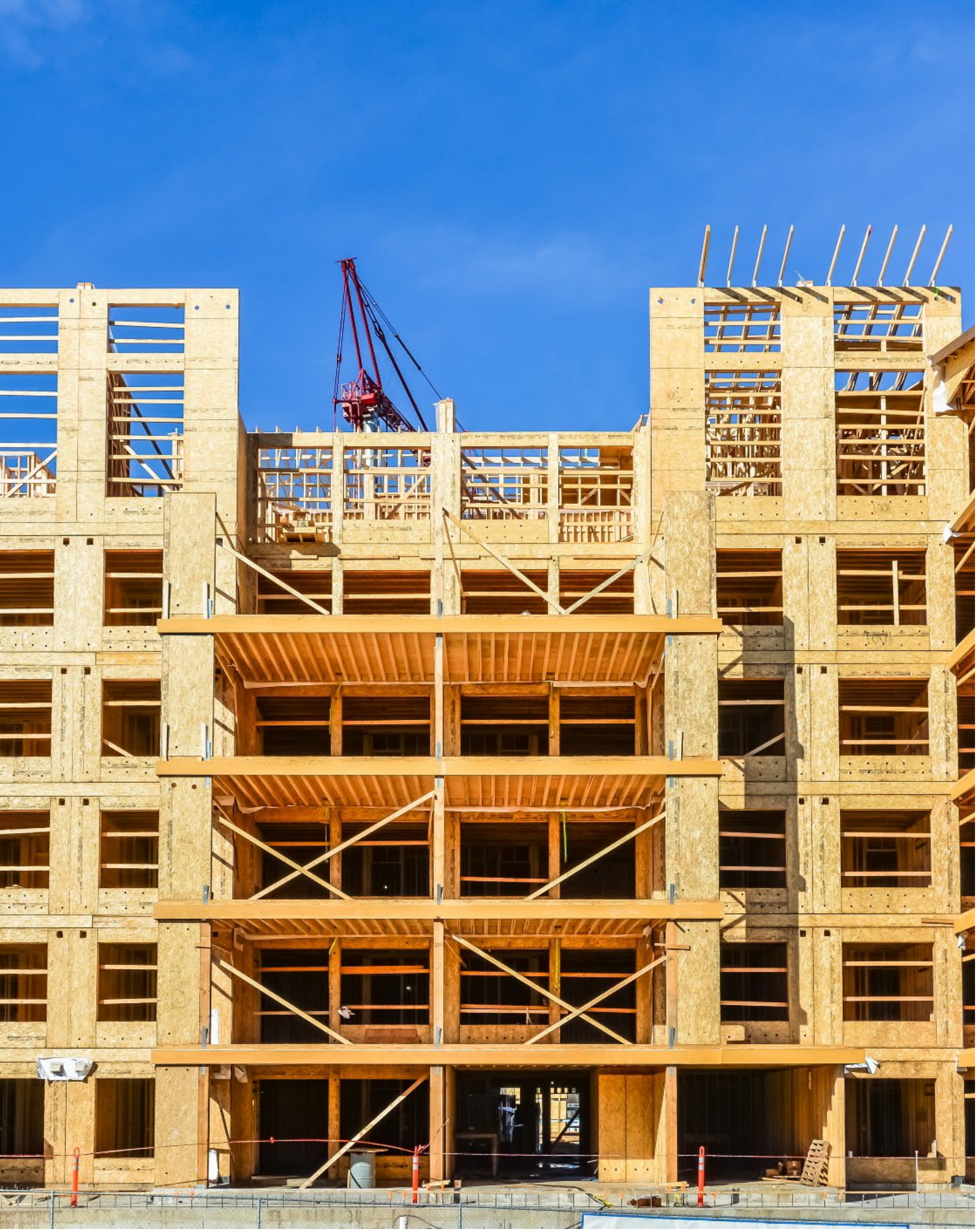

Prioritizing new units

- Shovel-ready projects that result in the construction of new units will be prioritized during the first year of program funding.
- Funding for predevelopment and preservation will be limited for the initial program year.
- The 2024/2025 application round will draw from a full year of funding.

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Modular Component Funding

- The State of Colorado has targeted support for the modular and innovative housing construction sectors as an area of opportunity to strengthen the industry and lower housing costs across the state.
- The State is directing up to $18M during the first fiscal year to the modular program component.
- This program will launch in late September.

