Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Local Affairs

Request Title

R-03 Permanent Supportive Housing for Behavioral Health Consumers

Dept. Approval By: ______

OSPB Approval By: ______ 10/27/16

___ Supplemental FY 2016-17

X Change Request FY 2017-18

___ Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
Total of All Line Items Impacted by Change Request	Total	$21,446,134	$0	$21,448,210	$4,000,000	$4,000,000
	FTE	19.9	0.0	19.9	1.0	1.0
	GF	$8,499,952	$0	$8,500,284	$0	$0
	CF	$75,361	$0	$75,361	$4,000,000	$4,000,000
	RF	$294,586	$0	$295,375	$0	$0
	FF	$12,576,235	$0	$12,577,190	$0	$0

Line Item Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
03. Division of Housing, (B) Field Services - Affordable Housing Grants and Loans	Total	$20,228,793	$0	$20,228,793	$4,000,000	$4,000,000
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$8,200,000	$0	$8,200,000	$0	$0
	CF	$0	$0	$0	$4,000,000	$4,000,000
	RF	$0	$0	$0	$0	$0
	FF	$12,028,793	$0	$12,028,793	$0	$0

CF Letternote Text Revision Required? Yes ___ No ___ If Yes, see attached fund source detail.

RF Letternote Text Revision Required? Yes ___ No ___

FF Letternote Text Revision Required? Yes ___ No ___

Requires Legislation? Yes X No ___

Type of Request? Department of Local Affairs Prioritized Request

Interagency Approval or Related Schedule 13s: None

Cost and FTE

- Beginning in FY 2017-18, the Department requests annual funding of $4 million from the Marijuana Tax Cash Fund (MTCF) to support the development of permanent supportive housing (PSH) units for behavioral health consumers who are exiting or at risk of entering state hospitals or mental health institutes, or other individuals with behavioral health issues. The request includes 1.0 FTE to provide oversight of program underwriting and management of vouchers.

Current Program

- The Department currently manages $8.2 million in state General Fund and approximately $15 million in federal funds for the acquisition, rehabilitation, and new construction of affordable housing units for low-income households, chronically homeless individuals and other high risk populations. The Department also manages over 7,000 vouchers with over 84% of these vouchers going to persons with disabilities.

Problem or Opportunity

- There are currently approximately 3,850 people in Colorado with severe mental illness reported through sources such as annual Point in Time homeless counts (1,877 people), exiting the Department of Corrections into homelessness (1,800 people) and in the State's Mental Health Institutes (180 people) ready to transition to community living but lacking a supportive home.
- The State of Colorado spends $666 per day for a bed at the Colorado Mental Health Institute at Pueblo. The average length of stay at the Pueblo hospital is 192 days resulting in an average cost of $127,872. The State's lack of supportive housing for behavioral health consumers prolongs these costly stays rather than offering more cost efficient supportive environments for people to transition to in their home communities.
- Over 60% of chronically homeless individuals are struggling with significant mental illness and/or substance use.

Consequences of Problem

- Individuals with mental illness have a stronger likelihood of being incarcerated and/or homeless and have longer stays in facilities or on the streets. Living without stable housing can drastically worsen health outcomes. Homelessness can exacerbate mental illness, make ending substance abuse difficult, and prevent chronic physical health conditions from being addressed resulting in increased use of the State's emergency systems.

Proposed Solution

- In the first five years, the Department's request for $4 million per year would allow for the acquisition, rehabilitation, or construction of approximately 354 units of service-enriched supportive housing paired with 300 housing vouchers for Colorado's most vulnerable behavioral health consumers.
- PSH is an evidence-based model and highly effective strategy that combines affordable housing with intensive coordinated services, and it is a proven solution to the problem of finding safe, stable housing for people with behavioral health issues.
- Safe, decent and stable housing improves individual's well-being and productivity, while also reducing chances for incarceration, hospitalization or homelessness.

COLORADO
Department of Local Affairs

John W. Hickenlooper
Governor

Irv Halter
Executive Director

FY 2017-18 Funding Request | November 1, 2016

Department Priority: R-03
Request Detail: Permanent Supportive Housing for Behavioral Health Consumers

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Permanent Supportive Housing for Behavioral Health Consumers	$4,000,000	$0

The Department is requesting the Joint Budget Committee sponsor a bill to expand the use of marijuana funds for housing for individuals within the behavioral health system or at risk of entering the behavioral health system. The annual funding request is $4 million from the Marijuana Tax Cash Fund with roll forward authority for each subsequent year.

Problem or Opportunity:

The State of Colorado spends $666[1] per day or $243,090 per year for a bed at the Colorado Mental Health Institute at Pueblo, one of Colorado's state-operated inpatient psychiatric hospitals. The average length of stay at the Pueblo hospital is 192 days compared to the Fort Logan average stay of 101 days, according to Colorado's Office of Behavioral Health. The State's lack of supportive housing for behavioral health consumers prolongs these costly stays rather than offering more cost efficient supportive environments for people to transition to in their home communities. Additionally, state and local governments spend as much as $175 per day or $63,808[2] per year for a high cost homeless person living on the street, over 60% of which are struggling with a significant mental illness and/or substance use.[3,4] This cycle is compounded by the State's shortage of crisis beds which results in individuals in crisis remaining in less than ideal housing, like jails or homelessness, while awaiting an appropriate placement.

Governor Hickenlooper's 2013 Strengthening Behavioral Health Initiative: *a Plan to Safeguard All Coloradans* had the following goals:

- Expand early access to support and services for individuals with behavioral health needs and their families
- Promote ongoing recovery through linkage with community resources
- Decrease the number of unnecessary involuntary civil commitments, hospital emergency room visits, jail stays, and reduce episodes of homelessness for individuals experiencing a behavioral health emergency

[1] Figure received from the Colorado Department of Human Services, Office of Behavioral Health

[2] Getting_Home_2013 study conducted by the Economic Roundtable

[3] Allday, Erin. *The streets' sickest, costliest: the mentally ill.* San Francisco Chronicle, June 29, 2106.

[4] Substance Abuse and Mental Health Services Administration (SAMHSA). Current Statistics on the Prevalence and Characteristics of People Experiencing Homelessness in the United States. http://homeless.samhsa.gov/ResourceFiles/hrc_factsheet.pdf

- Increase the availability of community and natural supports to prevent behavioral health crisis.

This budget request builds on the Governor's 2013 plan and the ongoing work of various stakeholder groups, by aiming to reduce the length of hospitalization and reduce readmission rates. In addition, the funding will target behavioral health consumers exiting the Department of Corrections (DOC) and county jails, as well as individuals with severe mental illness who lack adequate housing. The Department proposes to do this by creating 354 affordable supportive housing units within the first five years of this funding for Colorado's most vulnerable citizens, matched with 300 State Housing Vouchers.

Just this year, there are approximately 3,850 people with severe mental illness reported through sources such as annual Point in Time homeless counts (1,877 people), exiting DOC into homelessness (1,800 people) and in the State's Mental Health Institutes (MHI) (180 people) ready to transition to community living but lacking a supportive home.

Safe, decent and stable housing improves individual's well-being and productivity, while also reducing chances for incarceration, hospitalization or homelessness.[5] Specifically, in a 2014 study "The Relationship Between Community Investment in Permanent Supportive Housing and Chronic Homelessness," within 372 communities studied between 2007 and 2012, the mean number of permanent beds with rental assistance and services rose by 57% while the mean rates of people languishing in homelessness decreased 35%.[6] Certain chronic medical and behavioral health conditions, as well as limited income, make it difficult for individuals to maintain a stable home without additional assistance. Repeated studies show the evidence-based practice that a home is the first step in obtaining adequate treatment and that it is essential to start on the path toward recovery.

