Affordable Housing
Financing Fund

Proposition 123: Equity Program Webinar

March 1, 2024

COLORADO
Office of Economic Development & International Trade

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Welcome and Introductions

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Proposition 123

State Affordable Housing Fund

$160M Year 1

Affordable Housing Support Fund	Affordable Housing Financing Fund
DOLA	OEDIT/CHFA
Year 1: $64M	Year 1: $96M
40%	60%

Affordable Housing Financing Fund (AHFF)

Land Banking Program

15%-25%

Equity Program

40%-70%

Concessionary Debt Program

15%-35%

Proposition 123: Land Banking Program

The program provides grants to eligible local or tribal governments and forgivable loans to eligible nonprofits with a demonstrated history of providing affordable housing to acquire and preserve land for the development of affordable housing.

- Program launched July 18
- LOI deadline August 21
- 113 LOIs received seeking more than $255M
- 26 projects seeking $46.9M invited to submit complete applications by November 1
- 16 projects awarded a total of $25.3M announced in January

Proposition 123: Concessionary Debt Program

The program provides loan options to for-profit and nonprofit entities for the creation and preservation of affordable housing, including manufacturers which build modular and factory-build housing.

- Applications for Multifamily, LIHTC Gap, LIHTC Predevelopment accepted September 18 – October 9
  - $14.5M allocated
  - 38 applications received totaling more than $113M
  - 7 applicants currently in final underwriting
- Modular Finance applications accepted October 9 – November 3
  - $18M allocated
  - 14 applications received seeking more than $52M
  - 10 applicants invited to interview with the selection committee
  - 6 applicants awarded $18M in total announced in February

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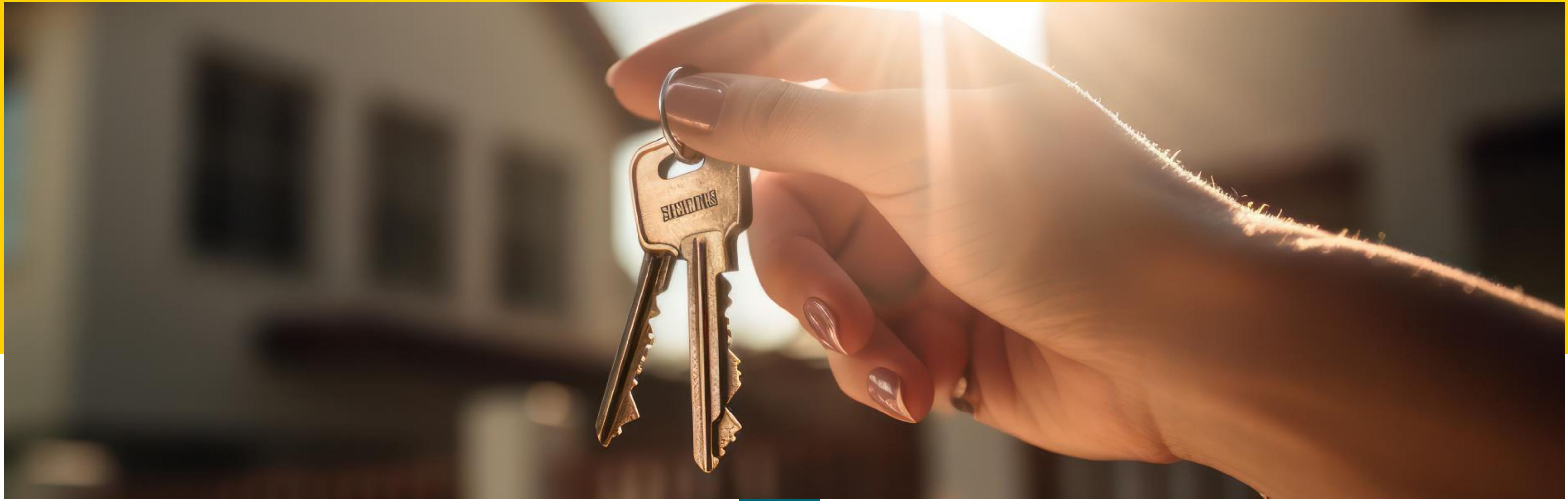
ColoradoAffordableHousingFinancingFund.com



Equity

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Proposition 123: Equity Program

The program provides below-market-rate equity investments to eligible for-profit and nonprofit entities for the construction or preservation of low- and middle-income multifamily rental developments.

