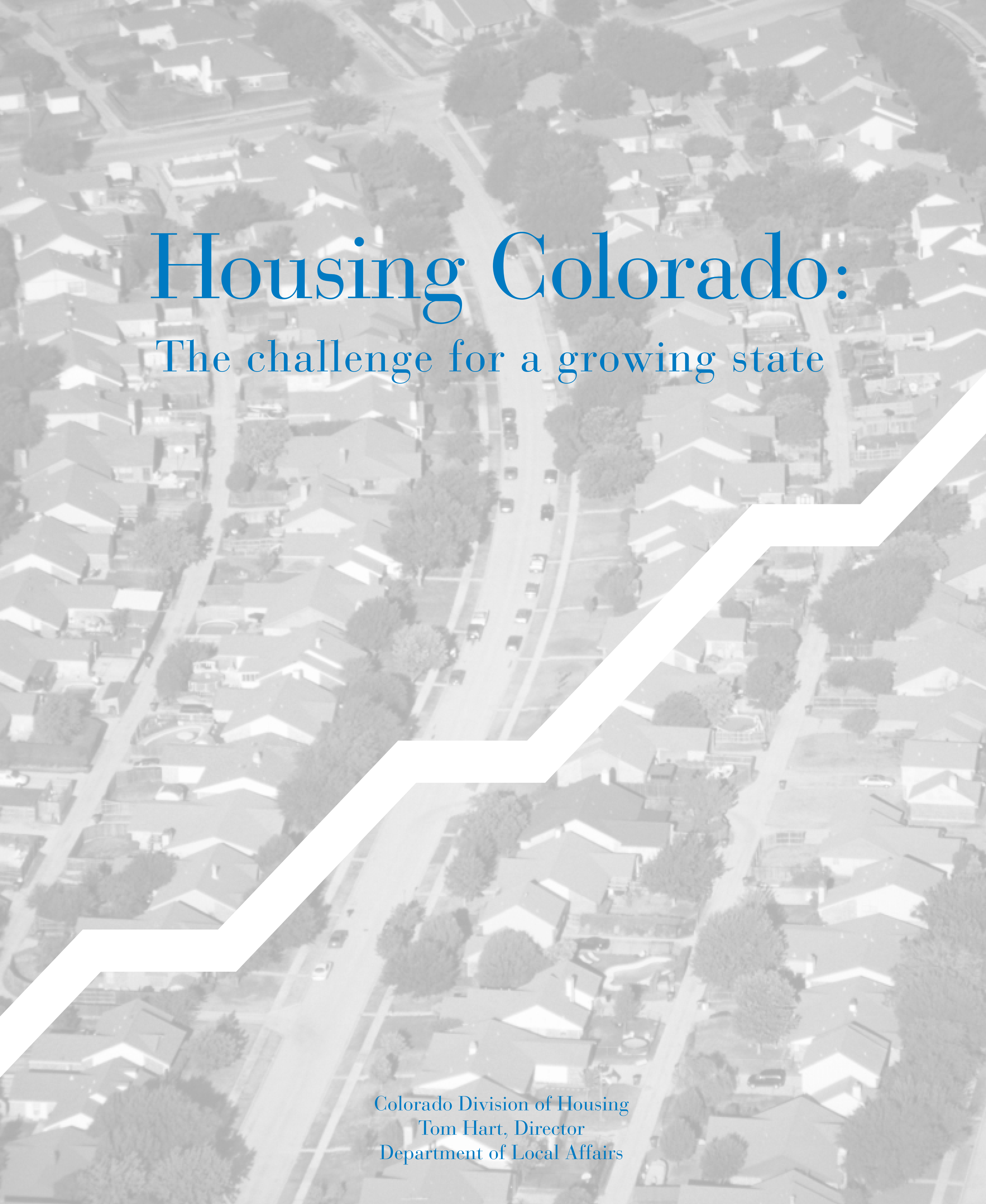
Housing Colorado:

The challenge for a growing state



Colorado Division of Housing
Tom Hart, Director
Department of Local Affairs


BELDAME APARTMENTS
1804

Colorado's Historical Challenge

If current economic forecasts are correct, Colorado will continue its economic expansion, bringing an estimated 65,900 jobs to the state in the upcoming year. For some newcomers to the state, this continued growth and expansion might appear normal. However, dating back to the gold rush days in the 1800s, the state's economy has been subject to radical swings from boom to bust in a matter of years. The current economy is more diverse, and thus less likely to be altered by a downturn in one or two sectors.

These economic cycles have created disequilibrium in the housing market. During boom times, developers churn out new homes, demanding new infrastructure and land to meet the need of incoming residents. When the bust hits, the nomadic workforce exits the state in search of better opportunities. These workers leave behind devalued homes and withering yards.

This fast pace of growth has placed extreme stress on many of Colorado's communities. Local planning departments are overwhelmed with development permit requests, local businesses struggle to fill vacant positions, communities fight to preserve open space, and workers search in vain for affordable housing. While some citizens have taken matters into their own hands by using the referendum process to limit growth, others lack a cohesive voice to demand changes.

Policymakers struggle to craft reasonable solutions to these daunting problems. The Colorado General Assembly passed several bills concerning affordable housing in the 1999–2000 session, and provided an additional $2.0 million in funding for the Division of Housing in the prior session. Support for funding and policies aimed at relieving the burden created by the lack of affordable housing have never been greater.

Unfortunately the barriers to solving these housing problems have also never been greater. Affordable housing developers have great difficulty finding available and affordable land to build new products; many planned communities have covenants or other design restrictions that prohibit building homes of a modest size. The experiences of the past have shown policymakers that isolating people with modest incomes exacerbates problems of poverty.

Many communities have learned that by excluding modest housing from overall city development plans, local business struggle to find workers to fill vacant positions. This is particularly true in many mountain communities where service workers, teachers, firefighters and government workers cannot afford to stay due to the lack of affordable housing.

The general solution to problems is simple to state, but difficult to implement: support community efforts to build and remodel a variety of housing types. The Division of Housing has been instrumental in helping local governments analyze the economics of their individual housing markets, providing funding for a range of housing development (including homes for the very low income earning less than 30 percent of the area median income), and training affordable housing developers in all aspects of the development process including design, finance and construction.

To create a successful statewide policy solution to affordable housing problems, three important questions must be answered:

1. What is the Affordable Housing Need in Colorado?
2. What affordable housing has been produced with available federal, state and local resources?
3. What impact have these programs had on meeting the needs of Colorado's low-income citizens?

These questions must be answered in order for the state to set a benchmark for housing development in the upcoming 2000–2001 legislative session. The Division of Housing will quantify the housing need and measure current production against overall need to determine if the state is improving opportunities for affordable housing. Against the broad background of statewide production, the Division will also highlight local programs as well as the achievements of several residents. Finally, the Division will identify future opportunities for affordable housing development in the state.

Understanding the Problem

Colorado's rising housing prices are directly due to our strong economy, the continued influx of new residents, and inability to build privately financed lower cost housing because of rising land and construction costs.

Our state's population is growing—almost 32,000 new households are projected to arrive in the state each year between 2000 and 2005.[1] The influx of new people creates a demand for more development, drives higher prices, and increases the demand for labor. Colorado has long been attractive to relocating businesses because of its high quality of life and lower cost of living compared to other states. However, this advantage is quickly eroding due to increased housing costs and increased demands for natural resources and open spaces. According to the ACCRA cost of living index, Denver's cost of living exceeds surrounding cities, including St. Louis, Houston and Phoenix.

Many high tech firms relocate to Colorado bringing high paying jobs. High paying jobs create a need for other lower paying jobs. According to Tucker Hart Adams, U.S. Bank's chief economist, last year's job growth almost doubled the state's population growth rate.[2] The unemployment rate is projected to stay low at 3.3 percent in 2001.[3] Jobs have become harder to fill because of higher housing prices throughout much of the state. Rents in Colorado have risen an average of 10 percent a year since 1990. Colorado currently ranks third nationwide in home price increases.

According to the Colorado Legislative Staff forecast, Colorado will begin seeing the signs of an economic slowdown in the next year. While job growth will remain strong and the unemployment rate low, both will decrease in the near future. Residential building permits are expected to decrease by 3.2 percent in 2000 and 6.8 percent in 2001.[4]

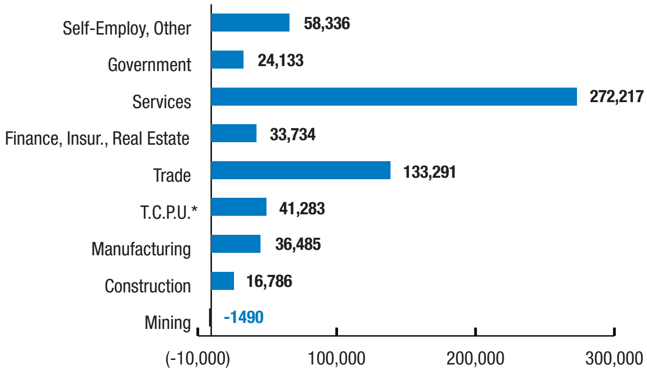
Personal income in Colorado remains healthy, though growth in incomes should slow during the next few years. Wage and salary income grew 9.2 percent in 1999. This trend is expected to continue in the next few years. Wage and salary income is projected to increase by 8.3 percent in 2000 and 7.7 percent in 2001.[5]

Much of the *wage* growth can be attributed to Colorado's telecommunications, software and other computer related industries. However, much of the *job* growth by industry sector continues to be in service and retail trades. Jobs within these industries do not pay wages that keep pace with high tech jobs. The top three growth occupations in the state are retail salespersons, general office clerks and cashiers.

According to the Colorado Department of Labor and Employment, the services industry is expected to grow an average of 5.5 percent annually until 2006 as shown by Graph 1. This equates to an increase of 272,217 jobs. Business services (including temporary help agencies and computer consulting) will contribute almost 20 percent of all new jobs from 1996 to 2006.

The trade industry is expected to boost employment totals by over 130,000 new positions between 1996 and 2006, with an annual growth rate of 2.9 percent. Overall, trade will continue to account for an approximate 22 percent of wage and salary employment in 2006. Eating and drinking establishments are expected to create 50,105 new jobs—about three and a half times the number

Graph 1: Growth By Industry



Growth in Colorado Jobs by Industry—1996–2006
Source: Colorado Department of Labor and Employment, Labor Market Data

New Jobs

*Transportation Communication & Public Utilities

of the second largest generator of new trade jobs—the miscellaneous retail category.[6]

Professional occupations, service occupations and blue-collar occupations will add the most jobs to the Colorado economy. Computer occupations—including systems analysts, computer engineers and database administrators—drive the growth in professional occupations. Between 1996 and 2006, the Colorado Department of Labor and Employment estimates 170,000 new professional jobs will be added in Colorado. Top growing service occupations will include childcare workers, home health aides, ushers, ticket takers, and amusement and recreation attendants. Telephone and cable installers, electronic repairpersons and data processing repairpersons top the blue-collar occupations for growth. Service occupations and blue-collar occupations are expected to add over 236,000 new jobs in the decade between 1996 and 2006.

