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Fiscal Note

Drafting Number:	LLS 24-0151	Date:	March 22, 2024
Prime Sponsors:	Sen. Kirkmeyer; Zenzinger Rep. Bird	Bill Status:	Senate Local Govt. & Housing
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Bill Topic: **SUSTAINABLE AFFORDABLE HOUSING ASSISTANCE**

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

The bill requires that the state and local governments conduct comprehensive housing need assessments and master planning to increase the availability of residential housing. The Department of Local Affairs must provide technical assistance and grant funding to local governments; work with the Department of Natural Resources to produce a joint water supply study; and work with various state and local agencies to publish a natural land and agricultural report evaluating connectivity to open space, wildlife habitat, and other priority landscapes. The bill increases state and local expenditures beginning FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires appropriations of \$3.4 million to two state agencies. See State Appropriations section.

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

Table 1
State Fiscal Impacts Under SB 24-174

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures	Housing Tech Assist Cash Fund	\$7,326,173	\$7,324,483
	CWCB Construction Cash Fund	\$2,842,697	-
	Centrally Appropriated	\$173,827	\$175,517
	Total Expenditures	\$10,342,697	\$7,500,000
	Total FTE	9.1 FTE	9.2 FTE
Transfers	General Fund	(\$15,000,000)	-
	Housing Tech Assist Cash Fund	\$15,000,000	-
	Net Transfer	\$0	-
Other Budget Impacts		-	-

Summary of Legislation

The bill requires that the Department of Local Affairs (DOLA) develop methodologies and conduct various housing needs assessments and action plans, and provide grants and technical assistance to assist local governments to conduct housing needs assessments and action plans.

Housing needs assessments. By December 31, 2024, DOLA must develop methodologies for conducting statewide, regional, and local housing needs assessments, and methodologies to identify areas at an elevated risk of displacement. The bill specifies minimum methods to be included in the needs assessment and the displacement risk assessment.

By December 31, 2026, local governments with a population of at least 1,000 residents must conduct and publish a local housing needs assessment that conforms to the methodologies developed by DOLA, consider the assessment at a public hearing, and submit the assessment to DOLA. The department must post the assessment on its website. The bill identifies certain exemptions to these requirements.

By November 30, 2027, DOLA must conduct an analysis and publish a report analyzing existing and future statewide housing needs. By January 1, 2027, DOLA must produce future population growth projections used in estimating displacement risk, and provide information to and assist local governments in calculating these localized population growth estimates. The state housing assessment report and population growth projections must recur every six years.

Directory of housing, land use, and displacement mitigation strategies. By December 31, 2024, DOLA must publish a directory of housing and land use strategies to guide local governments in adopting policies that encourage the development of housing types, and increasing housing affordability at different income levels. The bill specifies the minimum strategies that must be included in the directory. DOLA must also publish and regularly update a directory of strategies to guide local governments in avoiding, reducing, or mitigating displacement.

Water supply joint report. By June 30, 2025, DOLA and the Colorado Water Conservation Board (CWCB) in the Department of Natural Resources must prepare a joint report that conforms to the Colorado Water Plan, and includes an assessment of the availability and sufficiency of water supplies to provide for anticipated population growth and projected development.

Natural land and agriculture opportunities report. By December 31, 2025, DOLA, in consultation with Colorado Parks and Wildlife, the Outdoor Recreation Industry Office, and the Colorado Tourism Office, must publish a natural land and agricultural inter-jurisdictional report that includes opportunities for local governments and Metropolitan Planning Organizations to achieve connectivity to open space, wildlife habitat, and other priority landscapes.

Local government housing action plans. By January 1, 2028, and every six years thereafter, local governments with populations of at least 1,000 must create a housing action plan as an advisory document, demonstrating the local government's commitment to address housing needs, and guiding the local government in developing a housing action plan. The bill specifies the minimum contents of local action plans, which must include at least one displacement mitigation strategy. Within 60 days of approval of the plan by a governing body, the plan must be submitted to DOLA for posting on the web.

