

# Proposition 123

## Affordable Housing Financing Fund

May 1, 2024



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



# Welcome and Introductions

**Hilary Cooper**

*Director of Innovative Funding for Housing*  
OEDIT

**David Foust**

*Commercial Loan Officer*  
CHFA



# Affordable Housing Financing Fund (AHFF)

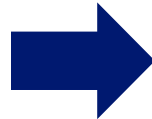


**COLORADO**

Office of Economic Development  
& International Trade



- Manages the Affordable Housing Financing Fund
- A strong economy must include an adequate supply of housing affordable for all income levels



- Administrator for Affordable Housing Financing Fund
- CHFA's mission is to strengthen Colorado by investing in affordable housing and community development



# Proposition 123

Passed by Colorado voters in 2022  
1/10 of 1% of State Income Tax Revenue

## State Affordable Housing Fund

\$160M FY23-24

\$311.4M FY24-25

## Affordable Housing Financing Fund (60%)

\$96M FY23-24

\$186.8M FY24-25



# Affordable Housing Financing Fund (AHFF)



## Land Banking Program

Allocation ranges  
15%-25%



## Equity Program

Allocation ranges  
40%-70%



## Concessionary Debt Program

Allocation ranges  
15%-35%

# Proposition 123: Land Banking Program

The program provides grants to eligible local or tribal governments and forgivable loans to eligible nonprofits to acquire and preserve land for the development of affordable housing.



<b>Eligible Projects</b>	<ul style="list-style-type: none"> <li>Acquisition and preservation of land for the development of affordable housing. Mixed use may be allowed so long as the “predominant” use is affordable housing</li> </ul>
<b>Program Benefits</b>	<ul style="list-style-type: none"> <li>Grants to local governments, tribal governments, including public housing authorities</li> <li>Forgivable loans to nonprofits if certain milestones are achieved</li> </ul>
<b>Program Size</b>	<ul style="list-style-type: none"> <li>15% to 25% of Affordable Housing Financing Fund (AHFF) allocation</li> </ul>
<b>Forgivable Loan Terms</b>	<ul style="list-style-type: none"> <li>Proper zoning and development plan within 5 years</li> <li>Permitted and funded within 10 years</li> </ul>
<b>Forgivable Loan Conditions</b>	<ul style="list-style-type: none"> <li>If milestones are not achieved by 5 and 10 years, the forgivable loan plus interest must be repaid within 6 months or can transition to a recoverable grant if conveyed to another entity for affordable housing</li> </ul>
<b>AMIs Served</b>	<ul style="list-style-type: none"> <li>Rental: 60% AMI and below</li> <li>Homeownership: 100% AMI and below</li> <li>HUD rent and income limits as adjusted by county and household size</li> <li>Rural resort communities may petition DOH for more flexible AMI requirements</li> </ul>
<b>Priorities</b>	<ul style="list-style-type: none"> <li>High-density housing</li> <li>Mixed-income housing</li> <li>Environmental sustainability</li> </ul>

# Land Banking Program

Can be paired with debt, private equity or grants as long as the affordability requirements are met.

The program provides **grants to eligible local or tribal governments and forgivable loans to eligible nonprofits** with a demonstrated history of providing affordable housing to acquire and preserve land for the development of affordable housing.



## FY 23 - 24

- 113 LOIs received representing more than \$255M
- 26 projects representing \$46.9M in funding requests were invited to submit complete applications
- 21 applications representing \$38.8M were received
- **16 projects** were awarded a total of **\$25.3M** estimated to produce approximately **1,380 units**

# Concessionary Debt Program

The program provides loan options to for-profit and nonprofit entities for the creation and preservation of affordable housing, including manufacturers which build modular and factory-build housing.