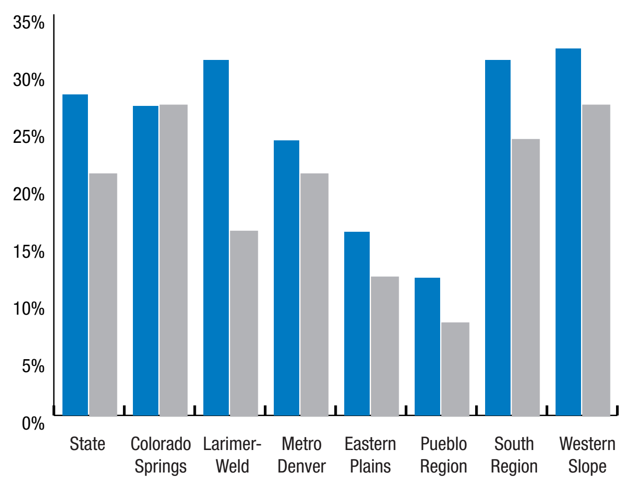
While growth in jobs such as system analysts and database administrators boost Colorado's overall salary income and median income, many new service and retail jobs barely pay enough to cover the living expenditures of a single adult. For example, a single parent family with two children in Denver must earn a wage between $14 and $17 an hour to pay basic living expenses. The top three service and retail occupations pay between $8 and $10 an hour.[7]

While Colorado's economy booms, prices for goods, services and housing are on the rise. Recent Consumer Price Index statistics reveal that energy prices rose 17.4 percent and transportation costs increased by 6.7 percent over the past year. Public Service Company projects a 40 percent increase in home heating costs this winter.[8] A rising cost of living hurts low and moderate-income families. As rents increase at a rate of over 10 percent per year, families have less income to pay for necessities such as food, healthcare, and childcare.

Rising Housing Costs

Many Colorado households are feeling the squeeze of high housing prices. The average wage in the front range of Colorado grew by 56 percent from 1989 to 1999 while the average rent for an apartment unit grew 88 percent. The price for a single-family home grew 101 percent during this same period.[9] Since 1990, Colorado's population growth has outpaced housing production. Graph 2 compares household growth to housing production from 1990 to 1999. Statewide, households have increased 28 percent while housing units have increased by only 21 percent.

Graph 2: Growth In Households and Housing Units



Comparison of the Growth in Households and Housing Units in Colorado Regions from 1990-1999
Source: Department of Local Affairs Demography Section

Households

Housing Units

Colorado's vacancy rates indicate a tightening housing market. In 1990, vacancy rates in most markets were

RAPID GROWTH & LOCAL EFFECTS

The challenges of growth can be seen in the stories of two Colorado counties facing different problems.

Eagle County

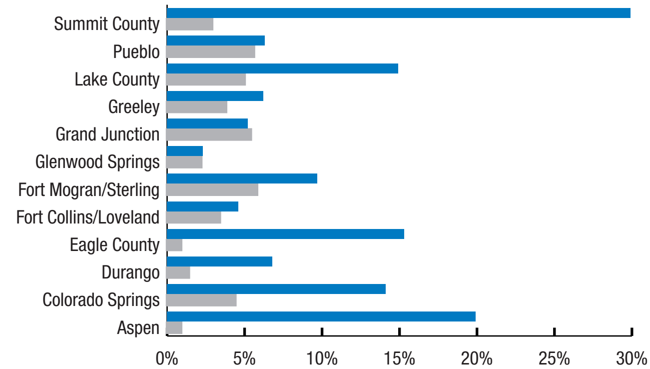
Eagle County's population grew 54.5 percent from 1990 to 1998. Population in the unincorporated areas of the county grew 68.3 percent during the same time period.

Arapahoe County

In 2000, Arapahoe County had 23,239 difficult to fill, full-time job vacancies—with an average wage of $10.64 per hour.

well above the healthy five percent rate. In February 2000, however, most were below five percent. Low vacancy rates create problems for consumers as units become harder to find and rents become more expensive (see Graph 3).

■ Graph 3: Colorado Vacancy Rates



Comparison of Colorado Vacancy Rates by County for the years 1990 and 2000
Colorado Division of Housing, Multi-Family Housing Vacancy and Rental Survey, February 2000 and 1990 Census

- 1990
- 2000

In August 2000, the average resale home price in the metro Denver area was $250,787—up 19 percent from 12 months ago.[10] The average price fell to $239,531 in September as the number of homes on the market increased.[11] A one-month decrease in prices does not necessarily indicate a downturn in the sales market. There may be a slight market correction, or the seasonality of the industry may be a factor. This price of $239,531 is still 11.6 percent higher than September a year ago.

Prices are not likely to decline, as land becomes costlier, harder to locate, and farther away from existing infrastructure. The Division of Housing estimates Colorado land costs have risen 30 percent in the last few years.[12]

As it becomes increasingly difficult to find an affordable place to live, it is harder for businesses in high cost areas to fill jobs. The April 2000 Metro Denver Job Vacancy Survey determined there were 1.6 vacant jobs for every unemployed worker seeking employment in the Denver Metro area. Many of these are lower wage jobs in the service and trade sectors.

Job classifications with the most vacancies include retail salespersons, cashiers, sales representatives and waiters and waitresses. Over 10,000 vacancies (both full and part time) exist for these positions. Fifty percent of unfilled jobs in the metro area in April required no education, training or occupation-specific experience. The highest average wage offered for these jobs was $8.40 per hour.[13]

Why are these jobs unfilled? Workers earning less than $10 an hour cannot afford to live in most of the Denver metro area. A wage of $14.45 is necessary to afford the average metro rent of $752 per month for a two-bedroom apartment.[14] This is almost twice the wage offered for sales representatives.

To see how Coloradans with a variety of jobs fare in today's housing market, the Division of Housing has prepared the following analysis. The job categories listed include retail sales clerk, dental assistant, truck driver, elementary school teacher and patrol officer. This analysis shows the average, statewide, annual wage for the job categories, calculates an affordable rent for this income level and displays affordable home prices.

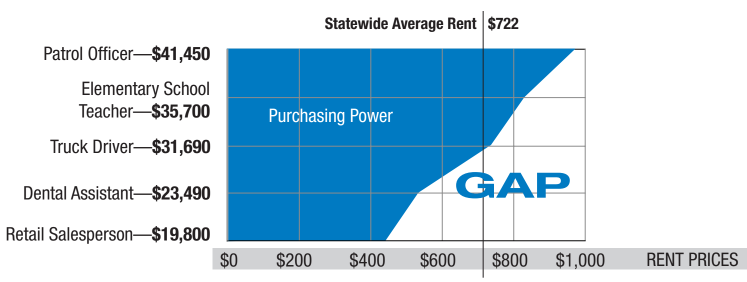
■ Table 1: Occupations and Affordable Prices

Occupation	Income	Month Hsg Allowance	Affordable Purchase Price	% of Avg Home Price	Affordable Rent	% of Avg Rent
Retail Salesperson	$19,800	$495	$57,956	36%	$440	61%
Dental Assistant	$23,490	$587	$68,756	42%	$532	74%
Truck Driver	$31,690	$792	$92,758	57%	$737	102%
Elementary School Teacher	$35,700	$893	$104,496	64%	$838	116%
Patrol Officer	$41,450	$1,036	$121,326	75%	$981	136%

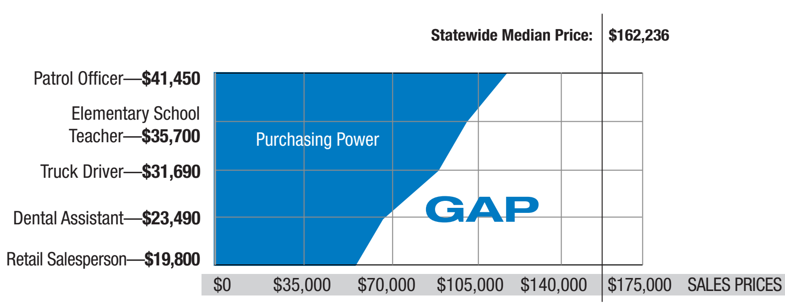
Table 1 shows that the truck driver, elementary school teacher and patrol officer can afford the average statewide rent of $722. Retail salespersons can only afford $440 in rent—or 61 percent of the statewide average rent. Dental assistants can only afford 74 percent of this rent. None of the jobs listed have a wage high enough to afford the $162,236 median price home. A total household income of $55,500 would be required to make this purchase.

Graphs 4–5 below illustrate the gap between what working people can afford to pay and median statewide housing costs.

■ Graphs 4–5: The Affordability Gap

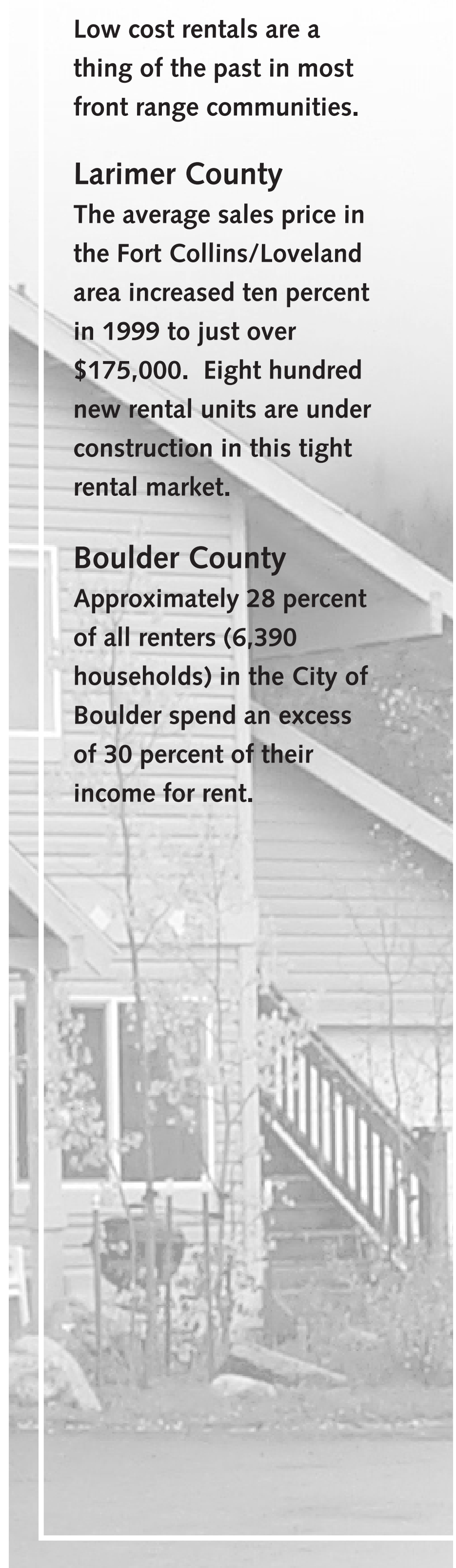


Colorado Affordability Gap 2000
Rent vs. Purchasing Power
$722 = Statewide Average Rent



Colorado Affordability Gap 2000
Price vs. Purchasing Power
$162,236 = Statewide Median Price

AFFORDABLE HOUSING IN SHORT SUPPLY



Low cost rentals are a thing of the past in most front range communities.

