Affordable Housing
Financing Fund

July 1, 2025

Proposition 123:
Land Banking Program Guidelines

COLORADO
Office of Economic Development & International Trade

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Affordable Housing Financing Fund

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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.

Program Guidelines 07-01-2025

Bold items below are addressed in the statute.

Eligible Projects	• **Acquisition of land for the development of affordable rental and for-sale housing. Mixed use is allowed if the predominant use is affordable housing.** • New money transactions will be prioritized over a refinance or addressing financing gaps on existing projects.
Program Benefits	• **Grants to eligible local and tribal governments** • **Forgivable loans to eligible nonprofits** • **Good faith efforts may be used for consideration of extensions**
Program Allocation	• **Program funding is 15% to 25% of total Financing Fund allocation** • 25% of the Land Banking funds will be reserved for projects within a Transit Area or Walkshed designated on the DOLA map published at https://dlg.colorado.gov/transit-oriented-communities
Maximum Grant or Loan Amount	Lesser of $5 million or CHFA's concluded appraised value
Forgivable Loan Terms	• **Milestone 1: Proper zoning and development plan within 5 years** • **Milestone 2: Permitted and funded within 10 years** • **A project can utilize the full 10 years to reach milestone 2, even if milestone 1 is completed before the end of 5 years**
Forgivable Loan Conditions	• **If specified milestones are not achieved by 5 and 10 years, the forgivable loan must be repaid within six months unless the land is conveyed to a state agency or other entity for the development of affordable housing with the approval of CHFA.** • Non-performance could impact future awards • **Upon repayment of the loan plus deferred interest, the property may be developed for any purpose.**

Grant Conditions	• **If specified milestones are not achieved by 5 and 10 years, the grant must be repaid within six months** • **Milestone 1: Proper zoning and development plan within 5 years** • **Milestone 2: Permitted and funded within 10 years**
Interest Rates and Fees	• Forgivable loans bear a deferred interest rate of 2%. No interest is due if milestones are achieved. • Standard third-party closing costs apply • Environmental Transaction Screen required for transactions under $750,000; Phase I required for transactions $750,000 or greater.
AMIs Served	• **Rental: Households with an annual income at or below 60% AMI** • **Homeownership: Households with an annual income at or below 100% AMI** • **Rural Resort communities may petition the Colorado Division of Housing to use more flexible income requirements** • Commercial or mixed-use development, including non-restricted housing, is eligible provided that the predominant use (70%) is affordable. Projects proposing between 51% and 69% of the project to be utilized as affordable may apply with justification.
Geographic Distribution	Letters of intent and/or applications will be reviewed to ensure equitable distribution of funds statewide to both rural and metro areas.
Reporting	Borrowers and grant recipients will annually report on development progress
Funding Process and Distribution	• Letters of intent will be required prior to submission of an application • Based on anticipated demand, applications may be reviewed through a competitive funding round
Affordability Covenants	• All projects must have a Regulatory Agreement at the time of program funding that will cover the milestone period. • Final development must include a covenant maintaining affordability of rental housing units for at least 30 years after the final improvements are developed. • Homeownership developments shall remain affordable for at least 30 years through a ground lease or similar structure. • Projects may request a waiver to 20 years with a market analysis.

Priorities	• **High-density housing**
	• **Mixed-income housing**
	• **Environmental sustainability**
	• Additional priorities:
	    • Shovel-ready projects that result in new units
	    • Use of modular/offsite construction if cost-competitive
	    • Inclusion of home-based child care units or commercial child care facilities

Commitments	**Commitments will be valid for 60 days**

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.

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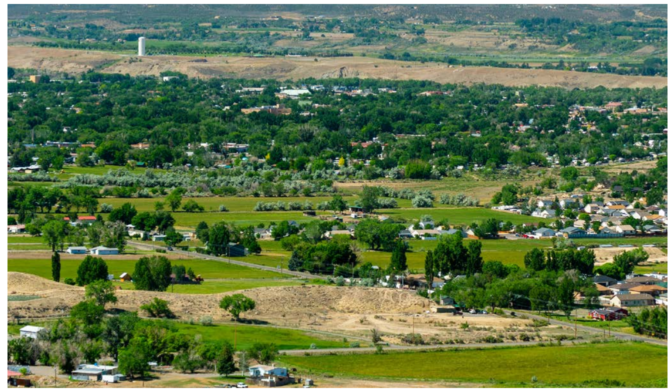
Proposition 123: Land Banking Program Guidelines

Program Description and Eligible Projects

The Proposition 123 Land Banking Program (Program), provides funding for the acquisition of land for the development of affordable rental and for-sale housing. Mixed use is allowed if the predominant use is affordable housing. Land with pre-existing improvements is eligible for financing; however, only the value of the land is eligible for financing under the Program.



