

transit zone credit



2027 allocation plan

This plan was adopted by the Colorado Housing and Finance Authority Board of Directors on

_____.

With respect to its programs, services, activities, and employment practices, Colorado Housing and Finance Authority prohibits unlawful discrimination against applicants or employees on the basis of age 40 years and over, race, sex, sexual orientation, gender identity, gender expression, color, creed, religion, national origin, ancestry, disability, military status, genetic information, marital status or any other status protected by applicable federal, state or local law. Nondiscrimination Coordinator contact information: chfainfo.com/nondiscrimination.



*financing the places where
people live and work*

transit zone credit allocation plan

table of contents

definitions	2
section 1	
Preparation and Administration of the TZ Credit Allocation Plan	6
section 2	
Eligibility Requirements	8
A Eligibility	
section 3	
TZ Credit Allocation and Application Process	9
A Pre-preliminary Application Requirements	
B Preliminary Application Requirements	
C Award Approval	
D Allocation Process	
E LURA	
F Additional Credits	
G Transfers of Reservations	
H Maximum Credit Award	
I Determination of TZ Credit Amount	
J Calculation of TZ Credit Amount	
K APR for TZ Credit	
section 4	
Underwriting Criteria	13
section 5	
Fees	14
A. Preliminary Application Fee	
B. Final Allocation Fee	

definitions

Allocation

The maximum TZ Credit amount allowable for a project by the allocating agency (CHFA) as documented in the State Allocation Certificate for Transit Zone Credit

Allocation Committee

The Tax Credit Allocation Committee

Affiliate of Applicant

Any Person or entity who (i) directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with the Applicant; or (ii) owns or controls any outstanding voting securities, partnership interests, membership interests, or other ownership interests of the Applicant; or (iii) is an officer, director, guarantor, employee, agent, partner, or shareholder of the Applicant; or (iv) has an officer, director, employee, agent, partner, or shareholder who is also an officer, director, guarantor, employee, agent, partner, or shareholder of the Applicant or (v) has formed a joint venture with the Applicant with an ownership interest in the project, or (vi) provides turn-key project development services or is a turn-key project developer.

Affordability Period

An affordability period of at least 15 years, starting with the first taxable year of the credit period, and up to 40 years, that the rental units in a building will qualify as TZ Affordable Housing units.

Applicable Fraction

The number of rental units in a building that qualify as TZ Affordable Housing units. The numerator is the number of TZ Affordable Housing units, and the denominator is the total number of residential rental units in the building.

Applicant

The entity that is applying for TZ Credit for a Project pursuant to this allocation plan. The Applicant shall Control the Owner of the Project and shall not be a single purpose entity. Project consultants and other like professionals shall not be considered Applicants.

Application

An Application to CHFA for a reservation or Allocation of TZ Credit. The Application includes all materials provided to CHFA, as required by the applicable checklist, and any additional materials provided to CHFA that are reviewed as part of the TZ Credit process.

Code

Internal Revenue Code of 1986, as amended

Colorado Tax Credit Statutes

Colorado Revised Statutes, Title 39, Article 22 Parts 21 (Colorado Affordable Housing Tax Credit), and 57 (Colorado Affordable Housing in Transit and Housing Investment Zones Tax Credit).

Control

The possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or other ownership interest, or otherwise

Consultant

A Person with specific experience providing advisory services on a strictly fee-for-service basis and not for a share of revenues, ownership interest, or other incentive compensation, including structuring project financial feasibility, preparing financial applications, providing entitling services, or providing owner's representative services

CHFA

Colorado Housing and Finance Authority

CHFA Allocation Staff

CHFA staff who are involved in receiving, processing, and reviewing TZ Credit and Housing Credit Applications

CHFA Executive Director

The CHFA Executive Director/CEO or delegated designee

DOR

Colorado Department of Revenue

Federal Credit

federal Low Income Housing Tax Credit

Housing Credit

state credit and federal credit

Letter of Intent (LOI)

Letter of Intent to apply for Housing Credit

OEDIT

Colorado Office of Economic Development and International Trade

Owner

The single purpose entity that is awarded TZ Credit for a project pursuant to this allocation plan and which owns or will own the project; the Owner shall be controlled by the Applicant

Person

An individual, partnership, limited liability company, corporation, trust, or other entity

QAP

Qualified Allocation Plan for the award of federal and state credits, including appendices

Recapture

In the event of noncompliance, credit allocated (including credit allocated to a Governmental or Quasi-governmental Entity or transferee) is subject to recapture in an amount equal to the aggregate decrease in the credit allowed to a qualified taxpayer for all prior taxable years that would have resulted in the accelerated portion of the credit allowable by reason of this were not allowed for all prior taxable years with respect to the reduced amount of qualified basis.