Larimer County

The average sales price in the Fort Collins/Loveland area increased ten percent in 1999 to just over $175,000. Eight hundred new rental units are under construction in this tight rental market.

Boulder County

Approximately 28 percent of all renters (6,390 households) in the City of Boulder spend an excess of 30 percent of their income for rent.

When critical jobs are left unfilled because qualified people cannot afford to live in a community there is a "market failure." A lack of workers hurts local businesses and can adversely affect the provision of services within a community. The lack of affordable housing often forces people to commute long distances to work. Local economies are adversely affected by these commuting workers because families do not enroll in local schools, spend paychecks at local businesses or pay local taxes.

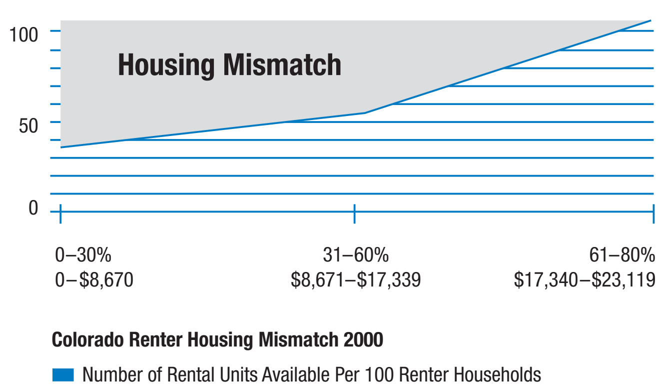
Increased land and development costs combined with regulation of new development have lowered the elasticity of the real estate market. Local regulations hinder the creation of new affordable housing units. New apartments with low rents and homes with low sales prices are not being built without subsidies.

Rental Housing Demand

As rents increase, low and moderate income renters find they have less money to pay for other expenses. They are also finding it more difficult to locate a decent housing unit in their price range. The working poor often are forced to move farther away from work to find an affordable place to live.

The Division of Housing "mismatch matrix" was created to compare the number of available housing units affordable to households at specific income levels to the number of households that can afford that unit. This matrix displays the discrepancy in affordable units available to each income group. The model assumes each household is occupying (or would occupy) a unit in their affordability range. In reality, higher income households will occupy units affordable to households in lower income ranges to save on housing costs, while lower income households may be forced to occupy a unit too costly for them.

■ Graph 6: Colorado Renter Housing Mismatch



In 2000, the supply of rental units affordable at the two lowest income ranges is up slightly from last year, although not significantly. For every 100 households earning from 0 to 30 percent of renter median income in Colorado, there were 46.5 rental units affordable to them. There were 57.4 units affordable to every 100 households earning from 31 to 60 percent of renter median income. The number of units available to households earning 61 to 80 percent of renter median income dropped from 117.1 in 1999 to 105.9 in 2000. While the mismatch ratio shows more units than households in this income range, it does not imply the units are empty. Lower income households rent more expensive units when affordable units are not available.

Fewer units are affordable to households with lower incomes than for those with higher incomes. The number of units available to lower income households is further compromised because higher income households choose to live in units with rents below what they can afford.

While the number of units available for every 100 low-income households did not increase significantly, it has not worsened with rising rental market prices, increased population growth, and the conversion of rental units to private condominiums. The stabilization of affordable units is a positive sign. Further progress can be measured in the reduction of renter households in need over the past 12 months.

Estimate of Annual Need

This is the third year the Division of Housing has estimated the number of renter households in need of affordable housing and the number of new affordable rental units needed in Colorado. This analysis and the mismatch matrix are used to identify the greatest housing needs in the state. These methods allow the Division and others to target specific income ranges when developing housing strategies.

Table 2 illustrates the methodology used to calculate the number of units needed in Colorado for households in two different income ranges. First, the number of rent-burdened households is determined by subtracting the number of rental units affordable to households within an income range from the actual number of households in that income range. This number is then multiplied by the average monthly turnover rate as reported in the *Denver Metro Apartment Vacancy and Rent Survey* for the second quarter 2000 and the *Colorado Division of Housing Multi-Family Housing Vacancy and Rental Survey* of February 2000. This turnover rate represents the number of renter households moving between rental units in any given month. It can determine demand for new affordable rental units during an interval of time by identifying those households in the market for an affordable unit—those likely to move.

The number of vacant affordable units is subtracted from the number of households likely to move. A vacancy rate for each range is calculated using data from both the *Denver Metro Apartment Vacancy and Rent Survey* and the

Colorado Division of Housing Multi-Family Housing Vacancy and Rental Survey. The rate is then applied to the total number of unsubsidized rental units in that range.

A vacancy rate for subsidized units is taken from Colorado Housing and Finance Authority subsidized properties. The difference between the number of low-income households in the market for a rental and the number of vacant units is multiplied by 12 months to determine the annual demand for new affordable rental units in Colorado.

■ Table 2: Annual Demand for Affordable Units

**Annual Demand for Affordable Rentals—
Households Earning 0–30% Renter Median Income**

Rent Burdened Households		34,513
Likely to Move	x.5338	1,842
Minus Vacant Affordable Units		775
Likely to Remain Rent Burdened		1,067
ANNUAL DEMAND		12,804

**Annual Demand for Affordable Rentals—
Households Earning 31–60% Renter Median Income**

Rent Burdened Households		31,946
Likely to Move	x.5338	1,705
Minus Vacant Affordable Units		1,028
Likely to Remain Rent Burdened		677
ANNUAL DEMAND		8,130

The annual demand for units by those earning 0 to 30 percent of median income has declined this year, while the demand for units by households earning 31 to 60 percent of median income has increased. Overall, combined demand decreased by 1,963 units. In 2000, an estimated 66,460 renter households are rent burdened compared to 70,533 last year.

There are two explanations for this decrease in demand. First, in order to attract and keep workers, businesses have raised hourly wages. This has increased the incomes of low-income renters allowing them to pay slightly more for rent. The abundance of jobs in Colorado's economy has helped some people find better paying jobs or earn more income by taking on two jobs. Wage increases have helped decrease the total numbers of very low and low-income renters in the past year by 3,961 households. Still, it is important to note that the median renter income only rose slightly this year—from $27,956 in 1999 to $28,899 in 2000.

The second reason for the decrease is an increase in subsidized affordable housing units. The Division of Housing and its partners funded a total of 4,636 new rental units in 1999, and Congress provided 717 new Section 8 rental assistance vouchers to a number of housing authorities in the state for the first time in three years.

The annual demand projection for new affordable rental units is 20,933 for 2001. An estimated 12,804 units are needed for those earning 0 to 30 percent renter median income and 8,130 for those earning 31 to 60 percent of renter median income. Low-income households continue searching for affordable housing opportunities. Many place themselves on waiting lists for public housing while paying rent elsewhere. According to an annual Division of Housing survey, demand for subsidized rentals includes over 27,000 families on waiting lists for housing managed by public housing authorities.

This demand might be smaller if the number of privately held affordable rental units did not decrease each year. As market rents rise, rental units are converted to private condominiums and Section 8 units are lost, it is important to increase the stock of affordable rentals. Last year 900 apartments were converted to condominiums,[15] and 114 units were lost due to expiring federal section 8 contracts.[16] Fortunately, this number is smaller than many feared.

Homeownership

Despite rising housing prices, Colorado's homeownership rate is increasing. This increase is a nationwide trend. Despite interest rate increases in 1999 and 2000, rates were low enough to allow more low and moderate-income families to become homeowners. As interest rates and prices rise, however, it gets tougher for these households to find a home within their price range. The number of affordable units available to buyers at 80 percent area median income has decreased significantly since last year.

Colorado's homeownership rate is 68.1 percent—exceeding the national average of 66.8 percent.[17] However, surrounding states (except Kansas) have higher homeownership rates. Abundant work in higher wage jobs has helped many to afford a home. Many new residents purchase homes because they filled a high wage job or have equity from home sales in other parts of the country.

There is evidence that Colorado's single-family home building boom is slowing, however. Residential permits are down significantly from a year ago. In June, 1,721 residential building permits were pulled—compared to 2,570 a year ago.[18] Most state economic forecasts predict a slowdown in residential construction for 2001. Homes for sale are staying on the market longer than last year. Rising construction costs and higher interest rates are big factors in this decline, as well as a cooling of Colorado's overall economy.

Still, low and moderate-income households are finding it more difficult to locate affordable units for sale than in years past. Data collected by the Division of Housing shows there were only 3,391 units for sale affordable to households earning 80% of HUD area medium income in September 2000—less than the previous two years. Prices in Colorado rose 11.8 percent in the past year, significantly more than the three percent rise in the median renter income for the state.[19] With interest rates creeping up by approximately one percent in the past two years, it is getting harder for moderate income households to buy a home.

Table 3 shows the purchasing power over time of households earning 80 percent of HUD Area Median Income in the metro Denver area. It is important to note households have greater purchasing power than in the 1980's, but since 1993 (when they were able to pay for more than the average priced home) purchasing power has been going down. The biggest reason for this decline is rapidly rising prices. Since 1980, Colorado prices have risen 168.9 percent. Colorado ranked third in price changes in the United States in 2000.[20]

In 1999, a household earning 80 percent or less of median income in the Denver Metro area could afford a home priced at or below $174,318. The average metro sales price in 1999 was $187,900. These households could only afford 93 percent of this price. Rising interest rates have less to do with housing affordability than the fact that *prices are rising faster than incomes*.

