



Department Description FY2012-13

Department of Local Affairs

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Executive Director's Office
Director Reeves Brown
14.2 FTE
\$5,092,340

Division of Property Taxation
Property Tax Administrator
JoAnn Groff
36.7 FTE
\$2,869,531

Division of Local Government
Director Tony Hernandez
51.4 FTE
\$246,486,273

Board of Assessment Appeals
Director Mike Beery
13.2 FTE
\$551,831

Division of Emergency Management
Director Dave Hard
27.9 FTE
\$19,857,317

Division of Housing
Director Pat Coyle
47.7 FTE
\$88,597,624

191.1 FTE

\$363,437,279

\$6,089,213 GF

\$4,294,753 GFX

\$228,629,982 CF

\$7,104,146 RF

\$117,319,185 FF

November 2011

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BACKGROUND INFORMATION:

The Department of Local Affairs (DOLA) is an agency of state government that serves as the link between the state and local communities. The department provides training, technical assistance and financial support to local communities and its elected community leaders. Financial resources are made available to communities either through statutory formula distributions or through grants at the discretion of the Executive Director with guidance from citizen boards. Roughly 90 percent of the department's annual budget is invested directly in local communities in the form of grants or low interest loans.

Every Colorado resident lives within the jurisdiction of at least three local governments: the state, a county and a school district. More than 70 percent of all Coloradans also live within municipal boundaries. In addition, hundreds of special districts affect the lives of state residents - a total of more than 2,100 local jurisdictions operate statewide. Governance in Colorado is complex. DOLA facilitates intergovernmental relations between the state, federal and local governments to provide service to the citizens of Colorado. Though much of the work of the Department takes place in Denver, the Department's decentralized field offices are convenient to local governments in the various regions of the state and provide easy access for citizens seeking information about the Department's diverse programs.

EXECUTIVE DIRECTOR'S OFFICE

The Executive Director's Office provides the comprehensive departmental management and administration including budget, strategic planning, policy management, accounting, purchasing, human resources administration, and public information.

DIVISION OF PROPERTY TAXATION (DPT)

BACKGROUND OF DIVISION

The Property Tax Administrator, and by extension, the Division of Property Taxation (DPT), exists to assist and coordinate in the administration of all laws concerning the valuing of taxable property, the assessment of same, and the levying of property taxes, 39-2-109(1)(b), C.R.S. The subject matter encountered by DPT is broad, and ranges from the granting or denial of exemptions for charitable or religious property owners to valuation of state assessed property, and providing technical assessment assistance of all types to county assessors.

The division is committed to the fair, accurate and consistent application of property tax law for the benefit of all citizens of this state. DPT takes policy as designed by the General Assembly and the judicial interpretation of the law and develops ways to put it into practice.

OVERVIEW OF DIVISION

DPT is somewhat unique in state government as its governance is described in the Colorado Constitution.

Article X, Section 15 states, in part:

(1) (b) There shall be a state board of equalization, consisting of the governor or his designee, the speaker of the house of representatives or his designee, the president of the senate or his

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designee, and two members appointed by the governor with the consent of the senate. Each of such appointed members shall be qualified appraiser or a former county assessor or a person who has knowledge and experience in property taxation.

(2) The state board of equalization shall appoint, by a majority vote, a property tax administrator who shall serve for a term of five years and until his successor is appointed and qualified unless removed for cause by a majority vote of the state board of equalization. The property tax administrator shall have the duty, as provided by law, of administering the property tax laws and such other duties as may be prescribed by law and shall be subject to the supervision and control of the state board of equalization. The position of property tax administrator shall be exempt from the personnel system of this state.

Through DPT, (DOLA) coordinates and administers the implementation of property tax law through the state's 64 counties. The subject matter encountered by this office is broad, and ranges from the granting or denial of exemptions for charitable or religious property owners to valuation of state assessed property. DPT also provides technical assessment assistance of all types to county assessors. It operates under the leadership of the Property Tax Administrator, who is appointed by the State Board of Equalization (SBOE/state board). In promoting equalization of property valuation for property tax purposes and in providing assistance to county assessors, the division's activities are divided into four sections: Administrative Resources, Appraisal Standards, Exemptions, and State Assessed Properties.

