A BILL FOR AN ACT

CONCERNING THE CREATION OF A REVOLVING LOAN FUND WITHIN THE
DIVISION OF HOUSING IN THE DEPARTMENT OF LOCAL AFFAIRS
TO MAKE INVESTMENTS IN TRANSFORMATIONAL AFFORDABLE
HOUSING, AND, IN CONNECTION THEREWITH, MAKING AN
APPROPRIATION.

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 transformational affordable housing revolving loan fund program (loan program) in the division of housing (division) in
the department of local affairs (department) as a revolving loan program in accordance with the requirements of the bill and the policies established by the division. The loan program provides flexible, low-interest, and below-market rate loan funding to assist eligible recipients in completing the eligible loan projects identified in the bill.

The division may administer the loan program or, if it determines that it would be more efficient and effective to contract out full or partial administration of the program, the division may enter into a contract with a third-party entity to administer the loan program.

The division is required to establish and publicize policies for the loan program. The bill specifies factors the division is encouraged to consider in evaluating loan applications.

The transformational affordable housing revolving loan fund (fund) is created in the state treasury and the bill specifies requirements pertaining to the administration of the fund.

The bill requires a transfer of a specified sum of money to the fund.

The division is required to report on the activities of the loan program as part of the regular annual public report prepared by the division on affordable housing spending undertaken by the state.

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

SECTION 1. Legislative declaration. (1) The general assembly hereby finds and declares that:

(a) Though it has been exacerbated by the COVID-19 pandemic, the housing crisis that Colorado faces is not new. For decades, the lack of affordable housing has upended the lives of thousands who face homelessness in the Denver metropolitan area and across the state, shuttered Colorado businesses, hindered working-class employment because of a lack of workforce housing, and exacerbated inequities, including for communities of color, immigrant or mixed-status households, low-wage earners, older adults, people with disabilities, and others living on fixed incomes.

(b) Currently, Colorado requires approximately 225,000 affordable for-sale and rental homes to address the state's housing crisis.
and the Colorado housing and finance authority reports that nearly half of all Colorado renters pay at least thirty percent of their income on housing, with an additional twenty-four percent paying fifty percent or more of their income on housing;

(c) The average home price in the state increased 130% from 2011 to 2021. Statewide, the median home price increased an additional 7% from January to February 2022, and the median price is now $555,540, a 90% increase over March 2021. The townhome and condominium market also reached a new pricing level in February 2022, and the median price of such units now stands at $402,390, which is an increase of 17% from February 2021. Six out of 10 Colorado households are unable to afford the average priced home.

(d) In House Bill 21-1329, enacted in 2021, the general assembly created the affordable housing transformational task force, referred to in this section as the "task force", to recommend transformational policies to Colorado's housing sector that will produce immediate, sweeping, and long-lasting change. The impetus of the task force brought together the legislative and executive branches of state government, as well as a diverse group of stakeholders made up of affordable housing practitioners and experts, to tackle the affordable housing crisis and determine which investments would make the biggest impact. The sixteen-member task force was made up of a bipartisan group of ten members of the general assembly, five agency directors, and the executive director of the Colorado housing and finance authority. A fifteen-member subpanel of diverse affordable housing experts was also appointed to advise the task force. The task force and subpanel undertook a deliberative, iterative, and transparent process. Ultimately the task force came to a near unanimous
consensus on its funding recommendations and allocations, as well as a broad agreement on several policy concepts.

(e) The recommendations made by the task force will not solve Colorado's affordable housing crisis completely but will be a transformational step forward in achieving that objective. Once implemented at the local level across the state, these policies will make significant strides in increasing access to flexible capital sources, fostering innovation, strengthening the social safety net, enhancing market stability, and ultimately promoting more broad and equitable home ownership and rental housing opportunities for Coloradans in every corner of the state. These investments will result in more affordable housing being built across the state and will maintain existing affordable housing stock that is at risk of becoming unsafe or unaffordable. The recommendations made by the task force will help reduce disparities and address homelessness. They will help many Coloradans purchase homes that were previously out of financial reach, which will help build intergenerational wealth across the state.