■ Table 3: Purchasing Power

Year	80% of Metro Median Income	Affordable Price	Avg Metro Sales Price	Interest Rate	% Affordable at 80% AMI
1983	$24,480	$57,160	$95,568	13.23%	60%
1990	$32,000	$94,033	$102,767	10.13%	92%
1996	$42,480	$154,754	$159,329	7.81%	97%
1999	$46,160	$174,318	$187,900	7.44%	93%

To help moderate income households bridge the gap between their purchasing power and the price of real estate in Colorado, the Division of Housing and our funding partners provide downpayment and closing cost assistance loans to renter households earning between 60 and 80 percent of HUD's median income. Other lenders provide lower interest loans with less downpayment required. There are 55,780 renter households in Colorado that earn between 60 and 80 percent of HUD's median income for the state. Table 4 illustrates what these households can afford and how many units are available statewide at a given point in time.

The Division of Housing contracts with Thomas Pickett & Company, Inc. to determine the cost of the "benchmark house" in Colorado. The benchmark house is a typical modest home with 1,300 square feet. Tax assessor values and sales prices for all homes sold in 1998 are used in the analysis. These values and prices were projected to January 2000 and a benchmark house cost was established for each county in Colorado. The median home price is calculated using historic data from the Colorado Association of Realtors and the Office of Federal Housing Enterprise Oversight's Housing Price Index. The number of affordable homes available was complied from local real estate Multi-List Service and other data from September 2000.

■ Table 4: Homeownership Opportunities

Renters at 60% of median income

HUD Income	30% of Income	Affordable Price	Benchmark House	Median Home Price	Affordable Homes Available
$32,940	$823	$115,700	$144,340	$162,236	3,391

Renters at 80% of median income

$43,920	$1,098	$154,267	$144,340	$162,236	3,391

In the past year it has become tougher for moderate-income households to afford the average "benchmark home" in Colorado. In 1999, a household earning 60 percent of median income could afford 85 percent of the benchmark home price. This year, their purchasing power has dropped to 80 percent of the benchmark home. Households at 80 percent of median are still able to afford the benchmark home, but will have more difficulty finding one. The Division of Housing analysis of real estate listings estimates only a few hundred affordable, 1,300 square foot, three bedroom two bath homes were on the market in September 2000.

Purchasing power for the median priced home statewide has declined. In 1999, households earning 80 percent of the state's median income could afford to purchase the median priced home. This year however, they fall short of affording that price by almost $10,000. Declining purchasing power and shrinking affordable inventory are making it tough for Coloradans with moderate incomes to make the leap to homeownership.

In September 2000 there were 3,391 homes affordable to moderate income households. While this number is higher than last year, the market has actually tightened. The Division found only a few hundred benchmark units available this year compared to 2,980 listings last year. This year, our report includes any unit that is affordable to households at 80 percent or less of HUD area median income. Homes with as little as 300 square feet are included. In many areas of the state, moderate-income homebuyers are having a hard time finding an affordable single family home or condo to purchase. In Denver County, there were only 116 listings for single family homes and 236 listings for condominiums with prices affordable at 80 percent area median income.

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3 Focus Colorado: Economic & Revenue Forecast, 2000–2005. June, 2000.
4 Ibid.
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6 Colorado Occupations Projections 1996–2006. Colorado Department of Labor and Employment. Labor Market Information.
7 Colorado Family Needs Budget Report, Colorado Fiscal Policy Institute. September, 2000.
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9 Housing Trends and Indicators, Denver Metro Area. Rocky Mountain Office of HUD, February 2000.
10 The Denver Post Real Estate Data Bank. September 12, 2000.
11 "Home Prices Lower But Still Hot". The Denver Post. September 30, 2000
12 Colorado Division of Housing analysis of recently funded projects.
13 Metro Denver Job Vacancy Survey, April 21, 2000. Arapahoe/Douglas Works! Workforce Center and the Colorado Department of Labor, Labor Market Information.
14 Denver Metro Apartment Vacancy and Rent Survey, Second Quarter, 2000.
15 Griego, Tina. "Good job no shelter guarantee," The Denver Rocky Mountain News. September 17, 2000.
16 Walker, Jim. "Few HUD Landlords Opt Out," The Denver Post. June 4, 2000.
17 U.S. Census Bureau. Housing Vacancies and Homeownership Annual Statistics: 1999.
18 Denver Post Real Estate Data Bank. September 12, 2000.
19 Office of Federal Housing Enterprise Oversight. Housing Price Index, Second Quarter, 2000. September 1, 2000.
20 Ibid.

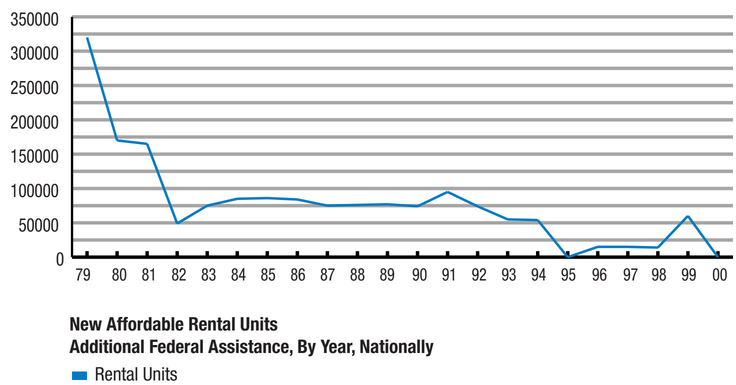
The Collective Effort

Many agencies fund affordable housing development in Colorado. This section tabulates the total development impact over this past year and lists local ordinances designed to increase the supply of affordable housing. The table at the end of the section details the programs, agencies and funding allocations for all federal, state and local programs throughout the state.

The Division of Housing distributes federal funding, allocates state loans and grants, administers Section 8 vouchers, and works with other local funding agencies to determine project feasibility. Each agency has designed funding guidelines to meet the needs of constituents. Thus federal money is more restrictive than state and local money. By having state funding free of federal mandates, Colorado is able to meet the unique and often changing needs of its communities and citizens. Local communities also have created programs and allocated funding to address local housing challenges.

State and local funds are imperative to solving Colorado's affordable housing challenge. As Graph 7 shows, federal assistance for the development of new affordable rental units is declining nationally as Colorado's need for units increases.

■ Graph 7: Additional Federal Assistance for New Affordable Rental Units

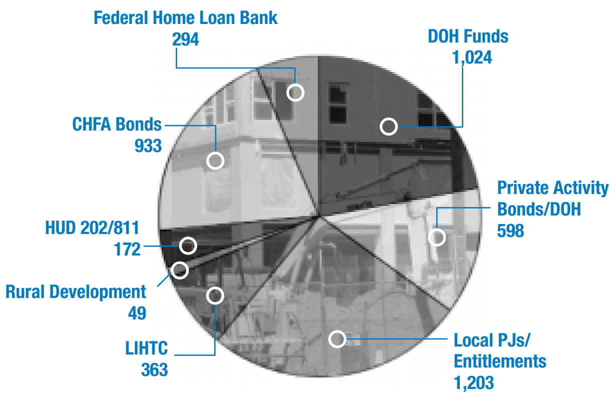


Not all funding allocations directly subsidize the production of housing units. Localities may use funding for housing services, program administration, for the purchase of land for development at a later date or to provide homeownership counseling. Agencies must have adequate resources to manage existing programs and properties before they can commit to new development projects.

Rental Production Impact

Adequate rental housing represents the backbone of the housing continuum in any community. Rental housing provides homes for people first entering the housing market and for those whose financial situations preclude them from owning a home. Having an adequate number of affordable housing units keeps people out of homelessness, stabilizes the lives of the working poor and the elderly, and provides a springboard to homeownership for those whose income increases over time. Graph 8 shows that in the past year the combined efforts of all federal, state and

■ Graph 8: Rental Production in Colorado



1999 Rental Production in Colorado divided among funding sources

local funders produced 4,636 new affordable rental units. This represents an increase of six percent from the prior year. Factors influencing the increase include:

- Consistent $2.0 million additional state general funding for the Colorado Division of Housing Grant Program. Many projects funded in the prior two years have been completed in the past year.
- Increased CHFA production with bond and loan financing. Through these two funding mechanisms, CHFA increased production by over 464 units. CHFA may post additional rental numbers in 2000-01 due to the implementation of the $5 million State Low Income Housing Tax Credit.
- Increased funding or passage of inclusionary zoning policies by local governments. The result is an increase in production of 420 affordable units.

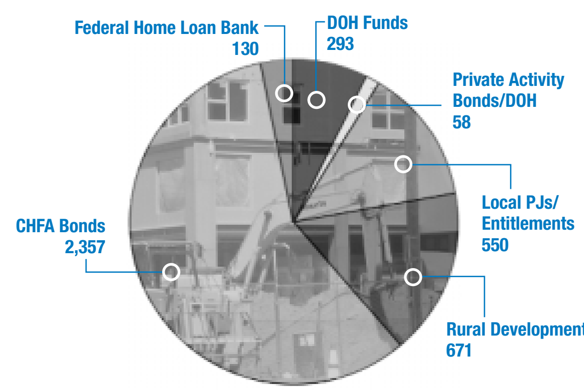
One of the many rental projects currently being developed is the Off Broadway Lofts. The Lofts will create 81 units of affordable housing—including units for formerly homeless persons earning less than 30 percent of Denver median income and units targeting downtown workers earning less than 60 percent of Denver median income. Funding sources for the project include Low-Income Housing Tax Credits, US Bank, HUD, City of Denver, Federal Home Loan Bank, Colorado Coalition for the Homeless and the Colorado Division of Housing.

Local political jurisdictions and entitlements accounted for 26 percent of overall rental production in 2000. The Division of Housing accounted for 22 percent and the Colorado Housing and Finance Authority accounted for 20 percent of the units produced in 2000. This increase in production is slowly but steadily reducing the affordable housing gap in Colorado. In 1999, the Division of Housing estimated the affordable housing need for those households earning less than 60% of median renter income to be 22,896 rental units. This need has been reduced by almost 2,000 units in the past year. Rental unit need projections for 2000 are estimated to be 20,934 units.