It is the intent of this funding request to allocate in year one $820,000 for housing vouchers which will be paired with the creation of approximately 125 new housing opportunities for people that are exiting or at risk of entering state hospitals or mental health institutes, and other individuals with special needs such as behavioral health or substance use disorders. In subsequent years, the number of created units will decline as more funding will be allocated to ongoing housing stability through vouchers. Because people with mental illness and other severe disabilities are more likely than others to be incarcerated or to enter long-term healthcare institutions like nursing homes or psychiatric hospitals, or to cycle between institutionalization and homelessness, housing is a vital solution.[7] People with histories of incarceration or institutionalization significantly reduce their use of those systems after moving into supportive housing. Many studies show that supportive housing successfully interrupts this cycle. For example, one of the largest studies to date that documents these reductions, conducted in New York City, found that individuals placed in supportive housing spent, on average, 115 fewer days per person in homeless shelters, 75 fewer

[5] Jocelyn Fontaine et al., "Supportive Housing for Returning Prisoners: Outcomes and Impacts of the Returning Home Ohio Pilot Project," Urban Institute, August 2012, http://www.urban.org/sites/default/files/alfresco/publicationpdfs/412632-Supportive-Housing-for-Returning-Prisoners-Outcomes-and-Impacts-of-the-Returning-Home-Ohio-PilotProject.PDF.

[6] Byrne, Thomas; Fargo, Jamison; Montgomery, Ann Elizabeth; Munley, Ellen;and Culhane, Dennis. *The Relationship Between Community Investment in Permanent Supportive Housing and Chronic Homelessness*. Social Service Review 88.2, 2014.

[7] Metraux and Culhane (2004) found that 45 percent of those leaving jails or prisons with a prior history of homeless shelter use reentered shelters, mostly within the first month of release. People who had contact with the mental health system had more shelter stays and re-incarcerations than those who had not. Similarly, Culhane, Metraux, and Hadley (2002) found that, among people experiencing homelessness entering supportive housing in New York City, 26 percent had stayed in a state run psychiatric hospital in the two years prior to moving into supportive housing. Hopper et al. (1997) conducted in-depth interviews with 36 people experiencing homelessness. They identified a sub-set of these individuals who lived in an "institutional circuit" — they spent some time homeless, but they spent about 40 percent of their time cycling between hospitals, psychiatric institutions, and prisons and jails.

days in state-run psychiatric hospitals, and almost eight fewer days in prison or in jails, in the two years after entering supportive housing, compared to a similar group without supportive housing.[8]

Most studies recruit people from homeless shelters or off the streets, but a few small studies use supportive housing to help people move out of nursing homes or other institutions.[9] One found that a group in supportive housing recruited from psychiatric hospitals moved quickly out of the institutions and avoided subsequent homelessness, while a group without supportive housing exited institutions much more slowly and experienced higher rates of homelessness two years later.[10]

Additionally, preliminary findings from the Western Interstate Commission for Higher Education (WICHE) 2016 Behavioral Health Study completed for the Office of State Planning and Budgeting (OSPB) shows statistically significant differences in cost of outpatient care among homeless individuals that can also be classified as "indigent" under the OBH qualifications, which is defined as those who earn less than 300% of the Federal Poverty Level and who have no other source of funding (e.g., Medicaid) to pay for behavioral health services. The mean cost of care was found to be $3,355 for an indigent client experiencing homelessness, while only $2,396 for an indigent client who is not experiencing homelessness. Homelessness, as an isolated variable, had a greater effect on cost of care than did unemployment and diagnosis of a serious mental illness/serious emotional disturbance. The study states, "Services to reduce homelessness and unemployment are critical for the indigent population as data indicate a significant proportion of the indigent population is struggling with homelessness and unemployment, and homelessness in particular appears to be associated with poor functioning and a higher cost of care."

HOUSING MARKET:

To understand the shortage of affordable units in Colorado, you need only pick up the newspaper or listen to the news. Behavioral health consumers who are homeless or who want to return to the community after receiving care in an institution face particular barriers without assistance finding housing. According to the Denver Metro Apartment Vacancy and Rent Report[11], vacancy rates in market rate apartments have hovered at or below 5% for the past four years (with the exception of the past two quarters, due to a normal seasonal increase and construction of new, expensive apartments). As a result, market rents have increased from just under $1,000 to just over $1,300. In comparison, vacancy rates in affordable housing are typically below 3% simply allowing for unit turnover, and they tend to have long waiting lists.

There are 272,250 Colorado low-income households who are "severely cost burdened," paying more than 50% of their income for housing. Currently, 108,970 renter households spend more than 50% of their income for rent and earn less than 30% of the Area Median Income (AMI), which is $24,300 for a four-person household Denver Metro area. Affordable housing options are scarce, often causing those that could be served in the community to remain institutionalized. In order for clients to live in the community, they must first have access to safe, affordable and suitable housing options. In Colorado, there are 128,000 more households than available units.

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8 Culhane, Metraux, and Hadley, 2002.

9 Studies include between 25 and 80 people

10 Leyla Gulcur et al., "Housing, Hospitalization, and Cost Outcomes for Homeless Individuals with Psychiatric Disabilities Participating in Continuum of Care and Housing First Programmes," Journal of Community & Applied Social Psychology, April 2003, Vol. 13, pp. 171-186.

11 The Denver Metro Apartment Vacancy and Rent Report for the First Quarter of 2016. Ron L. Throupe, Ph.D, Daniels College of Business, University of Denver & Jennifer L. Von Stroh, Colorado Economic and Management Associates. https://www.colorado.gov/pacific/dola/node/105576/

A 2015 study recently released by the Public and Affordable Housing Research Corporation (PAHRC)[12] indicates the need for rental assistance is growing as rents rise nearly three times as fast as household incomes. At the same time, the supply of federal rental assistance is inadequate to meet the mounting need. Although the total number of units nationally in the primary housing assistance programs has increased less than 3% since 2007, there has been an increase of approximately 21% in the number of extremely low-income households over the same time period further exacerbating the housing crisis.

HOUSING FOR PEOPLE WITH SPECIAL NEEDS:

→ People Exiting and at Risk of Entering Colorado Mental Health Institutes

The Colorado Department of Human Services (DHS) reports that it has a need for additional housing for clients that are exiting the Colorado Mental Health Institutes, exiting other institutional settings into homelessness, or clients who are at high risk of hospitalization. On any given month, there are a number of state hospital patients that could be discharged if they had adequate housing. For example, on July 1st, 2016, there were 15 individuals at the Mental Health Institutes who could have benefited from stepping down into a lower level of care if the Department had available housing. This equates to approximately 150 annually. In addition, DHS reports that in August there were 1,500 behavioral health consumers reporting as currently homeless. Supplying permanent affordable housing to these individuals can end the revolving door between state institutions and homelessness.

→ Ex-Offenders or Diversions from Incarceration

In addition to mental illness, incarceration is strongly associated with housing instability and homelessness, and individuals with mental illness have a stronger likelihood of being incarcerated and/or homeless and have longer stays in facilities or on the streets. According to the Justice Center at the Council of State Governments, more than 10% of people entering prisons and jails are homeless in the months before their incarceration. The rates are even higher at nearly 20% for those with mental illness. Individuals with a history of shelter use prior to incarceration were almost five times as likely to have a shelter stay after release from incarceration.[13] According to a qualitative study by the Vera Institute of Justice, individuals released from prison and jail to parole who entered homeless shelters were seven times more likely to abscond during the first month after release than those who had some form of housing.[14] According to DOC, approximately 150 individuals exit Colorado's state prisons into homelessness each month (1,800 annually), and the majority (70%) have high service needs.

→ Homeless Individuals with Severe Mental Illness:

Additionally, the U.S. Department of Housing and Urban Development's (HUD) report on the 2015 Point-in-Time survey indicates that there were a total of 9,953 homeless individuals in Colorado. Of these, 1,877 were chronically homeless. Additionally, 1,800 of these individuals self-reported chronic substance abuse disorders and 1,877 individuals self-reported that they were severely mentally ill. The Substance Abuse and Mental Health Services Administration (SAMHSA) has found that over 60% of people who are chronically homeless have experienced lifetime mental health problems and over 80% have experienced alcohol and/or

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[12] "Value of Home" a 2015 Public and Affordable Housing Report. HAI Group. http://www.pahrc.org/studies/2015PAHRCReport.pdf

[13] Metraux, S. & D.P. Culhane. "Homeless Shelter Use and Reincarceration Following Prison Release: Assessing the Risk." *Criminology & Public Policy* 3, no. 2 (2004): 201-22.