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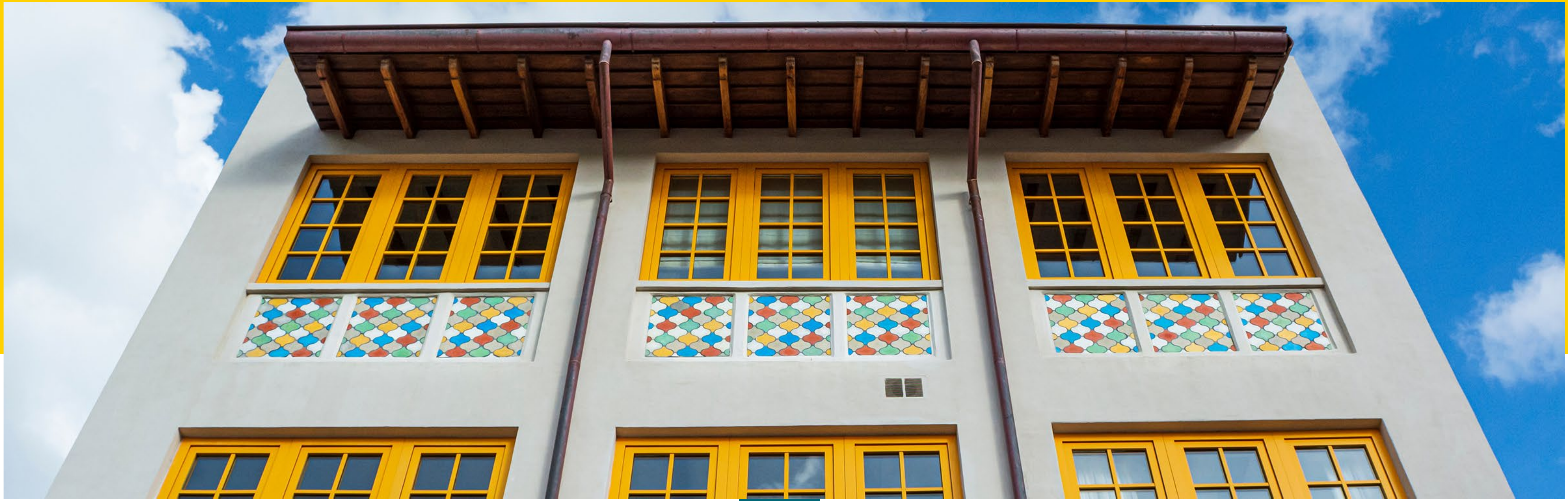

Concessionary Debt Program Overview and Guidelines

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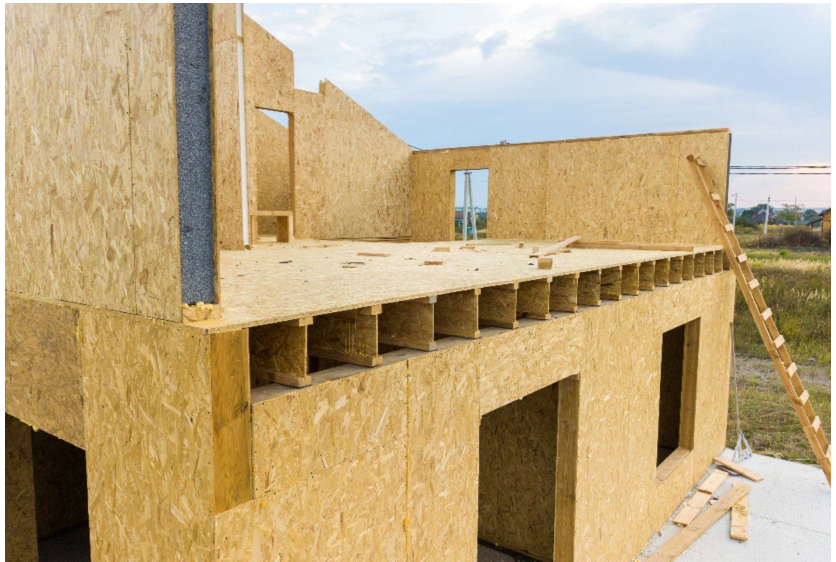
Concessionary Debt Program Components

This program provides **four loan options** to for-profit, nonprofit, and governmental entities to support affordable housing investment.

