A BILL FOR AN ACT

CONCERNING THE CREATION OF THE INNOVATIVE HOUSING INCENTIVE PROGRAM.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov.)

The bill creates the innovative housing incentive program (program) within the office of economic development (office). A business located in Colorado that manufactures certain types of housing may apply for funding through the program. Funding may be awarded through grants for capital operating expenses and for incentives for units manufactured based on criteria established by the office, such as affordability, location
where the unit is installed in the state, or meeting energy efficiency standards. Or, funding may be awarded through loans for the purpose of funding a manufacturing factory. The bill creates the innovative housing incentive program fund, requires a $40 million transfer to the fund, and continuously appropriates all money in the fund to the office to fund the program.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, add 24-48.5-132 as follows:

24-48.5-132. Innovative housing incentive program - report - legislative declaration - definitions. (1) The General Assembly finds and declares that:

(a) Colorado is experiencing a lack of affordable housing at critical levels. The state continues to attract new residents and jobs, but with this growth has come ever-increasing housing prices, placing unsustainable demands on our limited housing stock. These underlying issues have only been exacerbated by the COVID-19 pandemic.

(b) The General Assembly approved House Bill 21-1329, enacted in 2021, which directed the Executive Committee of the Legislative Council to create a task force to meet during the 2021 interim and issue a report with recommendations to the General Assembly and the Governor on policies to create transformative changes in the area of housing;

(c) By subsequent Executive Committee resolution, the Affordable Housing Transformational Task Force and Subpanel (Task Force), made up of legislators, executive branch members, and nonlegislative members including industry experts, was
FORMED TO PROVIDE FUNDING AND POLICY RECOMMENDATIONS TO:

(I) ADDRESS THE ISSUE OF AFFORDABLE HOUSING;

(II) ACHIEVE THE GOALS OUTLINED BY THE COMMITTEE THAT WERE DEVELOPED IN ACCORDANCE WITH SECTION 24-75-229 (6); AND

(III) SUPPORT COLORADANS AND THEIR HOUSING NEEDS; AND

(d) THE TASK FORCE RECOMMENDED THAT THE GENERAL ASSEMBLY CREATE A PROGRAM TO PROVIDE DIRECT FUNDING FOR INNOVATIVE HOUSING BUSINESSES THROUGH WORKING CAPITAL GRANTS, INCENTIVES FOR PER-UNIT DEVELOPMENT, AND LOANS FOR FACTORY DEVELOPMENT TO FURTHER GROW THE INNOVATIVE HOUSING INDUSTRY IN THE STATE AND CREATE JOBS IN THE INDUSTRY, TO INCREASE THE SUPPLY OF AFFORDABLE HOUSING UNITS IN THE STATE, AND TO LOWER THE COST OF AFFORDABLE HOUSING FOR LOCAL GOVERNMENTS AND ORGANIZATIONS.

(2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "COAL TRANSITION COMMUNITY" HAS THE SAME MEANING AS SET FORTH IN SECTION 8-83-502 (1).

(b) "DIVISION" MEANS THE DIVISION OF HOUSING CREATED IN SECTION 24-32-704.

(c) "FUND" MEANS THE INNOVATIVE HOUSING INCENTIVE PROGRAM FUND CREATED IN SUBSECTION (5) OF THIS SECTION.

(d) "INNOVATIVE HOUSING BUSINESS" MEANS A NEW OR EXISTING BUSINESS IN COLORADO WITH FIVE HUNDRED OR FEWER EMPLOYEES THAT EITHER:

(I) MANUFACTURES ONE OR MORE OF THE FOLLOWING:

(A) MODULAR HOUSING;
(B) PREFABRICATED PANELIZED CONSTRUCTION;
(C) 3D-PRINTED HOUSING;
(D) KIT HOMES INSTALLED ON FOUNDATIONS; OR
(E) HOUSING MANUFACTURED IN COMPLIANCE WITH THE "NATIONAL MANUFACTURED HOUSING CONSTRUCTION AND SAFETY STANDARDS ACT OF 1974", AS DEFINED IN SECTION 24-32-3302 AS THE "FEDERAL ACT", AND INSTALLED ON FOUNDATIONS; OR
(II) MANUFACTURES HOUSING IN ANY OTHER MANNER THAT THE OFFICE DETERMINES TO BE INNOVATIVE AND ELIGIBLE FOR FUNDING.
(e) "Office" means the Colorado Office of Economic Development created in Section 24-48.5-101.
(f) "Program" means the Innovative Housing Incentive Program created in Subsection (3) of this section.
(3) (a) There is created within the office the Innovative Housing Incentive Program to support innovative housing businesses through funding from grants and loans and the growth of affordable housing. The office shall use the money specified in Subsection (5) of this section for the purposes set forth in Subsections (3)(b) and (4) of this section, in addition to any related administrative expenses.
(b) In addition to the provisions set forth in Subsection (4) of this section, the office shall establish a process for innovative housing businesses to apply for a grant or a loan under the program, including application deadlines, the information and documentation required to be submitted to the office to demonstrate eligibility for a grant or a loan, and any other requirements determined by the director of the office to

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be necessary. The Office shall consult with the Division, industry experts, and stakeholders to establish the process outlined in this subsection (3)(b). The Office may contract with one or more third parties to administer the program.

