



**Colorado Department of Local Affairs
Division of Housing
Office of Housing Finance and Sustainability**

Notice of Funding Availability (NOFA)

Affordable Housing Investment Fund 2023 (AHIF23)

Total Amount Available: Up to \$75,000,000*

Minimum Investment: \$1,000,000

Maximum Investment: \$10,000,000**

*Additional funding may be available.

**Exceptions will be considered on a case by case basis

Draft Release for Public Comment: January 6, 2023

Public Comment Meeting: January 12, 2023 at 11:00 A.M. MST

The Division of Housing (DOH) welcomes public comments regarding the following guidance, policies, and procedures. Input was received during the Public Comment Meeting. A recording of that meeting can be found [here](#).

Questions or Comments: Please direct questions and/or comments to
Tim Dolan

Housing Development Program Manager

Timothy.Dolan@state.co.us

Or

Andrew Paredes

Director, Office of Housing Finance and Sustainability

Andrew.Paredes@state.co.us

NOFA Release Date: January 20, 2023

Application Dates:

First Round

Letters of Intent: February 10, 2023
Applications Due: March 1, 2023

Future Rounds to be announced as needed

BACKGROUND AND OVERVIEW

The Colorado Department of Local Affairs (DOLA), through its Division of Housing (DOH), Office of Housing Finance and Sustainability (OHFS) is requesting applications for grants or loans to affordable housing investment funds (Administrators) to enable the Administrators to continue their mission of providing low-interest, flexible and below-market financing (S/sub-notes) to developers and affordable housing providers for the creation or preservation of housing affordable to Extremely Low Income to Middle Income individuals and families throughout Colorado.

The State of Colorado has an opportunity, through [SB22-159](#), to address the affordable housing crisis in Colorado, in part, by providing affordable housing lenders capital resources to, in turn, provide flexible, low-interest, and below-market rate funding that will support increases in new housing developments, the preservation and rehabilitation of existing home stock, property conversions, and nontraditional housing capacity in diverse geographic communities where the economic impact of COVID-19 has significantly affected housing affordability and availability.

The funds provided by AHIF23 are intended to support the development of new affordable housing units and the purchase of existing affordable housing units, either rental housing or for-sale homes, including mixed-income developments, and the purchase of land or buildings for future development within a defined timeline. In addition, funding to maintain existing affordable housing through projects that incorporate permanent supportive housing is intended to compliment tangential legislative efforts and aims to support individuals experiencing homelessness, victims of domestic violence or sexual assault, and individuals living with disabilities.

Through House Bill 21-1329 the General Assembly created the Affordable Housing Transformational Task Force ("Task Force)) to recommend transformational policies to Colorado's housing sector that will produce immediate, sweeping, and long-lasting change. The impetus of the Task Force brought together the legislative and executive branches of state government, as well as a diverse group of stakeholders made up of affordable housing

practitioners and experts, to tackle the affordable housing crisis and determine which investments would make the biggest impact.

The sixteen-member Task Force was made up of a bipartisan group of ten members of the general assembly, five executive agency directors from the Department of Local Affairs and the Colorado Energy Office, and the executive director of the Colorado Housing and Finance Authority. A fifteen-member subpanel of diverse affordable housing experts was also appointed to advise the Task Force. The Task Force and subpanel undertook a deliberative, iterative, and transparent process. Ultimately the Task Force came to a near unanimous consensus on its funding recommendations and allocations, as well as a broad agreement on several policy concepts.

Supporting the recommendations of the Task Force, the General Assembly intends that interest rates on loans made available under SB22-159 be below-market rates and not exceed those necessary to meaningfully advance affordable housing development or the preservation of existing affordable housing stock in local communities across the state. Further, money should be made available to local and regional groups, governments, and community partners to be used for a variety of more specific affordable housing needs across the state as specified herein.

It is expected that applications for the AHIF23 will be competitive. Not all applications may receive awards. Applications will be reviewed and awarded based on a number of factors including but not limited to the Administrator's:

- Sub-note Interest rate and fees
- Geographic distribution of projected Sub-notes
- Experience and capacity to administer the awarded funds for the intended purpose
- Proficiency in financial management and public reporting systems
- Ability to leverage additional public or private capital

ELIGIBLE APPLICANTS/FUNDS

An eligible applicant may be a for-profit, non-profit or government sponsored affordable housing investment fund, a business nonprofit organization, a non-depository community development financial institution, a business development corporation, or other entity as determined by the division. The applicant must be the legal entity that will originate, underwrite, disburse, administer and service the Sub-notes.