- The purpose of today's webinar is to present the Proposition 123 Equity draft program guidelines.
- We are also seeking feedback and will allot time to answer questions.
- Following the presentation, questions may be submitted using the Zoom Q&A function.
- The webinar is being recorded, and slides and a recording link will be emailed and posted online.

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Proposition 123: Equity Program

The program provides below-market-rate equity investments to eligible for-profit and nonprofit entities for the construction or preservation of low- and middle-income multifamily rental developments.

Program Funding	$38.4M available in year 1 (40% to 70% of Affordable Housing Financing Fund)
Eligible Projects	• Low-income multifamily affordable rental developments • Middle-income multifamily affordable rental developments • Preservation of existing developments at risk of losing affordability • This financing cannot be paired with federal or state Housing Tax Credit equity
Program Benefits	• Flexible source of equity with below-market return expectations • Structured with equity returns based on available cash flow
Maximum Investment Size	The maximum investment amount is $15,000,000. Investment size will be based on a comprehensive evaluation of the project's financials, supporting documentation, and available program funding.
Minimum Investment Size	$1,500,000

This is intended only to highlight certain program requirements. Investments are subject to other requirements including the CHFA Credit Policy and applicable operating and replacement reserve requirements.

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Proposition 123: Equity Program

The program provides below-market-rate equity investments to eligible for-profit and nonprofit entities for the construction or preservation of low- and middle-income multifamily rental developments.

Eligible Uses	Eligible project costs include acquisition, construction hard costs, professional fees, financing costs, soft costs, and reserves.
Investment Returns	Below-market returns based on available annual cash flow, with any remaining capital paid in full or in part at a capital event. The program investment term is up to 30 years.
AMIs Served	Not to exceed 90% average AMI for all restricted units
Collateral	The investment will be secured by the project assets.
Fees	• 1% investment placement fee • Standard placement costs
Affordability Requirements	A Regulatory Agreement requiring affordability for 30 years will be required, which must include a two year local government notice.

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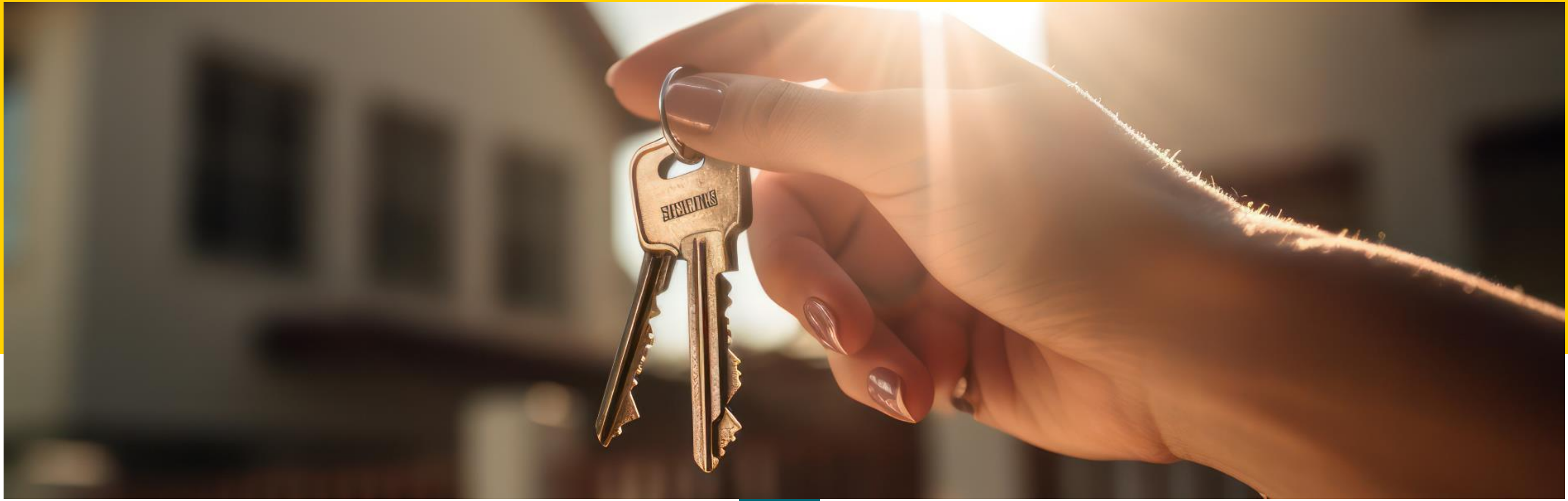

