Proposition ?: Dedicate Revenue for Affordable Housing Programs

Placed on the ballot by citizen initiative • Passes with a majority vote

Proposition ? proposes amending the Colorado statutes to:

- set aside a portion of annual state income tax revenue for affordable housing programs;
- exempt that money from the state's revenue limit, thereby reducing the amount of money collected above the limit that is returned to taxpayers; and
- establish eligible uses for this money.

What Your Vote Means

YES A "yes" vote on Proposition ? sets aside money for new affordable housing programs and exempts this money from the state's revenue limit.

NO A "no" vote on Proposition ? means that state revenue will continue to be spent on priorities as determined by the state legislature or returned to taxpayers, as under current law.

Summary and Analysis for Proposition ?

What does the measure do?

The measure sets aside a portion of annual income tax revenue from the state General Fund, up to 0.1 percent of taxable income each year, for affordable housing programs administered by the state Office of Economic Development and International Trade (OEDIT) and the Colorado Department of Local Affairs (DOLA). This amount, which the measure exempts from the state's constitutional revenue limit, is estimated to be $145 million in state budget year 2022-23 and $290 million in state budget year 2023-24 and beyond. The measure specifies the uses for the dedicated funds, including:

- grants to local governments and nonprofit organizations;
- assistance to develop affordable, multi-family rental housing;
- equity investments in affordable housing projects, including tenant equity sharing;
- home ownership programs and down payment assistance for first-time homebuyers;
- a program addressing homelessness through rental assistance and eviction defense; and
- local government planning and zoning support.

The measure requires that this funding add to, and not replace, existing state funds spent on affordable housing.

What is affordable housing?

The measure defines affordable housing based on two factors: household income and housing costs. For certain programs, a household's income is compared to the area median income, or the midpoint of what households in a specific area earn. In general, these programs apply to renters making up to 60 percent of the area median income, or homeowners making up to 100 percent of the area median income. Table 1 shows examples of area median income for several areas in Colorado.

Table 1
Examples of Area Median Income in Colorado for a Four-Person Household

Area (County or Metro Area)	Median Income	60% of Median
Boulder County	$125,400	$75,200
Denver-Aurora-Lakewood	$117,800	$70,700
Mesa County	$83,500	$50,100
Pueblo County	$68,600	$41,200
Alamosa County	$53,400	$32,000

Source: FY 2022 Rounded MFI Estimate, U.S. Department of Housing and Urban Development.

For a housing unit or project to qualify as affordable housing, housing costs must not exceed 30 percent of the household's income. Housing costs typically consist of rent or mortgage payments, but may include other costs such as utilities.

What is the state currently doing to support affordable housing?

The state partners with local communities to increase and preserve Colorado's affordable housing stock, manage rental assistance vouchers, and address homelessness. The DOLA serves households with varied income levels and circumstances with grants and loans to provide developers, community organizations, public housing authorities, and local governments with money to acquire, modernize, and build housing and to assist buyers with down payments for homes. The current budget for the department's affordable housing initiatives is about $200 million, about half of which is from state sources, with the rest coming from federal sources.

Since 2021, the state has allocated over $1.2 billion from the federal American Rescue Plan Act (ARPA) of 2021 for affordable housing and services that address housing insecurity, lack of affordable and workforce housing, or homelessness. These are one-time funds that will be spent over the next several years specifically on:

- emergency rental assistance;
- homeowner mortgage assistance;
- tax credits for developers;
- housing and infrastructure; and
- other housing solutions, such as manufactured homes.

How do the programs created by Proposition ? work?

The measure creates the following programs with a focus on higher density, environmentally sustainable projects serving households with a range of income levels. For projects to qualify for funding, the local governments where the projects are located must commit to increasing affordable housing by 3 percent each year and create a fast-track approval process for affordable housing projects. If a local government chooses not to meet these requirements, or if it fails to achieve its affordable housing goals, projects in that municipality or county will be temporarily ineligible for funding from these programs.

Table 2 describes each proposed program, including the state agency that oversees it and the amount of money the program will receive based on the estimated $290 million set aside in state budget year 2023-24. Note that programs overseen by OEDIT are run by a third-party administrator. A range of funding is available for these programs, as shown in the table. Some of the money for each program will be used for administrative expenses.

Table 2
Programs and Estimated Funding Created by Proposition ?

