

# Affordable Housing Financing Fund

Contact  
 concessionarydebt@chfainfo.com  
 ColoradoAffordableHousingFinancingFund.com

## Proposition 123: Concessionary Debt Program LIHTC Gap Finance

The program provides subordinate debt financing to eligible for-profit and nonprofit entities, local governments including housing authorities, and tribal governments for the creation of affordable multifamily rental housing developed with Federal Low Income Housing Tax Credits.



### Guidelines 09-28-2023

|  |  |
|--|--|
| <b>Program Benefits</b>                  | <ul style="list-style-type: none"> <li>• Subordinate gap financing</li> <li>• Below-market interest rates</li> <li>• Flexible repayment terms</li> </ul>   |
| <b>Eligible Borrowers</b>                | For-profits, nonprofits, governmental entities including housing authorities, and tribal governments   |
| <b>Eligible Projects</b>                 | 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  |
| <b>Program Allocation</b>                | 15% to 35% of Affordable Housing Financing Fund (AHFF) allocation  |
| <b>Area Median Incomes (AMIs) Served</b> | <ul style="list-style-type: none"> <li>• 60% average AMI for all restricted units</li> <li>• Up to 25% of the development's units may be unrestricted but are excluded from eligible project financing</li> </ul>  |
| <b>Program Limits</b>                    | 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. Loans may be limited to lower dollar amounts during the first year of program funding. |
| <b>Minimum Debt Financing</b>            | \$400,000  |
| <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>Priorities</b>                        | <ul style="list-style-type: none"> <li>• High-density housing</li> <li>• Mixed-income housing</li> <li>• Environmental sustainability</li> </ul>   |

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. Please note that the programs are subject to change.



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



## FAQs

### What is the purpose of the program and how is it funded?

CHFA administers the Concessionary Debt program on behalf of the Office of Economic Development and International Trade (OEDIT). The Concessionary Debt program is a component of the Colorado Affordable Housing Financing Fund established by Proposition 123 and provides gap financing for projects supported by federal Low Income Housing Tax Credits. To be eligible, projects must have received an award of credits, be able to demonstrate a financing gap, and have not yet converted to permanent financing. Shovel-ready projects that result in the construction of new units will be emphasized during the first year of program funding.

### How do I determine if my project is eligible?

A project that applies for funding from the Program must be located in the State of Colorado in a jurisdiction that has received approval through the Colorado Department of Local Affairs - Division of Housing to participate in the Financing Fund by completing a Local Government Affordable Housing Commitment. More information is available on DOLA's website at <https://engagedola.org/prop-123>. For-profit entities, nonprofit, government entities including housing authorities, and tribal governments with prior experience in developing affordable housing are eligible to apply.

### Do the AMI restrictions apply if the project will be located in a rural resort community?

Yes, however, rural resort communities may petition the Colorado Division of Housing to use more flexible AMI percentages.

## How to Apply

### Concessionary Debt Process and Timeline

Applications will be posted on the Affordable Housing Financing Fund website when available.

### Application Timeline

|                           |   |
|---------------------------|---|
| <b>September 18, 2023</b> | CHFA will begin accepting applications.                                   |
| <b>October 9, 2023</b>    | Application submission period will end at 11:59pm MT.                     |
| <b>January 2024</b>       | CHFA will announce projects selected to receive Concessionary Debt funds. |

## Contacts

### CHFA Community Development

Terry Barnard  
 Manager, Community Development Lending  
 303-297-4866

David Foust  
 Commercial Loan Officer III  
 303-297-4865

[concessionarydebt@chfainfo.com](mailto:concessionarydebt@chfainfo.com)

## LIHTC Gap Finance Example Project

Federal 4 percent LIHTC development with large first mortgage ⚠️ LTV too high and 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        | 6.50%         | 15           | 40                          | \$1,398,070.86      |
| <b>Total</b>   | <b>\$19,900,000</b> |               |              |                             | <b>\$1,398,071</b>  |

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        | 6.50%         | 15           | 40                          | \$1,194,331.89      |
| Proposition 123 Subordinate Mortgage | \$2,900,000         | 2.50%         | 15           | I/O                         | \$72,500.00         |
| <b>Total</b>                         | <b>\$19,900,000</b> |               |              |                             | <b>\$1,266,832</b>  |