These components are funded by 15% to 35% of the total Affordable Housing Financing Fund allocation each year.



- **Multifamily Finance:** Debt financing for the development and preservation of low- and middle-income multifamily rental developments
- **LIHTC Gap Finance:** Gap financing in the form of subordinate debt for Low Income Housing Tax Credit projects
- **LIHTC Predevelopment Finance**: Gap financing in the form of predevelopment loans for LIHTC projects
- Debt financing for modular and factory-build housing manufacturers (not subject to AMI or Proposition 123 Local Government Affordable Housing Commitment requirements)

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Multifamily Finance Details

Debt financing for the development and preservation of low- and middle-income multifamily rental developments

Program Benefits	• Below-market interest rates • Flexible repayment terms • Senior debt or subordinate financing available
Eligible Borrowers	• For-profits • Nonprofits • Governmental entities, including housing authorities • Tribal governments
Eligible Projects	• Low- and middle-income multifamily affordable rental developments • Preservation of existing developments at risk of losing affordability
Program Allocation	15% to 35% of Affordable Housing Financing Fund allocation
Area Median Incomes (AMIs) Served*	• 60% average AMI for all restricted units comprising the project • 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. • Up to 25% of the development's units may be unrestricted but would be excluded from eligible project financing

*Rural resort communities may petition the Colorado Division of Housing to use more flexible income requirements.

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Multifamily Finance Details, Continued

Debt financing for the development and preservation of low- and middle-income multifamily rental developments

Program Limits	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.
Minimum Debt Financing	$400,000
Use of Proceeds	Eligible project costs include acquisition, construction hard costs, professional fees, financing costs, soft costs, and reserves.
Interest Rates and Fees	2.5% fixed rate; 1% origination fee; Standard closing costs
Loan Repayment	Amortizing and non-amortizing loan structures available based on underwriting
Collateral	All loans will be collateralized by the project assets
Affordability Restrictions	A Regulatory Agreement requiring affordability for the greater of the loan term or 20 years will be required.
Priorities	High-density housing; Mixed-income housing; Environmental sustainability

This 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.

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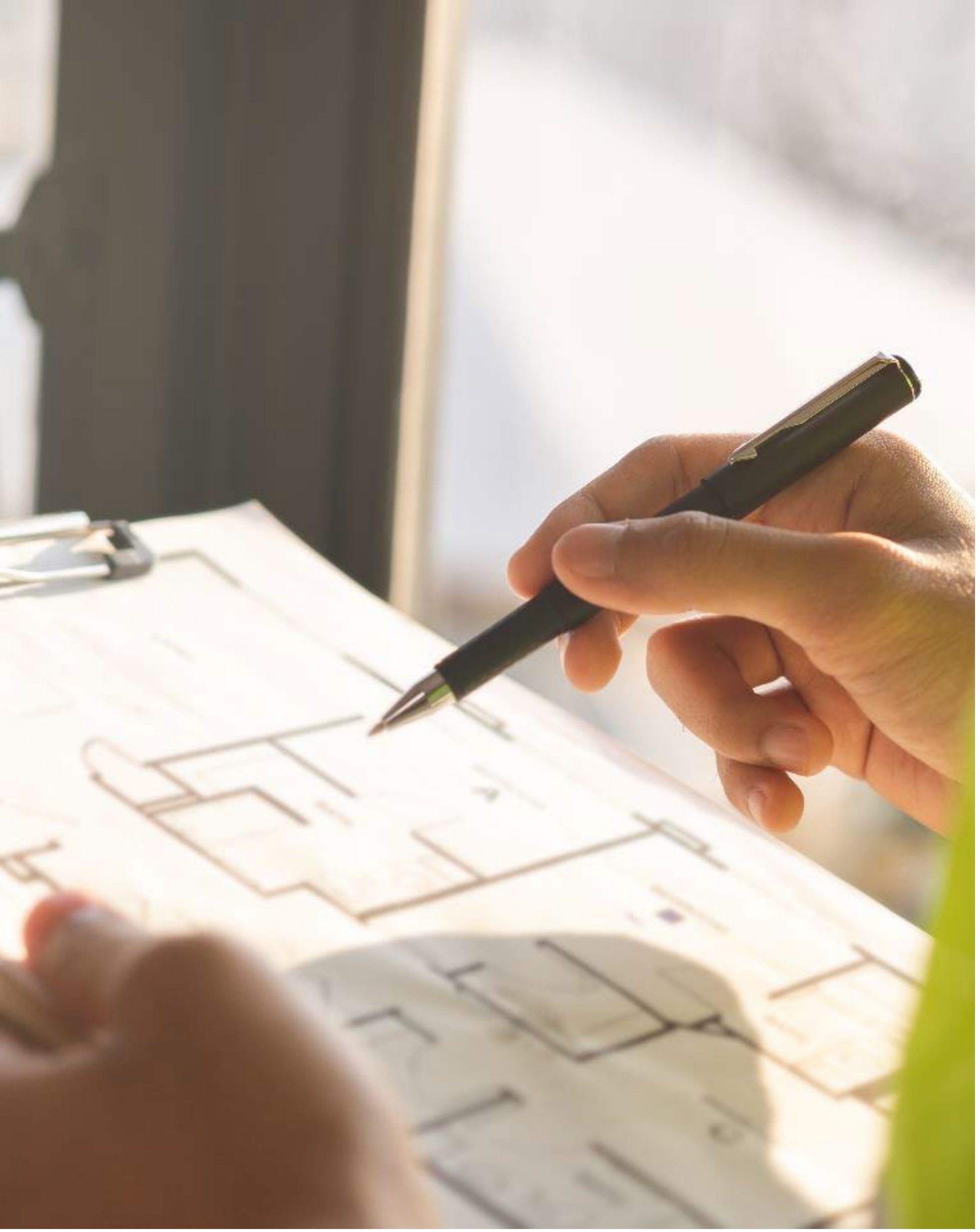