(f) The task force also identified an equitable funding distribution to effectively address the disproportionate impacts from COVID-19;

(g) The revolving loan program created by this act will provide individuals and households across the state critical financial support with more flexible loan criteria not regularly offered by traditional financial institutions, thereby assisting Coloradans in obtaining necessary access to capital;

(h) A revolving loan fund ensures that these funds are evergreen and recycled many times across multiple generations, thereby assisting the provision of affordable housing for all Coloradans far into the future; and
(i) By providing eligible recipients who face barriers in establishing borrower relationships with traditional lenders access to capital, and by engaging in concerted outreach and education concerning the availability of this program, a revolving loan program can provide financial support to unserved or underserved populations.

(2) The general assembly intends to address the affordable housing crisis in Colorado, in part, by creating a revolving loan fund to provide flexible, low-interest, and below-market rate funding that will support increases in new housing developments, the preservation and rehabilitation of existing home stock, property conversions, and nontraditional housing capacity in diverse geographic communities where the economic impact of COVID-19 has significantly affected housing affordability and availability. The funds provided by the revolving loan fund are intended to support the development of new affordable housing units and the purchase of existing affordable housing units, either rental housing or for-sale homes, including mixed-income developments, and the purchase of land or buildings for future development within a defined timeline. In addition, funding to maintain existing affordable housing through projects that incorporate permanent supportive housing is intended to compliment tangential legislative efforts and aims to support individuals experiencing homelessness, victims of domestic violence or sexual assault, and individuals living with disabilities. Supporting the recommendations of the task force, the general assembly intends that interest rates on loans made available under this section be below-market rates and not exceed those necessary to meaningfully advance affordable housing development or the preservation of existing affordable housing stock in local communities across the state. Further, money should be
made available to local and regional groups, governments, and community partners to be used for a variety of more specific affordable housing needs across the state as specified in this section.

SECTION 2. In Colorado Revised Statutes, add 24-32-726 as follows:

24-32-726. Revolving loan fund - eligible projects - report - definitions - legislative declaration. (1) Definitions. As used in this section, unless the context otherwise requires:

(a) "Administrator" means a third-party entity or entities that the Division contracts with to administer all or any part of the loan program pursuant to subsection (2)(b) of this section.

(b) "Community partner" means a nonprofit organization that undertakes any of the activities or services described in subsection (3) of this section.

(c) "Department" means the Department of Local Affairs.

(d) "Eligible recipient" means a local government, a for-profit developer, a community partner, or a political subdivision of the state that applies for a loan through the loan program.

(e) "Fund" means the transformational affordable housing revolving loan fund created in subsection (9)(a) of this section.

(f) "Loan program" means the transformational affordable housing revolving loan fund program created in subsection (2)(a) of this section.

(g) "Local government" means a county, municipality, city
AND COUNTY, TRIBAL GOVERNMENT, SPECIAL DISTRICT ORGANIZED UNDER
TITLE 32, SCHOOL DISTRICT, DISTRICT, OR A HOUSING AUTHORITY CREATED
UNDER PART 2 OF ARTICLE 4 OF TITLE 29.

(2) **Creation of loan program - administration.** (a) The
TRANFORMATIONAL AFFORDABLE HOUSING REVOLVING LOAN FUND
PROGRAM IS HEREBY CREATED IN THE DIVISION AS A REVOLVING LOAN
PROGRAM IN ACCORDANCE WITH THE REQUIREMENTS OF THIS SECTION AND
THE POLICIES ESTABLISHED BY THE DIVISION PURSUANT TO SUBSECTION (5)
OF THIS SECTION. THE LOAN PROGRAM IS ESTABLISHED TO PROVIDE
FLEXIBLE, LOW-INTEREST, AND BELOW-MARKET RATE LOAN FUNDING TO
ASSIST ELIGIBLE RECIPIENTS IN COMPLETING THE ELIGIBLE LOAN PROJECTS
IDENTIFIED IN SUBSECTION (3) OF THIS SECTION.