[14] Metraux & Culhane; David Michaels et al., "Homelessness and indicators of mental illness among inmates in New York City's correctional system." *Hospital and Community Psychiatry* 43 (2002): 150-55.

drug problems.[15] It would be safe to assume that both untreated mental health and substance abuse problems are leading contributing factors to homelessness for many individuals.

So intertwined are homelessness and mental health that it is impossible to resolve one without addressing the other. The HUD defines chronic homelessness as "an individual or family with a disabling condition who has been continuously homeless for a year or more or has had at least four episodes of homelessness in the past three years." Chronically homeless individuals present serious challenges for service providers and the community at large. This group utilizes a disproportionate share of shelter beds and emergency services (especially hospital emergency room visits and criminal justice system encounters). Further, their substance use, mental health, incidents of trauma, and medical/physical disorders create significant barriers to successful transition from the streets to permanent housing and long-term housing sustainability.

NEED FOR SUPPORTIVE HOUSING IN COLORADO:

Permanent Supportive Housing (PSH) is an evidence-based model and highly effective strategy that combines affordable housing with intensive coordinated services, and it is a proven solution to the problem of finding safe, stable housing for people with behavioral health issues. In August 2014, a study titled Recommendations for Increasing the Supply of Supportive Housing in Colorado completed by the Governor's Office found that Colorado's existing inventory of PSH units was inadequate to meet the current need. It is estimated that in order to meet the needs of Colorado's most vulnerable citizens, an additional 5,800[16] new affordable units, many with supportive services, were needed at the time of the study. Additionally, the study found that there are two main components to filling the affordability gap:

- → Larger grant-like investments in the construction of additional new supportive housing units, such as grants, equity investments provided in exchange for tax incentives, and "soft" debt that is only repaid to the extent that there are net revenues from the projects.
- → More rent vouchers to house homeless people in: (1) scattered-site supportive housing programs, and (2) new affordable rental projects, where project-based vouchers are essential to bridge the large gaps between affordable rents and operating costs.

Rental Assistance Voucher use in Colorado:

The Department has 7,015 housing vouchers leased with an additional 456 individuals with vouchers searching for an available unit across the state under a variety of federal and state programs. On average, people who receive a voucher have a 74% success rate – in other words, 26% of them are unable to find appropriate housing even with rental assistance. Of those that are eventually successful, they need an average of 67 days to find a suitable unit. This process is even more challenging for people with behavioral health issues, which is why increasing the supply of PSH units designed to support them is so important.

Capacity to Create Permanent Supportive Housing units in Colorado:

The Department has partnered with the Governor's office to offer the PSH Toolkit, an intensive series of classes designed to help local non-profit agencies learn to develop PSH projects. Although the state has made great strides towards increasing the PSH stock, with 282 units funded two years ago and 134 in the

[15] Substance Abuse and Mental Health Services Administration (SAMHSA). Current Statistics on the Prevalence and Characteristics of People Experiencing Homelessness in the United States. http://homeless.samhsa.gov/ResourceFiles/hrc_factsheet.pdf

[16] Recommendations for Increasing the Supply of Supportive Housing in Colorado. A report to the Colorado Governor's Office, by Werwath Associates, August 20, 2014

pipeline currently, Colorado still needs over 5,000 units to meet demand. Colorado has the need for PSH units and the talent to develop them, but we lack the funding to make them a reality.

Proposed Solution:

Beginning in FY 2017-18, the Department, in collaboration with the DHS, requests $4 million in cash funds from the Marijuana Tax Cash Fund (MTCF) to support the development of approximately 354 new units and State Housing Voucher rental assistance for approximately 300 supportive housing (SH) units for behavioral health consumers who are exiting institutions or who are homeless and/or in jeopardy of becoming institutionalized. The request includes 1.0 FTE to administer the funding through the underwriting of projects and programs, and the long-term management of the housing vouchers. Additionally, the Department will contract with a Housing Navigator that will connect clients with services, agencies and housing providers to ensure client needs are being met and clients are achieving the goal of housing stability rather than cycling through hospitals, jails, detox and possibly homelessness.

State dedicated resources for both development and rental assistance are needed given Colorado's high-cost, low-vacancy housing market. Affordable units must be developed to create more opportunities for the pairing of units to vouchers for supportive housing. Existing voucher programs throughout the state have extensive waiting lists that have been closed for years due to the high demand and limited vouchers. Furthermore, many of Colorado's highest utilizers of emergency and behavioral health systems without stable housing are not able to access federally funded rental assistance due to narrow federal eligibility and definitions. State funded vouchers will enable the state to resolve housing and thereby reduce utilization for a wide range of individuals.

The Department envisions using the $4 million for rental assistance and the acquisition and/or rehabilitation of existing units. The Department, in cooperation with DHS, will work to identify individuals who are in need of both supportive housing and rental assistance and connect them quickly to safe, stable housing. Also due to the acuity of client needs, the budget below includes a housing navigator to assist clients throughout the housing placement.

The Department will work with affordable housing developers and behavioral health providers across the state to identify buildings and leverage funding for the acquisition and/or rehabilitation of the identified units. The Department leveraged its state funds 23:1 in FY 2015-16. This high leveraging is largely due to the number of new construction projects. Because the resources available for new construction are limited, particularly with the highly competitive 9% Low Income Housing Tax Credit (LIHTC) program, the Department anticipates the majority of funds will be used for the acquisition and rehabilitation of existing units.

Funding awards under this program will be dependent on match dollars from local community sources such as:

- Federal block grants to local governments
    - Community Development Block Grants (CDBG)
    - HOME Investment Partnership Program
- Local resources
    - City/County General Fund Dollars
    - Housing Vouchers
    - Behavioral Health Agency Funds
    - Foundations, fundraising
    - In-Kind Services

- Fee Waivers

Funding awards will also be dependent upon the incorporation of services for the tenants directly by the agencies or by partner agencies in the community. Agencies will need to ensure that tenants have access to behavioral and medical health care, as well as vocational and education services when appropriate, to support individuals to maintain housing, improve well-being and ultimately live as independently and productively as possible, including reducing chances of recidivism. The proposed housing navigator will work with clients, landlords and their respective service agencies to ensure housing needs are being met. Similar to the current model of the Department's various supportive housing vouchers, agencies are required to engage tenants to encourage participation in services and to ensure housing stability. However, tenancy is not predicated upon treatment or program participation. Community mental health agencies are key partners in offering and provider existing treatment and services within their current programs both on site at the residences and within each community mental health center site. Currently providers have existing sources of funds to cover services, including funding through the Office of Behavioral Health as well as some portion through Medicaid reimbursement. Services to support housing stability have not historically been covered fully by Medicaid, but many providers are working to improve billing rates for tenancy supports beyond traditional mental health treatment.

Permanent Supportive Housing Model:
As mentioned above, PSH is a proven and efficient model of affordable housing with intensive services that aids people struggling with disabilities to maintain stable housing and receive care. PSH is considered evidence-based by Results First standards. Most of the studies reviewed by the Washington State Institute for Public Policy looked at Housing First programs, which provide independent apartments where participants hold the lease but receive subsidies to pay rent. These programs don't have specific requirements for abstinence or treatment; however, these programs typically provide intensive case management and services. PHS targets several outcomes to varying degrees of effectiveness, but its largest impact is on reducing homelessness. Although the program significantly reduces homelessness, homelessness is not an outcome that can be monetized through the Results First model.

PSH housing features:

Permanence and affordability
Tenants generally pay no more than 30% of their income for rent through the use of rental vouchers. They have the same rights and responsibilities as other renters, such as having the lease in their name and the right to privacy in their unit, which means they cannot be evicted for reasons unrelated to being a good tenant.

- Services are housing-oriented- Services aim to help tenants remain housed. Service providers help people find suitable housing, build relationships with their landlords, and understand their rights and responsibilities as renters. Providers also intervene to prevent evictions.
- Services are multi-disciplinary- Service providers also help tenants address physical health, mental health, and substance use conditions, and help with other needs. Teams of professionals such as mental health and substance use specialists, nurses or doctors, and case managers provide care.
- Services are voluntary but assertive- Services are voluntary although providers offer supportive services *assertively*, which means that they will continue to show up and check on someone even if tenants don't request help.