(4) (a) The Office may award grants for working capital operating expenses on a basis of no more than twenty percent of demonstrated operating capital expenditures and in an amount not less than fifty thousand dollars; except that, for an innovative housing business located in a coal transition community the amount shall be not less than seventy-five thousand dollars. Grants awarded for working capital operating expenses may be used for working capital operating expenses including, but not limited to, payroll, inventory, or materials.

(b)(I) Except as otherwise provided in subsection (4)(b)(III) of this section, the Office may award grants for performance-based, per-unit incentives for units manufactured by an innovative housing business and installed in Colorado. Grants for performance-based, per-unit incentives may be used directly by the innovative housing business or may be passed on to any supply chain participant as a reduced cost or benefit for that participant.

(II) The Office shall establish the incentives for which a unit manufactured by an innovative housing business may qualify, which may vary, and may include as consideration for a base incentive different levels of affordability to the end user, with additional cumulative incentives for installation in
COVID-19-IMPACTED AREAS OF THE STATE AS IDENTIFIED BY THE OFFICE,
RESILIENCY CRITERIA, COMPLIANCE WITH INTERNATIONAL ENERGY
CONSERVATION CODE REQUIREMENTS, OR ENERGY EFFICIENCY SUCH AS
PRE-WIRING FOR SOLAR IMPROVEMENTS, HOME ENERGY RATING SYSTEM
SCORE OF FIFTY OR LESS, AND NEAR NET-ZERO ENERGY EFFICIENCY. THE
OFFICE, IN CONSULTATION WITH THE DIVISION, INDUSTRY EXPERTS, AND
OTHER STAKEHOLDERS, MAY DETERMINE OTHER OPPORTUNITIES FOR
ADDITIONAL INCENTIVES.

(III) AN INNOVATIVE HOUSING BUSINESS IS NOT ELIGIBLE TO
RECEIVE ANY GRANT FOR PERFORMANCE-BASED, PER-UNIT INCENTIVES SET
FORTH IN THIS SUBSECTION (4)(b) FOR UNITS INSTALLED IN A MOBILE
HOME PARK, AS DEFINED IN SECTION 38-12-201.5 (6), THAT IS OWNED BY
A FOR-PROFIT ENTITY OR FOR-PROFIT INDIVIDUALS.

(c) (I) THE OFFICE MAY AWARD LOANS TO FUND A PRIVATELY
OWNED HOUSING FACTORY LOCATED IN THE STATE BY AN INNOVATIVE
HOUSING BUSINESS THAT PRODUCES A PERCENTAGE OF AFFORDABLE
HOUSING UNITS THAT ARE INSTALLED IN THE STATE. THE OFFICE MAY
ESTABLISH LOANS, OR A PORTION OF LOANS, AWARDED THROUGH THE
PROGRAM AS REVOLVING LOANS.

(II) IN CONSULTATION WITH THE DIVISION, THE OFFICE SHALL:
(A) ESTABLISH A FAIR AND RIGOROUS OPEN COMPETITION PROCESS
AMONG ELIGIBLE APPLICANTS TO AWARD LOANS; AND
(B) REVIEW LOAN APPLICATIONS AND THE APPROVAL OF LOAN
AWARDS, WHICH MAY INCLUDE NEGOTIATIONS WITH AN APPLICANT.

(III) PARAMETERS AND ELIGIBILITY TO BE considered FOR A
LOAN UNDER THE PROGRAM MAY INCLUDE, BUT ARE NOT LIMITED TO:
(A) AN APPLICANT'S WILLINGNESS TO DEDICATE A PORTION OF ITS
PRODUCTION FOR PURCHASE BY NONPROFIT OR PUBLIC HOUSING AGENCIES
AT A REDUCED MARGIN;

(B) AN APPLICANT’S OPERATIONAL CAPABILITY AND FINANCIAL
VIABILITY AND SUSTAINABILITY;

(C) THE LEVEL OF SUBSIDY REQUIRED BY THE APPLICANT IN THE
INTEREST RATE STRUCTURE, THE DEGREE TO WHICH THE LOAN IS
FORGIVABLE, POSITION IN THE CAPITAL STACK, OR OTHER TERMS OF THE
LOAN;

(D) AN APPLICANT’S COMMITMENT TO PRODUCTION OF
AFFORDABLE HOUSING UNITS WITHIN THE PROPOSED FACTORY;

(E) THE ECONOMIC IMPACT OF THE PROPOSED FACTORY IN THE
COMMUNITY WHERE IT WILL BE LOCATED, INCLUDING JOB CREATION; OR

(F) AN APPLICANT’S COMMITMENT TO PRODUCTION OF ENERGY
EFFICIENT UNITS WITHIN THE PROPOSED FACTORY.

