

# Colorado Proposition #123



## **It's Really Expensive to Live in Colorado**

**With an estimated housing unit shortfall between 93,000 to 216,000 units.**

**As of 2021, 80% of Coloradans live in a county with an aggregate housing supply shortage**

**Home affordability has plummeted by a staggering 85% since 2015.**

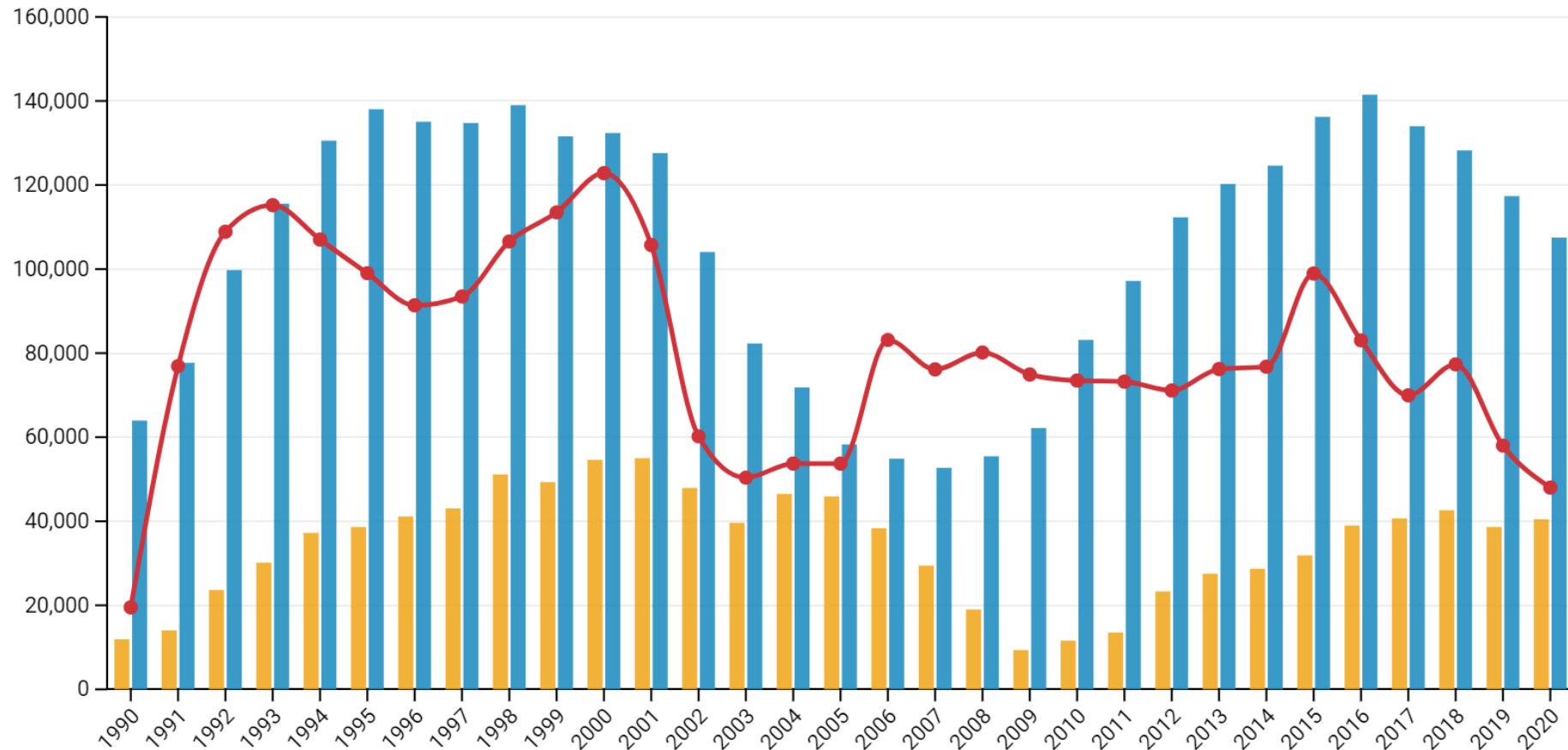
**Today, Colorado is the 8th most unaffordable state for renters in the country.**

# Building Permits and the Housing Supply Deficit

The housing supply deficit began to accumulate in the 1990s as Colorado experienced a substantial increase in population. After a short period between 2002 and 2007, when permitting kept pace with changes in population, the deficit began to decline. In 2008 the deficit began to build and continued to increase through 2017 as, once again, the number permitted building units issued were not keeping pace with annual increases in population (see the following graph).