Integration
Individuals and families are able to live independently in apartments in residential neighborhoods. Tenants in supportive housing should have access to public transportation, grocery stores, parks, and other neighborhood amenities common to all other residents. Services are usually provided in the client's unit or building, or at a place of their choosing in the community.

Emphasis on choice
Supportive housing maximizes client choice, in clients' housing options and the services they receive. For instance, tenants can generally come and go as they please and have control over their daily schedule, like mealtimes and visitors. They also can direct the types of services they receive and the goals they set with the service provider. This investment furthers Colorado's efforts to comply with the requirements of the Olmstead Act by offering housing choice to persons with a disability.

Low barriers to entry
Supportive housing providers do not require clients to hit benchmarks before moving into housing or put other screening barriers in the way. Blanket bans on people with criminal histories or bad credit, for example, or requirements to meet goals, like employment or completing a course of treatment, before entering supportive housing would screen out the very people supportive housing aims to help.

Based on the acuity of client needs and the gap in regional resources for serving people with mental illness, there are other supportive housing options that may also be considered:

- **Rural Respite beds for Coloradans in Crisis**
  The Communities Coming Together for Mental Health (CCTMH) pilot resulted in the creation of rural respite rooms to provide shelter and care for rural community members in mental health crisis rather than incarceration, hospitalization or homelessness. Although no rent is charged for the respite beds, the alternative is the regional mental health center to pay $666 per day per client for a bed in the state psychiatric hospital. In 2012, the Department provided funding to Centennial Mental Health Center (CMHC) in Logan County for six respite beds. The Department funded the rehabilitation of 11 units owned by CMHC for adults with severe and persistent mental illness and the new construction of six respite beds to serve community members in mental health crisis. The estimated cost saving of CMHC having six respite beds is $250,000 annually.

- **Group Homes/Congregate Living**
  Congregate housing is a type of housing in which each individual has a private bedroom or living quarters but shares with other residents a common dining room, recreational room, or other facilities. This type of housing allows for supportive services to be delivered in an efficient and effective way for people with addictions and/or disabilities. In 2010 the Department provided funding to Mesa Developmental services for the purchase of three six-bedroom group homes. Although this example is for group homes for persons with intellectual and developmental disabilities, congregate living may also be an option for behavioral health consumers.

Anticipated Outcomes:

The additional housing placements will reduce utilization of state psychiatric hospitals, as well as recidivism to state prisons, county jails and homelessness. The study of the cost of homelessness provides several tools for analyzing the potential for cost avoidance associated with providing supportive housing for people with severe and persistent mental illness. It is also important to note that over 60% of chronically homeless people are struggling with significant mental illness and/or substance use.[17,18] The first study to quantify the public costs associated with homeless people before and after supportive housing placement was published in 2001. Dozens of studies have since quantified the ways homeless people with disabilities utilize various public systems, including hospitals, emergency rooms, psychiatric hospitals, shelters, jails and prisons.

Below are summaries of several relevant studies and their findings:

- In 2006, the Colorado Coalition for the Homeless' Cost Benefit Analysis Study[19] focused on examining the actual health and emergency service records of a sample of participants in Denver, CO for the 24 month period prior to entering the program and the 24 month period after entering the program. The findings document an overall reduction in emergency services costs for the sample group. The total emergency related costs for the sample group declined by 72.95%, or nearly $600,000 in the 24 months of participation in the program compared with the 24 months prior to entry in the program. The total emergency cost savings averaged $31,545 per participant.
- In 2013 A Pilot Study of the Impact of Housing First Supported Housing for Intensive Users of Medical Hospitalization and Sobering Services[20] was completed in Seattle. Participants showed a significantly greater reduction in emergency department and sobering center use relative to the comparison group. At a trend level, participants had greater reductions in hospital admissions and jail bookings. Reductions in estimated costs for participants and comparison group members were $62,504 and $25,925 per person per year—a difference of $36,579, far outweighing program costs of $18,600 per person per year.
- In 2014, The Cost of Long-Term Homelessness in Central Florida[21] studied a cohort of 107 chronically homeless individuals. The study calculated that the average annual cost to be homeless and cycling in and out of incarceration, emergency rooms and inpatient hospitalizations was $31,065 per person per year. Housing for this same group would similarly cost an average of $10,051 per person per year for a savings of $21,014.

In Colorado, the Department's successful "Shelter Plus Care" program serving people experiencing homelessness with intensive service needs, which includes rental assistance paired with case management, mental health, and substance abuse services achieved a 93% housing stability rate in the 2014 grant fiscal year. Additionally, 83% of Shelter Plus Care participants increased or maintained their total non-earned income, 9% maintained or increased their earned income, and 91% had mainstream benefits upon exiting the program.

Similar housing stability outcomes are anticipated for this effort as well, which will result in reduced usage of the limited state psychiatric hospital beds. Specifically, housing will reduce the length of time individuals reside in the hospital due to lack of stable discharge plans and will reduce the return to hospitals as housing assists in stabilizing individuals' mental health status. As a result, the state psychiatric hospitals will have reduced lengths of stay, creating additional capacity to serve those on the extensive waiting lists.

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[17] Allday, Erin. *The streets' sickest, costliest: the mentally ill.* San Francisco Chronicle, June 29, 2106.
[18] Substance Abuse and Mental Health Services Administration (SAMHSA). Current Statistics on the Prevalence and Characteristics of People Experiencing Homelessness in the United States. http://homeless.samhsa.gov/ResourceFiles/hrc_factsheet.pdf
[19] http://www.coloradocoalition.org/!userfiles/housing/denver_housing_first_study.pdf
[20] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3558756/pdf/AJPH.2012.300867.pdf
[21] http://shnny.org/uploads/Florida-Homelessness-Report-2014.pdf

Assumptions and Calculations:

The Department estimates that $4 million annually from the MTCF will support the development of approximately 354 supportive housing units which will be paired with 300 State Housing Vouchers rental assistance over the first five years of this program. The Department expects to fund the acquisition and rehabilitation of existing units and also new construction of units. Although leveraging is better for new construction, the funding sources are highly competitive and limited, which necessitates a balance with existing units.

New Construction: Supportive housing for people with behavioral health issues can take many different forms, depending on client needs and available resources. The typical PSH toolkit project consists of 30 to 100 new constructed apartments and utilizes LIHTC equity, gap funding, conventional debt when possible, and project-based housing choice vouchers to cover operating costs that exceed the tenants' contributions toward rent. In 2015, the Department provided gap funding to five of these PSH projects for a total 234 units and $9.35 million in the Department's funding. In FY 2015-16, the average investment by the Department to develop PSH projects was approximately $8,700 per unit.

An example of a PSH toolkit project is Sanderson Apartments by the Mental Health Center of Denver (MHCD). MHCD was awarded a $320,100 grant and a $450,000 loan from the Department for the development. Sanderson Apartments will consist of 60 one bedroom apartments in a three story elevator serviced building. The development was awarded 9% LIHTCs by CHFA and has a commitment from the Denver Housing Authority and the Department for 30 project-based vouchers each for a total of 60 project-based vouchers. MHCD will provide services to the community's "Front End Users", those repeat offenders who, as a result of their homelessness, have frequently committed low-level offenses and relied heavily on local service agencies such as medical and psychiatric hospitals, jails, courts, shelters, and detox facilities. Located in Metro Denver, the project includes offices and amenities designed to facilitate the delivery of case management services. Sanderson Apartments was selected to receive Social Impact Bond (SIB) funding to assist in funding the supportive services for the first five years. This is a "pay for success" model of funding based on the cost savings to the city. The Department funding of $770,100 was leveraged by $14.4 million in other development financing.