Technical assistance. The bill requires that DOLA provide local governments various forms of technical assistance, materials, briefings, consulting services, templates, tools, trainings, webinars, and other guidance to assist with housing needs assessments, housing action plans, and enacting ordinance that encourage a range of development of housing types and displacement mitigation strategies. DOLA must provide funding to local governments through either a grant program, the provision of consulting services, or both. Beginning January 1, 2025, and biennially thereafter, DOLA must report on the assistance provided to local governments, whether adequate state funding is available, and recommend if other resources are required to assist local governments to increase the availability of housing.

DOLA may employ one staff person dedicated to provide educational resources and assistance to a county that includes water conservation policies in the water elements of county master plans, and one staff person dedicated to provide assistance to municipalities that include water conservation policies in the water elements of municipal master plans.

Cash fund and transfer. The bill creates the Housing Needs Planning Technical Assistance Cash Fund. For FY 2024-25, the bill transfers \$15 million from the General Fund to the assistance fund. Money in the fund is continuously appropriated to DOLA to implement the bill and provide technical assistance and grant funding to local governments.

Prioritization criteria of grant programs. Beginning December 1, 2027, state grant programs administer by DOLA, the Colorado Energy Office, the Office of Economic Development and International Trade, the Department of Natural Resources, the Colorado Department of Public Health and Environment, and the Department of Personnel and Administration must include prioritization criteria that consider whether the local government applying for grants for land use planning or housing is in full compliance with this bill's assessment and planning requirements.

Municipal, county, and regional master planning. When adopting or amending a master plan after January 1, 2026, municipalities, counties and regional planning commissions must consider incorporating information from the state housing needs assessment, the joint water supply report, the natural land and agricultural report, the Colorado Water Plan, and any other relevant information. The bill identifies multiple new elements that must be included when adopting or amending a master plan, including a water supply element, a strategic growth element, a buildable site analysis, and an identification of areas near transit that can accommodate housing development. A county or regional planning commission must submit the master plan and any separately approved water supply element or strategic growth element to DOLA. The department must review master plans and may provide comments to the governing body.

Homeowners associations. The bill prohibits a homeowners’ association (HOA) from restricting construction of accessory dwelling units or middle housing if the zoning laws of the local jurisdiction would otherwise allow such uses on private property. Middle housing refers to residential structures that include between two and four separate dwelling units in a structure.

State Transfers

On July 1, 2024, the bill transfers \$15.0 million from the General Fund to the Housing Needs Planning Technical Assistance Fund.

State Expenditures

The bill increases state expenditures in the DOLA by about \$7.5 million in both FY 2024-25 and FY 2025-26, paid from the Housing Needs Planning Technical Assistance Cash Fund. State expenditures increase for the CWCB in the DNR by about \$2.8 million in FY 2024-25 only, paid from the CWCB Construction Cash Fund. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under SB 24-174**

	FY 2024-25	FY 2025-26
Department of Local Affairs		
Personal Services	\$712,027	\$717,499
Operating Expenses	\$11,648	\$11,776
Capital Outlay Costs	\$60,030	-
Travel	\$8,640	\$8,640
Local Government Planning Portal – OIT	\$583,864	\$85,389
Water Supply Joint Report	\$30,000	-
Natural Land and Agriculture Opportunities	\$200,000	-
Affordability and Displacement Mitigation	\$300,000	-
Data Set Purchases	\$10,000	-
Grants and Technical Assistance	\$5,409,964	\$6,501,179
Centrally Appropriated Costs	\$173,827	\$175,517
FTE – Personal Services	9.1 FTE	9.2 FTE
DOLA Subtotal	\$7,500,000	\$7,500,000

**Table 2
 Expenditures Under SB 24-174 (Cont.)**

Department of Natural Resources			
Project Management	\$136,243		-
Methodology Development and Review	\$219,501		-
Technical Support – Approach and	\$1,121,501		-
Technical Support – Stakeholder	\$1,134,356		-
Report Development	\$202,262		-
Publications	\$28,834		-
DNR Subtotal	\$2,842,697		-
Total	\$10,342,697		\$7,500,000
Total FTE	9.1 FTE		9.2 FTE

Department of Local Affairs. The bill creates several new requirements for DOLA to create housing assessment and planning methodologies and reports, operate a grant program, and provide technical assistance to local governments to plan for increased housing development.

