

# Affordable Housing Financing Fund

## proposition 123 modular finance and innovative housing incentive program



### program guidelines

Guidelines as of  
May 20, 2025



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## Program Guidelines Summary

The program provides debt financing for modular and factory-built housing manufacturers.

	<b>Proposition 123 Modular Finance Program (Prop 123)</b>	<b>Innovative Housing Incentive Program (IHIP)</b>
<b>Eligible Projects</b>	New or existing innovative housing manufacturers, including modular, panelized, tiny homes, kit homes, ADUs, and potentially 3D-printed homes. The end innovative unit that is produced must be attached to a permanent foundation and utilities.	
<b>Eligible Uses</b>	<ul style="list-style-type: none"> <li>• New construction</li> <li>• Expand existing facility</li> <li>• Leasehold improvements</li> <li>• Machinery and equipment</li> <li>• Working capital LOC and/or cash collateral support.</li> </ul>	<ul style="list-style-type: none"> <li>• New construction</li> <li>• Expand existing facility</li> <li>• Leasehold improvements</li> <li>• Machinery and equipment</li> </ul>
<b>Program Benefits</b>	<ul style="list-style-type: none"> <li>• Below-market interest rates</li> <li>• Flexible financing terms, including term, amortization (including interest-only periods), lien position, etc.</li> </ul>	
<b>Program Limits</b>	Up to \$8,000,000 for 10 years	
<b>Interest Rates and Fees</b>	<ul style="list-style-type: none"> <li>• Borrowers will propose the loan amount, amortization, term, and lien position.</li> <li>• Interest Rate: 1.5% for 1st lien. 1.75% for 2nd lien.</li> <li>• 1% Origination Fee</li> <li>• Cash Collateral Support Fee: 1% of deposit amount for 3 years</li> <li>• Standard loan closing costs</li> <li>• Phase I Environmental Report required for transactions greater than \$750,000 and secured by real estate</li> <li>• The following additional fees apply to construction loans:               <ul style="list-style-type: none"> <li>• Up to \$40,000 outside legal counsel</li> <li>• \$15,000 construction monitoring</li> <li>• \$5,000 commitment fee</li> </ul> </li> </ul>	
<b>Priorities</b>	<ul style="list-style-type: none"> <li>• New manufacturers that are seeking to fill final finance gaps and are able to increase the supply of affordable units in less than 12 months of an award.</li> <li>• Existing manufacturers that can expand production capacity with capital support.</li> <li>• Energy efficiency of units produced. At a minimum, all units should be manufactured to be electrification-ready, including providing the necessary panel capacity and wiring for all appliances, potential solar and EV-ready/charging.</li> <li>• Factories that can demonstrate high production volume per requested loan amount.</li> <li>• High percentage of affordable units produced by the factory versus market rate units produced.</li> <li>• Substantial economic impact/jobs created by the manufacturing facility.</li> <li>• Ability to complement or fill geographical/technological gaps in Colorado's innovative housing ecosystem.</li> <li>• Low total project cost and financial viability.</li> <li>• Leadership team experience.</li> <li>• Low average cost per unit/box/module.</li> </ul>	

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## Background

### Proposition 123 Modular Finance (Prop 123)

The Proposition 123 Concessionary Debt program provides debt financing for modular and factory-built housing manufacturers. This program will be coordinated with OEDIT's IHIP factory loan program administered by CHFA to strategically invest in Colorado's offsite housing manufacturing industry.

### Innovative Housing Incentive Program (IHIP)

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 will have below-market-rate interest rates and are intended to revolve. OEDIT has contracted with CHFA as a loan administrator.

Considerations for the competitive loan review for both programs include the gross number of affordable housing units to be produced, percentage of margin above cost to the end user (affordable housing developer), economic impact of the factory, number of jobs to be created, energy efficiency of units produced, and the operator's level of financial viability.

## Eligible Borrowers

Applicants may be for-profit or nonprofit organizations that are existing or new modular or factory-built housing manufacturers in the state of Colorado. Out-of-state applicants are eligible to apply as long as the facility being funded is located within Colorado. Previous program awardees in good standing are eligible to apply.

All Colorado modular factories must be in compliance with state modular regulations and in the process of registering with the state as a modular manufacturer.



## Eligible Projects and Uses

Applicants may request funds for a new or existing modular manufacturing facility located in Colorado. The end unit that is produced must be capable of being attached to a permanent foundation and utilities. Eligible product types include modular, panelized, tiny homes, kit homes, ADUs, and 3D-printed homes.