Rural Resort

Any county classified as a rural resort county by the Department of Local Affairs, Division of Housing as specified in the final report of the Colorado Strategic Working Group, dated July 6, 2021, including updates and modifications to the initial classification of a county.

State

The State of Colorado

State Credit

state Affordable Housing Tax Credit (state AHTC) in Colorado Revised Statutes, Title 39, Article 22 Part 21 (Colorado Affordable Housing Tax Credit)

Transferable Structure

A structure permitting the transfer of credits to a qualified taxpayer that is only allowable for a Governmental or Quasi-Governmental Entity under the TZ Tax Credit Statute. A qualified taxpayer to which a credit is transferred is entitled to claim the credit in the same manner and subject to the same conditions and allocation rights as an owner of a qualified development.

Transit Investment Area Act

Part 4 of Article 46 of Title 24 of the Colorado Revised Statutes

Transit Zone

A Transit Zone is a transit and housing investment zone designated by OEDIT in the transit and housing investment zone map pursuant to Section 24-48.5-136.

Turn-key Project Services

A Person who is providing comprehensive project development services and/or guarantees on behalf of an Applicant that include controlling all decisions, construction management, timing, and/or outcomes for the project, and who is not an Owner

TZ Affordable Housing Unit

A residential unit that is restricted and reserved for occupancy only for individuals and families with incomes up to 120 percent of the Area Median Income (AMI), and up to 140 percent AMI in rural resort counties.

TZ Credit

Transit and Housing Investment Zone Credit

TZ Credit Allocation Plan

The Allocation Plan adopted by CHFA governing the allocation of TZ Credit

TZ Tax Credit Statute

Colorado Revised Statutes, Title 39, Article 22 Part 57 (The Colorado Affordable Housing in Transit and Housing Investment Zones Tax Credit)

section 1

Preparation and Administration of the TZ Credit Allocation Plan

Many terms used in this TZ Credit Allocation Plan are defined in the Code, related IRS regulations, and the TZ Tax Credit Statute. Readers should refer to these materials and related guidance for proper interpretation.

Background

In 2026, to increase affordable housing in transit and housing investment zones, Colorado created the Transit and Housing Investment Zones Tax Credit (TZ Credit), which provides a tax credit to qualified Owners of affordable rental housing within transit and housing investment zones to reduce their state tax income obligations. CHFA is the allocating agency for the TZ Credit; and this TZ Credit Allocation Plan governs, among other things, the selection criteria and preferences for allocating the TZ Credit.

This TZ Credit Allocation Plan is approved by CHFA's Board. It is separate from CHFA's QAP that governs the selection criteria and preferences for allocating Housing Tax Credits. However, as outlined below, because an award of TZ Credit will only be made in connection with an award of Federal Credits, a project seeking an allocation of TZ Credits will also need to follow the applicable sections of the QAP.

Public Review/Comment

The TZ Credit Allocation Plan was prepared and made available for review by interested parties before final publication. In addition to receiving and considering input from a Tax Credit Advisory Group and numerous other interested parties, CHFA presented the draft TZ Credit Allocation Plan for public review and comment and encouraged suggestions and comments from the affordable housing industry.

Changes to the TZ Credit Allocation Plan

The TZ Credit Allocation Plan may be amended as to substantive matters at any time following approval by CHFA's Board of Directors after an opportunity for public review and comment. Notwithstanding the foregoing, without the need for public notice, CHFA has the right, in its sole discretion:

- To amend, modify, withdraw, or update any provisions of the TZ Credit Allocation Plan, including attachments or links, that are inconsistent or in conflict with state or federal laws or regulations;
- To resolve any conflicts, inconsistencies, or ambiguities in the TZ Credit Allocation Plan that may come to light in administering, operating, or managing the federal credit and state credit programs;
- To modify or waive, on a case-by-case basis, any provision of this TZ Credit Allocation Plan that is not required by the Code, or the Colorado Tax Credit Statutes;
- To ensure that the TZ Credit Allocation Plan has the flexibility to adjust to changing market conditions or federally declared emergencies, to waive any section of the TZ Credit Allocation Plan (not otherwise required by the Code and Colorado Tax Credit Statutes) that would hinder the ability of CHFA to meet the goals and priorities of the TZ Credit Allocation Plan.

Any change to the TZ Credit Allocation Plan as permitted in this section shall be fully effective and incorporated herein upon the Board's adoption of such amendments except that any amendments, modifications, or waivers that are done on a case-by-case basis are subject to written approval by the Executive Director/CEO, Chief Operating Officer, or Director of Community Development and are available for review, as requested, by the general public.