Multifamily Finance Highlights

- Initial year funding will be limited resulting in fewer and smaller awards
- Focus on new, shovel-ready units
- Importance of achieving program priorities
  - Mixed-income
  - High-density
  - Environmental sustainability
- Ensuring opportunity for smaller and rural projects

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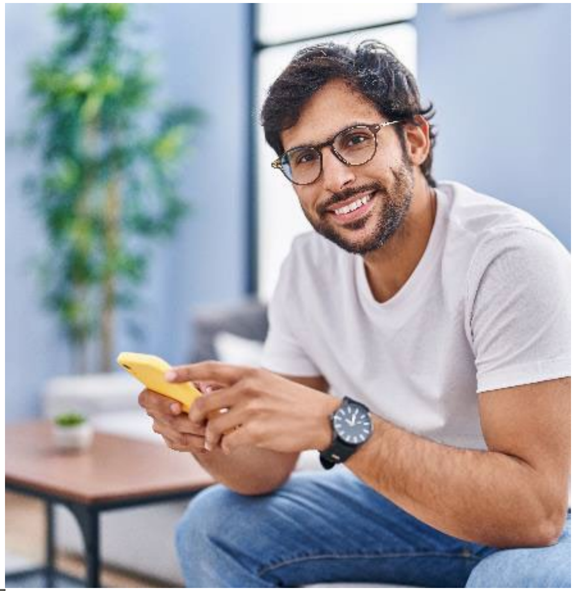
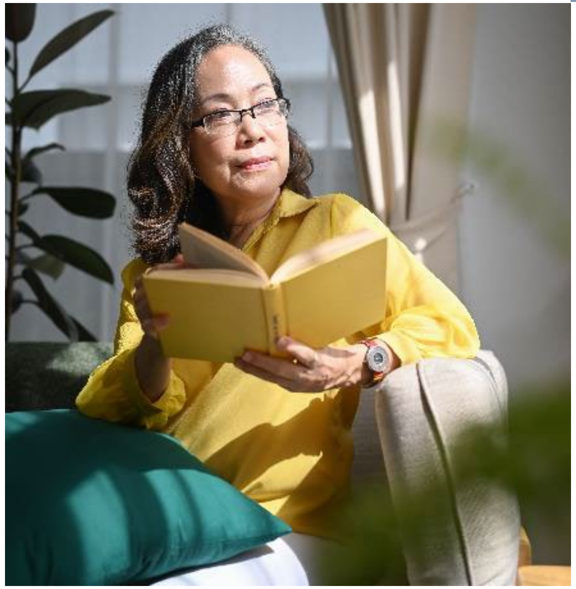
Opportunity to serve middle income

The loan needs to be in the subordinate position, and one of the following must be true:

- The senior lender is serving the 80% to 120% AMI range
- The project is in a Rural Resort area that has successfully petitioned for an AMI increase from the Colorado Division of Housing.