Program Benefits and Funding Allocation

The Program provides forgivable loans to eligible and experienced nonprofit organizations and grants to eligible local and tribal governments.

The total amount allocated in any given year from Proposition 123 funds will be between 15% to 25% of the total Financing Fund. For the 2025-2026 Fiscal Year, a total of $48 million will be available to support the Land Banking Program.

Eligible Recipients

The subject site 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. Local and tribal governments, and nonprofit organizations with prior experience in developing affordable housing are eligible to apply.

New money transactions will be prioritized over a refinance or addressing financing gaps on existing projects. Transactions that may have closed on or after October 2, 2024 may be considered as new money transactions if the applicant can provide an applicable Purchase and Sale Agreement.

The name on the title for the subject site financed under the Program is not required to be the same as the borrower. CHFA approval of the owner is required prior to acquisition or transfer of title. Any program restrictions placed on the property must be transferred with the title to stay with the land.

Forgivable Loan and Grant Terms and Conditions

Loan or grant amounts shall not exceed the lesser of $5,000,000 or the appraised value. Borrower may finance 100% of the eligible land cost amount, or appraised value, whichever is less. Awarded projects are subject to review and acceptance of a third-party appraisal by CHFA. Award amounts may be reduced pending a final review of the appraisal by CHFA.

All projects are required to achieve the following milestones within 10 years:

- Milestone 1: The project must be properly zoned and have a development plan submitted within five years of the Proposition 123 Land Banking loan or grant funding.
- Milestone 2: All projects must be permitted and funded. CHFA and the borrower may establish additional terms if good faith efforts to meet the milestone timelines have been made by the borrower.

  A project can utilize the full 10 years to reach Milestone 2, even if Milestone 1 is completed before the end of 5 years.

Non-performance of these conditions could impact the borrowers' or grantees' eligibility of future awards under the program.

Forgivable loans to nonprofit organizations will have an initial five-year term and will be automatically renewed for an additional five years if the project meets the required milestones.

Land acquired with the assistance of the program that is not developed within the timeline above may be used by the owner for any purpose upon payment of the loan with interest or, in exchange for a waiver of interest, conveyed to a state agency or other entity for the development of affordable housing with the approval of the administrator. Upon conveyance of the land, the outstanding loan will be converted to a recoverable grant.

Grants to local and tribal governments must be repaid if the milestones are not achieved. If these requirements are not met within the 5- and 10-year deadlines, the grant must be repaid over the next six months. Upon repayment of the grant, the property may be developed for any purpose.

Interest Rate and Fees

Forgivable loans will bear a simple interest rate of 2.0%. All simple interest will be deferred through maturity and will only be due if the milestones are not achieved.

All loans and grants are subject to any standard third-party closing costs due at origination. These costs could include, but are not necessarily limited to, customary legal and third-party report fees.

Security Interest

All loans will be unsecured; however, the owner must obtain a title insurance policy at the closing of the program funds.

Area Median Income (AMI) Restrictions

All rental units to be developed on the subject property will be restricted to households with annual incomes at or below 60% of the Area Median Income. All homeownership units to be developed on the subject property will be restricted to households with annual incomes at or below 100% of the Area Median Income. Rural Resort communities as defined by the Colorado Division of Housing (DOH) may petition DOH to use more flexible AMI percentages.

At least 70% of the Project's improved square footage or units must be affordable housing (the "**Predominant Use**"). The remaining 30% may include housing that is market-rate, non-restricted, or rent-restricted at above 60% Area Median Income and/or commercial uses that are complementary to the Predominant Use and do not include any of the prohibited uses or activities described below. Projects proposing between 51% and 69% of use as affordable may apply, but applicants will need to justify the reasoning in their application.

Project sites with pre-existing improvements must conform with the restrictions above by the 5- and 10-year milestone requirements.

Commercial or mixed properties are further restricted as described below, and may be waved on a case by case basis:

The following uses and activities shall not be conducted in or on the Project: (i) activities which are illegal under federal, state or local laws; (ii) selling, producing, or displaying sexually oriented material (e.g., adult book stores, adult video stores, adult theaters, etc.); (iii) non-medical massage services; (iv) a business generating greater than twenty-five percent (25%) of its revenues from the sale of alcoholic beverages not manufactured on-site or from selling alcoholic beverages for consumption off premises; (v) a business or organization that discriminates in its membership or facility usage on the basis of race, color, national origin, religion, gender, age, disability, citizenship status, marital status, sexual orientation, or any other status protected by law; (vii) gambling activities (not including sale of state sanctioned lottery tickets); (viii) selling or dispensing products illegal under federal, state or local laws; (ix) religious services, instruction or overtly sectarian activities; (x) pawn brokering; (xi) making "payday" or short term loans by an entity that is not a bank, credit union, savings and loan or other banking institution; and (xii) escort services.