Each Administrator will be required to market the program and document the means by which eligible recipients who face barriers in establishing borrower relationships with traditional lenders will be informed of the loan program and encouraged to apply for financing.



DOH INVESTMENT STRUCTURE OPTIONS TO ADMINISTRATORS

Each prospective administrator will have a **choice between two** possible fund administration relationships with DOH:

1. Drawdown Line of Credit Structure

Investment Amount:	\$1,000,000 - \$10,000,000
Type:	Guidance Line of Credit (LOC)
Term:	Initial draw period open for sixty (60) months. Sub-note maturities NTE two hundred forty (240) months for Sub-note loans made to developers or three hundred sixty (360) months for Sub-note loans made to individual owner occupied mortgage borrowers.
Interest Rate:	0.50%
Payments:	Interest and principal (if applicable) paid to DOH quarterly with balance due upon payoff or maturity for each sub-note.
Recourse:	Yes, Administrator will be required to provide recourse, collateral and/or guaranty.
Reporting:	Quarterly Fund performance, Loan Portfolio and Beneficiary Reports (see Appendix 2) Annual Single Audit (if available), audited financial statements and tax returns.



2. Performance Grant Structure

DOH will make a recoverable grant to Administrators to capitalize each Administrator's own loan program (subject to guidelines). Funds may be allocated tranches depending on performance.

Investment Amount:	\$1,000,000 - \$10,000,000
Type:	Recoverable Grant
Term:	Initial grant period open for sixty (60) Months. (Renewable) Sub-note maturities NTE two hundred forty (240) months for Sub-note loans made to developers or three hundred sixty (360) months for Sub-note loans made to individual owner occupied mortgage borrowers.
Administration Fee:	0.50% payable by Administrator to DOH annually.
Repayment:	Not required during the grant period. Loan Sub-note principal repayments must stay in an Administrator's program income account to be revolved into future eligible Sub-notes
Recourse:	Not required
Reporting:	Quarterly Fund performance, program income, Loan Portfolio and Beneficiary reports (see Appendix 2) Annual Single Audit (if available), audited financial statements & tax returns

AHIF 23 PROGRAM REQUIREMENTS

- Max sub-note Loan Amount:** \$5,000,000
- LTV/CLTV or LTC/CLTC:** Up to 95%
- Sub-note interest rate:** Not to exceed 3.00%
- Sub-note origination fee:** NTE 1.50%
- AMIs:** AMIs: See Appendix 1
 Not to exceed AMI of households of that size in the county in which the housing is located based on the following:

	Rental	Home-ownership
Rural Resort	140%	160%
All Other	120%	120%

- Long Term Affordability:** Each project must ensure long term affordability of at least 15 years through a recorded use covenant or default rate/penalty in sub-note. Alternative methods may be considered.
- Project Type:** Rental, Homeownership or Mixed Use provided at least 50% of property is residential use.
- Allowable Uses:** Infrastructure, Pre-development, Acquisition (land and/or structure), Fees and Permits, Preservation & Rehabilitation*, New Construction, Energy Improvements** and Individual Homeownership Opportunities.

* See Appendix 3 for additional guidelines

** Efficient, Electric Measures & Renewable Energy Systems

Property Location:	Colorado
Eligible Sub-note Borrowers:	<p>Nonprofit or for-profit entities, municipal agencies and redevelopment agencies, and joint ventures comprised of such entities, with a track record of developing affordable housing or other projects that meet a community need ("Project Sponsors").</p> <p>Special purpose entities affiliated with the Project Sponsors are also eligible.</p> <p>Individual homebuyers as part of an Administrator's homeownership opportunity program</p> <p>Borrowers (and their principals) must be in good standing with relevant jurisdiction and must be current on all taxes.</p> <p>Borrowers (and their principals) must be in good standing with all Lenders, any applicable state and federal agencies, and any other current lenders/funders, including HUD/FHA when applicable to permanent financing.</p> <p>Borrowers (and their principals) must have no material defaults on development financing, including federal and state debt, within the past 7 years.</p>
Additional Program Requirements:	See Appendix 2

PREFERRED INVESTMENT FUND UNDERWRITING GUIDELINES

DOH encourages respondents to identify transaction structures and revolving loan fund program uses that are low cost and flexible.