Homeownership Production Impact

Many renter households make adequate wages to qualify for a conventional home loan, but lack the savings for a down payment. Still others have savings and have prequalified for a loan only to find that there are no homes for sale in their price range. To reduce these barriers, agencies support down-payment assistance programs or the creation of below-market, deed restricted homeownership units. Graph 9 shows that in the past year, 4,059 households were able to qualify and purchase a home. These households represent openings in the rental market. The total number of households served in 2000

■ Graph 9: Homeownership Assistance in Colorado



1999 Homeownership Assistance in Colorado divided among funding sources

actually declined by 225 households. This decline can be attributed to three causes:

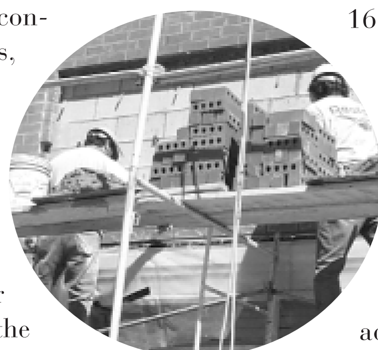
- Higher interest rates (one percent increase over past two year),
- Increased home prices (12 percent increase in past year), and
- Less affordable inventory

Of the total households assisted, 58 percent accessed funding through the Colorado Housing and Finance Authority's bond program, 16 percent were assisted by Rural Development, 13 percent were assisted by local political jurisdictions or entitlements and seven percent were assisted with Division of Housing funding. The fact that the Division of Housing statistics are so low is not surprising as significant state efforts have been made to serve very low income populations.

In 1999, the Division of Housing provided HOPE Communities with a Housing Development Grant for the development of ten manufactured housing units on scattered sites in low-income neighborhoods throughout northeast Denver. These units were sold to households making 80 percent or less of area median income and units cost less than $120,000 each. These units not only provided affordable homeownership opportunities, but also contributed to the community development of several low-income neighborhoods.

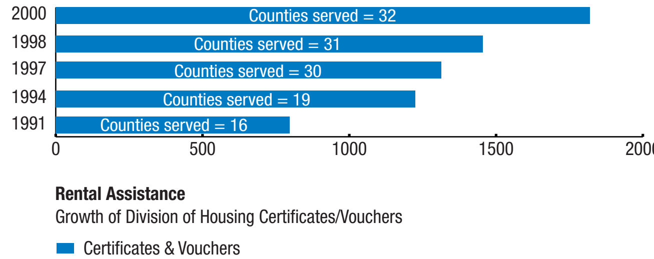
Rental Assistance Impact

In addition to providing funding for the construction and acquisition of rental units, the Division of Housing administers HUD Section 8 Certificates and Vouchers. Many Colorado families receive housing assistance in the form of Section 8 certificates and vouchers. HUD determines a fair market rent for each county and families pay 30 percent of their income for rent and utilities. HUD pays the balance to landlords. Overall, Colorado has 23,867 certificates and vouchers.



Local housing authorities administer most certificates and vouchers. The Division administers 1,819 Certificates and Vouchers for 31 counties in Colorado. This number represents an increase of 319 units from the prior year. Section 8 families participate in Family Self Sufficiency (FSS) programs operated by local housing authorities. The program provides a network of supportive services to help families move beyond public assistance. The Division assists each agency to develop FSS Action Plans, provides fees to administer the Section 8 program, and pays for service coordinators. The Division manages escrow savings accounts for families to use for permanent housing or education expenses upon meeting program goals. The Division of Housing Section 8 program assists special needs populations including those with drug abuse problems, individuals with AIDS, persons with developmental disabilities and victims of domestic violence.

■ Graph 10: Rental Assistance



Much attention has been focused on the expiration of contracts for Section 8 Project-Based housing units. The Division of Housing has been actively involved in the preservation of these units. Recently the Division worked with three non-profit agencies to preserve 336 units of expiring Section 8 housing. The Division funded Neighbor to Neighbor in Fort Collins to purchase 68 units at the Coachlight Plaza Apartments, Mercy Housing in Denver to preserve 106 units at Decauter Place, and Rocky Mountain Mutual Housing to preserve 162 units at the Sawatch Range Apartments.

Local Housing Program Impact

One measure of impact on the affordable housing need is the extent to which local governments create policies to solve local housing problems. As communities recognize affordable housing as a critical local issue, leaders and citizens craft policies to address the need. The following paragraphs detail Colorado's local government ordinances.

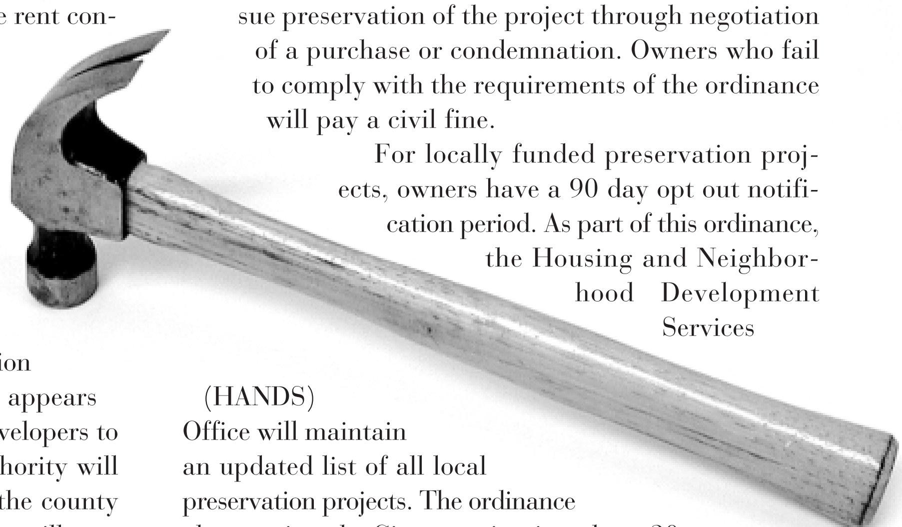
Telluride

This year, the State Supreme Court acted upon a challenge to Telluride's inclusionary zoning ordinance. This ordinance requires developers to mitigate the effects of their projects by providing affordable housing for 40 percent of new employees created by the development. Developers could 1) build new units and deed restrict them at fixed rental rates, 2) acquire existing units and deed restrict them at fixed rental rates, 3) pay a fee in lieu of providing deed-restricted housing or 4) dedicate land to the town for affordable housing. The court ruled that Telluride could not require private developers to provide rent restricted affordable housing units. They considered these two options rent control.

Many communities that have or are considering inclusionary zoning ordinances are reviewing this decision. It does not appear this decision will invalidate most types of exactions imposed by local affordable housing programs. Local governments can still require the conveyance of land to the local government for construction of affordable housing by the government or a housing authority, to impose deed restrictions upon the sale price of affordable housing units, or to collect fees in lieu of other mitigation efforts. Projects in which local governments or their agents maintain an ownership interest in affordable housing units are expressly exempted from the rent control statute.

Garfield County

In Garfield County, commissioners passed a resolution requiring developers to provide affordable housing units when seeking planned unit development (PUD) approval and density increases in county planning region one. The County accepts payments in lieu of affordable units. They are reconsidering the resolution language in light of the Telluride case, but it appears this will not be a major hurdle in requiring developers to provide affordable housing. The housing authority will administer the program in conjunction with the county planning staff. It is expected that this resolution will produce up to 60 affordable housing units within the next year. These units could be rental or sale units.



City of Denver

The City of Denver recently passed an ordinance to preserve local and federal affordable housing units within the City. The ordinance requires federally financed Section 8 projects with ten or more units to give notification of their intent to opt out of the program 12 months prior to contract expiration. They must re-notify the City and tenants 210 days before contract expiration. This ordinance applies to projects financed with local, state, or federal affordable housing funds.

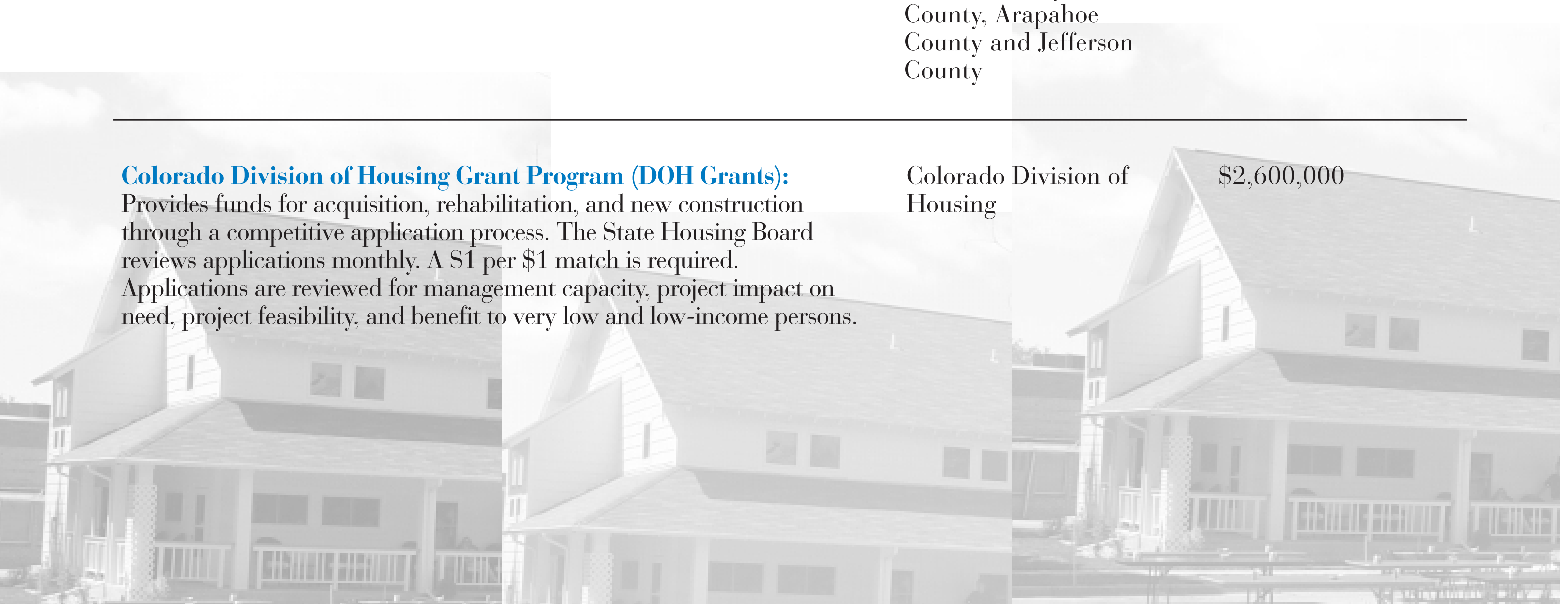
Projects with a one-year extension of their rental assistance contract must give 150 days notice to the City and tenants if they choose to opt out. Owners deciding to opt out must consent to reasonable inspection of the property. During the notice period, the City may pursue preservation of the project through negotiation of a purchase or condemnation. Owners who fail to comply with the requirements of the ordinance will pay a civil fine.

