



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Revised Fiscal Note

(replaces fiscal note dated May 3, 2021)

<b>Drafting Number:</b>	LLS 21-0901	<b>Date:</b>	June 4, 2021
<b>Prime Sponsors:</b>	Rep. McCluskie; Jodeh Sen. Gonzales	<b>Bill Status:</b>	Senate Third Reading
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**Bill Topic:** DOLA INNOVATIVE AFFORDABLE HOUSING STRATEGIES

**Summary of Fiscal Impact:**

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

In the current FY 2020-21, the bill transfers \$13.0 million from the General Fund and \$35.0 million in Federal ARPA funds to cash funds supporting local governments in the development of affordable housing solutions. Funds must be used by the end of FY 2023-24.

**Appropriation Summary:** In FY 2021-22, the bill includes appropriations totaling \$46.4 million to the Department of Local Affairs.

**Fiscal Note Status:** This revised fiscal note reflects the reengrossed bill, as amended by the Senate Appropriations Committee.

**Table 1  
State Fiscal Impacts Under HB 21-1271**

		Current Year <sup>1</sup> FY 2020-21	Budget Year FY 2021-22	Budget Year FY 2022-23
<b>Revenue</b>		-	-	
<b>Expenditures</b>	Cash Funds		\$39.3 million	\$9.0 million
	<b>Total Expenditures</b>		<b>\$39.3 million</b>	<b>\$9.0 million</b>
	<b>Total FTE</b>		<b>2.6 FTE</b>	<b>2.6 FTE</b>
<b>Transfers</b>	General Fund	(\$13.0 million)	-	
	Federal ARPA Funds	(\$35.0 million)		
	Cash Funds	\$48.0 million	-	
	<b>Net Transfer</b>	<b>\$0</b>	-	
<b>TABOR Refund</b>	General Fund	-	-	

<sup>1</sup> Transfers of ARPA funds are assumed to occur in the current FY 2020-21.

## Summary of Legislation

The bill creates three programs in the Department of Local Affairs (DOLA) to offer grant money and other forms of state assistance for local governments to promote innovative solutions to the development of affordable housing. These three programs are described below.

- The **Housing Development Incentives Grant Program** is created in DOLA's Division of Local Government (DLG) to offer grants to local governments that adopt at least three policy and regulatory tools from a menu of options enumerated in the bill that incentivize the development of affordable housing. The bill transfers \$9.3 million from the General Fund and \$30.0 million from the Affordable Housing and Home Ownership Cash Fund to the Colorado Heritage Communities fund to support this grant program.
- The **Local Government Planning Grant Program** is created in DOLA's DLG to provide grants to local governments to assess housing needs or to make changes to local policies to become eligible for a Housing Development Incentives Grant. The DLG is required to update model land use codes for local governments. The bill transfers \$2.1 million from the General Fund and \$5.0 million from the Affordable Housing and Home Ownership Cash Fund to the Colorado Heritage Communities fund to support this grant program.
- The **Affordable Housing Guided Toolkit Program** is created in DOLA's Division of Housing (DOH) to provide funding and technical assistance to local governments that make changes to provide incentives and reduce barriers to the development of affordable housing. The bill transfers \$1.6 million from the General Fund to the Housing Development Grant Fund for this program.

DOLA must create rules for administering the three programs as well as an annual report on the use of assistance awarded. The DLB may use up to four percent and the DOH up to eight percent of the funds for administrative costs. The moneys transferred for the programs must be used by June 30, 2024.

The bill also updates and repeals obsolete statutory provisions concerning the Office of Smart Growth (OSG) and the Colorado Heritage Communities Grant Program within DOLA.

## Background and Assumptions

The DLG previously developed a now-outdated model land use code for local governments. The DOH has operated several toolkit programs and has developed an affordable housing guide for local officials. Expenditures for these bill requirements are estimated based on needs for these other resources.

It is assumed that all grants will be awarded in the first two fiscal years, with available Local Government Planning Grants awarded in FY 2021-22 so that interested local governments can do the work necessary to become eligible for Housing Development Incentives Grants, which are assumed to be awarded in FY 2022-23.

## State Transfers

The bill transfers a total of \$13.0 million from the General Fund and \$35.0 million in federal American Rescue Plan Act (ARPA) funding to two cash funds. In the current FY 2020-21, the bill transfers:

- \$11.4 million from the General Fund to the Colorado Heritage Communities Fund,
- \$1.6 million from the General Fund to the Housing Development Grant Fund, and
- \$35.0 million that originates from money the state received from federal ARPA funds from the Affordable Housing and Home Ownership Cash Fund to the Colorado Heritage Communities Fund.

## State Expenditures

Beginning in FY 2021-22, the bill increases expenditures in DOLA by a total of \$48.0 million. Expenditures are described below.

**Grant administration.** DOLA will incur administrative costs for three grant programs, including coordinating consultants, developing program policies, procedures, and guidelines, and grant management, monitoring, and accounting. The department may use up to four percent of the funds administered by DLG and up to eight percent of funds administered by DOH for administrative costs.

**Consultant.** DLG will hire a consulting team to develop model land use codes for local governments. DOH will hire a consultant to develop the content and training tools for the Housing Toolkit Program.

**Grant awards.** After accounting for administrative and other costs, it is estimated the bill will award a total of \$46.5 million in grants beginning in FY 2021-22

**Employee insurance and supplemental PERA.** The department will have additional personnel costs for employee insurance and supplemental employee retirement payments.

## Local Government

Local governments are eligible to apply for innovative housing strategies grants, which will increase revenue, expenditures, and workload for recipients.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except that section 24-32-3207 (6)(a)(I) and (6)(c)(I) in section 9 of this act requiring transfers from the Affordable Housing and Home Ownership Cash Fund take effect only if House Bill 21-1329 becomes law. In that case, those sections take effect upon the signature of the Governor or upon becoming law without his signature, or one day after the effective date of HB 21-1329, whichever is later. HB 21-1329 creates the Affordable Housing and Home Ownership Cash Fund.

## State Appropriations

In FY 2021-22, the bill includes appropriations totaling \$46.4 million and 2.6 FTE to the Department of Local Affairs. For FY 2021-22, this bill appropriates:

- \$39,300,000 from the Colorado Heritage Fund and 0.9 FTE to DOLA for the Housing Development Incentives Grant Program;
- \$17,100,000 from the Colorado Heritage Fund and 1.7 FTE to DOLA for the Local Government Planning Grant Program; and

An appropriation to DOLA from the Housing Development Grant Fund is not required as this fund is continuously appropriated.

## State and Local Government Contacts

Counties

Municipalities

Information Technology

Treasury

Local Affairs