Acquisition and Rehabilitation of Existing Units: Another supportive housing model is using small apartment buildings to create residential properties that combine housing and services for residents. These supportive housing communities typically consist of 10 to 20 units and can be transitional or permanent housing. Tenant-based rental assistance, sponsor contributions, or both can be used to cover the cost of operating the buildings. The Department will need to invest at a higher level in these projects due to the scarcity of other viable funding sources, particularly if the project involves acquisition in addition to rehabilitation, or new construction.

An example of a small supportive housing development is Karis Community in Denver. In 2011, the Department awarded a $300,000 grant for the rehabilitation of 17 units of transitional supportive housing for individuals recovering from serious and persistent mental illness. Residents are referred by social workers, private therapists, mental health workers, and family members. Residents earn up to 30-60% AMI, and they pay 30% of their income toward room and board. The average resident income at Karis Community is $8,719 annually. In addition to participating in on-site community activities and also receiving off-site therapeutic services, all residents at Karis must work, attend school or volunteer at least 20 hours per week. A typical resident lives at Karis for an average of 14 to 16 months and then moves on to more independent living.

Another example is Regal Apartments in Littleton operated by the Community Housing Development Association (CHDA) in partnership with Arapahoe Douglas Mental Health (ADMH), Arapahoe House and Developmental Pathways. In 2011, the Department awarded a $300,000 grant to CHDA for the acquisition and rehabilitation of this 12-unit rental community for persons with developmental disabilities, mental illness and/or drug or alcohol substance addiction. Residents at Regal Apartments earn up to 30 and 50% AMI.

Housing Production: The production of units is based on an average of $24,000 per unit. This average is based on the Department's work described above through new construction and the acquisition/rehab of existing structures. Based on these assumptions, the Department estimates 354 new units will be created over five years.

Housing Vouchers: Housing vouchers essentially pay the difference of the fair market rent and the rental amount a client cannot afford from his/her income. Voucher recipients pay 30% of their income, and the voucher pays the difference. The budget below assumes the subsidy amount for a voucher will be $650 per month. This is based on the Department's current average subsidy. Based on these assumptions, the Department estimates it will serve at least 300 households over five years.

Housing Navigator: The Department will contract with a Housing Navigator that will connect clients with services, agencies and housing providers to ensure client needs are being met and clients are achieving the goal of housing stability rather than cycling through hospitals, jails, detox and possibly homelessness. The need for a housing navigator is necessitated by the acuity of needs of the clients.

Department Administration: The request includes 1.0 FTE to administer the funding through the underwriting of projects and programs, and the long-term management of the housing vouchers.

Expenses	Year 1	Year 2	Year 3	Year 4	Year 5	Assumptions
Housing Production	$ 3,000,000	$ 2,000,000	$ 1,700,000	$ 1,400,000	$ 1,000,000	5% annual cost inflator
Units per Year	125	79	64	51	35	
Cumulative Units	125	204	269	319	354	40% Acquisitions 60% New Const
State Housing Vouchers	$ 820,000	$ 1,816,400	$ 2,112,728	$ 2,408,983	$ 2,805,162	$650/unit (5% annual inflator)
People served w/SHV	105	222	246	269	300	
Housing Navigator	$ 80,000	$ 81,600	$ 83,232	$ 84,897	$ 86,595	
Administrative	$ 100,000	$ 102,000	$ 104,040	$ 106,121	$ 108,243	
Total	**$ 4,000,000**	**$ 4,000,000**	**$ 4,000,000**	**$ 4,000,000**	**$ 4,000,000**	

The Department requests that funding for this request be approved in the Division of Housing, Affordable Housing Grants and Loans line item. That will provide the Department with flexibility to balance the program spending with the housing needs of behavioral health clients – whether it be grant or loan funding to produce new supportive housing stock, or housing vouchers when the housing stock is adequate to absorb vouchers efficiently. This market responsiveness allows the program to operate most efficiently. Pursuant to Section 24-32-721, the Department will spend up to 3% for the administration of the program.

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Local Affairs

Request Title

NP-03 OIT Deskside Support

Dept. Approval By:

OSPB Approval By: 10/26/16

___ Supplemental FY 2016-17

X Change Request FY 2017-18

___ Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
Total of All Line Items Impacted by Change Request	Total	$1,631,609	$0	$1,757,549	$7,138	$7,463
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$272,207	$0	$321,327	$2,785	$2,910
	CF	$113,689	$0	$122,504	$500	$522
	RF	$707,815	$0	$775,820	$3,853	$4,031
	FF	$537,898	$0	$537,898	$0	$0

Line Item Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
(1) Executive Director's Office - Payments to OIT	Total	$1,631,609	$0	$1,757,549	$7,138	$7,463
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$272,207	$0	$321,327	$2,785	$2,910
	CF	$113,689	$0	$122,504	$500	$522
	RF	$707,815	$0	$775,820	$3,853	$4,031
	FF	$537,898	$0	$537,898	$0	$0

CF Letternote Text Revision Required? Yes ___ No ___ If Yes, see attached fund source detail.

RF Letternote Text Revision Required? Yes ___ No ___

FF Letternote Text Revision Required? Yes ___ No ___

Requires Legislation? Yes ___ No X

Type of Request? Department of Local Affairs Non-Prioritized Request

Interagency Approval or Related Schedule 13s: Office of Information Technology

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Local Affairs

Request Title

R-02 Enhanced Rural Services Coordination

Dept. Approval By:

OSPB Approval By: 10/21/16

_ Supplemental FY 2016-17

X Change Request FY 2017-18

_ Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
	Total	$5,510,704	$0	$5,816,808	$104,927	$100,224
	FTE	28.2	0.0	28.2	1.0	1.0
Total of All Line Items Impacted by Change Request	GF	$507,576	$0	$653,654	$0	$0
	CF	$549,314	$0	$535,995	$0	$0
	RF	$3,556,227	$0	$3,665,224	$104,927	$100,224
	FF	$897,587	$0	$961,935	$0	$0

Line Item Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
	Total	$1,429,520	$0	$1,628,910	$7,927	$7,927
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office - Health, Life, and Dental	GF	$296,753	$0	$386,587	$0	$0
	CF	$262,556	$0	$266,163	$0	$0
	RF	$545,246	$0	$597,467	$7,927	$7,927
	FF	$324,965	$0	$378,693	$0	$0
	Total	$21,653	$0	$22,365	$114	$114
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office - Short-term Disability	GF	$4,014	$0	$4,801	$0	$0
	CF	$3,378	$0	$2,891	$0	$0
	RF	$9,515	$0	$10,001	$114	$114
	FF	$4,746	$0	$4,672	$0	$0
	Total	$560,808	$0	$610,888	$3,003	$3,003
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office	GF	$103,946	$0	$131,133	$0	$0

Director's Office - Amortization Equalization Disbursement	CF	$87,633	$0	$78,957	$0	$0
	RF	$246,315	$0	$273,177	$3,003	$3,003
	FF	$122,914	$0	$127,621	$0	$0
	Total	**$554,966**	**$0**	**$610,888**	**$3,003**	**$3,003**
01. Executive Director's Office - Supplemental Amortization Equalization Disbursement	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$102,863	$0	$131,133	$0	$0
	CF	$86,720	$0	$78,957	$0	$0
	RF	$243,749	$0	$273,177	$3,003	$3,003
	FF	$121,634	$0	$127,621	$0	$0
	Total	**$2,943,757**	**$0**	**$2,943,757**	**$90,880**	**$86,177**
04. Division of Local Government, (B) Field Services, (1) Field Services - Program Costs	FTE	28.2	0.0	28.2	1.0	1.0
	GF	$0	$0	$0	$0	$0
	CF	$109,027	$0	$109,027	$0	$0
	RF	$2,511,402	$0	$2,511,402	$90,880	$86,177
	FF	$323,328	$0	$323,328	$0	$0

CF Letternote Text Revision Required? Yes ___ No ___ **If Yes, see attached fund source detail.**

RF Letternote Text Revision Required? Yes ___ No ___

FF Letternote Text Revision Required? Yes ___ No ___

Requires Legislation? Yes ___ No X

Type of Request? Department of Local Affairs Prioritized Request

Interagency Approval or Related Schedule 13s: None

Cost and FTE

- The Department is requesting $104,927 in Energy and Mineral Impact Assistance Funds (EIAF) to be reappropriated to the Division of Local Government (DLG) Field Services Program Costs line item to hire 1.0 FTE to coordinate state resources in rural communities. The request will annualize to $100,224 and 1.0 FTE beginning in FY 2018-19.
- The position will lead the collaboration to target rural communities that are economically impacted by closures of major employers such as coal production facilities.

