

## Proposition 123: Equity Program

The Equity 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. A Tenant Equity Vehicle (TEV), funded through Proposition 123 program earnings, will be established by OEDIT, CHFA and a third-party administrator to benefit the residents of developments that receive Equity financing.



## Guidelines 03-06-2024

<b>Program Benefits</b>	<ul style="list-style-type: none"> <li>• Flexible source of capital with below-market return expectations</li> <li>• Structured with equity returns based on available cash flow</li> </ul>
<b>Eligible Project Sponsors</b>	For-profits, nonprofits, governmental entities including housing authorities, and tribal governments
<b>Eligible Projects</b>	<ul style="list-style-type: none"> <li>• Low-income multifamily affordable rental developments</li> <li>• Middle-income multifamily affordable rental developments</li> <li>• Preservation of existing developments at risk of losing affordability</li> <li>• This equity cannot be paired with federal or state Housing Tax Credit equity</li> </ul> <p><b>Note:</b> To be eligible, a project must be located in a jurisdiction that has completed a Local Government Affordable Housing Commitment with the Colorado Department of Local Affairs – Division of Housing.</p>
<b>Program Allocation</b>	40% to 70% of Affordable Housing Financing Fund (AHFF) allocation
<b>AMIs Served</b>	Not to exceed 90% average AMI for all restricted units
<b>Maximum Investment</b>	The maximum Program 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.
<b>Minimum Investment</b>	\$1,500,000
<b>Investment Returns</b>	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.
<b>Eligible Uses</b>	Eligible project costs include acquisition, construction hard costs, professional fees, financing costs, soft costs, and reserves.
<b>Fees</b>	<ul style="list-style-type: none"> <li>• 1% investment placement fee</li> <li>• Standard placement costs</li> </ul>
<b>Affordability Requirements</b>	A Regulatory Agreement ensuring affordability for 30 years will be required, which must include a two-year notice to local government.
<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. Investments are subject to other requirements including the CHFA Credit Policy and applicable operating and replacement reserve requirements.



## Environmental Sustainability Standards

Projects located in (1) jurisdictions classified by the Division of Local Government as Rural, (2) Rural Resort jurisdictions with fewer than 20 units, or (3) Urban jurisdictions with fewer than 30 units are exempt from the Environmental Sustainability standards detailed below.

Each of the following is required to meet the Environmental Sustainability Standard.

1. Certification from one of the following:
  - a. 2020 Enterprise Green Communities (EGC)
  - b. Leadership in Energy and Environmental Design LEED v.4.1 (LEED)
  - c. National Green Building Standards NGBS ICC-700-2020 (NGBS)
  - d. Zero Energy Ready Homes standard (US DOE)
2. All-electric building using high efficiency electric appliances such as heat pumps and heat pump water heaters, or a mixed-fuel building that includes pre-wiring for efficient electric heating and appliances and includes pre-wiring to enable future installation of EV charging station(s) for at least 10% of parking spots or greater if required under local codes.
 

\*Developments that achieve all-electric construction with high-efficiency electric appliances may opt-out of a formal green building certification.
3. Utilize water-efficient design inside and outside. Full guidance can be found at coloradowaterwise.org.
4. Developments should be located within a half-mile of existing or planned transit corridors.
5. Applicants will need to detail plans to monetize federal tax credits (179D and 45L) through the Inflation Reduction Act and state incentives/tax credits such as the 10% state tax credit for heat pumps in their plans. Applicants that fail to demonstrate their use or evaluation of these public incentives will not be prioritized for funding.
6. **Optional:** If applicant has information regarding utility bills and the associated code and energy efficiency measures to achieve lower utility bills, including a commitment to estimated utility bill disclosure to prospective residents, please provide. Otherwise, this is not required.

## How to Apply

### Equity Application Timeline

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

<b>March 18, 2024</b>	CHFA will begin accepting applications.
<b>April 18, 2024</b>	The application submission window closes at 5:00pm MT.
<b>July 2024</b>	CHFA will announce project sponsors selected to receive Equity funds.

**Proof of Proposition 123 Local Government Affordable Housing Commitment submission will be required at time of application, with acceptance by DOH required to be deemed an eligible applicant.**

## Contacts

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