Equity Program
Investment Terms and Conditions

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Investment Option 1: Affordability-driven Equity Investments

- Mission-driven investments with lower return expectations in exchange for deeper or longer-term affordability
- Full or partial repayment of the program investment at a capital event is permitted beginning in Year 10 after construction completion.
- In a partial repayment, remaining program investment may be assumed by the buyer, with a potential extended affordability term.
- The minimum Debt Coverage Ratio for all must-pay debt is 1:10.

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Investment Option 1: Affordability-driven Equity Investments

- The Program Investment shall have a pari-passu cash flow and capital event participation rate commensurate with its equity share, unless otherwise determined by CHFA.
  - Cash flow participation only occurs after all must-pay debt and is contingent on the project's cash needs.
- A Developer Fee of 7% can be paid to the developer at the closing of permanent financing.
- Sponsor Equity may be structured to receive up to a 10% internal rate of return (IRR) by year 30.
  - A simple promote structure is available to properties that overperform the underwritten IRR

Investment Option 2:
Middle-income Equity Investments

- Market-driven investments focused on delivering middle-income units with higher return expectations than Option 1 but still below-market.
- Full or partial repayment of the program investment at a capital event is permitted beginning in Year 3 after construction completion.
  - In a partial repayment, remaining Program Investment may be assumed by the buyer.
- The minimum Debt Coverage Ratio for all must-pay debt is 1:20.

Investment Option 2:
Middle-income Equity Investments

- The Program Investment shall have a pari-passu cash flow and capital event participation rate commensurate with its equity share, unless otherwise determined by CHFA.
  - Cash flow participation only occurs after all must-pay debt and is contingent on the project's cash needs.
- A Developer Fee of 4% can be collected at the closing of permanent financing.
- Sponsor equity may be structured to receive up to a 15% preferred return during the first 5 years.
  - A simple promote structure is available to properties that overperform the underwritten IRR.

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Other Investment Conditions

- Program Investment returns determined by a CHFA Cashflow Calculation Worksheet to be developed later
  - Completed during the preparation of property financial audit
- Program Investments secured by a subordinate Deed of Trust
- Program administrator may waive certain requirements to ensure financial viability for a given project that achieves certain policy goals, such as promoting geographic diversity or achieving affordability goals.

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Reporting and Tenant Equity Vehicle (TEV)

Projects will be subject to ongoing compliance including audits of new resident income verification, annual financial reports, and periodic physical inspections.

Tenant Equity Vehicle

Projects will be required to participate in a tenant equity program, which will be administered at the program-portfolio level. It will be the responsibility of the property owner and its property manager to inform residents that their property is participating in the program, assist residents in enrolling, and coordinate with the TEV administrator.