(b) The division may administer the loan program or, if it
determines that it would be more efficient and effective to
contract out full or partial administration of the program, it
may enter into a contract with a business nonprofit
organization, bank, nondepository community development
financial institution, business development corporation,
nonprofit organization that administers gap financing,
construction, or mortgage loan programs, or other entity as
determined by the division to administer the loan program in
whole or in part. If the division contracts with an entity or
entities to administer the program, the division shall use an open
and competitive process to select the entity or entities. A
contract with an administrator may include an administration
fee established by the division at an amount reasonably
CALCULATED TO COVER THE ONGOING ADMINISTRATIVE COSTS OF THE
DIVISION IN OVERSEEING THE LOAN PROGRAM. THE DIVISION MAY
ADVANCE MONEY TO AN ENTITY UNDER A CONTRACT IN PREPARATION IN
THE FORM OF A GRANT OR PAYMENT FOR ISSUING LOANS AND
ADMINISTERING THE LOAN PROGRAM.

(c) The Division may work with the Colorado Housing and
Finance Authority, created in Section 29-4-704 (1), to assist in
offering loans under the Loan Program.

(d) Any loan made under the Loan Program by the State,
any department, division, or agency of the State, or any
administrator to a district, as defined in Section 20 (2)(b) of
Article X of the State Constitution, must either be approved by
the voters of the district in accordance with Section 20 (4)(b) of
Article X of the State Constitution or be structured so that it
is not a multiple-fiscal year direct or indirect district debt or
other financial obligation whatsoever that requires voter
approval under Section 20 (4)(b) of Article X of the State
Constitution.

(3) **Eligible loan projects.** In order to receive loan funding
under the Loan Program, the project for which the loan
applicant seeks loan funding must do one or more of the
following:

(a) Develop and integrate housing-related infrastructure
to offset construction and predevelopment costs;

(b) Provide gap financing for housing development,
including transactions under the Federal Low-Income Tax Credit
defined in Section 39-22-2101 (7) and the Affordable Housing Tax
credit created in section 39-22-2102 (1). For purposes of this subsection (3)(b), gap financing includes financing mechanisms that allow persons seeking affordable housing to purchase existing affordable housing, multi-family structures, land, and buildings, particularly in communities where efforts have been made to encourage affordable housing development or in communities in which low concentrations of affordable housing exist.

(c) increase the supply of new affordable for-sale housing stock by providing funding to assist with the cost of construction, including but not limited to costs associated with construction costs, land acquisition, tap fees, building permits, or impact fees.

(d) maintain existing affordable housing through funding for the preservation and restoration of affordable housing stock through rehabilitation, retrofitting, renovation, capital improvements, and repair of current affordable housing stock, including housing made available under 42 U.S.C. sec. 1437f and affordable housing for populations and households disproportionately impacted by the COVID-19 pandemic with commitments for long-term affordability. The uses covered by this subsection (3)(d) must include investments in one or more of the following:

(I) senior housing;

(II) the purchase of and the remediation of low-quality or condemned properties;

(III) housing units, integrated into nonsegregated
HOUSING DEVELOPMENTS, SPECIFICALLY DESIGNED FOR PEOPLE LIVING
WITH DISABILITIES;

(IV) WEATHERIZATION AND ENERGY IMPROVEMENTS TO
MULTI-FAMILY AND SINGE-FAMILY RESIDENTS TO MAINTAIN AND IMPROVE
THE QUALITY OF AFFORDABLE HOMES AND RENTAL UNITS;

(V) THE PURCHASE AND TRANSITION OF CURRENT HOUSING STOCK
INTO AFFORDABLE HOUSING, INCLUDING PROPERTIES CURRENTLY IN USE
ON A SHORT-TERM RENTAL BASIS;

(VI) PROGRAMS OR INITIATIVES TO ENSURE THAT EXISTING
HOUSING REMAINS AFFORDABLE FOR LOCAL WORKFORCE OR COMMUNITY
HOUSEHOLDS;

(VII) LAND ACQUISITION FOR AFFORDABLE HOUSING;

(VIII) PROPERTY CONVERSION AND ADAPTIVE REUSE; OR

(IX) PERMANENT SUPPORTIVE HOUSING.

