

# Proposition 123: Equity Application Webinar

February 21, 2025



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



# Welcome and Introduction

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CHFA




# ColoradoAffordableHousingFinancingFund.com

Affordable Housing  
Financing Fund

Land BankingEquityConcessionary DebtAbout Proposition 123

Proposition 123  
Colorado Affordable Housing Financing Fund


The Colorado Affordable Housing Financing Fund supports land banking, equity, and concessionary debt for affordable housing.



Land Banking

Grants and forgivable loans to acquire and preserve land for affordable housing development


Learn more



Equity

Equity investment to support the creation or preservation of low- and middle-income multifamily rental development


Learn more



Concessionary Debt

Loans to support the creation and preservation of affordable rental housing

Learn more



Modular and Factory-build Finance

Loans to support the creation or preservation of modular and factory build manufacturers

Learn more



# 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 walk through the Equity program application documents.
- Time will be allotted for questions and discussion following the presentation.
- The webinar is being recorded, and slides and a recording link will be emailed and posted on the Affordable Housing Financing Fund website.

# 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.



<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>
<b>Program Benefits</b>	<ul style="list-style-type: none"><li>• Flexible source of equity 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>Maximum Investment Size</b>	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.
<b>Minimum Investment Size</b>	\$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. Please note that programs are subject to change.

# 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.



<b>Eligible Uses</b>	Eligible project costs include acquisition, construction hard costs, professional fees, financing costs, soft costs, and reserves. Projects using modular construction with an advance factory deposit requirement may be able to use Equity funds for this purpose.
<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>AMIs Served</b>	Not to exceed 90% average AMI for all restricted units
<b>Fees</b>	<ul style="list-style-type: none"><li>• 1% investment placement fee</li><li>• Construction monitoring and compliance fees</li><li>• Standard placement costs</li></ul>
<b>Affordability Requirements</b>	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
- The Program Investment may constitute up to the entirety of the remaining portion of equity needed in the capital stack after the sponsor contribution
- Full or partial repayment of the Program Investment at a capital event is permitted beginning in year three after construction completion
  - In partial repayment, remaining Program Investment may be assumed by the buyer. An extended affordability term may be required, based on an evaluation of capital needs at the time of sale.
- The minimum Debt Coverage Ratio for all must-pay debt is 1.10.



# 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 and will be paid in intervals at closing, construction completion, and conversion.
- Sponsor Equity may be structured to receive up to a 10% preferred return.
  - A simple promote structure is available to properties that meet or 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.

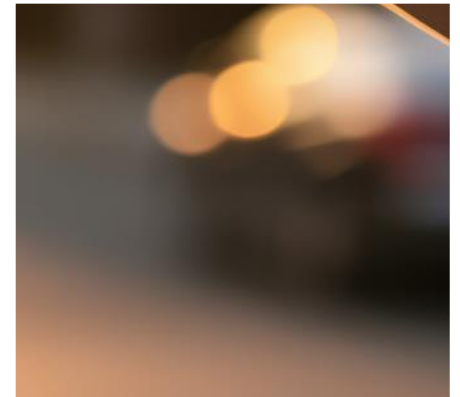


## Investment Option 2: Middle-income Equity Investments

- 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 up to 4% will be paid in intervals at closing, construction completion, and conversion.
- Sponsor equity may be structured to receive up to a 15% preferred return during the first five years, however, the preferred return must be 12% or lower if the holding period is longer than five years.
- A simple promote structure is available to properties that overperform the underwritten IRR.

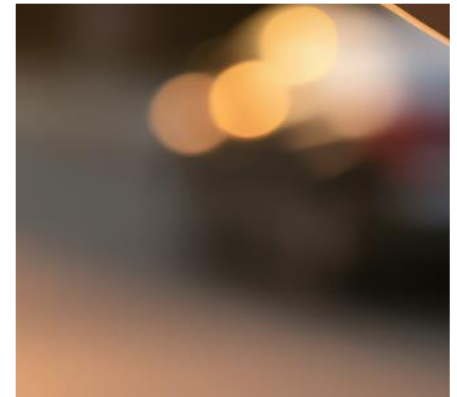


# Application Review





# Questions and Discussion



**Thank you!**

## Contacts

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