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LIHTC Gap Finance Details

Gap financing in the form of subordinate debt for Low Income Housing Tax Credit projects

Program Benefits	• Subordinate gap financing • Below-market interest rates • Flexible repayment terms
Eligible Borrowers	• For-profits • Nonprofits • Governmental entities, including housing authorities • Tribal governments
Eligible Projects	Developments that have received an award of Low Income Housing Tax Credits and/or Colorado state Affordable Housing Tax Credits but have not yet converted to permanent financing
Program Allocation	15% to 35% of Affordable Housing Financing Fund allocation
Area Median Incomes (AMIs) Served	• 60% average AMI for all restricted units • Up to 25% of the development's units may be unrestricted but would be excluded from eligible project financing

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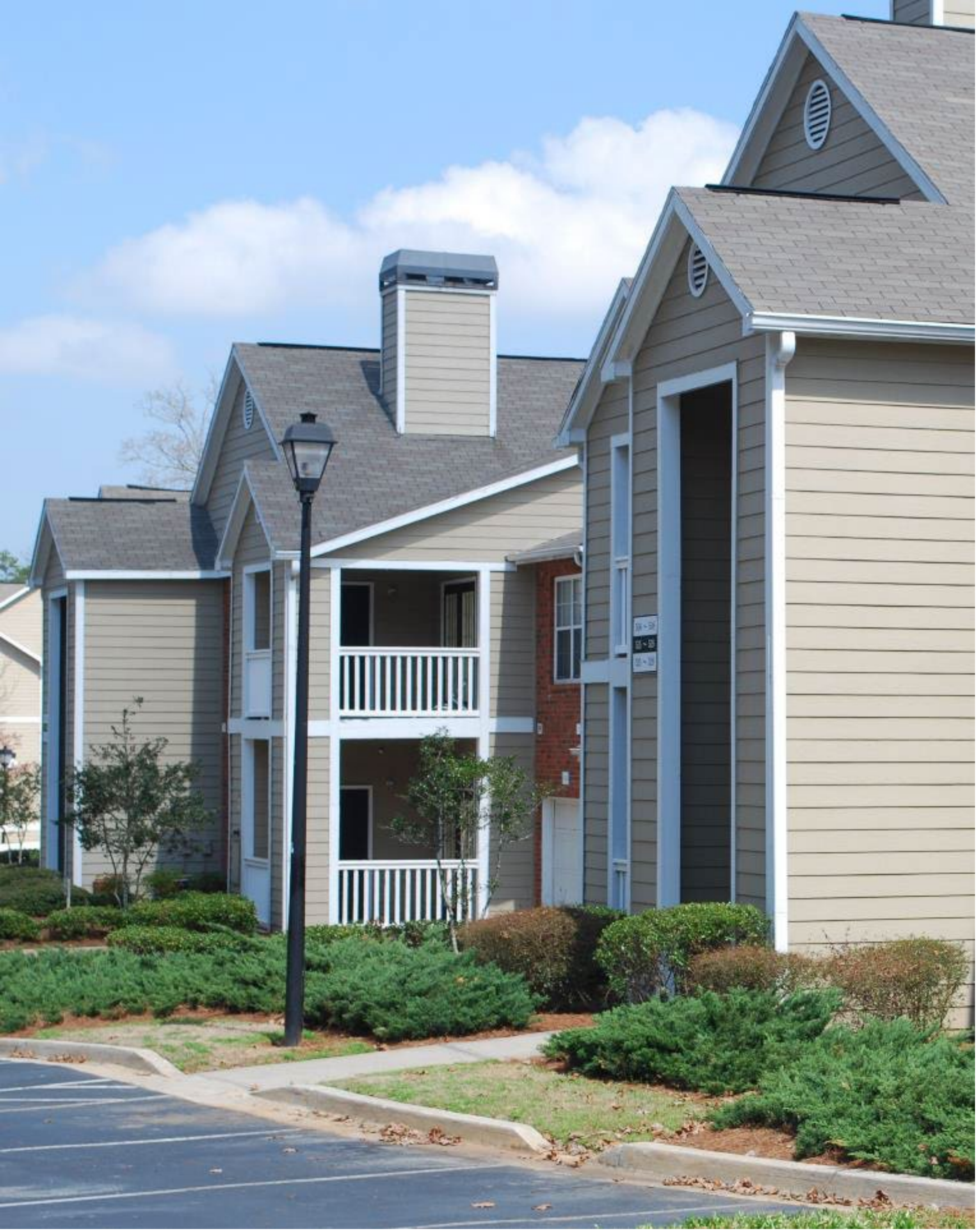
LIHTC Gap Finance Details, Continued