Affordability Covenants

All projects must have a Regulatory Agreement filed by CHFA in a priority lien position at the time of loan or grant closing that shall exist until all milestones are achieved. Units will be restricted at the following AMI levels:

- 100% for Homeownership
- 60% for Rental

Rural Resort communities as defined by the Colorado Division of Housing (DOH) may petition DOH to use more flexible AMI percentages.

Subordinate lien positions may be considered once the project starts construction; however, the priority covenants must at least be equal to the following restrictions:

a. The final development must include a covenant maintaining affordability of rental housing units for at least 30 years after the final improvements are developed.
b. Homeownership developments shall remain affordable for at least 30 years either through a ground lease or a regulatory agreement enforced by the borrower.
c. All projects may request a waiver down to 20 years with a market analysis.

Geographic Distribution

Letters of intent and applications will be reviewed to ensure equitable distribution of funds statewide to both rural and metropolitan areas.

Reporting

Borrowers and grant recipients will be required to report on development progress as part of the development plan. The specific reporting requirements must include the following:

- Project Name
- Project Street Address
- City and County Location
- Housing type (homeownership and/or rental)
- Unit count for deed restricted units
- Unit count and bedroom count for market-rate units
- Proposed units in each AMI of the project
- Proposed percentage of mixed use
- Proposed category of non-residential use
- Green Building or Energy Efficient Certification Program – application question
- Building codes in place at time of development – application question (year)
- Final Electrification Level – e.g. 100% electrification, or specific infrastructure that was not electric and schedule to convert to all electric.
- Distance to regularly scheduled transit or community center
- Maximum density allowed vs. proposed density of project
- Geothermal opportunity
- Additional information required by CHFA in its sole discretion, including but not limited to project status and environmental sustainability requirement satisfaction

Statutory Priorities

1. High Density – Project is high density and/or meets the maximum allowable density as informed by local definitions of high density, and what is feasible based on local conditions.
2. Mixed Income – Project serves three or more income levels within the program-specific funding guidelines.
3. Environmental Sustainability – Project meets the environmental criteria below:*
    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) as defined by HB24-1313 and indicated by the Transit Area Maps found at dlg.colorado.gov/transit-oriented-communities. Projects not located in a TOC but located within one half mile of a regularly scheduled transit stop or a community center where jobs and services are located may also be prioritized.

    d. All projects must have water efficient design inside and outside. Full guidance can be found at coloradowaterwise.org.

    e. All projects must monetize eligible federal and/or state energy efficiency tax credits and rebates. Visit chfainfo.com/rental-housing/colorado-multifamily-electrification-hub to determine which funding source fits your project.

    f. Projects must report utility costs and performance to the Energy Star Portfolio Manager system at portfoliomanager.energystar.gov.

4. All projects must utilize water efficient design inside and outside. Full guidance can be found at coloradowaterwise.org. All State-funded projects with new units must use Energy Star appliances.

*Waiver: If a project cannot meet one or more of the Environmental Sustainability requirements described 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), or other barriers.

Strategic Policy Priorities

Priorities are subject to change based on relevant gubernatorial Executive Orders.

1. Shovel Ready – Projects that demonstrate they will begin construction quickly based on their status in the project timeline and factors such as compliance with zoning, entitlements, and construction plans, among other factors. Additionally, projects applying for funding must be in a position that, if awarded, they would be able to close within the following timelines:
    a. Land Banking
    Grants and loans should be prepared to close within three to six months of notice of award.

2. Use of off-site building technology – Projects that use manufactured modular/off-site building technology that is reasonably cost-competitive compared to traditional construction methods. Colorado based production will be prioritized over out of state produced units.
3. Inclusion of child care – Projects that include home-based child care units or commercial child care facilities.** Visit cdola.colorado.gov/child-care-facility-development-toolkit for resources.
2. Geographic diversity – Projects across the state that present geographically diverse funding opportunities, enabling the AHFF to fund a wide array of projects located in larger urban areas, smaller cities and towns, and rural, rural resort, and tribal areas.

*LIHTC Gap loans that are awarded prior to construction closing, but do not anticipate funding until permanent loan closing/conversion are exempt from this closing timeline.

**Please note that commercial facilities are generally not eligible for AHFF financing, although limited exceptions exist for commercial and mixed-use development within affordable housing projects that meet program-specific criteria. Please contact CHFA for additional information.

Application Process and Distribution

Prior to submitting an application, a Letter of Intent to Apply (LOI) for a Proposition 123 Land Banking grant or loan must be sent to CHFA to determine eligibility, including the status of local government opt-in, and available funding. LOIs must include a Purchase and Sale Agreement (or option to buy), zoning and entitlement status, the project location/address, size of the parcel (if known), and estimated loan or grant request. Fully complete LOIs will be reviewed on a first-come first-serve basis.