BOARD OF ASSESSMENT APPEALS (BAA)

BACKGROUND OF DIVISION

BAA was created in Colorado Revised Statutes (C.R. S.) Section 39-2-123 of C.R.S., states in part:

(1) "On and after July 1, 1971, the Colorado tax commission shall be known as the board of assessment appeals, which agency is hereby created within the department of local affairs. The board shall be a quasi-judicial tribunal."

(2) "Effective July 1, 1991, except as otherwise provided in section 39-2-125 (1) (c) (I), the new board shall be comprised of three members, who shall be appointed by the governor with the consent of the senate. Members of the board shall be experienced in property valuation and taxation and shall be public employees, as defined in section 24-10-103 (4) (a), C.R.S., who are not subject to the state personnel system laws. One of such members shall be or shall have been, within the five years immediately preceding the date of initial appointment, actively engaged in agriculture. On and after June 1, 1993, members shall be registered, licensed, or certified pursuant to the provisions of part 7 of article 61 of title 12, C.R.S."

C.R.S. 39-2-125 (1)(c)(I) The appointment of up to six additional members to the board in the same manner as specified in section 39-2-123 (2). Such members shall satisfy such qualifications and shall be entitled to such compensation as are specified in section 39-2-123. Such additional members shall be appointed for terms of one state fiscal year.

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OVERVIEW OF DIVISION

BAA is currently composed of seven members who meet to hear appeals by property taxpayers of decisions of county boards of equalization, county boards of commissioners and the property tax administrator on valuation of real and personal property, abatement of taxes, exemption or state assessed properties. BAA schedules up to three hearing panels of at least 2 board members, five days per week. The Board schedules hearings in Grand Junction and in Alamosa to improve appellant accessibility to the appeals boards in non-metro Denver counties.

DIVISION OF HOUSING (DOH)

BACKGROUND OF DIVISION

The Colorado State Housing Board was created in 1970 to advise the General Assembly, the Governor and the Division of Housing on housing related issues within Colorado. The seven-member State Housing Board reviews financing requests, adopts regulations governing factory built structures and multifamily housing in counties with no building codes. The board also sponsors research reports and stakeholder processes to benefit interested citizens, legislators and the Governor.

DOH ensures that the State Housing Board's efforts result in safe, decent and affordable housing options for residents of Colorado. The Division's responsibility is to oversee projects financed with public dollars that flow through the state budget process. DOH partners with Colorado communities to provide financial assistance and services which increase the availability of housing to residents of Colorado who can least afford it.

OVERVIEW OF DIVISION

DOH assists in financing the construction of new housing and rehabilitation of existing housing that benefits persons with moderate to low income. Local housing authorities, private developers, nonprofit corporations, cities and counties may apply for financing. Most grants require a contribution from the community served.

DOH uses federal and state funds for:

- Elderly, small & large families, disabled individuals and seasonal workers whether they are homeowners or renters.
- Construction/rehabilitation of multi-family apartments, single family houses, homeless shelters.
- Direct loans, loan guarantees, and equity investments or subordinated debt for construction or permanent financing.
- Housing options in parts of Colorado that do not receive federal grants for housing directly to the jurisdiction.

To ensure the state is served effectively, DOH staff is assigned particular regions. Staff provides technical assistance to help communities identify housing needs along with private and public financing options. In addition, DOH aids communities in forming housing development teams.

DIVISION OF LOCAL GOVERNMENT (DLG)

BACKGROUND OF DIVISION

The Division of Local Government (DLG) was created, by statute, in 1966, as a recommendation of the Governor's Local Affairs Study Commission to:

1. Provide technical assistance and information to local governments on available federal and state programs and act as a liaison with other state agencies concerned with local governments.
2. Be a source of information to the Governor and General Assembly on local government needs and problems.
3. Perform research on local government issues.