- **Staffing.** New requirements are estimated to increase staff by about 9 FTE beginning FY 2024-25. Staff includes a grant program manager, program assistant, compliance specialists, project coordinators, marketing and communications specialists, and a contracting and accounting professional. Personal services include standard operating and capital outlay costs, as well as mileage reimbursement costs. Staff are assumed to start in July, except for the contracting and accounting staff who will start in September.
- **Local government planning portal.** The Office of Information Technology (OIT) will create a web-based, externally facing portal and dashboard to receive and post reports and planning documents from local governments. After an initial build of the tool in FY 2024-25, ongoing maintenance is estimated in FY 2025-26 and ongoing.
- **Joint water supply report.** Costs increase to assist the CWCB to complete the joint water supply report, including developing data sharing agreements and accessing technical support from vendors and institutions of higher education.
- **Natural land and agriculture opportunities report.** Consultant services and internal staff must coordinate with various stakeholders and state agencies to gather and review state and local plans and develop an inter-jurisdictional report. Estimates for this component are based on similar reports conducted in the past, and adjusted for the anticipated depth of engagement, increased data collection, and longer timeline.

- **Affordability and displacement mitigation strategies.** DOLA will engage outside contractors with technical expertise to assist department staff with producing the directory of affordability strategies and displacement mitigation strategies. Estimates for the directories of strategies is based on a similar directory and affordability tool completed for Salt Lake City, Utah.
- **Purchase of data sets.** The State Demography Office and other sources of statistical data will be engaged to assemble the correct datasets to support the needs assessment and planning process of the department and local governments.
- **Grants and other technical assistance.** After all administrative costs, the program will have approximately \$5.4 million in FY 2024-25 and about \$6.5 million in FY 2025-26 for grants and other direct assistance to local governments.

Department of Natural Resources. The bill increases costs in the DNR for the CWCB to jointly prepare a water supply report, and for staff time in Colorado Parks and Wildlife (CPW) to work with DOLA and other agency partners to create the natural land and agriculture inter-jurisdictional opportunities report. Costs for the DNR are primarily contracted services and vendors for the CWCB. Department staff support for both CWCB and CPW is assumed absorbable within existing resources; however, if capacity is insufficient the department will seek additional FTE in the annual budget process.

- **Contracted project management.** The DNR will contract for a project manager to coordinate the water supply study and the natural land and agriculture opportunities report.
- **Methodology development and review and contracted technical support.** Contracted services and technical support are required for the CWCB to produce the necessary water report. This cost is estimated based on similar efforts and technical updates to the state water plan in 2019. Contracted services include developing correct assumptions and assembling datasets, stakeholder engagement, and outreach.
- **Report generation.** DNR will have costs for developing report specifications, formatting, design, and publication.

Local Government

The bill increases local government expenditures to participate in regional housing needs assessments and to complete housing needs assessments and action plans. Housing needs assessments vary in cost and are assumed to range between \$100,000 and \$150,000 per community. Additional costs, including staff time and other local resources, will be required when local governments update master plans to include a water sufficiency element and a strategic growth element, and to submit all plans to state agencies for review and comment. Some of these costs will be offset by technical assistance and grants provided by DOLA.

Effective Date

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

State Appropriations

The Housing Needs Planning Technical Assistance Cash Fund is continuously appropriated to the Department of Local Affairs.

For FY 2024-25, the bill requires the following appropriations:

- \$2,842,697 from the CWCB Construction Fund to the Department of Natural Resources; and
- \$583,864 in reappropriated funds from the Housing Needs Planning Technical Assistance Cash Fund to the Governor’s Office of Information Technology.

State and Local Government Contacts

Counties	Governor	Local Affairs
Municipalities	Natural Resources	Economic Development
Personnel	Transportation	

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).