



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1313: ADJUST REQMNTS STATEWIDE AFFORDABLE HOUSING

Prime Sponsors:

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Sen. Ball

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Summary Information

Overview. The bill revises the methodology used by the Division of Housing to determine eligibility to receive assistance from the Affordable Housing Fund.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- Minimal Workload Increase
- Local Government

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

Proposition 123, approved by the voters in the 2022 general election, dedicates a portion of annual income tax revenue for affordable housing programs. To qualify for funding, a local government must commit to increasing affordable housing by three percent during a three-year cycle above the baseline number of affordable housing units in the local jurisdiction.

For the three-year cycle beginning January 1, 2027, this bill requires that a local government meet a target increase in the number of affordable housing units rather than a three-percent increase. The target increase equals the average annual number of new housing permits over the previous three years, multiplied by the number of years the local government is committing in the upcoming three-year cycle, multiplied by:

- 0.10 if the average annual job growth rate over the past three years is lower than the statewide median annual job growth rate over the same period;
- 0.15 if the job growth is close to the statewide median; or
- 0.20 if the job growth is significantly higher than the median.

The Division of Housing in the Department of Local Affairs (DOLA) must establish thresholds for job growth rates considered to be significantly lower than, close to, or significantly higher than the statewide median annual job growth rate over the past three years. The applicable thresholds are used by the division to determine target increases for jurisdictions applying for program funds.

If certain circumstances are met, local and tribal governments who seek funding or make affordable housing projects eligible for funding, but are otherwise unable to achieve the annual target increase in affordable units, may file a good-faith effort waiver with the division. A good-faith effort waiver may be granted for the three-year cycle beginning January 1, 2024. For the three-year cycle beginning January 1, 2027, local and tribal governments may file an adjustment waiver.

For larger projects where the average rental price of all units is affordable for households with income at or below 60 percent of the area median income, the bill allows each unit developed to count as one affordable housing unit. For the three-year cycle beginning January 1, 2027, a local or tribal government may count an affordable housing unit developed with money from multiple governments as a percentage of one unit, proportional to the percentage of total government funding provided for the project.

Further, an affordable housing unit that satisfies certain criteria counts as one unit, plus a corresponding additional unit amount. An affordable housing unit:

- developed on land donated by the local or tribal government qualifies as 1.1 units;
- developed to be sold qualifies for as 1.2 units;

- that is restricted to be rented or sold to a household with income at or below 30 percent of the area median income qualifies as 1.2 units; and
- that qualifies for a property tax exemption and was developed without money from the county qualifies as up to 1.15 units, under certain circumstances, and at the discretion of the division.

State Expenditure

Workload increases minimally in DOLA to adjust internal processes and technical assistance materials informing local and tribal governments of changes to eligibility for Proposition 123 funds and target affordable housing increases with weighted criteria. The department must also gather and review data and determine cut scores for statewide job growth to be applied in evaluating local projects. These efforts do not require any change in appropriations.

Local Government

The bill provides additional capacity for local and tribal governments to access affordable housing program funding from Proposition 123, possibly increasing local revenue and spending for affordable housing projects.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Counties

Local Affairs

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).