Any proposals identified by respondent are encouraged adhere to the following underwriting parameters:

DSCR:	1.05x
Security Instrument:	Must be secured by a recorded Deed of Trust or other DOH acceptable collateral.
Repayment of Sub-notes:	Terms may be flexible. Interest only and deferred payment structures are allowed and should be determined based on the project needs. Other terms may be available on a transactional basis with approval from DOH. Balloon payment structures allowable.
Required Underwriting docs:	Appraisal, Phase 1 and PCA or CNA. Three (3) historical financial statements and copies of Federal Tax Returns for the borrower, project sponsor and property/project (if applicable)

PRIORITIES

In selecting Administrators, DOH will prioritize applications that address the following priorities as identified in SB22-159:

(1) Increase the supply of housing in communities across the State in proportion to each community's demonstrated housing Needs through:

- (a) a preference for mixed-income projects in which a percentage of units, proportional to the demonstrated housing needs of the local community, within a particular development have restricted availability to households at and below the Income levels specified (below). The percentage of restricted units and affordability levels must comply with laws enacted by local governments promoting the Development of new affordable housing units pursuant to section 29-20-104 (1).

(b) developments in which housing units are restricted at Income levels demonstrated by local community needs as specified (BELOW);

(2) Located in or serve communities that:

(a) face barriers to accessing capital from traditional sources;

(b) have suffered significant negative financial or other Impacts resulting from the covid-19 pandemic; or

(c) are otherwise underserved;

(3) Align with other state economic development efforts;

(4) Create permanently affordable home ownership opportunities;

(5) Ensure the long-term affordability of any development or projects funded by the loan program;

(6) Include units that are restricted for rental usage to persons with disabilities or that include universal design features That allow individuals to reside in their dwelling units as they age

(7) Highly energy efficient or use high-efficiency electric equipment for space and water heating. The division may consult with the Colorado energy office created in section 24-38.5-101 (1) to develop criteria for meeting the objectives described in this subsection (6)(a)(vii).

AHIF23 Application Instructions:

1. Respondents must submit a Letter of Intent (LOI) by the applicable LOI deadline by email to Laura Caine, DOH OHFS Administrative Assistance, Laura.Caine@state.co.us

2. Upon receipt of the LOI DOH staff will contact the applicant to schedule a 30 minute pre-application call which must be completed prior to the applicant submitting an application.

3. Applications must be submitted through the DOH application portal. Access to the DOH application portal will be given to potential applicants following submission of an LOI. Please upload all files at the same time.

4. Required Contents:

- LOI submitted at a prior date

- DOH Application
 - Type or award desired (GLOC or Grant)
 - Proposed budget including administrative costs
- Application Attachments A, J and K
- 3 years CPA prepared or audited financial statements
- Resumes of Principals
- Marketing Plan
- Current loan portfolio details
- Proposed Underwriting Guidelines
- Existing or proposed Fund governing documents, policies and procedures
- Sample Fund Loan documents
- Additional documentation may be required during response review and contracting

5. Award and Determination: After DOH staff underwrites applications, staff recommendations will be presented to the State Housing Board (SHB). SHB recommendations will then be presented to the DOLA Executive Director for final approval.

Definitions for the purposes of this NOFA:

A. Area Median Income (AMI): The Area Median Income (AMI) is the midpoint of a region's income distribution: half of families in a region earn more than the median and half earn less than the median. The AMI applicable to this NOFA shall be determined by HUD, with adjustments for smaller and larger families, or as HUD may establish for the area. The Area Median Income limits for this RFP are published annually on CHFA's website ([click here](#)), or if no longer published by CHFA, an equivalent index shall be designated by DOLA.

B. Mixed Use Properties are defined as structures that contain residential dwelling units in addition to non-residential uses such as (not limited to) retail, office, food service, storage, educational or child care. AHIF funds may only be used to finance the residential portion of a mixed use project.

F.A.Q.s

Q. Does NEPA (environmental) apply?

A. No

Q. Does Davis Bacon apply to construction projects?

A. No

Q. What is the source of funds?

A. The ultimate source of funds for the AHIF23 are state general funds appropriated as part of SB22-159.

Q. Will reporting be required on projects once they have paid off their sub-note loan?

A. No

Appendix 1: Locality Classifications

The 2022 Regular Session of the Colorado General Assembly resulted in the creation of three programs: the Transformational Affordable Housing Revolving Loan Fund Program (through the enactment of Senate Bill 22-159¹), and the Transformational Affordable Housing through Local

Investments Grant Program and the Infrastructure and Small Communities Grant Program (through the enactment of House Bill 22-1304²).

These statutes limit the income of households that applicants can target with funding received through these three programs. The target required of an applicant, and thus the maximum income of households it may be able to serve, is determined by the program that is being applied to, the tenure of the beneficiaries that would be served by the applicant (renters or homeowners), and the classification of the locality that an applicant's project or program is located in (rural, rural resort, or urban). The table below illustrates the max income of households that can be served as a percent of the area median income by program, tenure, and classification.