<b>Eligible Projects</b>	<ul style="list-style-type: none"> <li>• Low- and middle-income multifamily rental developments</li> <li>• Projects that qualify for Low Income Housing Tax Credits</li> <li>• Modular and factory-build housing manufacturers</li> </ul>
<b>Program Benefits</b>	<ul style="list-style-type: none"> <li>• Below-market interest rates</li> <li>• Subordinate financing available</li> </ul>
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• For-profits and nonprofits</li> <li>• Governmental entities</li> <li>• Tribal Governments</li> </ul>
<b>Program Allocation</b>	<ul style="list-style-type: none"> <li>• 15% to 35% of Affordable Housing Financing Fund (AHFF) allocation</li> </ul>
<b>AMIs Served</b>	<ul style="list-style-type: none"> <li>• 60% average AMI for all restricted units</li> <li>• 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.</li> </ul>
<b>Collateral</b>	<ul style="list-style-type: none"> <li>• Loans will be collateralized by the project assets.</li> </ul>
<b>Priorities</b>	<ul style="list-style-type: none"> <li>• High-density housing</li> <li>• Mixed-income housing</li> <li>• Environmental sustainability</li> </ul>

This 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.



# Concessionary Debt Program

Funds can be paired with tax credits, grants and Prop 123 debt can be subordinate to affordability requirements of senior debt.

The program provides loan options to for-profit and nonprofit entities for the creation and preservation of affordable housing, including manufacturers which build modular and factory-build housing.



- Includes the following loan options:
  - **Multifamily Finance:** Debt financing for the development and preservation of low- and middle-income multifamily rental developments
  - **LIHTC Gap Finance:** Gap financing in the form of subordinate debt for Low Income Housing Tax Credit projects
  - **LIHTC Predevelopment Finance:** Gap financing in the form of predevelopment loans for LIHTC projects
  - **Modular Finance:** Debt financing for modular and factory-build housing manufacturers.

# Concessionary Debt Program

The program provides loan options to for-profit and nonprofit entities for the creation and preservation of affordable housing, including manufacturers which build modular and factory-build housing.



- Multifamily, LIHTC Gap, and LIHTC Predevelopment
  - 38 applications received totaling more than \$113M
  - **7 applicants** in underwriting for **\$14.5M** and are estimated to produce approximately **722 units**
- Modular Finance
  - 14 applications received seeking more than \$52M
  - 10 applicants invited to interview with the selection committee
  - **6 applicants** awarded **\$18M** estimated to produce approximately **3,610 units**

# 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>Program Funding</b>	\$38.4M available in year 1 (40% to 70% of Affordable Housing Financing Fund)
<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 financing 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>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

# 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.
<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>Collateral</b>	The investment will be secured by the project assets.
<b>Fees</b>	<ul style="list-style-type: none"><li>• 1% investment placement fee</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.

# Equity Program

Funds can be paired with debt, grants and private equity as long as affordability requirements are met

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.

- \$38.4M allocated
- 35 projects applied requesting more than \$301M in financing
  - Average request of \$8.6M
  - Average project size of 111 units



# Equity Program

## Tenant Equity Vehicle (TEV)



Residents of Equity projects will have the opportunity to participate in a tenant equity program. Different payment options are under development which could include a monthly rebate and or profit sharing savings options to support down payment assistance or other tenant needs.

# General Program Notes

- **Project Prioritization:**
  - High Density
  - Mixed Income
  - Environmental Sustainability
  - Urban Rural balance
  - Childcare facilities
  - Modular construction
- **Strategic Implementation and coordination with other state agency & tax credit timing & allocation**
- **Shifting from competitive to rolling applications with funds set aside**

Thank you!

## Contacts

Hilary Cooper

*Director, Innovative Funding for Housing, OEDIT*

[hilary.cooper@state.co.us](mailto:hilary.cooper@state.co.us)

David Foust

*Commercial Loan Officer, CHFA*

[dfoust@chfainfo.com](mailto:dfoust@chfainfo.com)

[ColoradoAffordableHousingFinancingFund.com](http://ColoradoAffordableHousingFinancingFund.com)

Affordable Housing  
Financing Fund 



COLORADO  
Office of Economic Development  
& International Trade





# Equity Program

Project Information	
TDC per Unit	\$400,000
Units	90
TDC	\$36,000,000
PUPA Operating Expenses	\$6,000
Annual Operating Expenses	\$540,000
Total Equity	\$16,000,000
Prop 123 Equity	\$12,000,000
Initial Owner Equity	\$4,000,000
First Mortgage	\$20,000,000
First Mortgage Interest Rate	6.50%
County	Denver
Average AMI	90%
Cashflow % to P123 Equity	30%
Owner Equity Preferred Return	10%

