

Affordable Housing Financing Fund

April 22, 2025

Proposition 123: Concessionary Debt Program LIHTC Gap Finance Guidelines



COLORADO
Office of Economic Development
& International Trade



Proposition 123: Concessionary Debt Program LIHTC Gap Finance Guidelines

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.

LIHTC Gap Finance Guidelines 04-22-2025

Eligible Projects	Developments that have received an award of federal Low Income Housing Tax Credits but have not yet converted to permanent financing
Program Benefits	<ul style="list-style-type: none"> • Subordinate gap financing • Below-market interest rates • Flexible repayment terms
Program Allocation	Program funding 15% to 35% of total Affordable Housing Financing Fund allocation
Eligible Borrowers	For-profit, nonprofit, governmental entities including housing authorities, and tribal governments
Program Limits	Maximum gap loan size is limited to 1.05 debt service coverage when considering all must-pay debt, 10% of the total project costs, or \$6,000,000, whichever is less.
Minimum Debt Financing	\$400,000
Loan Repayment	Amortizing and non-amortizing loan structures available based on underwriting
AMIs Served	<ul style="list-style-type: none"> • 60% average AMI for all restricted units • Up to 25% of the development's units may be unrestricted but are excluded from eligible project financing

Collateral	<ul style="list-style-type: none"> Loans will be collateralized by the project assets
Interest Rates and Fees	<ul style="list-style-type: none"> 2.5% fixed rate (inclusive of CHFA servicing fee) 1% origination fee Standard loan closing costs
Affordability Restrictions	A Regulatory Agreement requiring affordability for the greater of the loan term or 30 years will be required.
Priorities	<p>Statutory Priorities</p> <ul style="list-style-type: none"> High-density housing Mixed-income housing Environmental sustainability <p>Strategic Policy Priorities</p> <ul style="list-style-type: none"> Shovel-ready projects that result in 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.



COLORADO
Office of Economic Development
& International Trade



Proposition 123: Concessionary Debt Program LIHTC Gap Finance Guidelines

Program Description and Eligible Projects

The Proposition 123 Concessionary Debt LIHTC Gap program (Program) provides gap financing for projects supported by federal Low Income Housing Tax Credits (LIHTC). 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 prioritized. LIHTC Gap loans will be funded either at the construction loan closing or permanent loan closing. If a project is already under construction at the time of the LIHTC Gap award, the LIHTC Gap loan will fund at permanent loan closing.



Program Benefits and Funding Allocation

The Program provides subordinate loan structures at below-market interest rates to help supplement the financing sources of LIHTC projects.

The total amount allocated to Concessionary Debt from Proposition 123 funding is limited annually to between 15 percent and 35 percent of the State's Affordable Housing Financing Fund.

Eligible Borrowers

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 to participate in the Financing Fund. For-profit entities, nonprofit, government entities including housing authorities, and tribal governments with prior experience in developing affordable housing are eligible to apply.

Loan Terms and Conditions

Loans from the Program may be structured as construction and/or permanent financing. Construction loans will be funded in full at the close of the construction loan or at permanent conversion if the project is already under construction. Permanent loans are eligible for loan terms up to 30 years, unless the senior lender requires a term longer than 30. The minimum loan size is \$400,000 and maximum size will be based on a debt service coverage ratio of 1.05 when combined with the senior loan(s), 10 percent of total project costs, or \$6,000,000, whichever is less.

Amortizing and Interest-only repayment structures are available, with loan repayments structured to match repayment capacity. Unpaid principal and interest will be due at the earlier of re-syndication or maturity.

Interest Rate and Fees

Loans from the Program will have a fixed interest rate of 2.5 percent (inclusive of CHFA servicing fee).

All loans will have a 1 percent origination fee with standard closing costs, including but not limited to legal fees, third-party reports, and title costs.

Security Interest

Program loans will be secured by a second or third deed of trust and security agreement on the real estate and personal property, depending on where the loan is determined to be in the capital stack.

AMI Restrictions

Rents for the restricted units in projects financed through the Program must average 60 percent of Area Median Income (AMI) or below, as determined by the U.S. Department of Housing and Urban Development (HUD) and published by CHFA. Up to 25 percent of units in a project may be unrestricted but would be excluded from project financing.

Affordability Covenants

All projects will be subject to a Proposition 123 Regulatory Agreement which will require the units to be maintained and rented as affordable units according to the restricted income and rents of the project plan (and meet the AMI Restrictions average above). The Regulatory Agreement will be in effect for the longer of the loan term or 30 years.

Reporting

Projects will be subject to ongoing compliance.

Statutory Priorities

All applications will be evaluated with an emphasis placed on the following criteria:

- High density housing evaluation informed by local density definitions and/or maximum allowable density when feasible based on local conditions;
- Mixed income is defined as serving a broad range of income levels within the 60 percent average AMI;
- Environmental sustainability as defined below.



Strategic Policy Priorities

- Shovel-ready projects that result in new units
- 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

Environmental Sustainability Standards

1. Each of the following is required to meet the Environmental Sustainability standard.
 - a. Certification from one of the following:
 - i. Enterprise Green Communities Certification Plus
 - ii. Enterprise Green Communities
 - iii. Zero Energy Ready Homes
 - iv. Energy Star NextGen Certification
 - v. National Green Building Standards

- b. 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.
 - c. Projects within Transit-oriented Communities (TOC), defined by HB24-1313, must be within the Transit Area Maps found at <https://dlg.colorado.gov/transit-oriented-communities>. All projects not located in TOCs must be located within one half mile of a regularly scheduled transit stop or community center where jobs and services are located.
 - d. All projects must have water efficient design inside and outside. Full guidance can be found at coloradowaterwise.org.
 - e. All projects must monetize federal or state energy efficiency tax credits or rebates.
 - f. Projects must report utility costs and performance to the ENERGY STAR® Portfolio Manager system (<https://portfoliomanager.energystar.gov>).
2. Application requirements are outlined on the Affordable Housing Finance Fund website, coloradoaffordablehousingfinancingfund.com. Applications will be reviewed based on the following:
- a. achievement of the Statutory and Strategic Policy Priorities listed above
 - b. geographic distribution
 - c. financial feasibility
 - d. funding availability
 - e. readiness to proceed
 - f. number of units created relative to local need/demand
 - g. leveraging private capital



Application Submission

Starting Monday, May 5, 2025, applications will be available and accepted for the Concessionary Debt LIHTC Gap Financing program. The application period will close on Friday, May 23, 2025, at 5:00pm MT.

In addition to submitting an updated LIHTC application and the LIHTC Gap Addendum spreadsheet, applicants must include the following with the LIHTC Gap application package:

1. Project narrative containing:
 - a. Description of project
 - b. Description of the reason gap funds are needed
 - c. Two sources and uses tables – one that shows the project capital stack at the time of the LIHTC award and a second that clearly illustrates the factors that changed and caused the gap; the updated LIHTC application must include the amount previously reported to CHFA column and the current amount column filled in on the Development Budget tab.
2. All projects must provide evidence from the tax credit syndicator or investor and other funders that approve of the addition of the LIHTC Gap funds to the project.
3. Evidence in the project proforma that sufficient interest has been budgeted into the construction schedule to pay the LIHTC Gap interest.