Max Area Median Income Limits of Households That May be Targeted				
Classification	Tenure of Beneficiaries	Transformational Affordable Housing Revolving Loan Fund Program (SB22-159)	Transformational Affordable Housing through Local Investments Grant Program (HB22-1304)	Infrastructure and Small Communities Grant Program (HB22-1304)
Rural	Rental	120%	140%	140%
	Ownership	120%	140%	140%
Rural Resort	Rental	140%	170%	140%
	Ownership	160%	140%	160%
Urban	Rental	120%	80%	140%
	Ownership	120%	140%	140%

¹ Codified at Colorado Revised Statutes title 24, article 32, section 731 or C.R.S. 24-32-731

² Codified at C.R.S. 24-32-729 and C.R.S. 24-32-113 respectively

These targets indicate the income of households that an applicant may be able to serve. However, the households that an applicant will be able to serve could also be influenced by other statutes, regulations, or policies administered by the State of Colorado or by other funders of the applicant.

Localities are to be initially classified as specified in the final report of the Colorado Strategic Housing Working Group Final Report³, which is displayed on the following page. The initial classifications are county-based so each municipality will share the classification of the county that it is located within⁴.

Any county or municipality may request: a reclassification of the county or municipality from the category in which the county or municipality is initially classified, or that a different income restriction be applied to applicants of these programs in its jurisdiction. Both are to be determined by the unique economic and housing cost factors present in the locality.

Additionally, the Division of Housing (DOH) will regularly update the classifications of localities as it receives or produces information documenting changes in local economic circumstances and housing cost factors materially affecting such classifications. Modifications to the classifications resulting from a reclassification request initiated by a locality, or from a classification updated by the DOH, will be published after the modification is made.

Entities interested in requesting a reclassification or an income restriction differential may submit a form [here](#). Appointed and elected officials of a locality do not necessarily need to initiate a request, but they must submit or sponsor a request before it may be formally submitted to the DOH.

After a formal submission is made the information provided by the requestor, along with other information available to the DOH, will be analyzed by the staff of the DOH. This analysis will investigate whether the economic circumstances and housing cost factors observed by staff could materially affect the classification of a locality, and thus warrant a reclassification or differential. Staff will make a recommendation on whether the request should be approved or denied, along with information outlining the basis for that recommendation, to the Executive Director of the Department of Local Affairs who will make the approval or denial decision. Once a decision has been made the requestor will be notified of their approval or denial and the basis for that decision.

³ <https://drive.google.com/file/d/1zj7sAxAsnZ5k0ELhNemK2NE8TVR3aKVI/view>

⁴ While the jurisdiction of a municipality may extend across more than one county, this will not affect the initial classification of municipalities. The counties that each municipality are located within share the same initial classification, therefore each municipality will have the same initial classification as any county that it is located within.



**Localities as Initially Classified by the State of Colorado Division of Housing
 as of September 1, 2022**

Locality Classifications for Project and Program Income Limit Restrictions Requirements for Applicants of Funding Provided Through HB22-1304, SB22-159 & SB22-232			
County	Subdivision Type	Classification	Classification Date
Adams County	County	Urban	9/1/2022
Alamosa County	County	Rural	9/1/2022
Arapahoe County	County	Urban	9/1/2022
Archuleta County	County	Rural Resort	9/1/2022
Baca County	County	Rural	9/1/2022
Bent County	County	Rural	9/1/2022
Boulder County	County	Urban	9/1/2022
Broomfield County	County	Urban	9/1/2022
Chaffee County	County	Rural Resort	9/1/2022
Cheyenne County	County	Rural	9/1/2022
Clear Creek County	County	Rural	9/1/2022
Conejos County	County	Rural	9/1/2022
Costilla County	County	Rural	9/1/2022
Crowley County	County	Rural	9/1/2022
Custer County	County	Rural	9/1/2022
Delta County	County	Rural	9/1/2022
Denver County	County	Urban	9/1/2022
Dolores County	County	Rural	9/1/2022



Locality Classifications for Project and Program Income Limit Restrictions
 Requirements for Applicants of Funding Provided Through HB22-1304, SB22-159 &
 SB22-232