Investor Return & Financial Performance	Initial Owner
Estimated Exit Year	12
NOI at Sale	\$2,148,999
Cap Rate at Sale	5.50%
Sale Value	\$39,072,713
Less Cost of Sale (3%)	-\$1,172,181
Less Hard Debt Balance	-\$18,097,133
Less Sponsor Equity Return	-\$5,234,895
Remaining Proceeds	\$14,568,503
Share to Promote	-\$2,185,275
Share to P123 Equity Principal	\$12,383,228
P123 Equity Remaining	\$0
Sum Cashflow to Prop 123	-\$169,546

Unit Mix	0	1	2	Total
Percentage	5%	58%	37%	100%
Units	5	52	33	90
Rents (90% AMI)	\$ 2,054	\$ 2,201	\$ 2,642	
Less Utility Allowance	\$ 30	\$ 40	\$ 60	
Monthly Rent	\$ 10,119	\$ 112,393	\$ 85,190	\$ 207,701
Annual Rent	\$ 121,428	\$ 1,348,714	\$ 1,022,274	\$ 2,492,416

# Equity Program

Annual Projections		1	2	3	4	5	6	7	8	9	10	11	12
Gross Potential Rental Income		\$ 2,492,416	\$ 2,542,264	\$ 2,593,109	\$ 2,644,971	\$ 2,697,871	\$ 2,751,828	\$ 2,806,865	\$ 2,863,002	\$ 2,920,262	\$ 2,978,667	\$ 3,038,241	\$ 3,099,006
Other/Miscellaneous Income (.5%)		\$ 12,462	\$ 12,711	\$ 12,966	\$ 13,225	\$ 13,489	\$ 13,759	\$ 14,034	\$ 14,315	\$ 14,601	\$ 14,893	\$ 15,191	\$ 15,495
LESS: Vacancy (7%)		\$ (175,341)	\$ (178,848)	\$ (182,425)	\$ (186,074)	\$ (189,795)	\$ (193,591)	\$ (197,463)	\$ (201,412)	\$ (205,440)	\$ (209,549)	\$ (213,740)	\$ (218,015)
Effective Gross Income		\$ 2,329,536	\$ 2,376,127	\$ 2,423,650	\$ 2,472,122	\$ 2,521,565	\$ 2,571,996	\$ 2,623,436	\$ 2,675,905	\$ 2,729,423	\$ 2,784,011	\$ 2,839,692	\$ 2,896,486
Project Expenses		\$ 540,000	\$ 556,200	\$ 572,886	\$ 590,073	\$ 607,775	\$ 626,008	\$ 644,788	\$ 664,132	\$ 684,056	\$ 704,578	\$ 725,715	\$ 747,486
<b>Net Operating Income</b>		<b>\$ 1,789,536</b>	<b>\$ 1,819,927</b>	<b>\$ 1,850,764</b>	<b>\$ 1,882,050</b>	<b>\$ 1,913,790</b>	<b>\$ 1,945,988</b>	<b>\$ 1,978,648</b>	<b>\$ 2,011,773</b>	<b>\$ 2,045,367</b>	<b>\$ 2,079,434</b>	<b>\$ 2,113,977</b>	<b>\$ 2,148,999</b>
Hard Debt Service													
Perm Loan		\$ 1,405,096	\$ 1,405,096	\$ 1,405,096	\$ 1,405,096	\$ 1,405,096	\$ 1,405,096	\$ 1,405,096	\$ 1,405,096	\$ 1,405,096	\$ 1,405,096	\$ 1,405,096	\$ 1,405,096
<b>Cashflow After Hard Debt Service</b>		<b>\$ 384,440</b>	<b>\$ 414,831</b>	<b>\$ 445,667</b>	<b>\$ 476,954</b>	<b>\$ 508,694</b>	<b>\$ 540,892</b>	<b>\$ 573,552</b>	<b>\$ 606,677</b>	<b>\$ 640,271</b>	<b>\$ 674,338</b>	<b>\$ 708,880</b>	<b>\$ 743,903</b>
Prop 123 Equity		\$ 115,332	\$ 124,449	\$ 133,700	\$ 143,086	\$ 152,608	\$ 162,268	\$ 172,065	\$ 182,003	\$ 192,081	\$ 202,301	\$ 212,664	\$ 223,171
