

# Joint Budget Committee



## Supplemental Budget Requests FY 2024-25

### Statewide

JBC Working Document - Subject to Change  
Staff Recommendation Does Not Represent Committee Decision

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# Overview of Request

Statewide supplemental request S-02 Middle-Income Housing Authority Funding has been submitted by the Office of Economic Development and International Trade (OEDIT) on behalf of the Middle-Income Housing Authority (MIHA) created in S.B. 22-232 (Creation of Colorado Workforce Housing Trust Authority). The request is for the JBC to sponsor legislation to transfer \$500,000 General Fund to MIHA to provide gap funding for MIHA to become self-sustaining.

## Prioritized Supplemental Requests

### Statewide S-02 Middle-Income Housing Authority Funding

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	\$500,000	\$500,000	\$0	\$0	\$0	0.0
Recommendation	\$0	\$0	\$0	\$0	\$0	0.0
Staff Recommendation Higher/-Lower than Request	\$-500,000	\$-500,000	\$0	\$0	\$0	0.0

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** **NO**  
[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff does not believe that “not introducing legislation in the prior legislative session” constitutes a technical error in the context of supplemental budget requests.

## Request

The Department requests that the JBC sponsor legislation to transfer \$500,000 General Fund to the Middle-Income Housing Authority (MIHA) for FY 2024-25 to provide gap funding to MIHA to support their effort to become self-sustaining.

## Recommendation

Staff recommends that the Committee deny the request on the basis that it does not meet supplemental criteria.

## Analysis

### What is the Middle-Income Housing Authority

The Middle-Income Housing Authority (MIHA) is a special purpose authority created in S.B. 22-232 (Creation Of Colorado Workforce Housing Trust Authority) to acquire, construct, rehabilitate, own, operate, and finance affordable rental housing projects for middle-income workforce housing.

The enacting legislation requires MIHA to “solicit and select housing project proposals from local governments, housing authorities, nonprofit organizations, and experienced real estate professionals as part of an initial pilot program, for an aggregate of up to 3,500 units.”<sup>1</sup>

That legislation also provided MIHA with \$1.0 million General Fund for startup administrative costs. OEDIT, on behalf of MIHA, is requesting an additional \$500,000 General Fund for startup administrative costs because MIHA expects that the initial \$1.0 million will be fully expended by the end of FY 2024-25. MIHA expects this \$500,000 to cover administrative expenses for three years.

Once MIHA is a more mature entity and has gained trust among the developer community in Colorado, it is expected that it will be self-sustaining through application fees, bond proceeds, and annual project fees.

**What happened**

In the FY 2024-25 budget cycle, the Governor included in his November 1<sup>st</sup> budget submission a \$1.0 million ARPA funds placeholder to be transferred to MIHA. JBC staff believes that there was an expectation that members of the General Assembly would sponsor legislation to transfer that amount to MIHA, but for reasons unknown to JBC staff, that legislation was never introduced. This supplemental has been labeled a technical error with the hope of now transferring \$500,000 General Fund to MIHA.

**Current Program Status**

As mentioned, MIHA expects to deplete the initial \$1.0 million by the end of FY 2024-25. The following table outlines how that \$1.0 million has been spent.

MIHA Annual Expenses			
Fiscal Year	Purpose	Expenses	Income
FY 2022-23	Consulting Fees	\$345,000	
	OEDIT Admin Costs	62,000	
	Legal Fees	49,000	
	Insurance	10,000	
	Bank fees, supplies, technology	2,115	
	Interest Income		
FY 2022-23 Subtotal		\$468,115	\$17,601
FY 2023-24	OEDIT Admin Costs	\$95,000	
	Legal Fees	68,000	
	Insurance	20,000	
	Audit Cost	19,000	
	Bank fees, supplies, technology	5,487	
	Interest Income		
FY 2023-24 Subtotal		\$207,487	\$15,935

<sup>1</sup> [S.B. 22-232 Fiscal Note](#)

MIHA Annual Expenses			
Fiscal Year	Purpose	Expenses	Income
FY 2024-25 (budgeted)	OEDIT Admin Costs	\$145,000	
	Consulting Fees	100,000	
	Legal Fees	60,000	
	Insurance	20,000	
	Audit Cost	19,000	
	Bank fees, supplies, technology	6,000	
	Interest Income		
FY 2024-25 Subtotal		\$350,000	\$10,000
3-year Total		\$1,025,602	\$1,043,536

There are two main reasons why MIHA is requesting additional administrative funding. The first is because of an assumption made when MIHA was created in S.B. 22-232. The second is simply because the entity is not yet mature or trusted enough to generate enough revenue to support itself.