OVERVIEW OF DIVISION

In order to integrate the delivery of technical, financial, and information services to local governments, DLG includes several organizational or functional areas:

- Financial Assistance: Local governments can obtain grants and loans for capital improvements and for operations. Supported projects include, but are not limited to, local water and wastewater improvements, local road improvements, town and county office facilities and public libraries.
- Technical Assistance: Local government personnel receive training and individual assistance. Topics include, but are not limited to, conduct of local elections, land use planning, downtown revitalization, budgeting, community visioning and compliance with state statutes pertaining to local governments.
- State Demography Office: This office compiles, organizes and analyzes population and demographic information for the state. Its data are used by state agencies to forecast demand for facilities and services. Demographical data are also used by local governments and non-profit organizations in the state to anticipate growth or decline and to plan and develop programs and community resources. The office makes the data publicly available on DOLA's website, answers requests for economic and demographic data and provides training workshops on accessing and using the data.
- Field Services: Eight regional managers provide on-the-ground technical assistance to local communities from offices located outside the Denver metro area

DIVISION OF EMERGENCY MANAGEMENT (DEM)

BACKGROUND OF DIVISION

Pursuant to Colorado Revised Statute 24-32-2105, the Division of Emergency Management (DEM) prepares and maintains state disaster emergency plans in compliance with applicable federal and state regulations. The Governor has delegated DEM, through its director, to manage, coordinate and participate in emergency response operations which involve state, and when necessary, federal resources.

OVERVIEW OF DIVISION

DEM is responsible for the state's comprehensive emergency management program (SEOP) which supports local and state agencies. Activities and services cover the four phases of emergency management: *Preparedness, Prevention, Response* and *Recovery* for disasters such as

flooding, tornadoes, wildfire, and hazardous materials incidents, DEM also participates in the planning and activation for planned events such as the Democratic National Convention.

DEM staff provides planning and training services and financial and technical assistance to local governments. DEM field staff serves as a resource to local emergency managers for the development and maintenance of emergency operations plans, procedures, and checklists. Emphasis is on multi-agency/multi-jurisdiction planning which crosses all disciplines and includes both private and non-profit organizations.

During an actual state declared emergency or disaster, DEM coordinates the state response and recovery program with the support of local governments. DEM activates the State Emergency Operations Center (SEOC)/ Multi-Agency Coordination Center (MACC) for both emergency and non-emergency operations. Representatives from other state departments and agencies gather at the SEOC to coordinate the state response to an emergency situation.

In the event of a major emergency or disaster, or the threat thereof, the director of DEM makes recommendations to the Governor on matters pertaining to State Declarations of a Disaster Emergency, requests for federal assistance and ongoing state disaster response and recovery activities.

Section 2.5 Prior Year Legislation

There were numerous bills passed into law during the 2011 legislative session which have significant impacts on the department. Some of these bills include:

<u>Bill #</u>	<u>Short Bill Title</u>	<u>FTE</u>	<u>Total Funds</u>	<u>General Fund</u>	<u>Cash Fund</u>	<u>Reappropriated Funds</u>	<u>Federal Funds</u>
HB11-1010	CONCERNING INCIDENTAL USE OF PROPERTY OWNED BY A FRATERNAL ORGANIZATION OR VETERANS' ORGANIZATION						
		0.0	(\$550)	\$0	(\$550)	\$0	\$0
		0.0	(\$550)	\$0	(\$550)	\$0	\$0
SB11-226	CONCERNING THE AUGMENTATION OF THE GENERAL FUND THROUGH TRANSFERS OF CERTAIN MONEYS.						
	<u>On June 30 in FY 11-12</u>	0.0	(\$30,000,000)	\$0	(\$30,000,000)	\$0	\$0
		0.0	(\$41,000,000)	\$0	(\$41,000,000)	\$0	\$0
		0.0	(\$71,000,000)	\$0	(\$71,000,000)	\$0	\$0