Limitations

Final interpretations of certain rules and regulations governing various aspects of the TZ Credit program have not been issued, so additional requirements or conditions applying to the federal credit, state credit, and TZ Credit programs may be forthcoming.

While CHFA will assist those applying for an Allocation of TZ Credit, CHFA will not provide tax or legal advice. Further, CHFA relies on information provided by or on behalf of the Applicant and CHFA's review of an Application is solely for its own purposes. CHFA's Allocation of TZ Credit for a project shall not constitute a representation or warranty that the project complies with the Code, Treasury Regulations, the TZ Tax Credit Statute, or any other laws and regulations governing TZ Credit. No other party, including the Owner, may rely on CHFA's review and/or Allocation as evidence of such compliance as the Owner is responsible to ensure that the project complies with all such laws and regulations.

No member, director, officer, agent, or employee of CHFA shall be personally liable on account of any matters arising out of, or in relation to, the Allocation of TZ Credit.

Disclosure of Application Materials to Third Parties

General

CHFA will post the Letters of Intent (LOIs) and Narratives on CHFA's website and reserves the right to post the full Preliminary Application—including any related attachments and submittals or any portions thereof—throughout the year but after the predecisional period for the affected Application.

Open Records Act Request

All Applications and related materials are subject to disclosure under the Colorado Open Records Act ("CORA"), codified at Colorado Revised Statutes Section 24-72-210 et seq. As part of the Application certification, the Applicant must acknowledge that the Application and all related materials submitted by Applicants constitute public records within the meaning of CORA and may be subject to public inspection and copying. The Applicant must also agree to indemnify CHFA from any claims arising from or related to CHFA's disclosure or nondisclosure of materials submitted to CHFA related to the Application.

Note

Except for narratives and LOIs which may be posted on CHFA's website at any time, it is the practice of CHFA to not release any Application materials in the predecisional period during which the Application is being considered and prior to the announcement of the projects to receive an Allocation of TZ Credit.

section 2

Eligibility Requirements

Below are requirements for eligibility to apply for TZ Credits.

2.A

Eligibility

For projects to qualify for the TZ Credit the following criteria must be met.

- Located in a Transit Zone and either (a)
 - Contemporaneous award of federal 9 percent Housing Tax Credits and standard state credits or
 - Contemporaneous award of federal 4 percent Housing Tax Credits and accelerated annual state credits and standard state credits.

section 3

TZ Credit Application and Allocation Process

All TZ Credit requests are subject to this TZ Credit Allocation Plan and reviewed by CHFA and must meet the applicable requirements of the Code and the TZ Tax credit Statute and applicable Colorado Tax Credit Statutes.

Misrepresentations of any kind will be grounds for denial or loss of the TZ Credit, Housing Credits, and may affect future participation in Housing Credit programs in Colorado.

Overview of TZ Credit Allocation Process

Because the TZ Credit will be awarded with a contemporaneous award of Federal Credits and will be awarded in lieu of standard State Credits, the TZ Credit process will generally defer to the Housing Credit Process. Unique to the TZ Credit Process:

1. Preliminary reservation – CHFA provides a Preliminary Reservation documenting the reservation of TZ Credit to a project awardee.
2. TZ Credit Placed-in-Service Documentation, LURA – Once the project places in service and the Applicant meets the requirements of the QAP's Placed-in-Service Documentation for the Housing Credits, a LURA incorporating the federal, state, and TZ Credit requirements will be executed and recorded.
3. Final Allocation Application including cost certification, Colorado Allocation Certification – Once the QAP and TZ Credit Allocation Plan requirements for the Final Application process are met, CHFA will issue a Colorado Allocation Certification form (similar to the IRS Form 8609) for the project.

3.A

Pre-preliminary Application Requirements

Letters of Intent

Applicants shall indicate site specific Transit Zone eligibility on the Letter of Intent for Housing Credit as described in the QAP.

3.B Preliminary Application Requirements

3.B.1 Form of Application

All Applicants must submit using the latest Application and templates. Applicants must follow the applicable Preliminary Application checklist located on CHFA's website.

3.B.2 Application Dates and Available Credit

Application submittal dates follow dates described in the QAP. A total of \$8.3 million in annual TZ Credit will be available for 2027.

3.B.3 Document Submittals

CHFA checklists, templates, and Application are located on CHFA's website. All documents must be uploaded to CHFA's secure file delivery site. See checklist for set-up instruction.

3.B.4 Preliminary Application Documents

For Preliminary Application submittals, the Application package must include all the documents listed in the Preliminary TZ Credit Application Checklist.