(IV) THE OFFICE MAY CONTRACT WITH A THIRD-PARTY ENTITY,
such as the COLORADO HOUSING AND FINANCE AUTHORITY CREATED IN
SECTION 29-4-704 (1), TO ADMINISTER PROGRAM LOANS. IF THE OFFICE
CONTRACTS WITH THE COLORADO HOUSING AND FINANCE AUTHORITY, THE
OFFICE MAY DO SO WITHOUT A COMPETITIVE PROCUREMENT PROCESS.

LOAN TERMS AND AGREEMENTS SHALL BE SET BY THE THIRD-PARTY
ENTITY IN ACCORDANCE WITH THE TERMS AGREED TO IN THE LOAN
APPLICATION REVIEW AND NEGOTIATION PROCESS.

(5) (a) THE INNOVATIVE HOUSING INCENTIVE PROGRAM FUND IS
HEREBY CREATED IN THE STATE TREASURY. THE FUND CONSISTS OF
MONEY TRANSFERRED TO THE FUND IN ACCORDANCE WITH SUBSECTION
(5)(e) OF THIS SECTION, ANY OTHER MONEY THAT THE GENERAL ASSEMBLY
APPROPRIATES OR TRANSFERS TO THE FUND, AND ANY GIFTS, GRANTS, OR
DONATIONS CREDITED TO THE FUND PURSUANT TO SUBSECTION (5)(b) OF
THIS SECTION.

(b) The office may seek, accept, and expend gifts, grants, or
donations from private or public sources for the purposes of
this section. The office shall transmit all money received
through gifts, grants, or donations to the state treasurer, who
shall credit the money to the fund.

(c) The state treasurer shall credit all interest and
income derived from the deposit and investment of money in the
fund to the fund.

(d) Money in the fund is continuously appropriated to the
office for purposes specified in this section. The office may
expend up to two percent of the money transferred to the fund
pursuant to subsection (5)(e) of this section on an annual basis
to pay for its direct and indirect costs in implementing and
administering this section.

(e) On July 1, 2022, the state treasurer shall transfer
forty million dollars to the fund.

(f) (a) On or before September 1, 2022, and on or before
September 1 of each year thereafter, innovative housing
businesses participating in the program shall provide an annual
report to the office. The report shall include:

(I) The number of units the innovative housing business
built in the year;

(II) The number of units built by the innovative housing
business and installed in the state;

(III) The number of net new jobs in the state created by the
INNOVATIVE HOUSING BUSINESS; AND

(IV) ANY OTHER INFORMATION REQUIRED OR REQUESTED BY THE OFFICE.

(b) ON OR BEFORE NOVEMBER 1, 2022, AND ON OR BEFORE NOVEMBER 1 OF EACH YEAR THEREAFTER, THE OFFICE SHALL SUBMIT A REPORT DETAILING THE EXPENDITURE OF MONEY FROM THE FUND TO THE GENERAL ASSEMBLY. AT A MINIMUM, THE REPORT MUST INCLUDE INFORMATION FOR THE PAST FISCAL YEAR CONCERNING:

(I) THE NUMBER OF INNOVATIVE HOUSING BUSINESSES APPLYING TO THE PROGRAM;

(II) THE PERCENTAGE OF APPLICANTS FUNDED AND AVERAGE RATE OF FUNDING UNDER THE PROGRAM, INCLUDING DETAIL ON WHAT TYPE OF HOUSING THE INNOVATIVE HOUSING BUSINESSES THAT RECEIVE FUNDING MANUFACTURE; AND

(III) THE GEOGRAPHIC DISTRIBUTION OF THE APPLICANTS FOR AND RECIPIENTS OF GRANTS AND LOANS.

(c) NOTWITHSTANDING THE REQUIREMENT IN SECTION 24-1-136(1)(a)(I), THE REQUIREMENT TO SUBMIT THE REPORTS REQUIRED IN THIS SUBSECTION (6) CONTINUES INDEFINITELY.

SECTION 2. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, or safety.