



ECONOMIC DEVELOPMENT  
**ALLIANCE**

# WORKFORCE HOUSING 101: **READINESS TO PROCEED**

November 3, 2023



# ECONOMIC ALLIANCE

## OUR MISSION

To create a vibrant and resilient economy from the recruitment, retainment, and growth of business, by fostering public and private partnerships, and preserving our quality of life.

## OUR VISION

The Alliance will enable La Plata County to be one of the most vital, vibrant communities in the country to live, work, learn, and play.





# OUR TEAM

## BOARD

The Alliance Board consists of nine representatives. Five representatives are from the private sector and are elected for three-year terms by Alliance members. The four public sector representatives are appointed by their respective jurisdictions. One public sector representative serves from each of our three communities (Durango, Bayfield, and Ignacio) as well as La Plata County to ensure that the Alliance represents all of La Plata County.

## STAFF

**Mike French**, Executive Director

**Sarah Tober**, Deputy Director

**Sarah Schwartz**, Housing Program Manager

**J.J. Desrosiers**, Program Manager



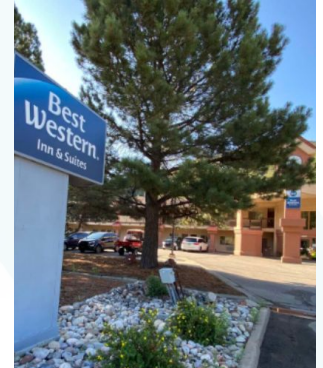
# ABOUT PROJECT MOXIE



**Project Moxie** is an affordable housing and homelessness solutions strategy consulting firm. Working alongside communities, we connect them with the right resources and funding to create affordable, green, and safe housing for everyone, everywhere.

## Jenn Lopez, President (she/her/hers)

- Over 20 years of experience in affordable housing.
- Held a senior position in the Hickenlooper administration in Colorado and led regional housing efforts in southwest Colorado for several years.
- Loves working with local community leaders and excels at both strategy development and implementation work.
- Masterful resource developer. I love asking for dollars and helping you to design your program and tell your story.



# READINESS TO PROCEED

**Readiness to Proceed** is a technical term used often to refer to a development project being ready to receive a funding commitment.

Although each funder can have slightly different requirements or information requests; there are several activities and documents that are standard for public funding applications.

Funders are looking to see that the development team has experience and financial capacity, any site constraints have been addressed and resolved, cost projections are provided by expert third parties and other financial commitments are pending etc.





# WHO IS APPLYING?

Funders want to know what your legal status is (gov entity, nonprofit, for-profit, housing authority etc.)

This requires W-9, certificate of good standing and other documents showing the entity is legitimate.

Funders will want to know if you have experience in development and if you have cash to provide guarantees or provide financial stop gaps for a project.

It is common to also ask for references from previous projects.

Nonprofits should provide proof that they have board authority to apply for funds

# SITE CONTROL

How is the applicant gaining control of the site?

Is it a lease, is it owned outright, is there a real estate contract?

Does the site control documentation have any requirements or land use regulatory agreements that could impact funders interest in investing in the project?

How long does the applicant have site control? Is it sufficient to close financing on the project?





# WHAT TYPE OF PROJECT IS IT?

New Construction?

Rehabilitation?

Adaptive reuse?

Each project type has unique challenges and risks to manage.

All funders want to know that projected construction and operational costs are realistic and that there are contingencies built into budgets where appropriate.

The development team is critical! This includes architect, builder, engineers etc.





# WHO ARE YOU TARGETING?

Who is your target market for your project?

- Local, regional, families, singles, seniors, etc.

What is the income range?

Are the rents or home prices achievable in the market you are serving?

Have you obtained a third-party market study?

- Market studies have a shelf life (6 months) but can be updated and are critical to creating confidence in funders for a project.

If you have a resale control (deed restriction) it may impact market demand.



# PROJECT AMENITIES

**What community amenities are you providing?** Playgrounds, community spaces, parking etc.

**Accessibility and visitability.** There are federal regulations that require a set-aside of units and it's a great practice to look at universal design with our aging population.

**Energy efficiency features.** What is provided and how does it impact the long-term costs of the unit/project?

**Broadband.** There are broadband requirements for new construction.

The key is to hire a design professional familiar with local rules and state and federal funding programs.