Current Program

- The Division of Local Government (DLG) provides long-term quality professional strategic services along with well administered financial assistance to over 3,000 local governments.
- The DLG Field Services section is currently appropriated $2.5 million from the Local Government Mineral and Energy Impact Grants and Disbursements line item to support 22.9 FTE, of which 12.0 FTE live and work in regions across Colorado and provide on-the-ground professional services and assistance to local communities.

Problem or Opportunity

- Colorado is undergoing a rapid energy transformation, particularly in the power generation sector. Booming natural gas production, the declining cost of renewable energy, increases in energy efficiency, flattening of electricity demand, and updates in clean air standards are changing the way electricity is both generated and used. While these trends are producing cleaner air and healthier communities, they are having negative impacts in Colorado counties reliant on the coal industry as a source of high wage jobs and tax revenue to support critical public services.
- Several rural communities are beginning to experience major economic shifts and need intensive technical and financial assistance to develop and implement a strategic plan to transition toward a more sustainable local economy. With announcements of major company closures in several counties, and based on broad economic trends, demand for assistance requires coordinated, strategic assistance at a higher level than the State can presently provide.

Consequences of Problem

- Without a solution focused on the unique economic challenges of Colorado's rural districts, the State will continue to find itself in a reactive position when a business or industry closes or imposes significant layoffs. The Department does not currently have sufficient staff to ensure focused strategic coordination of State resources or to meet local communities' demand for intensive technical assistance.

Proposed Solution

- The Department proposes the creation of a position to focus on strategic coordination, to maintain a presence in communities distressed by major industry layoffs and closures, to engage in and facilitate studies and strategic planning, and to provide a robust response to other community needs.
- This position will also engage with other local, state, and federal partners to obtain technical expertise for impacted communities to plan for revenue shortfalls, to attract industries with the best chance for success in the local market, and to retrain workers for new jobs coming to these same markets.

Department Priority: R-02
Request Detail: Enhanced Rural Services Coordination

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Enhanced Rural Services Coordination	$104,927	$0

Problem or Opportunity:

Colorado, like many other states, is undergoing a rapid energy transformation, particularly in the power generation sector. Booming natural gas production, declining cost of renewable energy, increases in energy efficiency, flattening of electricity demand, and updates in clean air standards are changing the way electricity is generated and used across the country. These trends are producing cleaner air and healthier communities, and spurring new jobs and industries, although mostly in urban communities.

At the same time, these trends are impacting workers and economic prosperity, particularly in the Colorado counties reliant on the coal industry as a source of high wage jobs and economic stability. For example, over the past four years, Delta and Gunnison counties have seen over 750 coal employees laid off. This is causing multiple economic issues in both counties including the loss of additional jobs at local businesses reliant on the coal industry. These layoffs are also affecting the ability of local governments to provide critical public services since associated tax revenues are expected to drop significantly. Anticipated closures have now been announced in Moffat and Montrose Counties as well, and other communities are facing major layoffs and closures from other industries.

The Department proposes to focus a coordination effort in the following areas:

- Create a coordinated response approach for rural economic stabilization for impacted communities based on the Western Slope to help communities recover and diversify their economies.
- Create a focal point in state government to align state and federal agencies to fund and support local and regional community and economic development priorities (including the Department's work to award funds for communities in energy impacted areas with major layoffs).
- Align that funding with job retraining programs so that we are creating jobs in industries that match the job training.

Several rural communities are experiencing major economic shifts in industries and need intensive technical and financial assistance to develop a strategic plan and implement priority efforts to transition into a more sustainable economic future. With announcements of major company closures in Montrose, Moffat, Delta, Gunnison, Routt, Clear Creek, Kit Carson, and other counties, and based on broad economic trends, demand for assistance requires coordinated, strategic assistance at a higher level than the State has been able to provide.

Proposed Solution:

For FY 2017-18, the Department is requesting $104,927 in Local Government Mineral and Energy Impact funds to be reappropriated to the Division of Local Government Field Services Program Costs line item to fund the personal services, operating and travel costs for 1.0 FTE that will administer the effort toward more focused collaboration. The request will annualize to $100,224 starting in FY 2018-19.

Rural communities generally operate on lean budgets, with public-service professionals wearing many hats. When major corporate employers are forced to close, communities lose jobs, local population, and critical services, and it can be difficult to turn around the negative consequences. With market and social trends impacting rural communities the hardest, the Department is in a unique position to work with state and federal agencies to strategically align resources to create the best possible opportunity for communities to transition to more sustainable economies. This work aligns with our mission to strengthen communities and fits our role to leverage state resources for the betterment of rural Colorado.

Focused collaboration will effectively mitigate these impacts by working to diversify rural economies and creating quality long-term employment opportunities. Delta and Gunnison counties each used a successful model, which the Department wants to utilize to help other communities customize to fit their needs. This model involves coordinated strategic action planning (e.g., data-driven approach including an assessment, feasibility studies, market analyses, etc.) and funding for implementing prioritized projects designed to have the biggest impacts. Rifle has successfully used this approach as well.

The Department proposes to enhance rural services coordination in several counties and districts on the Western Slope. The collaboration will actively support communities impacted by major layoffs and closures by engaging and facilitating studies and strategic planning, as well as seeking ways to further respond to community needs. This enhanced coordination will also provide technical expertise for affected rural communities to help them plan for revenue shortfalls, make informed decisions about how to attract industries with the best chance for success, and retrain workers for jobs that will exist in the region.

This refined, proactive approach better utilizes existing state resources, ensuring a coordinated, more efficient delivery of service and grants to rural communities. This position will streamline the efforts of state agencies to strategically leverage each other's resources toward economic recovery and diversification in communities. For example, this position will work closely with the Governor's Office of Economic Development and International Trade (OEDIT) using Blueprint 2.0, as well as with the Colorado Department of Labor and Employment (CDLE) on job training programs, coordinating those efforts with OEDIT's work to create jobs and attract new industries.

The Department has been working to provide as much of this coordinated approach as possible, and has already met several times with key partners such as OEDIT and CDLE. The Department also discussed this coordination effort with the Departments of Natural Resources and Public Health and Environment, as well as the Colorado Energy Office. These agencies agree that this coordinated approach is more effective.

If this FTE is not approved, the Department will continue to provide technical expertise and data. However, the Department does not currently have sufficient staff to ensure the strongest coordination of state resources. The State will continue to find itself in a reactive position every time a business or industry closes or institutes significant layoffs.

Anticipated Outcomes:

The goal is to coordinate with workers, businesses, and communities experiencing major closures. The desired long term outcome is economic diversification and financially sustainable rural communities, and success will be measured by tracking the following:

- Number of new business starts
- Business expansion (i.e., existing companies increasing employment)
- Number of workers taking advantage of retraining programs
- Public investment for critical public assets and dollars leveraged

The metrics listed above will help indicate whether the State is successful during the initial five years. The Department has seen examples of communities that take this strategic action planning approach (e.g., Rifle) and is confident other communities can customize this approach to be successful. The Department will know if this position is effective when we see struggling rural communities see a clear path to recovery – armed with data, technical expertise, and coordinated and strategically-timed state resources. State agency resources will be better deployed and communities will recover faster.

Assumptions and Calculations:

The Department assumes the 1.0 FTE will be filled at the level of a Community and Economic Development Specialist IV for a total of $81,074 in salary and benefits plus $23,853 in operating expenses for a total of $104,927 the first year and a total of $100,224 in subsequent years. The Department plans to locate the position in Grand Junction.

FTE Calculation Assumptions:

Operating Expenses -- Base operating expenses are included per FTE for $500 per year. In addition, for regular FTE, annual telephone costs assume base charges of $450 per year.