- Certification of site eligibility from OEDIT for TZ Credit
- Housing Credits, as described in the QAP, including State Credit Threshold requirements in QAP Section 3.B.4, Threshold #15 Public Hearing and Threshold #16 Local Government Contribution. Threshold #16 Local Government Contribution may be waived with confirmation that a local contribution is not available.

3.B.5 Application Review and Clarification Letter

Upon submission by the Applicant and review by CHFA of the above information, CHFA Allocation Staff may send a "clarification letter" to the Applicant, requesting the Applicant to answer questions and/or address any issues or concerns related to the TZ Credit.

3.C

Award Approval

An award of TZ Credit is contingent upon a contemporaneous award of federal 9 percent credits and standard state credits or federal 4 percent and accelerated annual state credits and standard state credits. Staff will present the proposed projects to the Allocation Committee, which will determine whether to recommend approval to the CHFA Executive Director of an award of TZ Credit in lieu of standard State Credit. An eligible project not selected for TZ Credit may receive standard State Credit under the QAP, subject to availability.

3.D

Allocation Process

3.D.1

Preliminary Reservation

TZ Credit projects that receive approval from the CHFA Executive Director are given a Preliminary Reservation Letter of TZ Credit. The determination as to compliance with the TZ Credit Allocation Plan shall remain valid and effective through the end of the third year after the issuance of the Reservation Letter. Because the TZ Credit Allocation Plan may be amended from time to time, if the project is not placed in service by that date, it will be necessary to reevaluate compliance with the then-current TZ Credit Allocation Plan.

3.D.2

Placed-in-Service Documentation

Placed-in-Service Documentation will be required as described in the QAP for Housing Credits.

3.D.3

Final Application Process

The Final Application Process will be required as described in the QAP for Housing Credits.

3.E

LURA

CHFA requires that a project be subject to a Land Use Restriction Agreement as described in the QAP and that any requirements related to the TZ Credit be incorporated.

3.F Additional Credits

Applicants may not apply for an increase in TZ Credit amounts after Preliminary Award.

3.G Transfers of Reservations

Transfers of Reservations are described in the QAP.

3.H Maximum Credit Award

CHFA will accept Applications for TZ Credit at the same amount as specified in 3.L of the QAP for annual standard state credit that are contemporaneous with Application for federal 9 percent and standard state credit or Application for federal 4 percent and accelerated and standard state credit for any one eligible Project. TZ Credit may be awarded in lieu of standard annual state credit.

3.I Determination of TZ Credit Amount

The determination of the TZ Credit amount follows the Code requirements as described in the QAP.

3.J Calculation of TZ Credit Amount

The TZ Credit amount calculation will be subject to a three-test method that is like the Federal Credit Method described in the QAP. Please refer to the Excel Application for the TZ Credit calculation.

3.K APR for TZ Credit

The APR for new construction and rehabilitation with the total six-year allocation of TZ Credit is 30 percent of Qualified Basis. This APR should be reflected in the Application.

With justification, an increase may be requested for consideration to allow application for annual TZ Credit to be the same amount as application for annual standard annual state credit maximum under 3.L of the QAP.

section 4

Underwriting Criteria

The TZ Credit follows the minimum underwriting standards as described in the QAP.

section 5

Fees

See CHFA website for the Fee Schedule. Fees will be assessed for the following processes and are non-refundable.

5.A

Preliminary Reservation Fees

1. Application Fee

An Application fee is due with the Submission of the Preliminary Application. The fee also applies to resubmittals of Applications.

2. Reservation Fee

A reservation fee based on a percent of the annual TZ Credit amount for which the project is eligible must be paid prior to the issuance of the Reservation Letter. The Applicant will have 10 days from the date of the award letter in which to pay the reservation fee and maintain the Housing Tax Credit reservation. This fee will not be adjusted if the final Housing Tax Credit amount is reduced or the Housing Tax Credits are returned or unused.

5.B

Final Allocation Fee

A Final Allocation fee based on the annual TZ Credit amount or \$5,000, whichever is greater, is payable at the time of application for a Final Allocation of State Credits.

With respect to its programs, services, activities, and employment practices, Colorado Housing and Finance Authority prohibits unlawful discrimination against applicants or employees on the basis of age 40 years and over, race, sex, sexual orientation, gender identity, gender expression, color, creed, religion, national origin, ancestry, disability, military status, genetic information, marital status or any other status protected by applicable federal, state or local law. Requests for reasonable accommodation, the provision of auxiliary aids, or any complaints alleging violation of this nondiscrimination policy should be directed to the Nondiscrimination Coordinator, 1.800.877.2432, TDD/TTY 800.659.2656; CHFA, 1981 Blake Street, Denver, Colorado 80202-1272; chfainfo.com/nondiscrimination, available weekdays 8:00am to 5:00pm.