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# Revised Fiscal Note

(replaces fiscal note dated April 23, 2021)

|                         |  |                        |   |
|-------------------------|--|------------------------|---|
| <b>Drafting Number:</b> | LLS 21-0901                            | <b>Date:</b>           | May 3, 2021   |
| <b>Prime Sponsors:</b>  | Rep. McCluskie; Jodeh<br>Sen. Gonzales | <b>Bill Status:</b>    | House Appropriations.   |
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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 FY 2021-22, the bill transfers \$13.0 million from the General Fund 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 an appropriation of \$11.4 million to the Department of Local Affairs.

**Fiscal Note Status:** This revised fiscal note reflects the bill as amended by the House Transportation and Local Government Committee.

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

|                     |                           | <b>Budget Year<br/>FY 2021-22</b> | <b>Out Year<br/>FY 2022-23</b> |
|---------------------|---------------------------|-----------------------------------|--------------------------------|
| <b>Revenue</b>      |                           | -                                 | -                              |
| <b>Expenditures</b> | Cash Funds                | \$3.1 million                     | \$9.8 million                  |
|                     | Centrally Appropriated    | \$56,848                          | \$63,236                       |
|                     | <b>Total Expenditures</b> | <b>\$3.1 million</b>              | <b>\$9.8 million</b>           |
|                     | <b>Total FTE</b>          | <b>3.6 FTE</b>                    | <b>4.1 FTE</b>                 |
| <b>Transfers</b>    | General Fund              | (\$13.0 million)                  | -                              |
|                     | Cash Funds                | \$13.0 million                    | -                              |
|                     | <b>Net Transfer</b>       | <b>\$0</b>                        | -                              |
| <b>TABOR Refund</b> | General Fund              | -                                 | -                              |

## 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 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 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 divisions administering the three programs may use up to eight percent of these 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 to two cash funds. On the effective date of the bill, or as soon as possible thereafter, the state treasurer is required to transfer \$11.4 million from the General Fund to the Colorado Heritage Communities Fund, and \$1.6 million from the General Fund to the Housing Development Grant Fund. This fiscal note assumes that state transfers occur in FY 2021-22.

**State Expenditures**

Beginning in FY 2021-22, the bill increases expenditures in DOLA by a total of \$13.0 million, including \$11.4 million from the Colorado Heritage Communities Fund, and \$1.6 million from the Housing Development Grant Fund. Expenditures are shown in Table 2 and described below. Actual fiscal year expenditures may vary from these estimates.

**Table 2  
 Expenditures Under HB 21-1271**

|   | FY 2021-22         | FY 2022-23         | FY 2023-24      |
|---|--------------------|--------------------|-----------------|
| <b>Department of Local Affairs</b>        |                    |                    |                 |
| Personal Services                         | \$230,412          | \$257,003          | \$54,114        |
| Operating Expenses                        | \$5,265            | \$5,535            | \$1,350         |
| Capital Outlay Costs                      | \$24,800           | -                  | -               |
| Travel                                    | \$6,032            | \$5,512            | \$312           |
| Consultant                                | \$750,000          | -                  | -               |
| Grants                                    | \$2,031,938        | \$9,492,747        | -               |
| Centrally Appropriated Costs <sup>1</sup> | \$56,848           | \$63,236           | \$14,896        |
| <b>Total Cost</b>                         | <b>\$3,105,295</b> | <b>\$9,824,033</b> | <b>\$70,672</b> |
| <b>Total FTE</b>                          | <b>3.6 FTE</b>     | <b>4.1 FTE</b>     | <b>1.0 FTE</b>  |

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

<sup>2</sup>

**Grant administration.** DOLA will incur administrative costs for the three grant programs, including for coordinating the work of consultants, developing program policies, procedures, and guidelines, and grant management, monitoring, and accounting. Administrative needs require 3.6 FTE in FY 2021-22, 4.1 FTE in 2022-23, and 1.0 FTE in FY 2023-24.

**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, the bill will award a total of \$11.5 million in grants, including \$2.0 million in FY 2021-22 and \$9.5 million in FY 2022-23. Planning grants of \$1.5 million and toolkit grants of \$0.5 million are expected to be awarded in FY 2021-22. Housing development grants of \$8.8 million and toolkit grants of \$0.7 million are expected to be awarded in FY 2022-23. DLG expects to provide planning and housing development grants for 10 to 20 local governments.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$56,848 in FY 2021-22, \$63,236 in FY 2022-23, and \$14,896 in FY 2023-24.

## 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.

## State Appropriations

In FY 2021-22, the bill includes appropriations totaling \$11.4 million and 5.0 FTE to the Department of Local Affairs. For FY 2021-22, this bill appropriates:

- \$9,300,000 from the Colorado Heritage Fund and 3.0 FTE to DOLA for the Housing Development Incentives Grant Program;
- \$2,100,000 from the Colorado Heritage Fund and 2.0 FTE to DOLA for the Local Government Planning Grant Program; and

The bill includes an appropriation of 5.0 FTE; the fiscal note estimates that only 3.6 FTE is needed for FY 2021-22. 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