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HB11-1230	CONCERNING THE CONSOLIDATION OF STATE PROGRAMS	0.5	\$28,840	\$0	\$0	\$28,840	\$0
		0.0	\$475	\$0	\$0	\$475	\$0
		0.0	\$29,315	\$0	\$0	\$29,315	\$0
		19.0	\$1,216,716	\$0	\$0	\$0	\$1,216,716
		0.0	\$18,884,430	\$0	\$0	\$0	\$18,884,430
		19.5	\$20,130,461	\$0	\$0	\$29,315	\$20,101,146
SB11-164	CONCERNING THE AUGMENTATION OF THE GENERAL FUND THROUGH TRANSFERS OF CERTAIN MONEYS.						
	<u>On June 30 in FY 10-11</u>	0.0	(\$15,000,000)	\$0	(\$15,000,000)	\$0	\$0
		0.0	(\$4,800,000)	\$0	(\$4,800,000)	\$0	\$0
		0.0	(\$60,000,000)	\$0	(\$60,000,000)	\$0	\$0
		0.0	(\$79,800,000)	\$0	(\$79,800,000)	\$0	\$0

Section 2.6 Hot Issues

Division of Housing **Foreclosures**

There were more than 23,800 completed foreclosures in Colorado during 2010. Although foreclosures have not returned to the 2007 peak of 25,000 foreclosures, foreclosure rates in Colorado have reached a plateau and remain high. Counties in the central mountains and in western Colorado now report some of the highest growth rates. Foreclosures show no sign of any new substantially large increases, but are not likely to disappear with the next year.

According to several different sources, home purchase prices in Colorado continue to fall at a slow pace and have not returned to levels reached before the recession began in Colorado in 2008. The upside of this issue is that a much more measures pace for home-prices is good news for first-time home buyers and others looking for more affordable for-sale properties.

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The demand for purchase housing has been significantly impacted by increases in credit score requirement and down payment requirements for new buyers. A drop in the number of potential new buyers and stagnation in home prices will continue to impact the ability of current homeowners to cope with foreclosures. Foreclosure counseling continues to be the most cost-effective way of providing assistance in avoiding foreclosure. The Division of Housing, from 2009-2011, has provided funds to the Colorado Foreclosure Hotline, from part of a legal settlement. However, those dollars will no longer be available come June 2011. New funding sources will be necessary to ensure that the foreclosure Hotline and the housing counseling services in Colorado continue to be available for the public in 2011 and 2012.

Apartment Vacancies

As the demand for purchase housing has fallen, the demand for rental housing has risen significantly. Rent levels in Colorado have been growing consistently since 2010. In spite of a lack of job growth, apartment vacancy rates have remained unexpectedly low for a period of weak economic growth. For example, the apartment vacancy rate in metro Denver has been below 8 percent since the third quarter of 2009, and the rate fell below 5 percent during the second quarter of 2011, reaching a ten-year low. This indicates that demand for apartments is strong in spite of job growth and that once job growth accelerates, the apartment market will continue to tighten, spurring rent growth.

New housing construction is at a ten-year low. The need for affordable apartments will become more acute as the economy improves and population grows. The time necessary for the production of new multifamily units will drive a tight market at least through the medium-term. The Division of Housing will expand its focus in addressing the needs of the multifamily market.

Neighborhood Stabilization Program (NSP)

NSP I grantees, including units of local government, nonprofits and private organizations, acquired and quickly began rehabilitation of properties after contracts were executed in 2009 and early 2010. All \$37,918,555 NSP I funds were obligated (under contracts tied to property addresses) prior to the September 10, 2010 18-month deadline. Approximately one-third of the single family houses acquired have been rehabilitated and placed on the market, of which many have been sold to income qualified owner-occupant households. One multi-family new construction project broke ground in July 2011, combining the NSP-funded acquisition of vacant land with Low-Income Housing Tax Credit financing for the construction of a senior housing property in Golden. Nearly all other multi-family projects are all completed and fully occupied, with the last one currently undergoing rehabilitation and scheduled for lease-up in early 2012. To date, 75% of granted funds have been expended, and grantees have begun to recycle program income (sales proceeds) to continue program activities. Exceeding the required national objective, more than 25% of the funds expended to date target households at or below 50% of Area Median Income (AMI).

