

Affordable Housing Financing Fund

November 20, 2025

Proposition 123: Concessionary Debt Program LIHTC Predevelopment Finance Guidelines



COLORADO
Office of Economic Development
& International Trade



Proposition 123: Concessionary Debt Program LIHTC Predevelopment Finance

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 11-20-2025

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, nonprofits, 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	Not to exceed 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 modular/offsite building technology produced in Colorado • 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.



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Program Description and Eligible Projects

The Proposition 123 Concessionary Debt LIHTC Gap 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% and 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 and 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% (inclusive of CHFA servicing fee).

Standard closing costs, including but not limited to 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 determined 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

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:
 - 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
 - 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 IEC and State Model Energy and Solar Ready codes when they develop the units. **Note:** Per C.R.S. §6-7.7-101, 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 C.R.S. §29-35-210 must be within the Transit Area or Optional Transit Area as designated on the TOC Map 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 or state energy efficiency tax credits and rebates to the extent such credits are available when the project commences. 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.

*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 the direction of the Governor of Colorado.

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.
 - a. All underwriting diligence must be submitted within 4 months of the term sheet issuance date.
 - b. To determine shovel-readiness, each project will be evaluated based on the number of due diligence items submitted from the list in the appendix, especially those with long lead times.
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 childcare units or commercial childcare facilities.* Visit <https://cdola.colorado.gov/child-care-facility-development-toolkit> for resources.
4. Geographic diversity - Projects across the state that present geographically diverse funding opportunities, enabling the AHFF to fund a wide variety of projects located in larger urban areas, smaller cities and towns, and rural, rural resort, and tribal areas.

*Please note that commercial facilities are 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 Submission

Projects must meet the three statutory priorities listed above to apply and will be prioritized based on compliance with the Strategic Policy Priorities listed above.

Application requirements are outlined on the Affordable Housing Finance Fund website at coloradoaffordablehousingfinancingfund.com/concessionary-debt/lihtc-predevelopment-finance. 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. readiness to proceed
- e. number of units created relative to local need/demand
- f. leveraging private capital



Due Diligence List

- Project Narrative
- Location Map, including Flood Plain Information
- Evidence of Zoning
- Initial Title Work with ALL Exceptions
- Development Team Profiles
- Invoices, receipts, or evidence of predevelopment costs