

Initiative 108: Dedicate Revenue for Affordable Housing Programs

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

1 **Proposition ? proposes amending the Colorado statutes to:**

- 2 • set aside a portion of annual state income tax revenue for affordable housing
3 programs and exempt that money from the state’s revenue limit; and
4 • establish eligible uses for this money.

5 **What Your Vote Means**

YES

6 A “yes” vote on
7 Proposition ? sets aside

8 money for new affordable housing
9 programs and exempts this money from
10 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.

Summary and Analysis for Proposition ?

1 What does the measure do?

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

- 9 • grants to local governments and nonprofit organizations;
- 10 • assistance to develop affordable, multi-family rental housing;
- 11 • tenant-equity sharing in affordable housing projects;
- 12 • home ownership programs and down payment assistance;
- 13 • a program addressing homelessness through rental assistance and eviction
 14 defense; and
- 15 • local planning and zoning support.

16 The measure requires that this additional funding supplement, and not supplant,
 17 existing state funds spent on affordable housing.

18 What is affordable housing?

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

26 **Table 1**
 27 **Examples of Area Median Income in Colorado**

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.

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

1 **What is the state currently doing on affordable housing?**

2 The state partners with local communities to increase and preserve Colorado's
3 affordable housing stock, manage rental assistance vouchers, and address
4 homelessness. The DOLA serves households with varied income levels and
5 circumstances with grants and loans to provide developers, community
6 organizations, public housing authorities, and local governments with money to
7 acquire, modernize, and build housing and to assist buyers with down payments
8 for homes. The current budget for the department's affordable housing initiatives
9 is about \$200 million.

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

- 15 • emergency rental assistance;
- 16 • homeowner mortgage assistance;
- 17 • tax credits for developers;
- 18 • housing and infrastructure; and
- 19 • other housing solutions, such as manufactured homes.

20 **How do the programs created by Proposition ? work?**

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

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

1
2

**Table 2
Programs and Estimated Funding Created by Proposition ?**

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 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 certain organizations 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.		

3 **How does the measure affect TABOR refunds?**

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

11 In years where state revenue exceeds the TABOR limit, the measure reduces the
12 state obligation for refunds to taxpayers. In years where state revenue is
13 projected to be below the TABOR limit, the state legislature may reduce part of
14 the funding to the affordable housing programs to balance the state budget.

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>

1 Arguments For Proposition ?

- 2 1) The measure creates a sustainable source of funds to tackle housing issues
3 without raising taxes, and gives local communities the flexibility to respond to
4 their specific needs. The state and local governments are not doing enough
5 to keep Colorado affordable.
- 6 2) Colorado's housing prices make it too hard for many households to afford
7 rent or to buy their own home. The new programs help Coloradans
8 participate in the housing market now and in the future. As costs continue to
9 rise, the state needs to step in to correct the market.

10 Arguments Against Proposition ?

- 11 1) Many of these programs do not address the underlying causes of high
12 housing costs. Throwing money at the problem further distorts the market,
13 and the real beneficiaries will be landlords and housing developers. This is
14 neither the role of government nor the best use of public resources.
- 15 2) The state already provides resources to support affordable housing, including
16 over \$1 billion in federal stimulus funds allocated in recent years. Plus, the
17 new programs will be limited if local governments cannot or will not meet the
18 requirements. The measure is unnecessary and will reduce Coloradans'
19 future tax refunds.

20 Fiscal Impact for Proposition ?

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

26 **Transfers of state funds.** Proposition ? transfers an estimated \$145 million in the
27 2022-23 budget year and \$290 million in the 2023-24 budget year and later years.
28 These amounts are divided between programs in the Office of Economic
29 Development and International Trade, which receives 60 percent, and the
30 Department of Local Affairs, which receives 40 percent.

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

- 1 • **Office of Economic Development and International Trade.** Sixty percent of
2 total transfers are paid to the Affordable Housing Financing Fund, estimated at
3 \$87 million in the 2022-23 budget year and \$174 million in the 2023-24 budget
4 year. Money in the fund is spent for the land banking program, the affordable
5 housing equity program, and the concessionary debt program. A third party
6 administrator is allowed to keep 2 percent of funds for its administrative costs.
- 7 • **Department of Local Affairs.** Forty percent of total transfers are paid to the
8 Affordable Housing Support Fund, estimated at \$58 million in the 2022-23 budget
9 year and \$116 million in the 2023-24 budget year. Money in the fund is spent for
10 the affordable homeownership program, the homelessness program, and the
11 local capacity development program. The department is allowed to keep 5
12 percent of funds for its administrative costs.
- 13 **Taxpayer impacts.** Proposition ? will decrease the amount to be refunded to
14 taxpayers for years when state revenue is over the TABOR revenue limit. Based on
15 forecasts from June 2022, Proposition ? is expected to decrease refunds by \$145
16 million in tax year 2023 and \$290 million in tax year 2024. The impacts on taxpayers
17 depend on how this money would be refunded. Based on the number of income tax
18 returns for tax year 2018, Proposition ? is estimated to reduce refunds by \$43 per
19 taxpayer in tax year 2023 and \$86 per taxpayer in tax year 2024.