JBC staff is under the impression that when MIHA was created in S.B. 22-232, the General Assembly made the decision to only provide \$1.0 million for startup costs with the expectation that MIHA would return to request more as needed. MIHA’s plan was to pursue funding through legislation in the 2024 session, but because that did not happen, they are pursuing additional funds through the budget process.

The second reason is that MIHA is not yet able to generate sufficient revenue to be self-sustaining. MIHA expects to generate revenue from application fees, bond proceeds, and annual project fees. However, few applications have been submitted, no bond sales have been completed, and no projects have been started. This is not for lack of trying. MIHA has faced difficult circumstances since its inception.

To start, MIHA was only provided \$1.0 million for startup costs – which it has been able to stretch for three years. Similar entities in other states have been established since MIHA came into being and have received far more to get off the ground. For example, in November 2024, Rhode Island established an entity very similar to MIHA and provided \$10.0 million in startup costs.<sup>2</sup> Similarly, in 2023 the City of Atlanta created the Atlanta Urban Development Corporation, which received \$1.0 million for its first year, and \$3.0 million for year two.<sup>3</sup>

Another factor that has been an obstacle for MIHA is the current interest rate environment. Shortly after its creation, interest rates rose to around 7.0%. MIHA cites this as the primary difficulty in attracting investors to purchase bonds. Basically, investors can get higher returns elsewhere than what MIHA can offer. MIHA expects that there will be a return of 5.0-6.0% on the first bond sale that it completes.

<sup>2</sup> <https://www.governing.com/policy/rhode-island-could-create-a-public-developer-to-address-housing-crisis>

<sup>3</sup> <https://www.huduser.gov/portal/pdredge/pdr-edge-trending-010725.html>

Despite strong headwinds, MIHA has been able to start the process on one bond sale. MIHA initially selected six projects, but for various reasons, five of those six have either dropped out or the process has stalled. The one project that is still underway is in Granby, and that is only because the developer was able to secure state and local funding to fill the gap between the MIHA bond and the development cost. MIHA is expecting that this bond will be valued at approximately \$14.0 million, which will provide MIHA \$50,000 one-time money from bond closing fees and \$28,000 per year for annual fees.

MIHA hopes that when it is a more mature entity and has gained the trust of developers, that it can sell \$100.0 million in bonds per year. This would provide approximately \$350,000 annual revenue for MIHA, which they believe would be sufficient to sustain the entity. Even this number will be difficult to achieve on a regular basis. MIHA states that last year California, which has a much more established entity doing this kind of work, sold \$150.0 million in bonds. Considering the size and population difference between the two states, it seems unlikely that MIHA will be able to reliably sell \$100.0 million in bonds annually.

### Implications of Not Funding MIHA

As mentioned, MIHA predicts that it will deplete its funds by the end of FY 2024-25, but it could happen sooner. Staff assumes that the reason for requesting funding through the supplemental process as opposed to asking other members of the General Assembly to sponsor legislation is that this process would get the funding to MIHA sooner than through the standard legislative process. This is presumably the desire because MIHA is unsure if its funds will actually last through the end of FY 2024-25.

Staff believes that there would be little harm to the day-to-day activities of MIHA if it experienced a brief disruption in funding as a result of having to wait until FY 2025-26 for these funds. However, potentially more significantly, staff believes that there would be great harm done to the reputation of and trust in MIHA among the developer community as a result of a disruption to the funding stream. If developers cannot trust that MIHA will remain operational, there is a negative incentive to invest in MIHA through bond purchases. This scenario is certainly not a guarantee, but if it were to happen, staff believes it would essentially be the end of MIHA.

MIHA has said that if it does not receive this funding, it will keep trying to work toward its goal, however at much reduced capacity. It would have to essentially survive without legal assistance in analyzing and writing contracts and it would continue to be reliant on the 1.0 FTE that it currently receives from OEDIT at no cost. Staff believes that if MIHA is not provided with funding, that it will likely become defunct within two to three years.

If the Committee values the work that MIHA is attempting to do and is comfortable funding it through the supplemental process, then staff would recommend sponsoring legislation to transfer \$500,000 to MIHA. While MIHA has asked for General Fund, staff believes that the funding could potentially come from Proposition 123 dollars, at least for FY 2024-25. The funding source could then be changed in the future if additional funding is required. Staff is not

certain that this would be an allowable use of Proposition 123 dollars under current law, however staff believes there is a clear link between Proposition 123 funds and MIHA.

Because of the comparatively limited resources that MIHA has been provided, staff believes that it is still truly trying to establish itself, and so it would be premature to judge it on what it has or hasn't been able to accomplish. Staff further believes that with sufficient funding, MIHA could eventually fulfill the goals set out for it in S.B. 22-232, but it could take several more years before that happens. In that context, staff is supportive of giving the program an opportunity to succeed. Staff's biggest concern is that this funding is being requested through the supplemental process, and staff does not believe this meets supplemental criteria.