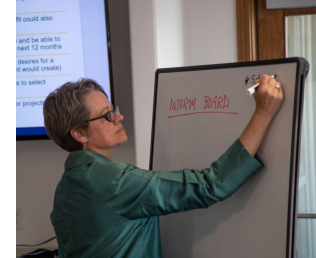
# COMMUNITY ENGAGEMENT

Funding sources will require at least one public meeting. If the property is not zoned there will be several public meetings required for that process as well.

It's important to be clear in community meetings what the project is and what it is not.

Be clear what is negotiable about the project (ie type of fencing) and what is not (who will live there).

Working with local nonprofit partners can make this process more successful.





# COMMON PITFALLS

Not enough lead time. All third-party reports can take 8-12 weeks; designs and bids also need a longer lead time.

Underestimating costs.

Overestimating market demand.

Competition. If this is a tax credit project you don't want to compete with another at the same time.

Not confirming details like impact fees.

Not building in financial cushion for delays and costs of funds borrowed.

Expecting public funds to be processed quickly or not understanding the restrictions that come with public funds.



# TYPICAL PUBLIC FUNDING SOURCES

- Low Income Housing Tax Credits/Private Activity Bonds
- HUD HOME or CDBG funds
- State of Colorado, HDG or Proposition 123 funds
- Local Government Funds
- CDFI funds, Capital Magnet funds
- Congressionally Directed Spending (CDS)
- Limited funding from State legislation – DOLA 1271 etc

# Low Income Housing Tax Credits- CHFA

- Used to develop multifamily rental housing.
- Very complex funding source requiring lawyers and accountants.
- Requires an experienced developer or development consultant.
- Costs to apply for this resource can be between 100,000-250,000.
- Big risks and big rewards-developer fee is paid out at front end because projects don't produce revenues.
- Timing is critical if you are awarded; strict deadlines for closing on financing and placing in service.

# HUD Funding– Division of Housing

- These sources are the most restrictive but can be less competitive and easier to obtain sometimes.
- These sources will require “cross cutting requirements”-or many different requirements such as doing an environmental assessment with public notices; paying Davis Bacon wages, compliance with Section 3 etc.
- Funds can be used for acquisition or to subsidize development costs.
- Rule of thumb– they do add costs to a project so not worth using these funds unless they are bringing in more than a million in subsidy.
- Use a consultant familiar with program guidelines if this your first time using these sources.

# State Funding for Housing

- The State of Colorado has a state line item for housing called the Housing Development Grant Program; this is the least restrictive funding available for housing projects.
- The State has also provided limited funding through DOLA for infrastructure funding for housing projects and technical assistance.
- Division of Housing has multiple departments that focus on housing voucher administration, housing development funding and homelessness initiatives.
- Checking their website for RFP's and RFA's frequently is a good idea.



# CDFI Funding

CDFI's are community development financial institutions; a “community bank” that can provide below-market financing for housing projects.

We have access to several in La Plata County:

- **HomesFund** provides mortgage assistance to make homeownership affordable.
- **First Southwest Bank**-just starting to do financing for housing projects; they helped with acquisition of westside and Rural homes in San Miguel County.
- **Impact Development Fund**-statewide and provides very low interest capital through capital magnets fund program and provides bridge funding while projects wait for state funding contracts to be executed.

# Congressional Appropriations

- These have become a more common source of funding for housing projects.
- Each spring congressional staff ask for applications for CDS requests; these are one-time funding requests that are called out in the federal budget.
- Projects need to be “ready” and have broad community support.
- Examples: Best Western conversion received 3 million
- They can be awarded to project or local government for a project.
- This is federal funding and will increase requirements.
- These are competitive; maybe 1 in 5 are funded, but easy application and worth consideration.

# Local Government Funds

Local governments typically provide the following types of funding:

- General fund– comes from annual budget and provides gap funding or development fee waivers for a project.
- Predevelopment–our local governments support the Catalyst Fund.
- Fair Share– fee-in-lieu City of Durango- not sure how funds are used today but had been used for mortgage assistance programs.
- County– new very low interest loan fund- not much capital but established for future if a local funding stream is identified.
- Allocation of federal resources: Private Activity Bonds (PAB)



# PUBLIC FUNDING IS GAP FUNDING

The most important piece to understand about public funding (outside of the LIHTC program) is these funds are a small piece of the overall financial “capital stack).

Typically, these sources cover between \$30,000-\$75,000 of subsidy per unit. With costs of 300 plus a square foot; these help but do not drive the financial model for any one project.

Government sources will need to see private equity and traditional debt commitments before they will consider funding a project.