CHFA will begin accepting complete LOIs on **July 1, 2025,** and will continue to accept LOIs until funds are exhausted **for rural and rural resort projects only***. Please see coloradoaffordablehousingfinancingfund.com/land-banking for details. As stated in the Affordable Housing Financing Fund Fiscal Year 2026 Funding Plan, an LOI round open to all projects including those not located in Rural or Rural Resort counties will begin in January 2026. If the LOI is approved, and pending consideration of the strategic policy priority for geographic distribution of available funds, prospective applicants will be contacted to proceed with an application. Please contact the following individuals with questions:

Steve Boice
Manager of Business Finance
303-297-7468
sboice@chfainfo.com

Peter Martinez
Commercial Loan Officer II
303-297-7320
pmartinez@chfainfo.com

Once a complete LOI is received and eligibility and funding availability is determined, Borrowers will be sent an invitation to complete the Proposition 123 Land Banking Application via a secured email system. Once an applicant is notified, they will have 60 days to submit a completed application.

In addition to completion of the Proposition 123 Land Banking Application, the following information will be required to be submitted to CHFA:

- Nonprofit organizations are encouraged to provide letters of support from local governments.
- Borrower resume and list of previous developed projects
- Project Narrative, describing the proposed use of the project, including a breakdown of the proposed AMI percentages and any commercial use, if known at the time of application, alternative funding sources if Land Banking funds are not received, and how the project will address the priorities of density, mixed-income, and environmental sustainability in the market area.
- Appraisal
- Phase I Environmental Report for transactions over $750,000.00
- Purchase and sale agreement
- Rural resort waiver, if applicable

Once an application is approved, CHFA will provide the applicant with a loan commitment, along with a list of any due diligence items to be collected. **The commitment will be valid for 60 days and must be signed and returned to CHFA prior to the expiration of the commitment. If a commitment is not signed and returned to CHFA within 60 days, the award may be forfeited and made available to the next qualifying project in the order in which an approved LOI or application was received.**

Please note that the program guidelines and procedures outlined herein may be modified at any time, with or without notice.

*Rural counties defined by OEDIT include: Alamosa, Baca, Bent, Cheyenne, Clear Creek, Conejos, Costilla, Crowley, Custer, Delta, Dolores, Elbert, Fremont, Garfield, Gilpin, Hinsdale, Huerfano, Jackson, Kiowa, Kit Carson, Lake, Las Animas, Lincoln, Logan, Mesa, Mineral, Moffat, Montezuma, Montrose, Morgan, Otero, Park, Phillips, Prowers, Pueblo, Rio Blanco, Rio Grande, Saguache, Sedgwick, Teller, Washington, and Yuma.

Rural Resort counties defined by DOLA include: Archuleta, Chaffee, Eagle, Grand, Gunnison, La Plata, Lake, Ouray, Pitkin, Routt, San Juan, San Miguel, and Summit. The Town of Estes Park is designated as a Rural Resort Municipality.

Development Plan Appendix

The following list of documents will be required to be submitted to CHFA for approval as part of the required Development Plan within the first five years of funding a Land Banking award milestone:

1. Updated land banking application, including the following updated information:
   a. Sources/uses (construction and perm if available)
   b. AMI Mix
   c. Environmental Sustainability Requirement certification and documentation
   d. Project budget, if available
2. Zoning verification letter, issued by the jurisdiction whose zoning laws and ordinances control zoning for the Property.
3. Project site plan, including the following:
   a. ALTA/NSPS Land Title Survey
   b. Drawings from civil or architectural engineer
4. Updated narrative including the following sections:
   a. Project overview
   b. Tax credit application status (if known or applicable)
   c. Development timeline
   d. Plan detailing measures Borrower will implement to ensure Project complies with Restrictive Covenant during the term thereof
   e. Consultant information (if known/applicable)
   f. Architect information (if known)
   g. General contractor information (if known)
   h. Utility information: description of how utilities will be brought to the project site
5. Market study (if required for tax credit application).
6. Evidence of remediation plan satisfactory to Lender in its sole for any Recognized Environmental Condition (REC) or other adverse environmental condition affecting the Project identified in the Phase I, Environmental Transaction Screen, or other documentation produced in connection with the Project.
7. Applicable if Borrower has committed to modular construction and/or childcare facilities:
   Information detailing Project's incorporation of modular housing and/or childcare facilities consistent with Borrower's application for the Loan. As used herein, the term "modular housing" means any housing unit or prefabricated housing module unit that incorporates volumetric modular, panelized, tiny home, kit home, or 3-D printed construction that is manufactured off-site and attached to a permanent foundation, or any other innovative housing type approved by CHFA/OEDIT. As used herein, the term "childcare facilities" refers to a portion of the Project designed for home-based childcare units or commercial childcare facilities.