Standard Capital Purchases -- Each additional employee necessitates the purchase of a Personal Computer ($900), Office Suite Software ($330), and office furniture ($3,473).

General Fund FTE -- New full-time General Fund positions are reflected in Year 1 as 0.9166 FTE to account for the pay-date shift. This applies to personal services costs only; operating costs are not subject to the pay-date shift.

Expenditure Detail			FY 2017-18		FY 2018-19
Personal Services:					
Classification Title	Monthly Salary	FTE		FTE	
Comm and Economic Devt IV	$5,005	1.0	$60,060	1.0	$60,060
PERA			$6,096		$6,096
AED			$3,003		$3,003
SAED			$3,003		$3,003
Medicare			$871		$871
STD			$114		$114
Health-Life-Dental			$7,927		$7,927
Subtotal Personal Services		1.0	**$81,074**	1.0	**$81,074**
Operating Expenses:					
		FTE		FTE	
Regular FTE Operating Expenses	$500	1.0	$500	1.0	$500
Telephone Expenses	$450	1.0	$450	1.0	$450
PC, One-Time	$1,230	1.0	$1,230	-	
Office Furniture, One-Time	$3,473	1.0	$3,473	-	
Travel per diem, hotel	6500.0	1.0	$6,500	1.0	$6,500
Mileage/fleet	11700.0	1.0	$11,700	1.0	$11,700
Subtotal Operating Expenses			**$23,853**		**$19,150**
TOTAL REQUEST		1.0	**$104,927**	1.0	**$100,224**
	Reappropriated Funds:		*$104,927*		*$100,224*

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Local Affairs

Request Title

NP-01 Annual Fleet Vehicle Request

Dept. Approval By: ______________________

OSPB Approval By: ______________________ 10/26/16

___ Supplemental FY 2016-17

X Change Request FY 2017-18

___ Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
Total of All Line Items Impacted by Change Request	Total	$97,998	$0	$97,998	($7,757)	$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$88,054	$0	$88,054	($6,980)	$0
	CF	$0	$0	$0	$0	$0
	RF	$9,944	$0	$9,944	($777)	$0
	FF	$0	$0	$0	$0	$0

Line Item Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
01. Executive Director's Office, (A) Executive Director's Office, (1) Executive Director's Office - Vehicle Lease Payments	Total	$97,998	$0	$97,998	($7,757)	$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$88,054	$0	$88,054	($6,980)	$0
	CF	$0	$0	$0	$0	$0
	RF	$9,944	$0	$9,944	($777)	$0
	FF	$0	$0	$0	$0	$0

CF Letternote Text Revision Required? Yes ___ No ___ If Yes, see attached fund source detail.

RF Letternote Text Revision Required? Yes ___ No ___

FF Letternote Text Revision Required? Yes ___ No ___

Requires Legislation? Yes ___ No X

Type of Request? Department of Local Affairs Non-Prioritized Request

Interagency Approval or Related Schedule 13s: None

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Local Affairs

Request Title

NP-02 OIT Secure Colorado

Dept. Approval By: D S Holton

OSPB Approval By: Eric N Schuff 10/26/16

___ Supplemental FY 2016-17

X Change Request FY 2017-18

___ Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
Total of All Line Items Impacted by Change Request	Total	$1,631,609	$0	$1,757,549	$17,850	$30,514
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$272,207	$0	$321,327	$6,960	$11,900
	CF	$113,689	$0	$122,504	$1,250	$2,135
	RF	$707,815	$0	$775,820	$9,640	$16,479
	FF	$537,898	$0	$537,898	$0	$0

Line Item Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
(1) Executive Director's Office - Payments to OIT	Total	$1,631,609	$0	$1,757,549	$17,850	$30,514
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$272,207	$0	$321,327	$6,960	$11,900
	CF	$113,689	$0	$122,504	$1,250	$2,135
	RF	$707,815	$0	$775,820	$9,640	$16,479
	FF	$537,898	$0	$537,898	$0	$0

CF Letternote Text Revision Required? Yes ___ No ___ If Yes, see attached fund source detail.
RF Letternote Text Revision Required? Yes ___ No ___
FF Letternote Text Revision Required? Yes ___ No ___

Requires Legislation? Yes ___ No X

Type of Request? Department of Local Affairs Non-Prioritized Request

Interagency Approval or Related Schedule 13s: Office of Information Technology

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Local Affairs

Request Title

R-04 Permanent Supportive Housing and Rapid Re-Housing

Dept. Approval By:

OSPB Approval By: 10/27/16

___ Supplemental FY 2016-17

X Change Request FY 2017-18

___ Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
Total of All Line Items Impacted by Change Request	Total	$21,446,134	$0	$21,448,210	$12,319,900	$12,319,900
	FTE	19.9	0.0	19.9	1.0	1.0
	GF	$8,499,952	$0	$8,500,284	$0	$0
	CF	$75,361	$0	$75,361	$12,319,900	$12,319,900
	RF	$294,586	$0	$295,375	$0	$0
	FF	$12,576,235	$0	$12,577,190	$0	$0

Line Item Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
03. Division of Housing, (B) Field Services - Affordable Housing Grants and Loans	Total	$20,228,793	$0	$20,228,793	$12,319,900	$12,319,900
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$8,200,000	$0	$8,200,000	$0	$0
	CF	$0	$0	$0	$12,319,900	$12,319,900
	RF	$0	$0	$0	$0	$0
	FF	$12,028,793	$0	$12,028,793	$0	$0

CF Letternote Text Revision Required? Yes ___ No ___ If Yes, see attached fund source detail.

RF Letternote Text Revision Required? Yes ___ No ___

FF Letternote Text Revision Required? Yes ___ No ___

Requires Legislation? Yes X No ___

Type of Request? Department of Local Affairs Prioritized Request

Interagency Approval or Related Schedule 13s: None

Cost and FTE

- Beginning in FY 2017-18, the Department requests $12,319,900 per year in cash funds from the Marijuana Tax Cash Fund (MTCF) to support and develop the continuum of needs for Colorado's homeless citizens. The request includes 1.0 FTE to administer these funds.

Current Program

- The Department currently manages $8.2 million in state General Fund and approximately $15 million in federal funds for the acquisition, rehabilitation, and new construction of affordable housing units for low-income households, chronically homeless individuals and other high risk populations. The Department also manages over 7,000 vouchers with over 84% of these vouchers going to persons with disabilities, as well as $1.9 million of federal Emergency Solutions Grants for homelessness prevention and shelters.

Problem or Opportunity

- The State of Colorado has a homelessness crisis. The 2015 Point-in-Time reported that 9,953 individuals are homeless in Colorado. Of these individuals, 1,877 are chronically homeless, 950 are veterans and 737 are youth.
- Proven solutions exist to solve this crisis. Safe affordable housing coupled with supportive services can end a person's cycle of homelessness, prevent repeated incarcerations, and limit hospitalization for chronically homeless individuals, at-risk youth, ex-offenders, and homeless veterans.
- Studies by the U.S. Department of Housing and Urban Development (HUD) indicate that 40%-50% of youth aging out of foster care become homeless. In Colorado, this means potentially 100 youth per year who are also at higher risk of becoming a second generation household in poverty and homelessness.

Consequences of Problem

- Homelessness exacerbates illness or addiction causing people to cycle through jails, detox, emergency rooms, hospitalization, and prisons. Individuals living without housing are more likely to be arrested or hospitalized than their housed peers.
- The anticipated cost avoidance from this $12.3 million investment is expected to range from $160 million to $206 million over the first five years.

Proposed Solution

- The Department's annual request for $12,319,900 from the MTCF addresses the continuum of needs for Colorado's homeless citizens by coordinating with the Departments of Corrections and Human Services, the Governor's Office, and other local and state partners to provide an efficient and coordinated approach to ending homelessness.
- In the first five years, the Department's goal is to build 1,200 new permanent supportive housing (PSH) units for chronically homeless individuals and 600 rapid rehousing (RRH) units with vouchers for individuals experiencing episodic homelessness. For both residents of PSH and RRH, the ultimate goal is to live as independent of supportive services and public subsidy as possible.
- The five-year goal of this proposal is to end homelessness for veterans and chronically homeless and reduce homelessness for at-risk youth. An annual funding commitment provides sufficient rental subsidy, case management, and employment/skills development for these households.