County	Subdivision Type	Classification	Classification Date
Douglas County	County	Urban	9/1/2022
Eagle County	County	Rural Resort	9/1/2022
El Paso County	County	Urban	9/1/2022
Elbert County	County	Rural	9/1/2022
Fremont County	County	Rural	9/1/2022
Garfield County	County	Rural	9/1/2022
Gilpin County	County	Rural	9/1/2022
Grand County	County	Rural Resort	9/1/2022
Gunnison County	County	Rural Resort	9/1/2022
Hinsdale County	County	Rural	9/1/2022
Huerfano County	County	Rural	9/1/2022
Jackson County	County	Rural	9/1/2022
Jefferson County	County	Urban	9/1/2022
Kiowa County	County	Rural	9/1/2022
Kit Carson County	County	Rural	9/1/2022
La Plata County	County	Rural Resort	9/1/2022
Lake County	County	Rural	9/1/2022
Larimer County	County	Urban	9/1/2022
Las Animas County	County	Rural	9/1/2022
Lincoln County	County	Rural	9/1/2022
Logan County	County	Rural	9/1/2022



Locality Classifications for Project and Program Income Limit Restrictions
 Requirements for Applicants of Funding Provided Through HB22-1304, SB22-159 &
 SB22-232

County	Subdivision Type	Classification	Classification Date
Mesa County	County	Urban	9/1/2022
Mineral County	County	Rural	9/1/2022
Moffat County	County	Rural	9/1/2022
Montezuma County	County	Rural	9/1/2022
Montrose County	County	Rural	9/1/2022
Morgan County	County	Rural	9/1/2022
Otero County	County	Rural	9/1/2022
Ouray County	County	Rural Resort	9/1/2022
Park County	County	Rural	9/1/2022
Phillips County	County	Rural	9/1/2022
Pitkin County	County	Rural Resort	9/1/2022
Prowers County	County	Rural	9/1/2022
Pueblo County	County	Urban	9/1/2022
Rio Blanco County	County	Rural	9/1/2022
Rio Grande County	County	Rural	9/1/2022
Routt County	County	Rural Resort	9/1/2022
Saguache County	County	Rural	9/1/2022
San Juan County	County	Rural Resort	9/1/2022
San Miguel County	County	Rural Resort	9/1/2022
Sedgwick County	County	Rural	9/1/2022
Summit County	County	Rural Resort	9/1/2022



Locality Classifications for Project and Program Income Limit Restrictions Requirements for Applicants of Funding Provided Through HB22-1304, SB22-159 & SB22-232			
County	Subdivision Type	Classification	Classification Date
Teller County	County	Urban	9/1/2022
Washington County	County	Rural	9/1/2022
Weld County	County	Urban	9/1/2022
Yuma County	County	Rural	9/1/2022

Appendix 2: Program Requirements

Administrators must comply with all requirements of [SB22-159](#) including but not limited to the following:

Revolving of Funds: Administrator’s AHIF23 loan program must be managed with a goal of generating enough return of loans to replenish the loan portfolio for future loan allocations.

Policies and Procedures: Administrator shall establish and publicize policies for the loan program including but not limited to:

- Application process and deadlines
- Borrower eligibility
- Maximum loan amounts
- Loan terms, including interest rates and repayment terms
- Borrower reporting requirements
- Loan program fees including application fees, origination fees and closing cost policies.
- Marketing plan or means by which eligible borrowers who face barriers in establishing relationships with traditional lenders will be informed of the loan program and encouraged to apply.

Loan Portfolio Reports: Administrators will be required to report the following to DOH:

- The number of eligible borrowers that applied for a loan.
- The number of eligible borrowers that were not awarded a loan.
- The amount of money distributed to each borrower.
- The amount of time from completed loan application to loan closing/funding.
- Each loan borrower’s eligible use of the loan proceeds.
- Each borrower’s or project’s projected AMI restrictions.

- Each project's location.
- Total units created or preserved for each project.

Beneficiary Reports: Administrators will be required to report the following to DOH:

- AMLs of the residents upon project completion or stabilization.
- Demographic information of the residents upon project completion or stabilization.

Appendix 3: Preservation and Restoration

Loans made for preservation and restoration must be made for projects or programs that benefit or promote one of the following:

- Senior Housing
- Purchase and remediation of low-quality or condemned properties
- Housing units, integrated into nonsegregated housing developments, specifically designed for people living with disabilities.
- Weatherization and energy improvements to maintain and improve the quality of affordable homes and rental units
- Acquisition of current housing stock (including units currently in use as short term rentals) to be converted into affordable housing.
- Programs to ensure that existing housing remains affordable to the local workforce or community households.
- Land acquisition for affordable housing
- Property conversion or adaptive reuse for affordable housing
- Permanent supportive housing