(e) FINANCE ENERGY IMPROVEMENTS IN AFFORDABLE HOUSING,
WHICH WILL PROVIDE FUNDING FOR INCREMENTAL UP-FRONT COSTS FOR
EFFICIENT, ELECTRIC MEASURES, AND RENEWABLE ENERGY SYSTEMS FOR
BOTH EXISTING BUILDINGS AND NEW HOUSING CONSTRUCTION.

(f) CREATE PERMANENTLY OR LONG-TERM AFFORDABLE
HOMEOWNERSHIP OPPORTUNITIES.

(4) Loan program goals. (a) THE LOAN PROGRAM MUST BE
ADMINISTERED WITH A GOAL OF GENERATING ENOUGH RETURN ON LOANS
MADE UNDER THE LOAN PROGRAM TO REPLENISH THE LOAN PROGRAM FOR
FUTURE LOAN ALLOCATIONS.

(b) ALL LOANS FINANCED THROUGH THE LOAN PROGRAM MUST
OFFER FLEXIBLE TERMS AND LOW-INTEREST AND BELOW-MARKET RATES.

(5) Loan program policies. THE DIVISION OR THE
ADMINISTRATOR, AS APPLICABLE, SHALL ESTABLISH AND PUBLICIZE POLICIES FOR THE LOAN PROGRAM. AT A MINIMUM, THE POLICIES MUST ADDRESS:

(a) The process and deadlines for applying for and receiving a loan under the loan program, including the information and documentation required for a loan application;

(b) Eligibility criteria for individuals or entities applying for a loan under the loan program;

(c) The maximum assistance levels for loans;

(d) Loan terms, including interest rates and repayment terms;

(e) Reporting requirements for loan recipients;

(f) Loan program fees, including the application fee, origination fee, and closing cost policies;

(g) Underwriting and risk management policies;

(h) The amount of any application or origination fees and closing cost policies;

(i) The means by which eligible recipients who face barriers in establishing borrower relationships with traditional lenders will be informed of the loan program and encouraged to apply for a loan financed through the loan program; and

(j) Any additional requirements that the division deems necessary to administer the loan program.

(6) Prioritization criteria. (a) The general assembly hereby encourages the division, to the extent practicable, in reviewing loan applications, to consider prioritizing applications for projects that:
(I) Increase the supply of housing in communities across the state in proportion to each community’s demonstrated housing needs through:

(A) A preference for mixed-income projects in which a percentage of units, proportional to the demonstrated housing needs of the local community, within a particular development have restricted availability to households at and below the income levels specified in subsection (6)(b)(I) of this section. The percentage of restricted units and affordability levels must comply with laws enacted by local governments promoting the development of new affordable housing units pursuant to section 29-20-104 (1).

(B) Developments in which housing units are restricted at income levels demonstrated by local community needs as specified in subsection (6)(b)(I) of this section;

(II) Are located in or serve communities that:

(A) Face barriers to accessing capital from traditional sources;

(B) Have suffered significant negative financial or other impacts resulting from the COVID-19 pandemic; or

(C) Are otherwise underserved;

(III) Align with other state economic development efforts;

(IV) Create permanently affordable home ownership opportunities;

(V) Ensure the long-term affordability of any development or projects funded by the loan program;
(VI) Include units that are restricted for rental usage to persons with disabilities or that include universal design features that allow individuals to reside in their dwelling units as they age; or

(VII) Are highly energy efficient or use high-efficiency electric equipment for space and water heating. The division may consult with the Colorado energy office created in section 24-38.5-101 (1) to develop criteria for meeting the objectives described in this subsection (6)(a)(VII).

