



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated April 28, 2022)

Drafting Number:	LLS 22-0966	Date:	May 6, 2022
Prime Sponsors:	Sen. Bridges; Moreno Rep. Herod	Bill Status:	House Introduction
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Bill Topic: CREATION OF MIDDLE INCOME HOUSING AUTHORITY

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Statutory Public Entity

The bill creates the Middle Income Housing Authority as an independent special purpose authority for promoting affordable rental housing projects for middle-income workforce housing. The bill creates a new statutory public entity, increases state expenditures, and may reduce state and local government revenue and increase local government expenditures.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$6,000,000 to the Office of the State Treasurer.

Fiscal Note Status: The fiscal note reflects the reengrossed bill.

**Table 1
State Fiscal Impacts Under SB 22-232**

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	\$6.1 million	\$100,000
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$0.9 million	\$15,000

Summary of Legislation

The bill creates the Middle Income Housing Authority (the authority) as an independent statutory public entity to acquire, construct, rehabilitate, own, operate, and finance affordable rental housing projects for the middle-income workforce. The authority will be governed by an thirteen-member board of directors, which includes the director of the Office of Economic Development and International Trade and the director of the Division of Housing in the Department of Local Affairs. The board must hold its first meeting by September 1, 2022 and solicit project proposals by October 1, 2022.

The authority has the power to:

- issue bonds payable solely from revenues from affordable rental housing projects and with no recourse to the state;
- enter into public-private partnerships and to contract with experienced real estate professionals to develop and operate affordable rental housing projects;
- employ its own personnel or contract with public or private entities for services to conduct its activities;
- provide assistance to tenants in its rental housing to transition to home ownership; and
- establish one or more controlled entities to carry out its activities.

All income and assets, including real property and bonds, are exempt from state and local income, property, and sales and use taxes. The authority is required to conduct an annual audit and to submit quarterly operating and fiscal reports to the governor, the state auditor, and the General Assembly.

The bill requires the authority 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. The bill specifies prioritization criteria for selecting projects, including income levels for middle-income individuals and families in urban, rural, and rural resort counties. At least 80 percent of projects must be new build construction projects. The Division of Housing in the Department of Local Affairs (DOLA) is required to classify each county in the state as “urban,” “rural,” or “rural resort” by September 1, 2022. The authority must notify local governments of proposed projects in their jurisdictions, and those projects are subject to local government veto. The authority must present a report to the General Assembly on the pilot project once information on its outcomes is available.

On July 1, 2022, the State Treasurer is required to issue a warrant to the authority paid from the General Fund in the amount of \$6.0 million.

State Revenue

The bill may reduce state revenue from income, sales, and use tax. This revenue impact will depend on actions taken by the authority and cannot be estimated.

State Expenditures

The bill increases state expenditures by \$6.1 million in FY 2022-23 and by about \$100,000 in FY 2023-24 and future years. These impacts are described below.

Department of the Treasury. The bill increases General Fund expenditures by \$6.0 million in FY 2022-23 to the Office of the State Treasurer for distribution to the authority.

Department of Local Affairs. DOLA will costs of about \$100,000 per year to complete and update county classifications. Assuming Senate Bill 22-159 is enacted, no appropriation is required in this bill for this work. See Technical Note.

Governor's Office. Workload in the Governor's Office to appoint board members will increase. This increase can be accommodated with existing resources.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, which will decrease the amount of General Fund available for other purposes.

Local Government

Local governments may submit proposals for affordable housing projects for consideration by the authority, which will require an increase in administrative and project-related expenditures and workload. The bill may increase workload to service new projects and reduce revenue to local governments from property or sales taxation for income or assets of the authority. Any change to property tax revenue will affect the local share of total program funding for school finance. This revenue impact will depend on actions taken by the authority and cannot be estimated.

Statutory Public Entity

This bill creates a new statutory public entity, the Middle Income Housing Authority, which will be administered by an appointed board. The \$6.0 million will be credited to the authority from the State Treasurer and used to fund the authority. The authority will also receive funding from the issuance of affordable housing bonds, and the ownership of affordable housing properties and other assets.

Technical Note

Senate Bill 22-159 contains a similar provision as this bill requiring DOLA to create and regularly update a classification system for counties. This cost is estimated at about \$100,000 per year starting in FY 2022-23. Funding for this work should be appropriated in one, but not both, of these bills. Assuming SB 22-159 is enacted, no appropriation is required in this bill. However, if SB 22-159 is not enacted, this bill will require an appropriation of \$100,000 General Fund to DOLA for this work.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2022-23, the bill includes an appropriation of \$6,000,000 from the General Fund to the Office of the State Treasurer.

State and Local Government Contacts

Counties	Governor
Information Technology	Local Affairs
Municipalities	Office of Economic Development and International Trade
Personnel	Revenue
Treasury	