For locally funded preservation projects, owners have a 90 day opt out notification period. As part of this ordinance, the Housing and Neighborhood Development Services (HANDS) Office will maintain an updated list of all local preservation projects. The ordinance also requires the City to maintain at least 20 years of affordability on all newly funded affordable housing projects.

Housing Colorado: Funding Sources for Affordable Housing

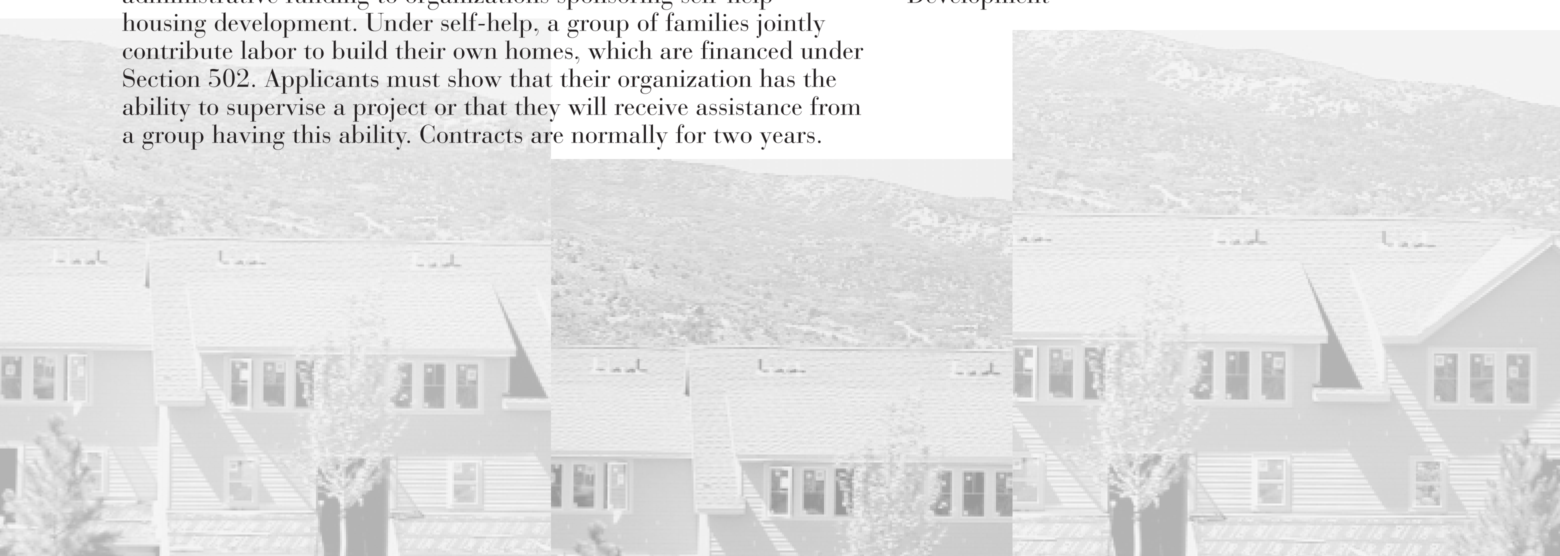
*All Figures listed are the current funding year.

Program Name and Description	Administering Agency	Funding Allocation, FY00
Emergency Shelter Grants (ESG): Provides grants on a formula basis to states and local governments for operating costs, essential services, and homeless prevention activities. Includes financial assistance to families who have received eviction notices or notices of termination of utility service. The states can distribute ESG assistance directly to private nonprofit organizations, if local governments certify the project. Homeless day shelters and drop-in centers are also eligible for funding.	Colorado Division of Housing City of Colorado Springs City of Denver	$945,000 $112,000 $410,000
HOME Investment Partnership Program: Provides competitive funding to local government, non-profit, and private developers for acquisition, rehabilitation, new construction, and tenant-based rental assistance. All activities require a 25% non-federal match. Ninety percent of rental units produced must benefit families with incomes at 60% or below area median income. One hundred percent of funds invested in homebuyer programs must benefit families with incomes equal to or less than 80% of area median income. There is a 15% set-aside for Community Development Housing Organization (CHDO) activities. These activities include acquisition, construction and rehabilitation in which the CHDO is the owner, developer or sponsor; as well as project-specific technical assistance, site control loans, and predevelopment loans.	Colorado Division of Housing Aurora, Boulder, Colorado Springs, Denver, Ft. Collins, Greeley, Lakewood, Pueblo, Pueblo County, Adams County, Arapahoe County and Jefferson County	$6,833,000 $10,749,000
Community Development Block Grant (CDBG): Provides funding by competitive application process to eligible local governments for acquisition, rehabilitation, new construction, homebuyer assistance, public services and facilities, and related administration costs. Local entitlement funds are awarded to non-profits and/or local municipalities.	Colorado Division of Housing Arvada, Aurora, Boulder, Colorado Springs, Denver, Ft. Collins, Grand Junction, Greeley, Lakewood, Longmont, Loveland, Pueblo County, Adams County, Arapahoe County and Jefferson County	$3,549,524 $30,417,000
Colorado Division of Housing Grant Program (DOH Grants): Provides funds for acquisition, rehabilitation, and new construction through a competitive application process. The State Housing Board reviews applications monthly. A $1 per $1 match is required. Applications are reviewed for management capacity, project impact on need, project feasibility, and benefit to very low and low-income persons.	Colorado Division of Housing	$2,600,000



Funding Sources	Administering Agency	Funding Allocation, FY00
Private Activity Bond Program: Uses proceeds of tax-exempt bond issues to fund construction and permanent loans to construct or acquire/rehabilitate rental housing for low income households, mortgage revenue bonds, mortgage credit certificates, industrial development bonds and other non-housing related uses. It is generally required that loans be insured or guaranteed by a third party such as FHA or FNMA. Applications are taken by local municipal, county housing or finance offices, the Colorado Housing and Finance Authority or the Department of Local Affairs. Before a project may proceed, official action must be taken by the local elected governing body to allocate bond issuing authority for the loan. Actions are taken by the CHFA Board monthly and by local issuers more frequently.	Colorado Department of Local Affairs	$202,806,650
Federal Home Loan Bank Board Affordable Housing Program: Provides loans to finance the purchase, construction or rehabilitation of rental and single family housing in which at least 20% of the units will be occupied and affordable for very low-income households for term of loan. Priority is given for using existing HUD/RTC or other government-owned properties and for the involvement of nonprofit organizations and/or housing authorities or other government entities.	Federal Home Loan Bank	$1,098,000
RD Direct Home Ownership Loan Program (502): Provides individuals or families with direct financial assistance from the Rural Housing Service in the form of an affordable interest rate home loan. Most loans are made to families with incomes less than 80% of the median county income. Direct loans can be used to purchase an existing home or construct a new home.	U.S.D.A. Rural Development	$14,549,287
RD Home Ownership Loan Guarantee Program (502): Guarantees loans made by private lenders should the borrower default on the loan. An individual or family may borrow up to 100% of the appraised value of the home—eliminating the need for a down payment.	U.S.D.A. Rural Development	$37,000,000

Program Name and Description	Administering Agency	Funding Allocation, FY00
RD Very Low Income Housing Repair Loans and Grants (504): Provides loans of $15,000 and grant of up to $5,000 to very low-income homeowners for repairs, improvements to modernize their dwelling or removal of health and/or safety hazards. Homeowners must have incomes below 50% of area median and be unable to obtain an affordable loan elsewhere. Grants to homeowners 62 or older may be used only for repair of safety and health hazards.	U.S.D.A. Rural Development	$446,808
RD Farm Labor Housing Loans and Grants (514/516): Provides loans/grants to build, buy, improve or repair housing for farm laborers, including persons whose income is earned in agriculture. Funds can be used to purchase or lease a site; to construct housing; to pay fees; to purchase durable household furnishing; and to pay for construction loan interest. Farmers, farm associations, family farm corporations, Indian tribes, non-profit, public agencies and associations of farm workers are eligible for these loans/grants. Loan terms are 33 years at 1% interest. Grant may be obtained for up to 90% of development costs. The remaining 10% is usually covered through a Section 514 loan.	U.S.D.A. Rural Development	$5,239,862
RD Rural Rental and Cooperative Housing Loans (515): Provides direct loans to finance rental or cooperatively owned housing designed for very low, low and moderate income families, the elderly, and disabled. Funds may be used to construct new housing or to purchase and rehabilitate existing structures for rental purposes. Congregate housing for the elderly, disabled, and group homes for developmentally disabled are authorized. Funds may also be used to purchase or improve land. This program enables low-income families or individuals to reside in RD rural rental, cooperative or farm labor housing without paying over 30% of their income for rent. RD pays the difference between the tenant's contribution and the monthly rental rate, including utilities and services. Rental contracts between RD and the owner are for five years and are renewable. In new projects, 95% of those assisted must have very low incomes. In existing projects, 75% of those assisted must be very low income.	U.S.D.A. Rural Development	$1,896,000
RD Self-Help Technical Assistance Grants (523): Provides administrative funding to organizations sponsoring self-help housing development. Under self-help, a group of families jointly contribute labor to build their own homes, which are financed under Section 502. Applicants must show that their organization has the ability to supervise a project or that they will receive assistance from a group having this ability. Contracts are normally for two years.	U.S.D.A. Rural Development	$935,000



Program Name and Description	Administering Agency	Funding Allocation, FY00
HUD Supportive Housing Program: Promotes the development of supportive housing and services, including innovative approaches to assist homeless persons in the transition from homelessness and to enable them to live as independently as possible. Funds may be used for the acquisition, rehabilitation, new construction, leasing, and operating costs of supportive housing or service provision; costs of services in supportive housing; or costs of supportive services provided to homeless persons who do not reside in supportive housing. States, local governments, other governmental entities, Native American Tribes, private nonprofit organizations, and community mental health associations that are public nonprofit organizations are eligible to compete for grant funds through a national selection process.	U.S. Department of Housing Urban Development	$7,007,787
Section 8 Certificates and Vouchers: Provides tenant-based subsidies for rents paid by low and very low income households. Tenant payments are based upon income. Section 8 rental subsidies cover the difference between tenant payments and the unit's market rent.	Colorado Division of Housing/Other Housing Authorities	$5,279,315
Housing Opportunities for Persons with AIDS (HOPWA): Provides resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons and their families with acquired immunodeficiency syndrome (AIDS) or related diseases. The program authorizes grants for a range of housing assistance and supportive services for low-income persons with AIDS or related diseases.	City of Denver Colorado Division of Housing (balance of state)	$1,164,000 $1,370,000
HUD Supportive Housing for Elderly Persons (Section 202): Funds capital advances bearing no interest based on development cost limits published periodically in the Federal Register. Repayment of the advance is not required as long as the housing remains available for occupancy by very low-income elderly persons 62 years of age or older for at least 40 years. The program will also fund project rental assistance to cover the difference between the HUD-approved operating cost per unit and resident payments. New construction, rehabilitation, and acquisition for group homes and independent living facilities are all eligible activities.	U.S. Department of Housing Urban Development	$10,052,900

