Affordable Housing
Financing Fund

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Proposition 123: Concessionary Debt Program LIHTC Predevelopment Finance Guidelines

COLORADO
Office of Economic Development & International Trade

chfa

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Affordable Housing Financing Fund

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Proposition 123: Concessionary Debt Program

The program provides predevelopment loans to eligible for-profit and nonprofit entities, local governments including housing authorities, and tribal governments to finance feasibility expenses of affordable multifamily rental housing developed with federal Low Income Housing Tax Credits.

LIHTC Predevelopment Finance Guidelines 08-21-2024

Eligible Projects	Developments that utilize Low Income Housing Tax Credits
Program Benefits	• Predevelopment loans available for projects that qualify for federal Housing Tax Credits • Below market interest rates
Program Allocation	Program funding is 15% to 35% of total Financing Fund allocation
Eligible Borrowers	For-profit, nonprofit, governmental entities including housing authorities, and tribal governments
Program Limits	Maximum predevelopment loan to a project is $750,000
Minimum Debt Financing	No minimum
Loan Repayment	• Interest-only payments • Principal due at earlier of close of construction loan or stated maturity date • Terms up to 36 months
AMIs Served	60% average AMI for all restricted units

Collateral	Predevelopment loans will be unsecured with recourse guaranties required from the borrower
Interest Rates and Fees	• 2.5% fixed rate • Standard loan closing costs
Affordability Restrictions	None in addition to LIHTC requirements
Priorities	Statutory Priorities: • High-density housing • Mixed-income housing • Environmental sustainability Strategic Policy Priorities: • Projects that construct new units • Use of Colorado manufactured modular/offsite building technology if reasonably cost-competitive with traditional construction methods • Inclusion of home-based or commercial child care facilities • Geographic diversity

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 LIHTC Predevelopment Finance Guidelines

Program Description and Eligible Projects

The Proposition 123 Concessionary Debt Program (Program) provides predevelopment loans for projects supported by federal Low Income Housing Tax Credits. Shovel-ready projects that result in the construction of new units will be prioritized.

Program Benefits and Funding Allocation

The Program provides predevelopment loan structures at below market interest rates to help finance the cost of feasibility associated with the development of a Low Income Housing Tax Credit project.

The Concessionary Debt program annual allocation is limited to 15% to 35% of the total Affordable Housing Financing Fund amount.

Eligible Borrowers

A project that applies for funding from the Program must be located in the State of Colorado in a 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. Underwriting will focus on project feasibility, sponsor’s experience, and sponsor’s financial strength.

Loan Terms and Conditions

Predevelopment loans from the Program are eligible for loan terms up to 36 months. The maximum loan size to a project is $750,000 and there is no minimum. Loan payments will be interest-only. Loans will be due at the time of the construction loan closing if a project receives an award of tax credits or at loan maturity if a project does not receive an award of tax credits.

Eligible Uses

Eligible uses for predevelopment loan funds include environmental reports, market studies, appraisals, architect and engineering costs, surveys, application fees, permit costs, and land preparation costs prior to applying for tax credits.

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 with standard closing costs, including but not limited to legal fees, third-party reports, and title costs.

Security Interest

Predevelopment loans will be unsecured with recourse guaranties required from the borrower.

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 Development (HUD) and published by CHFA.

Affordability Covenants

None in addition to LIHTC requirements.

Geographic Distribution

Applications will be reviewed to ensure equitable distribution of funds.

Reporting

Borrowers will report annually on development progress.

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 incomes defined as serving a broad range of income levels within the 60% average AMI.
3. Environmental sustainability as defined below.

Strategic Policy Priorities

- 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:
    a. Enterprise Green Communities Certification Plus
    b. Enterprise Green Communities
    c. Zero Energy Ready Homes
    d. Energy Star NextGen Certification
    e. 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.
5. All projects must monetize federal and state energy efficiency tax credits.
6. Projects must commit at predevelopment to reporting 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. 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