

Lindsay

SB25-006

INVESTMENT AUTHORITY OF STATE TREASURER FOR AFFORDABLE HOUSING



SUMMARY

This bill enables the State Treasurer to invest in bonds issued by quasi-governmental agencies in the State of Colorado at below-market returns for financing the construction of **affordable for-sale housing**. This financing mechanism will facilitate increased development. Affordable housing, and affordable home ownership specifically, is a key driver of economic growth that benefits individuals, families, businesses, and communities alike.

This is intended to be a pilot to prove success.



DRIVING IT HOME PILOT PROGRAM

By providing low interest construction financing to developers with permanent or long-term resale restrictions, this tool decreases the total development cost. At the time of sale to a qualified buyer, the construction loan will convert to a 30-year conventional loan with a below market interest rate designed to serve low- and moderate-income homebuyers. Together, these two loans – made with the same capital – **offer the buyer 33% more in purchasing power.**



IMPACT

- **Every \$1 invested in Driving It Home replaces \$2 of the subsidy required.**
- Incentivizes using tools to preserve community affordability over time, such as community land trusts, shared equity, and deed restrictions
- **Increases a buyer's purchasing power**
- Creates reliability in project planning by stabilizing volatile market forces, de-risking development and sales
- Stabilizes local workforce by reducing transience and spurring the local economy
- Encourages growth in the housing continuum, freeing up rental units and creating household wealth



**Senator Roberts
Representatives Rutinel and Bradford**

RESULTS

Pilot Program

\$50 million will **finance homeownership for 175-200 low- and moderate-income homebuyers**, and will create long-term affordability serving thousands of households over generations. This tool will launch as a \$40 million nonprofit bond issuance providing a limited return to its investors, paired with \$10 million in zero interest capital through the State of Colorado to blend **the rate to the borrower of approximately 3.5%.**

Construction and acquisition loans will be underwritten and originated through Colorado Housing and Finance Authority (CHFA), while homebuyer mortgages will be underwritten and originated through CHFA's network of lender partners and nonprofit lenders. With expanded investment from the private sector, **the fund will become the driving force behind homeownership access and ensure equity of opportunity for all Coloradans.**

Mortgage Structure

Mortgage financing will be available to qualifying households under 140% AMI purchasing homes with long-term affordability restrictions.

Fiscal Impact

There is \$0 general fund impact. It is anticipated that returns to the economy will be greater than the lost revenue to the state's portfolio investment returns. A \$50 million initial investment is less than 1% of the State's total investment portfolio.



SUPPORTERS

- Colorado Housing and Finance Authority
- Colorado Association of Realtors
- Colorado Mortgage Lenders Association
- Denver Metro Chamber of Commerce
- Gary Community Ventures
- Colorado Springs Chamber & EDC
- New Era Colorado
- Urban Land Conservancy