(b) (I) The rental and home ownership targets applicable to local communities across the state as required by subsection (6)(a)(I) of this section are specified in this subsection (6)(b)(I) in accordance with the following:

(A) For a household residing in housing on a rental basis, annual income of the household is at or below one hundred twenty percent of the area median income of households of that size in the county in which the housing is located;

(B) For a household residing in housing on a home-ownership basis, annual income of the household is at or below one hundred twenty percent of the area median income of households of that size in the county in which the housing is located;

(C) For a household residing in housing on a rental basis in rural resort counties, annual income of the household is at or below one hundred forty percent of the area median income of households of that size in the county in which the housing is located; and
(D) For a household residing in housing on a homeownership basis in rural resort counties, annual income of the household is at or below one hundred sixty percent of the area median income of households of that size in the county in which the housing is located.

(II) An applicant seeking funding for a particular development, project, or program that is funded by the loan program may, at any time, request that the division grant the applicant an exception to the area median income levels specified in subsection (6)(b)(I) of this section based upon demonstrated unique economic and housing costs attributes in the local community in which the development, project, or program is located.

(c) (I) Not later than September 1, 2022, the Division of Housing, created in section 24-32-704 (1), shall classify each county in the state as "urban", "rural", or "rural resort" as used in subsection (6)(b)(I) of this section based upon the definitions of the terms as specified in the final report of the Colorado Strategic Housing Working Group Final Report, dated July 6, 2021. The Division of Housing shall regularly update and publish modifications of the initial classification of a particular county as it receives or produces information documenting changes in local economic circumstances and housing cost factors materially affecting such classifications.

(II) Notwithstanding subsection (6)(c)(I) of this section, any county may request from the Division of Housing:

(A) A determination that a different income restriction

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SHOULD APPLY TO THAT COUNTY FROM THE ONE MADE APPLICABLE TO THE
COUNTY IN ACCORDANCE WITH SUBSECTION (6)(c)(I) OF THIS SECTION
BASED UPON THE UNIQUE ECONOMIC AND HOUSING COST FACTORS
PRESENT IN THE COUNTY. NOT LATER THAN SEPTEMBER 1, 2022, THE
DIVISION OF HOUSING SHALL PUBLISH ANY SUCH MODIFIED INCOME
RESTRICTIONS AND THE BASIS FOR ANY MODIFICATION APPROVED.

(B) AT ANY TIME, A RECLASSIFICATION OF THE COUNTY FROM THE
CATEGORY IN WHICH THE COUNTY IS INITIALLY CLASSIFIED PURSUANT TO
SUBSECTION (6)(c)(I) OF THIS SECTION BASED UPON THE UNIQUE
ECONOMIC AND HOUSING COST FACTORS PRESENT IN THE COUNTY.

(d) To the extent practicable, the Division and the
Administrator, as applicable, shall support innovative funding
mechanisms that allow money to revolve quickly to ensure the
rapid reuse of money for ongoing projects.

(7) Publicizing the loan program. The Division shall work
with the Minority Business Office created in Section 24-49.5-102,
small business development centers, community development
financial institutions, and stakeholder partners to promote the
program to eligible recipients who primarily serve communities
that are underserved or disadvantaged, including eligible
recipients located in rural counties. On or before December 1,
2022, the Division shall develop and administer a marketing
initiative for the program in coordination with the Minority
Business Office created in Section 24-49.5-102, the Small Business
Assistance Center created in Section 24-48.5-102, local chambers
of commerce, and other local and regional economic
development entities to promote the program to eligible
RECIPIENTS AND TARGET COMMUNITIES. THE MARKETING INITIATIVE SHALL BE CONDUCTED IN THE TOP SPOKEN LANGUAGES IN THOSE COMMUNITIES.

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

(b) The division may expend, deploy, or leverage money received from federal government programs that support loans and investments for one or more of the eligible projects specified in subsection (3) of this section to make loans under the loan program or to otherwise market, promote, or support loans under the program, if allowed under federal law.