Gap financing in the form of subordinate debt for Low Income Housing Tax Credit projects

Program Limits	Maximum gap loan size is limited to 1.05 debt service coverage when considering all must-pay debt, 90% of value or total development cost in combination with all must-pay debt, or $6,000,000, whichever is less.
Minimum Debt Financing	$400,000
Interest Rates and Fees	2.5% fixed rate; 1% origination fee; Standard closing costs
Loan Repayment	Amortizing and non-amortizing loan structures available based on underwriting
Collateral	Loans will be collateralized by the project assets.
Affordability Restrictions	A Regulatory Agreement requiring affordability for the greater of the loan term or 20 years will be required.
Priorities	High-density housing; Mixed-income housing; Environmental sustainability

This 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.



LIHTC Gap Finance Highlights

- Initial year funding will be limited resulting in fewer and smaller awards
- Focus on new, shovel-ready units
- Importance of achieving program priorities
  - Mixed-income
  - High-density
  - Environmental sustainability
- Gap applicants must have received an award of Low Income Housing Tax Credits

LIHTC Gap Finance Example Project

Federal 4 percent LIHTC development with large first mortgage

- LTV too high
- Debt service coverage ratio too low

Original Permanent Financing					
Source of Loan	Amount of funds	Interest Rate	Term of Loan	Amortization (Years) or I/O	Annual Debt Service
First Mortgage	$19,900,000	6.500%	15	40	$1,398,070.86
Total	**$19,900,000**				**$1,398,071**

The below-market-rate subordinate debt helps reduce the annual debt service, enabling the project to take on the amount of debt necessary for the project to reach completion.

Permanent Financing with LIHTC Gap					
Source of Loan	Amount of funds	Interest Rate	Term of Loan	Amortization (Years) or I/O	Annual Debt Service
First Mortgage	$17,000,000	6.500%	15	40	$1,194,331.89
Proposition 123 Subordinate Mortgage	$2,900,000	2.500%	15	I/O	$72,500.00
Total	**$19,900,000**				**$1,266,832**

LIHTC Predevelopment Finance Details

Gap financing in the form of predevelopment loans for LIHTC projects

Program Benefits	• Predevelopment loans available for projects utilizing federal Low Income Housing Tax Credits • Below-market interest rates
Eligible Borrowers	• For-profits • Nonprofits • Governmental entities, including housing authorities • Tribal governments
Eligible Projects	Developments that utilize Low Income Housing Tax Credits
Program Allocation	15% to 35% of Affordable Housing Financing Fund allocation
Area Median Incomes (AMIs) Served	60% average AMI for all restricted units

LIHTC Predevelopment Finance Details, Continued

Gap financing in the form of predevelopment loans for LIHTC projects

Program Limits	Maximum predevelopment loan to a project is $750,000
Minimum Debt Financing	No minimum
Interest Rates and Fees	3% fixed rate; Standard closing costs
Loan Repayment	• Interest-only payments • Principal due at earlier of close of construction loan or stated maturity date • Terms up to 36 months
Collateral	Predevelopment loans will be unsecured with recourse guaranties required from the borrower
Affordability Restrictions	None in addition to LIHTC requirements
Priorities	High-density housing; Mixed-income housing; Environmental sustainability

