

POLICY BRIEF - HB22-1304: State Grants Investments Local Affordable Housing

Sponsors: Representatives Roberts & Bradfield | Senators Gonzales & Coleman

Concerning: State grants for investments in affordable housing at the local level, and, in connection therewith, creating the local investments in transformational affordable housing grant program and the infrastructure and strong communities grant program to invest in infill infrastructure projects that support affordable housing.

Funding: \$178M total [\$150M Affordable Housing and Home Ownership Cash Fund | \$28M GF]

Creation of the Transformational Affordable Housing Grant Program [\$150 million]

Purpose: To provide grants to eligible recipients to make investments in their communities or regions of the state in transformational affordable housing.

Establishing authority & Administrator: Division of Housing

Eligible recipients: Nonprofits and local governments that can offer matching funds or resources

Eligible grant projects: Must do one or more of the following:

- a) **Develop & integrate infrastructure** tied to an affordable housing development, including funding for capital construction and the cost of infrastructure design
- b) **Provide gap financing for housing development projects**, including affordable housing construction and development transactions under the Colorado Affordable Housing and the Federal Low-Income Housing tax credits, as well as purchase or conversion of existing affordable housing and multi-family developments, land, and buildings
- c) **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. Must also include an investment in one or more of the following:
 - Senior housing
 - Remediation of low-quality and condemned properties
 - Housing specifically designed for people living with disabilities
 - Financing energy improvements
 - Purchase and transition of current housing stock into affordable housing, including short term rentals
 - Time-limited rental assistance for households disproportionately impacted by COVID or who need rapid rehousing
- d) **Property conversion for transitional or long-term housing**
- e) **Permanent supportive housing and supportive services**
- f) **Land banking and land trust strategies** for long-term affordable housing planning and development
- g) **Funding for eviction legal defense**

Prioritization criteria:

To the extent practicable, DoH shall give preference to applications for projects that promote one or more of the following goals and objectives:

- Increase the supply of housing that is:
 - Restricted at income levels demanded by the local workforce
 - Transit-oriented
 - Restricted to persons with disabilities
 - Leverage capital and operating subsidies from various public and private sources
 - Involve the purchase of real property needed to secure land for future development
 - Represent a one-time funding proposal with minimal or no multi-year financial obligations
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Creation of the Infrastructure & Strong Communities Grant Program [\$28 million]

Purpose: To award infrastructure grants to local governments designed to incentivize them to develop affordable housing within sustainable development patterns, improving the viability of infill development opportunities and achieving the goals of:

- Keeping long term local government infrastructure maintenance costs efficient,
- Reducing transportation costs for residents, locating affordable housing near jobs,
- Supporting downtown business health, and decreasing GHG emissions overall.

The program will also develop educational materials which will be available to all local governments. The grant funds will invest in infill infrastructure projects to support affordable housing outcomes.

Establishing authority & administrator: Division of Local Government

Eligible recipients: Local governments

Eligible grant projects: Planning, infrastructure, and local capacity efforts that would facilitate the development of affordable housing.

Multi-agency Group:

Division of Local Government + CO Energy Office + Department of Transportation + local governments must develop a list of sustainable land use best practices that address one or more of the following, but are not limited to:

- Allowing accessory dwelling units as a use by right in residential districts;
- Removing or liberalizing occupancy restrictions;
- Allowing multiplexes as a use by right in residential zone districts, providing density bonuses;
- Removing minimum parking requirements for affordable housing development along transit corridors or in downtowns;
- Relaxed occupancy rules;
- Intergovernmental agreements that coordinate future development;
- Budgeting policies;
- Hazard risk reduction and mitigation standards;
- Energy efficient building codes;
- Other best practices identified in the bill or by the multi-agency group.

Prioritization Criteria:

The grant criteria will incentivize applicants to remove policy barriers that impact the development of affordable housing (especially infill), and will award communities who have implemented land use best practices with grant funding for infrastructure to support infill affordable housing development.

L001 to HB22-1304 Explainer

Summary: HB22-1304 is the culmination of nearly 9 months of stakeholder work between the beginning of the Affordable Housing Transformational Task Force up until now. This amendment reflects further stakeholder work post-introduction that has sought to get every interested party into a good spot. The amendment includes a significant rewrite of the AMI eligibilities and funding distribution of projects after a thorough and successful working group of stakeholders put their heads together to forge a deal; a refined emphasis on homeownership and wealth building; more inclusive language for those with disabilities, seniors and survivors of domestic violence and sexual assault; increased ARPA compliance, including reporting requirements and technical clean ups to the second grant program, which is called Strong Communities, to ensure its efficacy.

Specifically:

Page 1 Lines 1-7

- Includes language from OLLS on lines 2-3 that enhance the bill's compliance under ARPA
- Specifies that regional councils of government and regional planning commissions are eligible entities
- Strikes the definition of affordable housing and mixed-income development in lieu of the compromise and framework agreed to by stakeholders, more on that below.

Page 1 Lines 10-16:

- Make it explicitly clear that the development of for-sale affordable housing stock is an allowable use of the grant program and
- Modify language around housing for persons with disabilities after consulting with experts in this field

Page 1 Lines 17-25 on to Page 2, Lines 1-5

- Technical clean up for grammatical purposes.

Page 2 Lines 7-28

- This is part of the big agreement that local government groups and housing advocates came to surrounding eligibility around AMI. The agreement that was forged includes a preference for mixed-income projects that incorporate the AMI levels prescribed later on in the amendment to ensure these AMI levels are built towards in projects
- More language clarifying the intent for persons with disabilities and seniors
- An inclusion of housing for survivors of domestic violence or sexual assault in the preferences section.

Page 2 Lines 29-35

- Further clarify that DOLA will, in part, prioritize projects that built intergenerational wealth, which means for-sale housing and;
- Clarifies that DOLA will prioritize projects that promote long-term affordability for residents.

Page 3 and onto Page 4, lines 1-5:

- This is the meat of the agreement forged by our stakeholders, it specifies that
 - For rental housing, the AMIs allowable include up to 80% for urban areas, up to 140% for rural areas and up to 170% for rural resort areas as classified by the strategic housing working group. This acknowledges the diverse and varying needs across our state and that the grant will work to serve those unique needs owing to local workforces and economies.
 - For affordable, for-sale housing, up to 140% AMI.
 - Specifies that the initial definitions of a county are from the Strategic Housing Working Group Report from July 2021, and that a county may appeal its designation before DOLA, who shall develop an appeals and reclassification process.

Page 3 Lines 8-37

- These provisions further reflect the stakeholding work that was conducted by:
 - Specifying once again the importance of for-sale affordable housing and gives DOLA the discretion to layer different grants with this grant to achieve that purpose.
 - Allocating 50% of the \$150 million for rural areas and 50% for urban areas through the end of 2023. This is to give our rural communities a strong chance at being awarded grants while ensuring that the money can be spent on time per ARPA guidelines by allowing the remainder of the funds to go to any geographic location beginning Jan. 1, 2024.
 - It also specifies reporting requirements roughly halfway through the life of this program and a process by which subsidy amounts for projects may be waived in light of market forces and other conditions.

Lastly, Pages 4 and 5:

- Clarify once again reporting requirements for grant recipients for both grant programs.
- Clean up some language in the second grant program, Strong Communities, to ensure engineering analysis is included as an eligible expense, that the administrative procedures adopted by DOLA foster affordable housing development and that eligible local governments may use funds to finance infrastructure improvements.
- Ensures cross collaboration between DOLA, CEO, and CDOT for the Strong Communities program through a multi-agency group.