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The State executed a grant agreement for \$6,518,947 in NSP III funds with HUD in March 2011, administering funds again for the City of Colorado Springs. In response to the statewide request for proposals, the State received applications for funding by May 20, 2011, and began review of applications. Projects selected to move forward were presented to the State Housing Board in July 2011, and contracts will be drafted and executed in the summer and fall. Utilizing the bulk of the funds to support multi-family projects in Thornton, Rocky Ford and Colorado Springs, the State will target a much higher percentage of the program funds to benefit households at or below 50% AMI than was possible with NSP I funds. As NSP III is distributed based on an allocation formula (per HERA 2008), and administered based on the deadline methods of ARRA (2009), half (50%) of funds must be expended by March 11, 2013, and 100% of the funds must be expended by March 11, 2014.

Federal Funds

Federal funding for established housing programs has decreased over the past year. From FY 2010 to FY 2011, federal funding for the Division of Housing, in the form of CDBG, HOME and ESG funds, has dropped 11 percent, falling from \$19,675,583 to \$17,490,779.

Division of Local Government

Division staff is working on ways to partner local, state, and federal financial resources to help communities through this financial downturn. Transferring severance tax and federal mineral lease cash funds is having a significant negative impact on local government's ability to fund capitol improvement projects such as water and waste water projects.

The Division is responding to local government officials who make inquiries regarding creation of FML districts, budget, property tax revenue limit, election, and revenue questions and is providing technical assistance.

Division of Emergency Management

As our current economic recession and the long awaited recovery drags on, so does the pressure on federal, state, and local governments to trim budgets. There is a potential the federal government may reduce funding for emergency preparedness programs. In this trimming process, local governments continue to reassess the "Essential Services" which they provide. Often, the functions and cost of Emergency Management Programs come into question. As budgetary pressures continue, Emergency Management may not be considered an "Essential Service." Colorado is fortunate to have a low frequency of disasters. Unfortunately, this lack of disasters helps to rationalize decisions to stop funding emergency management. Like canceling an insurance policy, this approach may work up to the moment of our next disaster. And in the response and recovery business, the success of mutual aid, state and federal support rests on the capability of the local emergency management program. Our collective challenge during these weak economic times is to ensure our citizens do not experience an unnecessary tragedy as a result of budgetary decisions.

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Workload Measures

Division of Property Taxation

Performance Measure	Outcome	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Estimate	FY 12-13 Request
Exemptions – Process 100% of applications for exemption within 12 months of receipt.	Benchmark	100%	100%	100%	100%
	Actual	93.65%	93.4%		

Division of Housing

Performance Measure	Outcome	FYE 6/30/08	FYE 6/30/09	FYE 6/30/10	FYE 6/30/11	FYE 6/30/12
Increase supply of workforce rental and homeownership housing.	Benchmark	550	550	550	550	550
	Actual	555	887	519		

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	FY09-10 Actual	FY10-11 Current	FY11-12 Estimated
Reviews of budgets, financial statements, and election information for Number of Title 32, Article 1 Districts (Metropolitan Districts Park & Recreation Districts Fire Protection Districts Health Service Districts (Hospital) Sanitation Districts Water Districts Water & Sanitation Districts Tunnel Districts Ambulance Districts Health Assurance Districts)	1,896	1,941	1,967

Division of Emergency Management

Performance Measure	Outcome	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Approp.	FY 12-13 Request
Percent of counties that have a federally approved hazard mitigation plan	Benchmark	75%	75%	75%	75%
	Actual	34%	59%		

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