<b>Cashflow After Prop 123 Equity</b>		<b>\$ 269,108</b>	<b>\$ 290,381</b>	<b>\$ 311,967</b>	<b>\$ 333,867</b>	<b>\$ 356,086</b>	<b>\$ 378,624</b>	<b>\$ 401,486</b>	<b>\$ 424,674</b>	<b>\$ 448,190</b>	<b>\$ 472,036</b>	<b>\$ 496,216</b>	<b>\$ 520,732</b>
First Mortgage DCR		1.27	1.30	1.32	1.34	1.36	1.38	1.41	1.43	1.46	1.48	1.50	1.53
Hard Debt DCR (Incl. Prop 123 Equity )		1.18	1.19	1.20	1.22	1.23	1.24	1.25	1.27	1.28	1.29	1.31	1.32
Overall DCR After Hard and Soft Debt		1.18	1.19	1.20	1.22	1.23	1.24	1.25	1.27	1.28	1.29	1.31	1.32
<b>Remaining Cashflow</b>		<b>\$ 269,108</b>	<b>\$ 290,381</b>	<b>\$ 311,967</b>	<b>\$ 333,867</b>	<b>\$ 356,086</b>	<b>\$ 378,624</b>	<b>\$ 401,486</b>	<b>\$ 424,674</b>	<b>\$ 448,190</b>	<b>\$ 472,036</b>	<b>\$ 496,216</b>	<b>\$20,324,131</b>
Cash on Cash Spons. Eq.	\$ (4,000,000)	6.73%	7.26%	7.80%	8.35%	8.90%	9.47%	10.04%	10.62%	11.20%	11.80%	12.41%	508.10%
Cash on Cash P123 Eq.	\$ (12,000,000)	0.96%	1.04%	1.11%	1.19%	1.27%	1.35%	1.43%	1.52%	1.60%	1.69%	1.77%	1.86%
Sponsor Equity Return	\$ (4,000,000)	\$ (4,000,000)	\$ (4,130,892)	\$ (4,253,600)	\$ (4,366,993)	\$ (4,469,825)	\$ (4,560,721)	\$ (4,638,169)	\$ (4,700,500)	\$ (4,745,876)	\$ (4,772,274)	\$ (4,777,466)	\$ (4,758,996)
Return on Equity	10%	\$ (400,000)	\$ (413,089)	\$ (425,360)	\$ (436,699)	\$ (446,982)	\$ (456,072)	\$ (463,817)	\$ (470,050)	\$ (474,588)	\$ (477,227)	\$ (477,747)	\$ (475,900)
Return of Equity		\$ 269,108	\$ 290,381	\$ 311,967	\$ 333,867	\$ 356,086	\$ 378,624	\$ 401,486	\$ 424,674	\$ 448,190	\$ 472,036	\$ 496,216	\$ 5,234,895
End	\$ (4,000,000)	\$ (4,130,892)	\$ (4,253,600)	\$ (4,366,993)	\$ (4,469,825)	\$ (4,560,721)	\$ (4,638,169)	\$ (4,700,500)	\$ (4,745,876)	\$ (4,772,274)	\$ (4,777,466)	\$ (4,758,996)	\$ -
Cash Flow	\$ (4,000,000)	\$ 269,108	\$ 290,381	\$ 311,967	\$ 333,867	\$ 356,086	\$ 378,624	\$ 401,486	\$ 424,674	\$ 448,190	\$ 472,036	\$ 496,216	\$ 5,234,895
IRR	10%												
Prop 123 Return	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)
Return on Equity		\$ (115,332)	\$ (124,449)	\$ (133,700)	\$ (143,086)	\$ (152,608)	\$ (162,268)	\$ (172,065)	\$ (182,003)	\$ (192,081)	\$ (202,301)	\$ (212,664)	\$ (223,171)
Return of Equity		\$ 115,332	\$ 124,449	\$ 133,700	\$ 143,086	\$ 152,608	\$ 162,268	\$ 172,065	\$ 182,003	\$ 192,081	\$ 202,301	\$ 212,664	\$ 12,606,399
End	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ (12,000,000)	\$ 383,228
Cash Flow	\$ (12,000,000)	\$ 115,332	\$ 124,449	\$ 133,700	\$ 143,086	\$ 152,608	\$ 162,268	\$ 172,065	\$ 182,003	\$ 192,081	\$ 202,301	\$ 212,664	\$ 12,606,399
IRR	1.63%												