Program Name and Description	Administering Agency	Funding Allocation, FY00
HUD Supportive Housing for Persons with Disabilities (Section 811): Funds capital advances bearing no interest based on development cost limits published periodically in the Federal Register. Repayment of the advance is not required as long as the housing remains available for occupancy by very low-income persons with disabilities for at least 40 years. The program will also fund project rental assistance to cover the difference between the HUD-approved operating cost per unit and 30% of the resident's adjusted income. Development methods that are eligible are new construction, rehabilitation, acquisition for group homes and independent living facilities.	U.S. Department of Housing Urban Development	$1,605,700
Low Income Housing Tax Credits (LIHTC): Allows individuals and corporations who invest in qualifying low-income rental housing projects to receive federal tax credits that directly reduce their tax liability for ten years (assuming the project continues to comply with program regulations). Proceeds from these investments are used to construct the low-income housing project. Applications for tax credit reservations are accepted once a year; applicants must compete on criteria established by the Colorado Housing and Finance Authority's (CHFA) allocation plan. Preference is given to projects providing housing to the lowest income households for the longest period of time. CHFA's Board approves a preliminary reservation and the final allocation is distributed once the project is available for occupancy.	Colorado Housing and Finance Authority	$4,984,570
State Low Income Housing Tax Credits (LIHTC): Allows individuals and corporations who invest in qualifying low-income rental housing projects to receive state tax credits that directly reduce their tax liability for ten years (assuming the project continues to comply with program regulations for the 15 year term). Proceeds from these investments are used to construct the low-income housing project. Applications for tax credit reservations are accepted once a year; applicants must compete on criteria established in the Colorado Housing and Finance Authority's (CHFA) allocation plan. Preference is given to projects providing housing to the lowest income households for the longest period of time. CHFA's Board approves a preliminary reservation and the final allocation is distributed once the project is available for occupancy.	Colorado Housing and Finance Authority	$5,000,000
El Paso County Housing Trust Fund: Provides loans and grants to local non-profit agencies to finance hard costs associated with the development of affordable housing.	El Paso County Office of Economic Development and Public Finance	$3,500,000

Program Name and Description	Administering Agency	Funding Allocation, FY00
Garfield County Affordable Housing Program: Requires all new developments to make 10% of units affordable to families with incomes equal to or less than 80% of county median income. The program is voluntary at this time.	Garfield County Housing Authority	N/A
Boulder Community Housing Assistance Program (CHAP): Provides funding for the creation of housing affordable to households earning between 30 and 60% of the area median income. Eligible activities include new construction, land banking, and acquisition and rehabilitation of current housing stock. To maintain long-term affordability, low-income housing covenants are placed on both home ownership and rental properties. These covenants cap incomes of future buyers or renters. The fund is capitalized through proceeds from a .8 mill levy property tax and the Housing Excise Tax on new commercial/industrial and residential development. Since 1992, CHAP funds have been allocated along with federal HOME and CDBG funds through the Boulder Housing Funding Program.	City of Boulder Division of Housing	$1,000,000
Aspen/Pitkin Housing Fund: Provides funding for land acquisition, construction, redevelopment and renovation. The Aspen/Pitkin Housing Office is charged with eliminating the land cost component of development to the greatest extent possible, and developing deed restricted rental and ownership units for local residents and workers. The Fund is financed by a real estate transfer tax (1% of sales price) and by a 0.45 sales tax.	Aspen/Pitkin Housing Office	$3,900,000
Fort Collins Housing Trust Fund: Provides funding for affordable housing projects eligible under CDBG guidelines.	City of Fort Collins	$590,707
Longmont Affordable Housing Fund: Requires affordable housing set-asides or in lieu of payments for new development on land annexed into the city. Ten percent of units built on land five acres or larger must be made affordable through rents or purchase price to households at or below eighty percent of area median income. Annexations of between five and 10 acres can pay a predetermined amount per unit "in lieu of" actual development.	City of Longmont	N/A
Denver Skyline Trust Fund: Provides funding for down payment assistance loans. The fund was established in 1985 with $11 million in proceeds from land sales within the urban renewal district of the 16tth Street Mall. Activities funded must comply with CDBG guidelines.	City of Denver	$4,178,450
Denver Neighborhood Housing Fund: Provides 5% interest rate pre-development loans, bridge loans and property acquisition and construction loans to non-profit developers. Loans may be used to develop home ownership or rental projects targeting low and moderate-income families.	City of Denver	$6,250,000

Healthy communities in a

Growth is a contentious issue in Colorado. It threatens to disrupt the economic, environmental, and social balance local communities have struggled to maintain. Suburban development encroaches on open spaces and places great stress on the management capacity of local governments. Job creation trends create a massive need for housing affordable to those making service-sector wages. Colorado's communities must respond to these forces to enhance the positive aspects of economic prosperity while mitigating the negative ones.

Colorado is experiencing market failure with regard to low cost housing. Increased land and development costs and high levels of local regulation have significantly lowered the elasticity of the real estate market. An analysis of land costs in projects funded by the Division of Housing in the past few years indicates that land prices have risen an estimated 30 percent.

The average price for a newly constructed home in the Denver area increased 40 percent between 1990 and 1998, according to the Colorado Homebuilders Association. The cost of a finished lot is estimated to be almost 24 percent of the cost of a new home. Over six percent of the total development cost is paid in local fees.[1] The result is that apartments with low rents and homes with low sales prices are not being constructed without public subsidies.

The major factor driving the need for affordable housing in Colorado is rapid population growth. New developments churn out housing at a steady pace. Older communities are infused with new capital as redevelopment changes the economic mix of neighborhoods. Because the supply does not match the demand, housing prices continue to rise. Increased housing costs place a greater and greater strain on lower income households.

If Colorado is to keep pace with the current need, 20,933 affordable rental units must be built in the upcoming year. The responsibility to create these units is shared between local, state and federal governments, non-profit housing developers, and other philanthropic interests. In the past year, over 4,636 units were created to meet the needs of Colorado's citizens.

The process to build affordable housing is complex, expensive and time-consuming. Development goals are often ambitious and require significant state and local governmental cooperation. Local development organizations often experience frustration and burnout while managing the construction of a project. Construction often takes well over a year to complete. The creation of affordable housing is neither cheap nor easy.

The Division of Housing plays a critical role in assisting development agencies to complete these tasks in a timely and knowledgeable way. Training programs are offered several times a year. Staff members work one-on-one with agency personnel to improve the process and quality of the housing development. The State Housing Board considers funding proposals monthly—allowing projects to proceed along a natural development cycle without unnecessary delays. Long-term monitoring protects public investments while ongoing training ensures affordability goals are met.

Growing Economy

The Division of Housing often provides the necessary link between agencies and resources. The relationships the Division has with local communities and federal funding agencies maximize the value of resources. No other entity in the state offers the variety and depth of housing services provided by the Division of Housing.

The benefits of affordable housing are both economic and social. Without affordable housing, employers cannot fill job vacancies; communities cannot maintain economic diversity and families cannot maintain stability.

Poor families living without the benefit of affordable housing are more likely to have children who suffer from hunger, have lower reading scores and have greater difficulty in school. These families often cannot afford food, medical services, transportation or clothing. In 1999, 32 percent of all emergency food recipients at the Food Bank of the Rockies had to make the difficult choice between paying rent and buying food.[2]

Stable housing allows families to work more and earn more money. A study of Minnesota welfare recipients revealed that households leaving welfare and living in subsidized housing earned 40 percent more than participants living elsewhere.[3] The investment in affordable housing increases family stability and income—thus reducing the need for other types of public assistance.

Consumer Expenditure Survey data collected by the U.S. Department of Labor shows that households receiving rental assistance are able to spend more on food and other consumer goods.[4] Households living in subsidized housing experience rent savings (market rent minus subsidized rent). This rent savings can be applied to other household needs including transportation, childcare and health insurance.

Affordable housing is a key component to successful welfare reform. Seventy-eight percent of households leaving the Colorado Works program prior to the program deadline earned less that $10.00 an hour.[5] According to data collected from the Colorado Fiscal Policy Institute, a single parent must earn at least $17.00 per hour in Denver if they are to cover their basic living expenses.[6] If these households are to overcome welfare dependency and survive independently, they must have access to subsidized housing.

As families leave the Colorado Works program, they experience many difficulties establishing a stable life for their families. Eleven percent of those leaving Colorado Works prior to the deadline have been evicted from housing for inability to pay rent. Children of these families are often sent to live with someone else because the parents cannot care for them. Interviews identify the lack of affordable housing as a key barrier to work for this population.[7]

While it is important to measure the need for affordable housing and determine the progress local agencies are making toward meeting these needs, it is also important to understand that these programs make a tremendous difference in the individual lives of Colorado citizens. Scientific measurements of production alone cannot begin to quantify the extraordinary difference that affordable housing makes in peoples lives.

If focus is shifted from overall production numbers to individual households, one can see families that have averted homelessness and stayed intact, see elderly couples that have some measure of security because they have a safe place to live and see a young mother able to provide food and clothing for her babies since all of her income is not used to pay for housing.

In the past decade, front range Colorado rents have increased 88 percent, while wages have increased only 56 percent. The price of a single-family home grew by 101 percent over this same period.[8] For qualified families living in affordable units this disparity between wages and rent is mitigated. Rent savings of $1,500 per year per family are common in projects funded by the Division of Housing.

The Division of Housing, as part of its monitoring efforts, surveys residents of affordable housing projects throughout the state. This survey asks residents to reflect on the opportunities that living in affordable housing have given them.

One group of people often overlooked when it comes to affordable housing are the elderly. The elderly struggle to keep pace with the increasing costs of housing, food, medical services and prescription drugs. Many have to choose between basic necessities—housing vs. medical services. One survey respondent declared that they "do not go to the doctor because we have a hard time paying their bills."

The Division's survey determined that many residents have lived in their home for over five years. One elderly couple indicated they had lived in their home for 18 years. This demonstrates that these housing units provide long-term stability for those whose economic situation is not likely to change. As one resident put it "without low-income rent we would not have a place to live."

