Affordable Housing
Financing Fund

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Proposition 123: Concessionary Debt Program Multifamily Finance Guidelines

COLORADO
Office of Economic Development
& International Trade

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Affordable Housing Financing Fund

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Proposition 123: Concessionary Debt Program Multifamily Finance

The program provides debt financing to eligible for-profit and nonprofit entities, local governments including housing authorities, and tribal governments for the creation of affordable housing.

Multifamily Finance Guidelines 10-18-2026

Eligible Projects	• Low- and middle-income multifamily affordable rental developments • Preservation of existing developments at risk of losing affordability
Program Benefits	• Below-market interest rates • Flexible repayment terms • Senior debt or subordinate financing available
Program Allocation	$20 million total will be available for the FY27 Concessionary Debt programs, not including the Coordinated Funding for Housing Tax Credits
Eligible Borrowers	For-profit, nonprofits, governmental entities including housing authorities, and tribal governments
Program Limits	Maximum loan size limited to the lesser of 90% of value or cost when considering all must-pay debt, debt service coverage ratio of 1.15 as a senior loan and 1.05 as a subordinate loan when combined with the senior debt, or $6,000,000, whichever is less. The maximum loan limit may be reduced based on funding availability.
Minimum Debt Financing	$400,000
Use of Proceeds	Eligible project costs include acquisition, construction hard costs, professional fees, financing costs, soft costs, and reserves.

Loan Repayment	Amortizing and non-amortizing loan structures available based on underwriting
AMIs Served	• Not to exceed 60% average AMI for all restricted units comprising the project • If debt is subordinate, the senior debt AMI requirements may be operative instead, provided those requirements demonstrate alignment to the debt program's intent to support low- and middle-income multifamily rental housing. • Up to 25% of the development's units may be unrestricted but would be excluded from eligible project financing
Collateral	• Loans will be collateralized by the project assets • Loans used during construction will require a guaranty during the construction period
Interest Rates and Fees	• 2.5% fixed rate • Standard loan closing costs, including third-party reports and title costs.
Affordability Restrictions	A Regulatory Agreement requiring affordability for the greater of the loan term or 30 years will be required.
Priorities	Statutory Priorities: • High-density housing • Mixed-income housing • Environmental sustainability Strategic Policy Priorities: • Shovel-ready projects that result in new units • Use of modular/offsite building technology produced in Colorado • Inclusion of home-based or commercial childcare 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 Multifamily Finance Program (Program) provides debt financing to eligible low- and middle-income rental projects, including debt financing of existing affordable housing projects for purposes of preserving the affordable rental units. Shovel-ready projects that result in the construction of new units will be prioritized. **If a project is already under construction, or has already closed on the project's senior construction financing at the time of the Program award, or at the time of Program loan approval, the Program loan will fund at permanent closing.**

Program Benefits and Funding Allocation

The Program provides senior or subordinate loan structures at below-market interest rates to help finance the development of new affordable rental housing units and the preservation of existing affordable housing units.

Approximately $20M is available for the two FY27 Concessionary Debt open rounds.

Eligible Borrowers

A project that applies for funding from the Program must be located in the State of Colorado in a jurisdiction that has an approved Proposition 123 Local Government Affordable Housing Commitment from the Colorado Department of Local Affairs – Division of Housing. For-profit, nonprofit and governmental entities including housing authorities, and tribal governments with prior experience in developing affordable housing are eligible to apply.

Governmental entities should consider TABOR compliance issues before applying for Program funds, as evidence of TABOR compliance will be required if a Program award is made to a governmental entity. Given the complexities navigating TABOR requirements, governmental entities seeking Proposition 123 Concessionary Debt may want to consider partnering with a local nonprofit or housing authority to own and operate the property.

Loan Terms and Conditions

Loans from the Program may be structured as construction-to-permanent or permanent financing. Construction loans will only be funded in full at the close of the senior construction financing. If the project is already under construction, or if the project has already closed on the project's senior construction financing, the Program loan may only fund at permanent conversion. Permanent loans are eligible for loan terms up to 30 years unless in a subordinate position and the senior lender requires a term longer than 30. The minimum loan size is $400,000 and maximum size varies by type of use and available program funding.

- Senior or subordinate loans made to low- and middle-income projects are limited to the lesser of 90% of value or cost when considering all must-pay debt, debt service coverage ratio of 1.15 as a senior loan or 1.05 as a subordinate loan when combined with the senior loan, or $6,000,000, whichever is less.

