

innovative housing incentive program



program guidelines

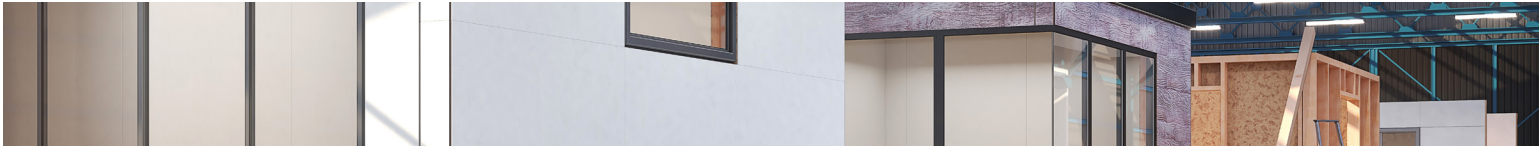
Guidelines as of
August 21, 2023



COLORADO
Office of Economic Development
& International Trade



innovative housing incentive program



program guidelines

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program guidelines summary

The Innovative Housing Incentive Program (IHIP) is a loan program created to finance the development of new innovative housing manufacturing facilities and expansions of existing facilities.

Eligible Projects	New or existing innovative housing manufacturers, including panelized, tiny homes, kit homes, and potentially 3D printed (if there's an off-site component). The innovative unit produced must be attached to a permanent foundation. For existing innovative housing manufacturers, the IHIP loan funds may only be utilized to expand existing facilities.
Program Benefits	<ul style="list-style-type: none">• Below-market interest rates• Flexible financing terms, including traditional loans and/or Cash Collateral Support• Use of funds includes, but is not limited to, equipment and real estate improvements
Program Limits	Loans may not exceed 10 years or the length of the program term
Loan Limits	Max loan limit of \$10,000,000
Interest Rates and Fees	<ul style="list-style-type: none">• Borrowers will propose an interest rate, term, and lien position• 1% Origination Fee• Cash Collateral Support Fee: 3% of deposit amount for three years• Standard loan closing costs• \$40,000 legal counsel• \$15,000 construction monitoring• Environmental Report required for transactions greater than \$750,000• \$5,000 Commitment Fee
Reporting (Borrower Requirements)	<ul style="list-style-type: none">• Quarterly reporting to OEDIT• Units produced (market vs. affordable)• Number of jobs created• Factory construction/expansion progress (%)• Narrative description of any challenges loan recipients encountered and if these challenges impacted loan recipients' ability to repay• See below for full reporting requirements to OEDIT
Priorities	<ul style="list-style-type: none">• Number of units produced• Percentage of affordable units• Economic impact and/or jobs created• Level of economic distress in the community measured through (unemployment, poverty rates, etc.)• Sustainability and energy efficiency of units produced• Financial assistance for existing facilities

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background

As part of HB22-1282, OEDIT created a loan program to finance the development of new innovative housing manufacturing facilities and expansions of existing facilities, provided that the borrowers commit to producing a certain percentage of their units as affordable housing. These loans, which will utilize approximately half of the program's \$40M budget, may revolve and will have concessionary terms such as partial forgivability or a below-market-rate interest rate. The statute does not dictate the number of loans or the dollar amount to be loaned over the course of the program. OEDIT may issue loans in multiple tranches and use repayments to issue new loans in the future. OEDIT has contracted with CHFA as a loan administrator.

The statute dictates that OEDIT shall, in consultation with the DOLA Division of Housing (DOH), establish a fair and rigorous open competitive RFP process among eligible applicants. Considerations for the competitive loan review include the percentage of and gross number of affordable housing units to be produced, percentage of margin above cost to the end user (affordable housing developer), the level of subsidy in the interest rate, economic impact of the factory, number of jobs to be created, sustainability of units produced, and the operator's level of financial viability. Finally, statute dictates that OEDIT may negotiate with operators after receiving applications.

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Eligible Borrowers

Applicants may be a for-profit or nonprofit organization.

Eligible Projects

Applicants may request funds for a new or existing innovative housing manufacturing facility located in Colorado. For existing innovative housing manufacturers, the IHIP loan funds must be utilized to expand existing facilities. The end innovative unit that is produced must be attached to a permanent foundation, including panelized, tiny homes, kit homes, and potentially 3D printed (if there is an off-site component). Out-of-state applicants who are proposing a Colorado facility are also eligible to apply.