## Population Growth, New Unit Permits, and the Housing Supply Deficit

■ New Residents ■ Total New Permitted Building Units ■ Housing Supply Deficit



Sources: National Association of Homebuilders, Colorado State Demography Office, U.S. Census Bureau ACS

# Proposition 123

- A Bold and Uniquely Coloradan Policy
- The Political Tradewinds
- Picks winners and losers
- Tenant Equity Innovation
- Stated bluntly, the measure is only as successful as the number of local governments that decide to opt into the program

# Proposition 123 - An Overview

- The Measure Passed With 52.47 % of the vote, representing 1,269,816 Coloradans Voting in Support
  - This measure sets aside **1/10th of 1%** of annual tax revenue to fund affordable housing programs – with no cap or sunset.
  - To access the fund Local Governments Must **Opt Into** the Measure
  - This measure requires the creation of **90-day Fast Track Approval** policies by participating local governments.
  - This measure requires participating local governments identify annual affordable housing development targets of **3% growth per year** that must be achieved to maintain eligibility over a three-year commitment cycle.
  - This measure defines affordable housing via two factors: household income and housing costs to include utilities. The measure applies to **renters earning <60% of the Area Median Income**, or **homeowners earning <100% of the Area Median Income**.
  - The measure allows for workforce, market rate housing via **Income Averaging**. Projects may have up to **50% of units at market rate rents**.
  - This measure requires the weighted average cost of all participating project units not to exceed 30% of the households' income, inclusive of incremental utilities costs.

# Proposition 123 Programs & Estimated Funding

- Land Banking : OEDIT : \$26M – \$43.5M
- Affordable Housing Equity : OEDIT : \$69M - \$121.8M
- Concessionary Debt : OEDIT : \$26M - \$66.9M
- Affordable Home Ownership : DOLA : Up to \$58M
- Homelessness : DOLA : Up to \$52.2M
- Local Government Capacity Building : DOLA : Up to \$5.8M
- OEDIT to facilitate funding via Colorado Housing Finance Agency

# Proposition 123

- The measures value proposition is a cumulation of its three main elements
  - The funding mechanism
  - The 3% annual affordable housing growth rate
  - The 90 day fast track approval process
  - Willing and engaged Local Government Partners
- To Attract Local Government Partners The Measure Allows For Flexibility
  - Flexibility in the creation and implementation of the 90 Day Fast Track Approval Process
- To Attract Local Governments The Measure Empowers Projects That Meet Community Needs
  - Broad Affordability requirements – up to 50% of Units at Market Rents, Income Averaging not to exceed an Average of 90% of AMI
  - Broad Funding Sources & Uses
  - Land Banking
  - Funding for resident services to support program participants
  - A Tenant Equity Vehicle
  - Local Government Administrative Funding



# The 90 Day Fast Track Explained

- Here's how Proposition #123 defines the 90 Day Fast-Track Approval Process
  - Local Governments must establish processes to enable it to provide a final decision on any application for:
    - Special permit, variance, or other development permit, excluding subdivisions, of a development project for which fifty percent or more of the residential units in the project constitute affordable housing not more than 90 days after submission of a complete application.
- The Fast-Track Approval Process may include the following options:
  - Allowing an extension of an additional 90 days
    - At the developer's request.
    - For compliance with state law, a court order, or for a review period required by another local government or agency within the local government or agency, within the local government or outside, for any component of the application requiring the governments or agency's approval.
  - Allowing an extension for the submission of additional information or revisions to an application in response to requests from the local government.
    - Such extensions shall not exceed the amount of time from the request to the submission of the applicant's response plus 30 days.

*Affordable housing developers are not required to utilize a fast-track approval process*



# Local Government Baselines & 3% Growth Targets

- Proposition #123 requires local governments identify their baseline of existing affordable housing units to set 3% Annual Permitting Targets
  - In the case of a county government applying for the funds, the requirements only apply to the unincorporated areas of the county.
  - There are separate affordability standards in the measure for rental units and units available for home ownership.
    - To qualify as an affordable rental unit, the gross rent, inclusive of utilities, must be less than 30% of annual income for a household making at or below 60% of area median income.
    - On the home ownership side, the for-sale unit must have a combined mortgage and utility payment below 30% of a household with an annual income at or below 100% of area median income.