Funds may be used to finance traditional loan structures, lines of credit (Prop 123 only), or serve as cash collateral support for a third-party loan (Prop 123 only). Use of funds can include, but are not necessarily limited to, construction, working capital (Prop 123 only), equipment, inventory, raw materials, factory production deposits, leased-facility deposits, and other uses approved by CHFA and OEDIT.

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## Financing Terms and Fees

Financing from Prop 123 and IHIP funds will provide below-market interest rates and flexible financing terms. Loans may not exceed \$8,000,000 with a term no longer than 10 years.

The applicant should propose the loan amount, term, amortization, and lien position. Application reviewers will evaluate these items based on the availability of funds, needs of the project, and the borrower's projected cash flow and liquidity position. Interest-only, deferred payment, and amortizing loan structures are eligible structures.

All loan requests will be considered against the amount of capital being provided from alternative sources. Applicants are encouraged, but not required, to leverage other funding sources. However, all applications must provide a proposed breakdown of sources and uses of capital.

All loans will have a 1% origination fee along with standard closing costs. These costs may include, but are not limited to, customary legal and third-party report fees. Currently, outside legal fees for construction-related projects are estimated to be up to \$40,000, and construction monitoring fees are estimated to be \$15,000. Construction loans will be subject to a \$5,000 commitment fee due to CHFA at the time of commitment.

All cash collateral support deposits (Prop 123 only) will have a 1% origination fee based on the deposit amount for a term of three years. Extensions may be offered with a 1% extension fee for each year extended.

## Evaluation Criteria and Program Priorities

All applicants should have a background in the modular or factory-built 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.

Applications will be evaluated with consideration of the following criteria:

- New manufacturers that are seeking final finance gaps and are able to increase the supply of affordable units in less than 12 months of an award.
- Existing manufacturers that can expand production capacity with capital support.
- Energy efficiency of units produced. At a minimum, all units should be manufactured to be electrification-ready, including providing the necessary panel capacity and wiring for all appliances, potential solar and EV-ready/charging.
- Factories that can demonstrate a maximum production volume per requested loan amount.
- Percentage of affordable units produced by the factory versus market rate units produced.
- Economic impact/jobs created by the manufacturing facility.
- Ability to complement or fill geographical/technological gaps in Colorado's innovative housing ecosystem.
- Total project cost and financial viability.
- Leadership team experience.
- Average cost per unit/box/module.



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## Reporting

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

- Factory Name
- Number of Units Produced – Market and Affordable
- Number of New Jobs Created
- Financial Statements (annual basis)

## Application Process and Loan Distribution

CHFA will accept Letters of Intent from June 1-30, 2025. Basic key data (template will be provided) and a brief project narrative will be required for the Letter of Intent.

In July 2025, CHFA will contact applicants with the status of their application. If an applicant is selected to move forward, CHFA will provide a full application checklist to perform a full underwrite of the business/application. All applicable application checklist items must be sent to CHFA by August 31, 2025, and will include the following:

- Proposed IHIP and/or Prop 123 Loan Terms
- Sources and Uses Chart (template will be provided)
- Uses Summary
- Company Background Summary
- Leadership Team Profiles
- Key Partner Summary
- Organizational Structure Chart for Borrowing Entity
- Product Summary
- Site Summary
- Property Appraisal
- Existing Phase 1 Environmental Report
- Lease Terms and Summary
- Project Timeline Summary
- Operations Strategy
- Sales Strategy
- Employment Summary
- Operating Company Historical Financial Statements (Balance Sheet, CashFlow, Income Statement).
- Financial Income Statement Projections
- Working Capital Management Strategy
- Source(s) of Equity Summary
- Personal Financial Statements
- General Contractor Experience Summary
- General Contractor Contract Summary
- General Contractor Financial Statements
- Architect Plans and Specs
- Pictures
- Letters of Recommendation

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Final award announcements will be made between December 2025 and January 2026.

Please send an email to [innovativehousing@chfainfo.com](mailto:innovativehousing@chfainfo.com) or contact the following individuals with questions or to begin the application process:

Steve Boice  
Manager, Business Finance  
303.297.5266  
[sboice@chfainfo.com](mailto:sboice@chfainfo.com)

or

Ryan TerBush  
Commercial Loan Officer II  
303.297.7468  
[rterbush@chfainfo.com](mailto:rterbush@chfainfo.com)

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

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800.877.chfa (2432)  
800.659.2656 tdd

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