Program Benefits

Financing from IHIP funds will provide below-market interest rates and flexible financing terms. Funds may be used for traditional loan structures or as cash collateral support for a third-party lender loan. Use of funds can include, but are not necessarily limited to, equipment and machinery, and real estate improvements.

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Financing Limitations, Terms and Fees

The borrower will propose the interest rate, term, and lien position. CHFA will evaluate these items based on the availability of funds, needs of the project, and projected cash flow and liquidity position of the borrower. Loan terms shall not exceed 10 years or the length of the program term. The max loan amount is limited to \$10,000,000.

All loans will have a 1% origination fee along with standard closing costs. These costs could include, but are not limited to, customary legal and third-party report fees. Currently, legal fees are estimated to be \$40,000 and construction monitoring fees are estimated to be \$15,000. Upon approval, a \$5,000 commitment fee will also be due to CHFA.

All Cash Collateral Support deposits will have a 3% fee based on the deposit amount for a term of three years. Extensions may be offered with a 1% fee for each year extended. The accrued interest from the cash collateral deposit may be used to offset the interest rate proposed by the lender or accrued and deposited back into the program loan fund.

Evaluation Criteria and Program Priorities

All applicants should have a background in the innovative housing industry or have experience in a comparable manufacturing industry. Applicants should be prepared to demonstrate their ability to generate industry standard efficiencies, workflows, and quality control. The applicant's previous experience and track record within the factory build industry will be a key consideration. Applications will also be reviewed and approved with an emphasis placed on the following criteria:

- Number of innovative units produced
- Percentage of affordable modular units produced
- Economic impact and/or jobs created
- Level of economic distress in the community
- Sustainability and energy efficiency of units produced
- Financial assistance needed for existing facilities

Reporting

Borrowers will report quarterly on development progress as well as production amounts. The specific reporting requirements must include the following:

- Units produced – market vs. affordable
- Return on investment in job growth for loan clients
- Factory construction status (%)
- A narrative description of any challenges Loan Recipients encountered and if these challenges impacted Loan Recipients' ability to repay

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Application Process and Loan Distribution

Based on anticipated demand, applications will be considered through a competitive funding round. Borrowers will be limited to receive funding for one project per State funding cycle.

Please email innovativehousing@chfainfo.com to receive an application. The application acceptance window will open on September 5, 2023, and applicants will have 60 days to submit their application and supporting information. The submission window will close at 11:59pm MT on November 3, 2023.

Following communication with CHFA, applicants will be sent an IHIP Loan Program application via email. The application, in addition to the following information, will be required to be submitted:

- Project Plan (included w/Application)
- Project Narrative
- Operational Narrative (details on operating layout/efficiencies/cost savings, estimated number of units produced - affordable vs. market, number of jobs created, etc.)
- Location Map, including Flood Plain Information
- Title Policy, Warranty Deed, Purchase Contract, Letter of Intent
- Final Site Plan w/Approval from Local Authority
- Personal Financial Statement (Members w/20%+ Ownership)
- Sponsoring/Borrowing Entity Financials: For the most recent three years (tax returns or audited) and company prepared Interims dated within 90 days
- Proposed IHIP Loan Terms
- Construction Budget
- Sources and Uses of Funds
- Other Funding Commitments, Equity Commitments, Pledges, etc.
- Projected Operating Income and Expenses for the term of the loan
- Proposed Take-out Financing (if applicable)
- Sales Narrative (strategy, key customers, number of units sold in state of CO)
- Lease Agreement (if applicable)
- Final Organizational Chart for Borrowing Entity, including the individual principals
- Appraisal (if applicable)
- Team Profiles (resumes/background/experience)
- Phase I Environmental Report for transactions over \$750,000
- A full Construction and Legal Due Diligence Check List to be provided upon loan commitment acceptance.

Once an application is approved, CHFA will provide the applicant with a loan commitment, along with a list of outstanding construction and legal related due diligence items to be collected. The commitment will be valid for 12 months and must be signed and returned to CHFA along with a \$5,000 commitment fee from the borrower or project sponsor.

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