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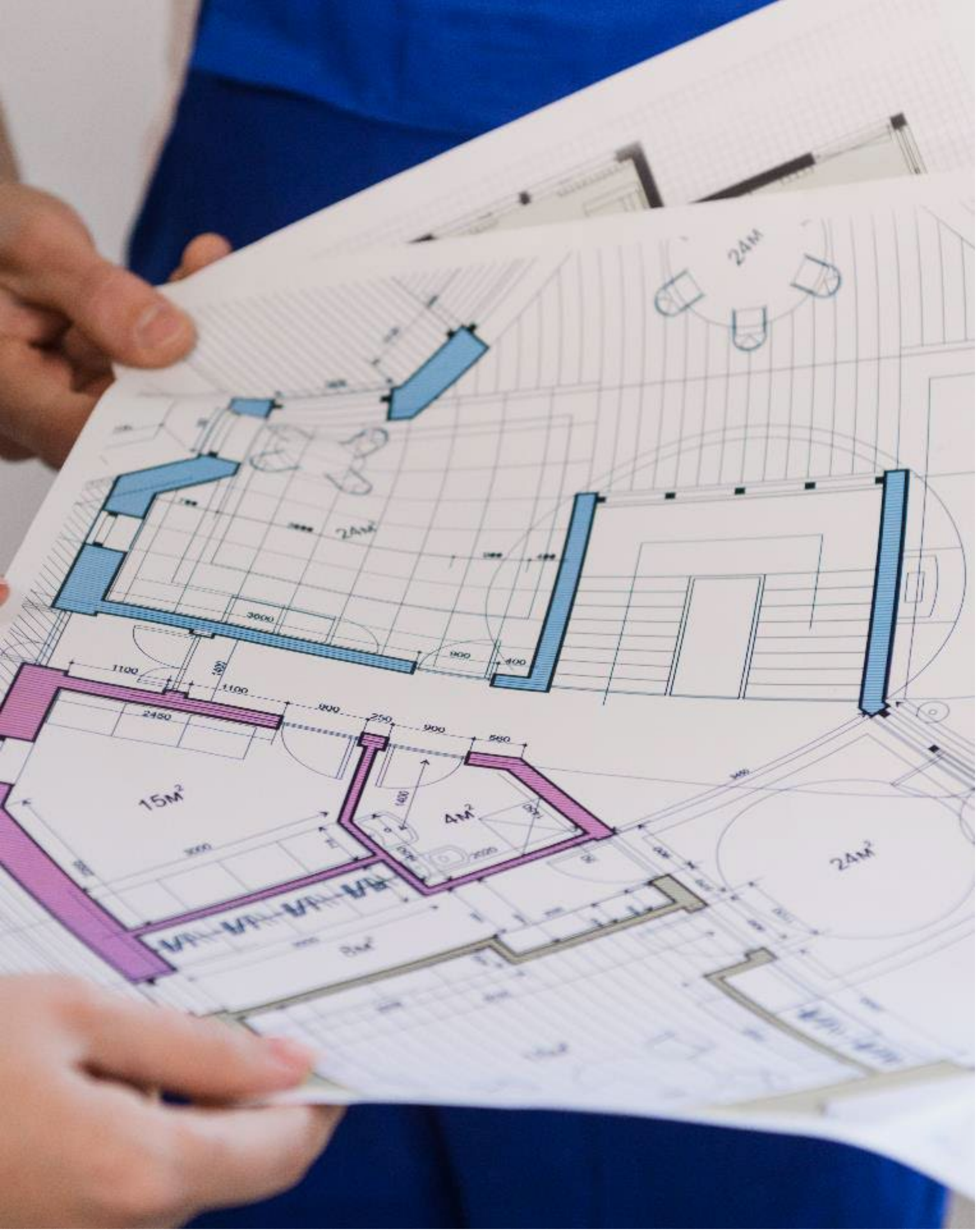

LIHTC Predevelopment Finance Highlights

- Limited funding for predevelopment in first year
- Emphasis on shovel-ready projects
- Importance of achieving program priorities
  - Mixed-income
  - High-density
  - Environmental sustainability
- Repayment will be earlier of construction close or maturity