Program	Agency	Estimated Funding
Land Banking	**OEDIT**	**$26.1 million - $43.5 million**
Provides grants to local governments and loans to nonprofit organizations with a history of providing affordable housing. The funds help buy land for affordable housing development.		
Affordable Housing Equity	**OEDIT**	**$69.6 million - $121.8 million**
Invests in new and existing low- and middle-income, multi-family rental units. Provides renters living in these units for at least a year with a share of the money made on the development, called a tenant equity vehicle. This money may be used for the renters' future purchase of a home, such as a down payment.		
Concessionary Debt	**OEDIT**	**$26.1 million - $60.9 million**
Finances new and existing low- and middle-income multi-family rental units, projects that qualify for federal low-income housing tax credits, and modular and factory-built housing manufacturers.		
Affordable Home Ownership	**DOLA**	**up to $58.0 million**
Offers down payment assistance to first-time homebuyers. Makes grants or loans to nonprofits and community land trusts to support home ownership, and to mobile home owners' associations to help purchase mobile home parks.		
Homelessness	**DOLA**	**up to $52.2 million**
Provides rental assistance, housing vouchers, and eviction defense to people experiencing, or at risk of experiencing, homelessness. Makes grants or loans to support new and existing supportive housing for people experiencing homelessness.		
Local Government Capacity Building	**DOLA**	**up to $5.8 million**
Provides grants to local governments to support their planning departments in processing land use, permit, and zoning applications for housing projects.		

OEDIT is the Office for Economic Development and International Trade.
DOLA is the Department of Local Affairs.

How does the measure affect TABOR refunds?

The income tax revenue that is set aside under the measure is considered a voter-approved revenue change and is therefore not subject to the state's constitutional revenue limit, also called the Taxpayer's Bill of Rights (TABOR) limit. TABOR limits state government revenue to an amount adjusted annually for inflation and population growth. Revenue collected under the limit may be spent or saved. Revenue collected over the limit must be returned to taxpayers unless voters approve a measure allowing the government to keep it.

In years where state revenue exceeds the TABOR limit, the measure reduces the money returned to taxpayers by the amount of income tax revenue that that the measure allows the state to keep. In years where state revenue is below the TABOR limit, the measure does not impact TABOR refunds, but may reduce the amount of money available for the rest of the state budget. In this case, the measure allows the state legislature to reduce part of the new funding to the affordable housing programs to balance the state budget. The state currently expects to return money collected above the limit through at least the 2023-24 budget year.

For information on those issue committees that support or oppose the measures on the ballot at the November 8, 2022, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html

Arguments For Proposition ?

1) The measure creates a sustainable source of funds to tackle housing issues without raising taxes, and gives local communities the flexibility to respond to their specific needs. The state and local governments are not doing enough to keep Colorado affordable.

2) Colorado's housing prices make it too hard for many households to afford rent or to buy their own home. The new programs help Coloradans participate in the housing market now and in the future. Creating more homes will allow residents and essential workers to remain in their communities.

Arguments Against Proposition ?

1) Many of these programs do not address the underlying causes of high housing costs. Pumping money into the market may distort it further, and the real beneficiaries will be landlords and housing developers. This is neither the role of government nor the best use of public resources.

2) The state already provides resources to support affordable housing, including over $1 billion in federal stimulus funds allocated in recent years. Plus, the new programs will be limited if local governments cannot or will not meet the requirements. The measure is unnecessary and will reduce Coloradans' future TABOR refunds.

Fiscal Impact for Proposition ?

Proposition ? increases state government spending by transferring money from the state General Fund to pay for affordable housing programs. While the measure does not change state revenue, it reduces the amount returned to taxpayers in years when state revenue is over the TABOR revenue limit. These impacts are discussed below. The state budget year runs from July 1 through June 30.

Transfers of state funds. Proposition ? transfers an estimated $145 million in the 2022-23 budget year and $290 million in the 2023-24 budget year and later years. These amounts are divided between programs in the Office of Economic Development and International Trade, which receives 60 percent, and the Department of Local Affairs, which receives 40 percent.

State spending. The money transferred under Proposition ? is required to be spent for affordable housing programs and for administration of those programs. Programs are funded the year after the transfer occurs. For example, the money transferred in the 2022-23 budget year pays for programs in the 2023-24 budget year, and so on.

- ***Office of Economic Development and International Trade.*** Sixty percent of total transfers are paid to the Affordable Housing Financing Fund, estimated at $87 million in the 2022-23 budget year and $174 million in the 2023-24 budget year. Money in the fund is spent for the land banking program, the affordable housing equity program, and the concessionary debt program. A third party administrator is allowed to keep 2 percent of funds for its administrative costs.
- ***Department of Local Affairs.*** Forty percent of total transfers are paid to the Affordable Housing Support Fund, estimated at $58 million in the 2022-23 budget year and $116 million in the 2023-24 budget year. Money in the fund is spent for the affordable homeownership program, the homelessness program, and the local capacity development program. The department is allowed to keep 5 percent of funds for its administrative costs.

Taxpayer impacts. Proposition ? will decrease the amount to be returned to taxpayers for years when state revenue is over the TABOR revenue limit. Based on forecasts from June 2022, Proposition ? is expected to decrease the amount returned by $145 million in tax year 2023 and $290 million in tax year 2024. The impacts on taxpayers depend on how this money would be returned. Based on the number of income tax returns for tax year 2018, Proposition ? is estimated to decrease the amount returned by $43 per taxpayer in tax year 2023 and $86 per taxpayer in tax year 2024.