(9) Transformational affordable housing revolving loan fund - transfer of money to fund - payment of administrative costs - appropriation. (a) The transformational affordable housing revolving loan fund is hereby created in the state treasury. The fund consists of money transferred to the fund in accordance with subsection (9)(d) 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 (8)(a) of this section.

(b) The state treasurer shall credit all interest and income derived from the deposit and investment of money in the fund to the fund.
(c) Money in the fund is continuously appropriated to the department for the purposes specified in this section. The department may expend up to five percent of the money appropriated or transferred into, or repaid from, the fund on an annual basis to pay for its direct and indirect costs in administering this section.

(d) On July 1, 2022, the state treasurer shall transfer one hundred fifty million dollars from the affordable housing and home ownership cash fund created in section 24-75-229 (3)(a) that originates from the general fund, to the fund. The division shall use the money transferred pursuant to this subsection (9)(d) only for:

(I) Making loans to eligible recipients pursuant to the loan program; and

(II) The costs of administering the loan program as may be incurred by the division or the administrator, as applicable, in accordance with subsection (9)(c) of this section. All such administrative costs must be paid out of the money either transferred to the fund pursuant to this subsection (9)(d) or that is appropriated to the fund.

(10) Reporting. In connection with the public report the division prepares in accordance with section 24-32-705.5 (1), the division shall include in the report information summarizing the use of all of the money that was provided as a loan from the loan program in the preceding state fiscal year. At a minimum, the information included in the report pertaining to the loan program must specify the number of eligible recipients that
APPLIED FOR A LOAN, THE NUMBER OF ELIGIBLE RECIPIENTS THAT WERE
NOT AWARDED A LOAN, THE AMOUNT OF LOAN MONEY DISTRIBUTED TO
EACH LOAN RECIPIENT, A DESCRIPTION OF EACH LOAN RECIPIENT'S USE OF
THE LOAN MONEY, THE USE OF LOAN MONEY ALONG THE HOUSING AND
INCOME SPECTRUMS, THE AMOUNT OF TIME FROM COMPLETION OF A LOAN
APPLICATION THROUGH THE FUNDING OF A LOAN, RECOMMENDATIONS
CONCERNING FUTURE ADMINISTRATION OF THE LOAN PROGRAM, AND HOW
THE USE OF THE LOAN FURTHERED THE VISION OF TRANSFORMATIONAL
AFFORDABLE HOUSING DESCRIBED IN THE FINAL REPORT OF THE TASK
FORCE ESTABLISHED IN SECTION 24-75-229 (6)(a). THE DIVISION SHALL
ALSO INCLUDE IN THE REPORT ITS RECOMMENDATIONS CONCERNING
FUTURE ADMINISTRATION OF THE LOAN PROGRAM.

SECTION 3. In Colorado Revised Statutes, 24-32-705, amend
(7) as follows:

24-32-705. Functions of division. (7) The division shall administer:
(a) The affordable housing guided toolkit and local officials guide
program in accordance with section 24-32-721.5;
(b) The transformational affordable housing revolving
loan fund program created in section 24-32-726 (2)(a), unless the
division elects to contract out full or partial administration of
the loan program pursuant to section 24-32-726 (2)(b).

SECTION 4. In Colorado Revised Statutes, 24-32-705.5, add
(3.5) as follows:

24-32-705.5. Annual public report on funding of affordable
housing preservation and production - definition. (3.5) For the
public report required by subsection (1) of this section, the
DIVISION MUST INCLUDE, ON AN ANNUAL BASIS, THE INFORMATION REQUIRED TO BE INCLUDED IN ACCORDANCE WITH SECTION 24-32-726 (10).

SECTION 5. Appropriation. (1) For the 2022-23 state fiscal year, $379,081 is appropriated to the office of the governor for use by the office of information technology. This appropriation is from reappropriated funds received from the department of local affairs from the transformational affordable housing revolving loan fund created in section 24-32-726 (9)(a), C.R.S., that originate from the general fund, and is based on an assumption that the office of information technology will require an additional 4.3 FTE. To implement this act, the office may use this appropriation to provide information technology services for the department of local affairs.

SECTION 6. 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.