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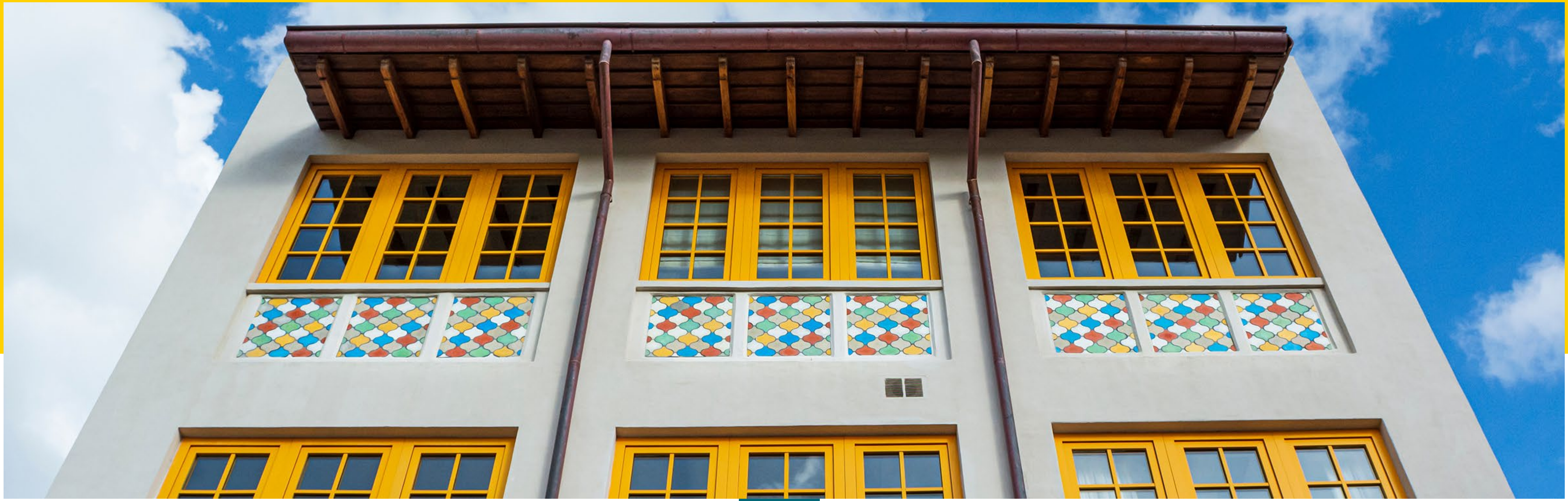

Concessionary Debt Program Application Process and Timeline

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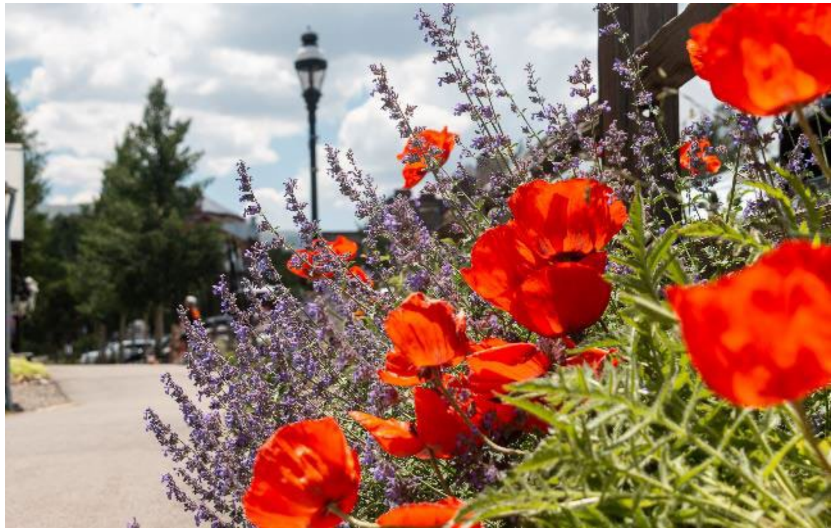
Concessionary Debt Application Process and Timeline

Starting September 18th applications will be accepted for the Concessionary Debt Multifamily Finance, LIHTC Gap Finance, and LIHTC Predevelopment Finance programs. Awards will be announced in January of 2024.



September 18, 2023	CHFA will begin accepting applications
October 9, 2023	Application submission period will end at 11:59pm MT
January 2024	CHFA will announce awards

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Questions and Discussion

Thank you!

Contacts

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