One such tenant of an affordable housing unit is Sister Joan. Sister Joan lives in the 810 White Building in Grand Junction owned by The Energy Office. She works full time as a Chaplin at a hospice and St. Mary's Hospital. She enjoys living in her building and finds it contains a "little slice of humanity" that one does not find when living in private housing. Like many elderly people, Sister Joan lives on a fixed income and cannot afford to spend too much on rent.

Sister Joan
Grand Junction

The Energy Office is a nonprofit, community-based housing agency in Grand Junction. The agency has focused much of its efforts in the past few years on acquiring and preserving low-income rental properties such as the 810 White building.

For some, affordable housing is a need that will stretch out over a lifetime. For others it is merely a stepping-stone for greater personal achievement. Many residents indicated that the rent savings gained by living in an affordable housing unit had allowed them to purchase a car or make car payments, to attend school or a training program and discontinue their need for food stamps.

Scott Laws and his family sought out the services of Neighbor to Neighbor to find an affordable apartment in Fort Collins. While living with his wife and four children in an affordable apartment, Scott was able to complete a bachelor's degree in accounting and obtain computer training. The Laws were able to increase their income and save enough money to purchase their own home. Scott is very candid about the fact that they did not want to ask for assistance—but when they did, they made the most of the opportunity. Scott insists that the opportunity to live in affordable housing kept their family together.

Neighbor to Neighbor serves the Fort Collins area with a variety of housing services. The agency helps homeless families, provides transitional housing units and services, case management, affordable rentals and down payment assistance to low and moderate households.

Nicole Cavagnaro is a young mother of 18-month-old twins. When her girls were born she was living on welfare. The Colorado Coalition for the Homeless found a transitional housing unit for her in the Renaissance at Lakewood. While living in the Renaissance apartments, Nicole was able to become more self-sufficient and increase her family's security. She has a stable job and can afford health insurance and a car. She is now moving into a new apartment (with a Section 8 voucher) closer to her job. She will be living in the same complex as her mother, who provides childcare for the twins.

The Colorado Coalition for the Homeless operates many programs for homeless and working poor families and individuals. The agency owns two affordable rental developments that set aside transitional housing units for people like Nicole. The Coalition also owns housing targeted to persons with disabilities, provides rental assistance to homeless families, provides case management and runs a medical clinic for homeless persons.

Projects funded by the Division of Housing not only benefit renters but those trying to become homeowners as well. Ophir Mountain Village was built in Summit County using multiple funding sources to provide lower-cost home-ownership units in a very expensive market.

Lesley Bilisoly is a mother of two children. She has lived in Summit County for 15 years. After divorcing, she feared she might have to leave the community and start over elsewhere with her children. The children dreaded leaving their schools and their home. Lesley dreaded leaving as well. Then a remarkable opportunity arose, Lesley had been chosen from a lottery to buy a unit in Ophir Mountain.

The Summit County Housing Authority oversees the resale of these deed-restricted homes. Lesley and her family now enjoy a better living space, happier home lives free of worry from rent increases and frequent moves, and the pride of owning and maintaining their own home. Lesley always felt that rent was a waste of money but now feels she is investing her money in a way that will increase her family's long-term financial stability.

The Summit County Housing Authority developed Ophir Mountain Village and is in the planning stages of phase two of the project. The housing authority also owns rental units and provides rental assistance to local households.

These individuals each have a unique story. These stories and others demonstrate that affordable housing has a positive social and economic impact on Colorado's economy.

Cavagnaro Family
Lakewood

The challenge is daunting—but Colorado is making progress. The Division of Housing has determined *the state is catching up with the need. From 1999 to 2000, rental production by all funding entities increased by over 800 units, while the overall annual demand for affordable rental units decreased by over 1,700 units. While a gap remains, it is lessening*.

The Division of Housing works hard to enhance the capacity of its local housing development partners to increase the number of affordable units created each year. Efforts have resulted in the creation of eight additional Community Housing Development Organizations. Many of these serve multi-county rural areas of the state.

The Division of Housing has also focused attention on increasing the capacity of rural housing authorities to produce more housing in their communities. Many housing authorities may have owned only one small property but now have developed new rental units for families and seniors using a variety of financing resources. By working closely with these and other nonprofit housing developers, the Division of Housing has helped create many affordable housing projects that would not otherwise have happened.

Because Division of Housing staff have expertise in housing development and the ability to work on numerous projects at one time, administrative costs are low. For an average cost per unit of $259, staff help applicants identify needs, locate and secure financing, underwriting projects, prepare contracts, provide technical assistance during construction

Laws Family
Fort Collins

and lease up and monitor projects.

Leveraging of Division of Housing funds continues to increase. In 1999, each unit of housing produced with Division of Housing funding used an average of $64,000 in other funding resources. In 2000, this number has increased to $69,000. The average per unit subsidy for the Division of Housing in 2000 is $5,755.

The Division of Housing adds value to the affordable housing production process by enhancing the capacity of local governments and development agencies, by providing services to organizations at a low cost, and by leveraging other funding sources to maximize state development dollars.

1 National Association of Home Builders. 1998 price breakdown of a single family home.
2 Welfare Reform and Food Needs. Food Bank of the Rockies, 1999.
3 Cyntha Miller, Explaining MFIP's Impacts by Housing Status, Unpublished Paper, Manpower Demonstration Research Corporation (MDRC), 1998.
4 Consumer Expenditure Survey: Quarterly Data from the Interview Study, Forth Quarter 1992. U.S. Department of Labor, Bureau of Labor Statistics.
5 All Families Deserve a Chance Coalition. An Advocate's Guide to the State Evaluation of the Colorado Works Program. January 2000. P. 2.
6 Colorado Family Needs Budget Report, Colorado Fiscal Policy Institute. Sept. 2000. P. 19.
7 Berkeley Planning Associates, Colorado Works Program: First Annual Report. pp 91–95.
8 Housing Trends and Indicators, Denver Metro Area. Rocky Mountain Office of HUD, February 2000.

Bilisoly Family
Summit County

Focus on the Future

This report has detailed the magnitude of the housing problem in the state. Over 20,900 new rental units will need to be built if every household were to have access to an affordable unit. Currently, agencies are whittling into this number by building 4,636 affordable units. But if many agencies are pursuing the same goal, what is the unique role of the Division of Housing? The following text outlines the Division's overall goals.

Increase Overall Affordable Housing Opportunities

Tenant-based Rental Assistance. The Division of Housing continues to be aggressive in pursuing additional federal certificates and vouchers. In the past year, the Division took over administration of 163 certificates and vouchers for East Village Apartments of Denver when the project-based rental assistance expired. In addition, the Division received 152 additional tenant-based certificates and vouchers to administer for the state. In the upcoming fiscal year, the Division will continue to respond to opportunities as they arise and administer an estimated 1,819 rental housing certificates and vouchers.

Rental Housing Production. By continuing to produce housing in a steady, predictable way the Division has seen a reduction in the housing need over the past year. Steady production, increased development capacity, and a reduction in regulatory barriers will make a difference over time. The Division produced 757 units in 1998, 960 units in 1999 and 1,024 units in 2000. The Division anticipates funding the development of an additional 1,500 units in 2000 and 2001 using existing resources.

Homeownership Opportunities. The Division funded 292 households with homeownership assistance in 1997, 199 households in 1998, and 293 households in 1999. Homeownership programs provide opportunities for families to purchase their own homes at the same time freeing up rental units for additional families.

Preserve Apartment Units Threatened by Expiring Federal Contracts

The Division has assisted several agencies by funding the acquisition and preservation of expiring Section 8 project-based housing units. From August 1999 through August 2000 the Division funded preservation of 336 units in Leadville, Fort Collins and Denver.

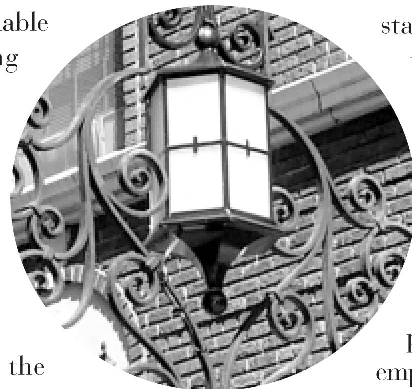
Produce Housing for the Very-Low Income

The Division continues to focus efforts on the very-low income household. Providing housing to this segment of the population is expensive and lacks the glamour of other programs. However it is an area of critical need and the Division works with its funding partners to direct attention and resources toward the creation of very-low income housing.

In the past year alone, the Division provided funding for the following very-low income projects:

Transitional Housing for the Homeless. The Division funded the rehabilitation of 22 units for homeless youth in Denver and the acquisition of 12 units in Pueblo.

Elderly Housing. The Division funded 481 units of housing for the elderly including affordable rental apartments, independent living apartments and assisted living units.



Special Populations. The Division funded three projects for persons with developmental disabilities—The Camelot 2 project in Greeley, DDC Foothills in Boulder, and Bethphage in Grand Junction.

Very-Low Income. The Division and the Colorado Legislature have placed great emphasis on producing housing for very-low income persons (those earning less than 30 percent of the area median income). The Division funded 120 units of housing for this income group. Many of these units are part of larger, mixed income housing developments.

Act as a Catalyst for Local Governments

Regulatory Reform. The Division of Housing provides assistance to local governments by helping local leaders understand their economies, assess housing needs and implement solutions. The Division works with localities to reduce costly regulatory requirements. Based on a Division of Housing survey of regulatory barriers in local jurisdictions, the number of local governments that waived fees in projects funded by the Division increased by five percent from 1998 to 1999. Over this same period, the value of fee waivers combined with direct cash contributions to projects also increased by five percent.

In addition to this survey, Division staff provide training for local governments using the "Housing Colorado: A Guide for Local Officials" handbook.

Use TANF Monies to Address Housing Needs. In 1996, Congress passed the welfare reform bill, ending the Aid to Families and Dependent Children program and replaced it with the Temporary Aid to Needy Families (TANF) program. TANF focuses on job training, employment and family self-sufficiency. Studies show that TANF recipients with affordable housing are able to work more and remain self-sufficient.

In Colorado, TANF funds are passed from the state to counties for distribution. Each county has an annual plan for distributing TANF funding, which may or may not include housing activities. The Colorado Division of Housing can provide technical assistance to counties on including housing as a TANF-funded activity. TANF eligible housing programs include tenant-based rental assistance (similar to the Section 8 voucher program), homeless prevention, funding of homeless and domestic violence shelter operations, project based rental assistance and homeownership.

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