Projects must maintain a financing structure that is consistent with Program requirements and the transaction as presented in the application and underwriting materials. Substantive changes to the project after application, award, or loan approval – including changes to the borrower, ownership structure, capital stack, financing terms, collateral, project scope, or timeline – will require additional review and approval and may jeopardize the award or financing commitment.

Interest Rate and Fees

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

Standard closing costs will include but are not limited to third-party reports and title costs.

Security Interest

Program loans in senior position will be secured by a First Deed of Trust and Security Agreement on the real estate and personal property comprising the project. Subordinate 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. Loans used during construction will require a guaranty during the construction period.

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 defined by HUD/CHFA. Up to 25 percent of units in a project may be unrestricted but will be excluded from eligible project financing. Rents will be underwritten to at least a 3 percent discount to local market rents as determined by an appraisal approved by CHFA. Where the Program loans are in a subordinate position, the affordability threshold required by the senior lender may be operative instead, provided they demonstrate alignment to the debt program's intent to support low- and middle-income multifamily rental housing. Projects located in Rural Resort jurisdictions, classified by the Department of Local Affairs, that have received an approved Prop 123 Rural Resort petition are allowed to propose AMIs up to the amount allowed in the approved petition.

Affordability Covenants

All projects will be subject to a Regulatory Agreement which will require the units to be maintained and rented as income-qualified units for the longer of the loan term or 30 years. The agreement will designate the property as a "qualified property" according to C.R.S. 29-4-1202 and establish a right of first refusal with the local government prior to the expiration of the agreement.

Reporting

Projects will be subject to ongoing compliance including audits of new resident income verification, annual financial reports, and periodic physical inspections.

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 (EGC+)
      ii. Enterprise Green Communities (EGC)

iii. Leadership in Energy and Environmental Design (LEED)

iv. Department of Energy's DOE Efficient New Homes Program (ENH)

v. National Green Building Standards

vi. Passive House Institute US (PHIUS) or Passive House Institute (PHI)

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.

g. 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 four months of the term sheet issuance date. All successful applicants are expected to close within 12 months of award.
   b. To determine shovel-readiness, each project will be evaluated based on the number of due diligence items from the list in the appendix submitted with the application, 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 childcare – Projects that include home-based childcare units or commercial childcare facilities.* Visit 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/multifamily-finance. Applications will be reviewed based on the following:

a. achievement of the Statutory and Strategic Policy Priorities listed above
b. financial feasibility
c. number of units created relative to local need/demand
d. leveraging private capital

Applicants are expected to provide sufficient information for the application reviewer to understand the full structure of the proposed transaction, including the borrower, sponsor, ownership structure, development phases, funding sources, expected closing sequence, and any unusual legal, financial, or organizational features. Incomplete or unclear information may delay review, require additional conditions, or affect the ability to proceed with an award or loan approval.

Applicants should present realistic development and closing timelines that account for underwriting, legal review, third-party reports, and coordination with other funding sources. The ability to close on a borrower's preferred timeline depends on timely receipt of complete and satisfactory due diligence materials. Delays in third-party reports, approvals, transaction structure, or material deal changes may affect the anticipated closing schedule

Due Diligence List

- Project Narrative, including a description of each financing source, anticipated collateral, borrower ownership structure, anticipated project timeline, legal description, and any other unique circumstances regarding the project, such as existing affordability restrictions.
- As-complete Property Appraisal – preferably from the construction lender
- Third-party Market Study
- Location Map, including Flood Plain Information
- Evidence of Zoning
- Land/Topographic Survey (ALTA)
- Initial Title Work with ALL Exceptions
- Final Site Plan with approval from Local Authority
- Sponsoring Entity Financials
- Evidence of Site Control or Ground Lease
- Funding Commitments, Equity Commitments, Pledges, etc.
- Property Insurance Quote
- Entity Organizational Docs: Articles of Inc. and Bylaws for Sponsor; Partnership Agreement and/or Operating Agreements for the Borrowing Entity
- Final Organizational Chart for Recipient Entity, including the individual Principals, Property Manager and GC
- Development Team Profiles
- Property Management Contract
- Property Management Plan
- Standard Lease Agreement
- Utility Allowance Schedule
- Phase I Environmental Assessment (and Phase II if necessary)
- Soils/Geotechnical Report
- Plans and Specs/Complete Scope of Work with Cost Detail **(Due to large file sizes – Do not submit plans and specs with your application)**
- Construction Schedule
- AHFF Cost Summary
- Initial Draw Schedule
- Draft GC Contract