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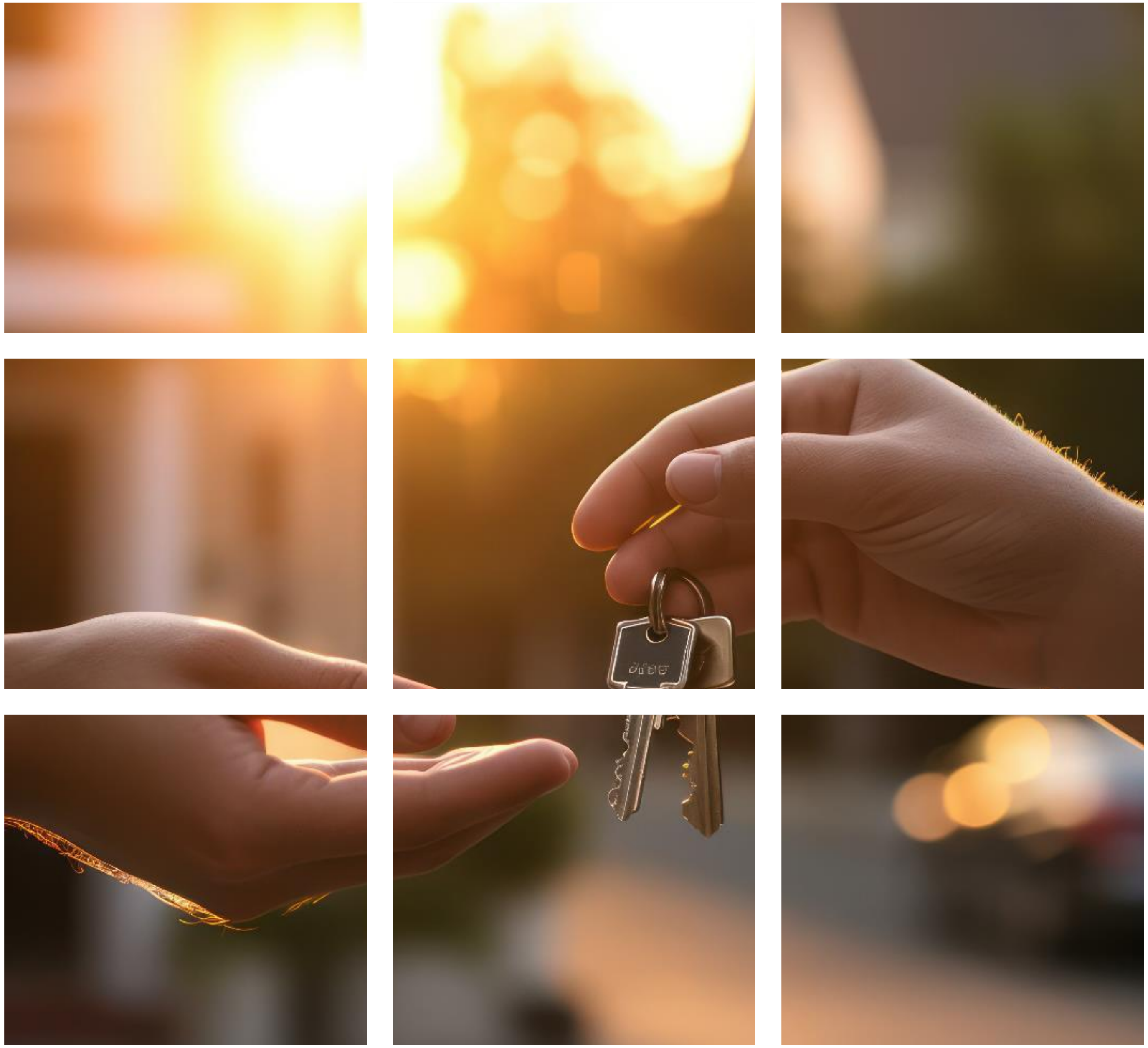
Questions and Discussion



Thank you!

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