Exception to this is one time infrastructure funding and a few “niche” ARPA programs in 2022.

# PROPOSITION 123:

**A stable revenue source with no new taxes.**

Dedicates \$300M, or .1%, of existing taxable income to affordable housing.

Debruces the \$300M, allowing \$300M of what would be tax refunds to drop into the general fund and keep the general fund whole. (more simply–it created revenue without a new tax)

This \$300M is less than 10% of the total projected refunds for the next fiscal year.





# PROP 123: WHAT DOES IT DO?

## FOR COLORADANS

Provide \$300 million in permanent annual funding for affordable housing

Allocate 0.1% of the State's existing taxable income toward building up to 10,000 homes annually

## FOR LOCAL GOVERNMENTS

Provide \$300 million in permanent annual funding for affordable housing

Allocate 0.1% of the State's existing taxable income toward building up to 10,000 homes annually



# PROP 123: WHERE DO THE DOLLARS GO?

## COLORADO HOUSING AND FINANCE AUTHORITY

Workforce Housing  
\$135M-\$153M

Landbanking  
\$27M-\$45M

## DIVISION OF HOUSING

Homelessness  
\$54M

Homeownership  
\$60M

# DOH PROP 123 FUNDING OPPORTUNITIES

## Local Planning Capacity Grant Program

The intent of the program is to increase the capacity of local government planning departments responsible for processing land use, permitting, and zoning applications for housing projects. The program supports local governments' capacity to address affordable housing, especially by expediting development review, permitting, zoning of affordable housing.

### Application Process:

- Interested applicants should submit a **Letter of Interest (LOI)** which will be open from **November 1 – December 4, 2023**. (The Letter of Interest link will be live on this website on November 1.)
- By mid-December 2023, DOLA will invite selected local governments to submit a full application through the [DLG Online Grants Portal](#) per the Notice of Funding Availability (NOFA).
- Applications will be accepted from **January 3 - 31, 2024**. Applications will be reviewed in February 2024, with award notification estimated by March 1, 2024. Staff will then work to finalize grant agreements or contracts within two months.



# DOH PROP 123 FUNDING OPPORTUNITIES

## Local Planning Capacity Grant Program

### What You Need to Know

- Eligible applicants include municipalities, counties, and tribal governments whose Prop 123 baseline and commitment have been accepted by the Division of Housing (DOH).
- Grant funds could support new staff wages, hiring consultants, implementing new systems and technologies, revising land use development codes, regional collaborations, developing future commitments, or other efforts that achieve fast track goals required by Proposition 123.
- 20% required match
- Suggested maximum award is \$200,000

### Estimated Program Timeline

- Year 1: Approximately \$3 million available for the first round of funding (July 2023 – June 2024).
- Subsequent funding rounds will begin in spring 2024 with approximately \$6.4 million available for Year 2 (July 2024 – June 2025) and annually thereafter.

# DOH PROP 123 FUNDING OPPORTUNITIES

## Rural Resort Petition

Certain programs offered through Proposition 123 qualify for policy flexibilities if their project is located in a county or municipality that is classified as a Rural Resort Community.

To be considered for these policy flexibilities, a county or municipality must submit a [Petition to Increase Income Limits in Rural Resort Communities.](#)

Only petitions submitted by a local government will be accepted, other interested entities such as developers or non-profits must have a local government submit a petition on their behalf.



# DOH PROP 123 FUNDING OPPORTUNITIES

## Rural Resort Petition

Gather the following required information before starting a petition:

- **Housing Needs Assessment:** An assessment of the average housing needs within the community, completed within the last three years, using state demographer data or other reliable and verifiable sources.
- **Justification:** A narrative description of why alternative funding sources are not being utilized or are insufficient to meet the housing needs outlined in the petition.
- **Project Information:** Includes the project name, address, municipality/county name, requested financing amount, preferred financing structure, CHFA program name, involved developers/stakeholders, targeted Community Area Median Income (AMI), housing type, tenure (rent or ownership), and total housing units.
- **Approval and Impact:** The approval of a community's petition does not alter CHFA's obligation to prioritize high-density housing, mixed-income housing, and environmentally sustainable projects. Approved projects must still meet the demonstrated housing needs of the rural resort community.

# CHFA PROP 123 FUNDING OPPORTUNITIES

## Land Banking Program

The Land Banking program provides grants to eligible local or tribal governments and forgivable loans to eligible nonprofits with a demonstrated history of providing affordable housing. These funds must be used to acquire and preserve land for affordable for-sale housing or affordable rental housing. Mixed use may be allowed so long as the predominant use is affordable housing.