# 3% Targets

3% Affordable Housing Growth Targets Across Select Counties (All Counties Listed in Appendix)						
County	2 Person Family Household		4 Person Household		Weighted Average Across All Household Sizes	
	Rental	Ownership	Rental	Ownership	Rental	Ownership
Statewide	4,778	10,357	10,368	13,122	7,319	12,073
Adams County	324	1,294	978	1,294	978	1,294
Arapahoe County	365	1,286	1,376	1,286	1,376	1,286
Boulder County	380	348	615	348	615	348
Broomfield County	22	76	80	76	80	76
Denver County	924	1,089	2,408	1,089	2,408	1,089
Douglas County	46	237	229	237	229	237
El Paso County	606	1,018	822	2,566	822	2,566
Jefferson County	333	891	1,017	891	1,017	891
Larimer County	329	662	573	662	573	662
Pueblo County	206	772	363	772	363	772

# Baselines & 3% Targets

- **Flexibilities abound in baseline development**
- Proposition 123 is unspecific about how some of these requirements are and applied by local governments.
- Area Median Income Limits may be selected from past years. For example, income limits from Federal Fiscal Year 2021 may be selected instead of the most recently available limits from Federal Fiscal Year 2022.
- For municipalities that choose an income limit of an adjacent jurisdiction, they could choose an income limit for a county that the municipality is not directly adjacent to, but is adjacent to a county that their municipality resides within.
  - The boundaries of municipalities are not necessarily coterminous with the boundaries of one or more counties; so this interpretation affords both municipalities and counties similar levels of flexibility in selecting income limits.
- Area Median Income Limits can be selected based on various household sizes. Household size is calculated by counting the number of people in a housing unit. Income limits are available for household sizes ranging from one to eight persons. The Median Family Income across households of all sizes may also be used as an alternative.

# Baseline Flexibility Cont.

- The median household income for Colorado could be selected instead of an Area Median Income. This may be especially applicable for municipalities and counties where median family income and median household income differ, for example in areas with large portions of college students that have low to no earnings, resulting in a median household income that is much lower than a median family income.
- All affordable for-sale units do not have to be included in the baseline amount of affordable for-sale units. This amount can be prorated to only the units that are available.
- The amount of housing units at each rent or value level can be adjusted to bring the data closer in line with current housing market conditions. For example, a home price to income ratio can be chosen based on current market conditions instead of those in 2019.

# Key Dates & Milestones

- July 1<sup>st</sup> JBC Transfers Proposition 123 Funds to Administrators
- DOLA plans to begin administering Funds to Participating Local Governments soon thereafter
- November 1st 2023 – Deadline for Local Governments to Opt – In

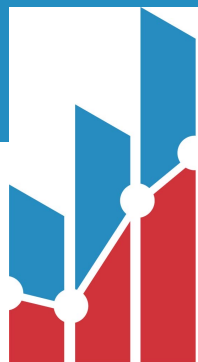
# Breaking News

- HB23-1304 – Proposition 123 Affordable Housing Programs
  - Allows Tribal Gov's to participate
  - Establishes a process for rural resort communities to petition the division of housing to use different percentages of area median income
  - Push to decouple services funding from local gov't opt in requirements – confirmed

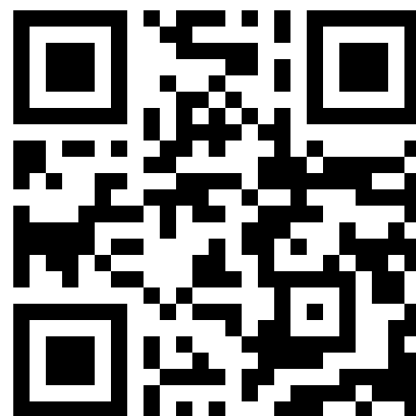
# Key References

- <https://engagedola.org/prop-123>
- <https://cdola.colorado.gov/proposition-123-concepts>
- <https://leg.colorado.gov/bills/hb23-1304>
- <https://commonsenseinstitute.co.org/proposition-123-affordable-housing/>





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**Questions?**

**Full Report: [www.commonsenseinstitute.org](http://www.commonsenseinstitute.org)**