### Priorities:

- High-density housing
- Mixed-income housing
- Environmental sustainability

### Area Median Incomes Served:

- Rental: Households earning 60% AMI and below
- Homeownership: Households earning 100% AMI and below
- Rural resort communities may petition the Colorado Division of Housing to use more flexible income requirements.

# CHFA PROP 123 FUNDING OPPORTUNITIES

## Land Banking Program

CHFA and OEDIT accepted Letters of Intent (LOIs) for the fiscal year 22-23 Land Banking program funds from July 18th to August 21st. In fiscal year 22-23, approximately \$24.5M was allocated to the Land Banking program.

CHFA received **113 LOIs representing more than \$255M in funding requests.**

- Given the significant demand for funds from the Land Banking Program, CHFA and OEDIT have determined that a competitive application round for the fiscal year 2022-2023 funding round will be required.
  - **Twenty-six LOI submissions representing \$46.9M were invited to apply**, selected based on the following criteria:
    1. Readiness to proceed (shovel ready)
    2. Development Plan status
    3. Financial feasibility
    4. Geographic distribution
    5. Dollar amount of request
    6. Total number of units proposed
- Those not invited to apply at this time will have the opportunity to submit an LOI for consideration for the 23-24 fiscal year, details of which will be announced as soon as possible.



# CHFA PROP 123 FUNDING OPPORTUNITIES

## The Concessionary Debt Program

The Concessionary Debt program provides loan options to for-profit, nonprofit, and governmental entities to support affordable housing investment, including:

1. **Multifamily Finance:** Debt financing for the development and preservation of low- and middle-income multifamily rental developments
2. **LIHTC Gap Finance:** Gap financing in the form of subordinate debt for Low Income Housing Tax Credit projects
3. **LIHTC Predevelopment Finance:** Gap financing in the form of predevelopment loans for LIHTC projects

CHFA received **38 applications representing more than \$113M in funding requests**. Following the application period, selections will be announced in January 2024.

# CHFA PROP 123 FUNDING OPPORTUNITIES

## Modular Manufacturer Financing

CHFA is administering two programs for the Office of Economic Development and International Trade (OEDIT) that offer financing options for innovative housing manufacturers, the **Innovative Housing Incentive Program (IHIP)** and the **Proposition 123 Modular Finance program**, a component of the Colorado Affordable Housing Financing Fund.

**Purpose:** Both programs finance the development or expansion of innovative housing manufacturing facilities, including panelized, tiny homes, kit homes, and potentially 3D-printed (if there's an offsite component). The Proposition 123 Modular Finance program is intended to further support IHIP, while allowing for additional loan use flexibility.

**Eligible Borrowers:** Applicants may be a for-profit or nonprofit organization that is an innovative housing manufacturer whose primary manufacturing location is in the state of Colorado. Out-of-state applicants are eligible to apply if the facility being funded is located within Colorado.

**Eligible Projects:** Innovative housing manufacturers may request funds for a new or existing innovative housing manufacturing facility located in Colorado. The end-product innovative unit that is produced must be attached to a permanent foundation.

# CHFA PROP 123 FUNDING OPPORTUNITIES

## Modular Manufacturer Financing

### What Program is the Best Fit?

- Are you building a new facility?
  - Both programs may be used to build a new facility; however, Proposition 123 Modular Finance prioritizes new manufacturers that can increase the supply of affordable units in less than 12 months of an award.
- Are you seeking funds for an existing facility?
  - IHIP can only be used to expand your facility. Proposition 123 Modular Finance allows for additional uses. Note: Proposition 123 Modular Finance prioritizes existing manufacturers who need financial support to increase the supply of affordable units in less than 12 months of an award.
- Are you seeking funds for working capital?
  - Proposition 123 Modular Finance funds allow for working capital.





# DOH PROP 123 RESOURCES

- According to their staff; they will begin community engagement around prop 123 resources after the new year.
- This engagement will inform how they anticipate using prop 123 funding for home ownership as well as homelessness programs.
- I am anticipating these RFP's will become available after March.
- Shirely Diaz is our local development specialist and is the best contact for updates on the rollout of these funding sources.



# IMPORTANT LINKS

<https://coloradoaffordablehousingfinancingfund.com/>

<https://dlg.colorado.gov/local-planning-capacity-grant-program>

<https://engagedola.org/prop-123>

# QUESTIONS?

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