John W. Hickenlooper
Governor

Irv Halter
Executive Director

FY 2017-18 Funding Request | November 1, 2016

Department Priority: R-04
Request Detail: Permanent Supportive Housing and Rapid Rehousing

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Permanent Supportive Housing & Rapid Rehousing	$12,319,900	$0

The Department is requesting the Joint Budget Committee sponsor a bill to expand the use of marijuana funds for housing for individuals experiencing homelessness. The annual funding request is $12,319,900 from the Marijuana Tax Cash Fund with roll forward authority for each subsequent year.

Problem or Opportunity:

The State of Colorado has a homelessness crisis. The 2015 Point-in-Time reported that 9,953 individuals are homeless in Colorado. Of these individuals, 1,877 are chronically homeless, 950 are veterans and 737 are youth. In addition, the Department of Corrections (DOC) reports it releases on average 150 individuals monthly to homelessness, and the Department of Human Services (DHS) estimates 1,500 patients are homeless at any given time. Over the last three years, 160 youth have been discharged from the State's Youth Correctional system to friends, shelters, or into homelessness. According to HUD studies, 40% to 50% of youth aging out of foster care can become homeless. In Colorado, this estimate could be as high as 100 youth for this past year. These youth are at a higher risk of becoming a second generation household in poverty and homelessness.

Proven solutions exist to solve this crisis. Safe affordable housing coupled with supportive services can end a person's cycle of homelessness, prevent repeated incarcerations and limit hospitalization. The challenge for Colorado is insufficient housing with associated services to meet the demand. Investing in these types of programs can end homelessness for chronically homeless individuals, at-risk youth, ex-offenders, and homeless veterans. With the appropriate programs in place, individuals discharged from Colorado's prisons will be offered transitional housing and employment services leading to stable employment and reduce recidivism.

The Colorado Plan to End Homelessness is a comprehensive approach across multiple state agencies to provide a combination of affordable housing and support services for the chronic and episodic individuals and families who are experiencing homelessness and high utilizers of state institutions and emergency systems. The five-year goal is to build 1,200 new permanent supportive housing (PSH) units and provide supportive services to individuals who have languished in homelessness. This investment will increase the production of permanent supportive housing by 300 to 400 units annually. With 60% of participants successfully completing the program and moving into a state of independence, there is a potential to serve over 2,000 individuals and families in the first five years through PSH.

For Colorado's most vulnerable residents, a home is the first step in obtaining adequate treatment and a new start on the path toward recovery. Homelessness exacerbates a person's illness or addiction, causing the person to cycle through jails, detox, emergency departments, hospitalization, and prisons. Individuals living without housing are more likely to be arrested or hospitalized than their housed peers. For individuals at risk of homelessness or at risk of becoming entrenched in homelessness, expedited placement into permanent housing is the most cost effective and therapeutic solution.

Proposed Solution:

Beginning in FY 2017-18, the Department is requesting $12,319,900 per year from the Marijuana Tax Cash Fund to support, over the first five years of funding, the Department's goal to build 1,200 new permanent supportive housing (PSH) units for chronically homeless individuals and 600 rapid rehousing (RRH) units with vouchers for individuals experiencing episodic homelessness. For both residents of PSH and RRH, the ultimate goal is to live as independent of supportive services and public subsidy as possible. The request includes 1.0 FTE that will provide oversight of the program whether through underwriting of newly constructed units or the administration of housing vouchers.

The length of housing assistance and the intensity of supportive services will vary based on individuals' needs. The plan ultimately aims to reduce recidivism back to the criminal justice system, mental health institutions and homelessness for the state's highest utilizers of those systems.

To address the continuum of need for our homeless neighbors, the Department of Local Affairs (DOLA, or the Department) is coordinating with state agency partners, including DOC, DHS, and the Governor's Office, as well as other local and state partners ("the Colorado Homeless Partnership") to provide an efficient and coordinated approach. The Department is requesting $12.3 million annually from marijuana taxes for this purpose. Currently, no causal link can be drawn from the legalization of recreational marijuana to an increase in our homeless population. The Department of Public Safety is currently engaged in a study to determine if such a causal link exists and what impact it is having on Colorado, but that study will not be completed until May or June of 2017. However, the nexus between working to end homelessness and the voter's intent on taxing marijuana is clear. When voters sought to tax and regulate marijuana, they were looking for public health solutions to decrease drug abuse rather than relying on incarceration. Providing rapid rehousing and permanent supportive housing remains one of the most economically efficient ways to end the cycle of drug abuse and addiction (including marijuana use) amongst one of our most vulnerable populations, Colorado's homeless.

Over the initial five years, the Colorado Homeless Partnership anticipates subsidizing the purchase or construction of 1,200 affordable **Permanent Supportive Housing (PSH)** units, and assisting approximately 600 individual/families through **Rapid Rehousing Housing (RRH)** assistance. It is important to note that RRH is a two year program, so as clients transition to market rate or other affordable housing, new clients will be served. The aim is to reduce the length of hospitalization, reduce recidivism in state prisons and reduce multiple stays in county jails, end homelessness for veterans and chronic homeless, and reduce homelessness for at-risk youth. As demonstrated in the assumptions and calculations section, the anticipated cost avoidance is expected to range between $161 million[1] to $206 million[2] over the first five years, averaging between $32 million[3] and $41 million[4] annually. Although these savings are based on specific studies as footnoted, there are over 20 studies that have been conducted in the last 15 years on PSH projects that further validate these estimates.

Rapid Rehousing

The Rapid Re-Housing (RRH) model expedites the process of connecting households experiencing homelessness to permanent housing options through a client-centered support system that offers rental assistance for up to two years and targeted supportive services in order to solve the practical and immediate challenges to obtaining permanent housing. The model reduces the amount of time individuals experience homelessness and the rate of return to homelessness by creating linkages to community resources that enable them to achieve long-term housing stability. The rental assistance gives each participant the option to find housing close to a job or school.

RRH is most effective for individuals who need extra assistance and time to stabilize their lives through connection to community services and employment. Individuals reentering the community from a correctional facility with minimal mental illness have a higher probability of successfully living independently if given temporary support during their transition. Of the 1,800 inmates released annually who may become homeless, DOC estimates that 540 individuals have minimal mental illness and present at least a medium risk of re-incarceration. This population would be ideal for RRH temporary housing assistance. Families and at-risk youth can benefit from RRH as it helps them stabilize their financial situation without spiraling further into homelessness. This model has also been extremely effective for veterans and their families.

Permanent Supportive Housing

Permanent Supportive Housing (PSH) is permanent affordable, community-based housing that provides tenants with intensive supportive services. Residents of PSH are mostly permanently disabled and more than likely to qualify as chronically homeless. This housing is primarily for dual diagnosed individuals and at-risk youth with mental health disabilities, substance abuse disorders or special needs who lack stable housing or are at risk of becoming chronically homelessness. The five-year plan would increase the number of PSH units and enhance the supportive services within existing PSH residences. Each community would be served by full-time case management personnel, with mental health and/or substance abuse treatment available from Medicaid health care providers.

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[1] http://www.coloradocoalition.org/!userfiles/housing/denver_housing_first_study.pdf

[2] Flaming, Daniel; Lee, Susan; Burns, Patrick; and Sumner, Gerald. Getting Home: Outcomes from the Housing High Cost Homeless Hospital Patients.2013 study conducted by the Economic Roundtable and Corporation for Supportive Housing.

[3] http://www.coloradocoalition.org/!userfiles/housing/denver_housing_first_study.pdf

[4] Flaming, Daniel; Lee, Susan; Burns, Patrick; and Sumner, Gerald. Getting Home: Outcomes from the Housing High Cost ~~Homeless Hospital Patients.2013 study conducted by the Economic Roundtable and Corporation for Supportive Housing.~~

The combination of **RRH** and **PSH** offers Colorado a continuum of housing and supportive services for people struggling with homelessness. It enables the state to tailor the solution to the individual in an effective and efficient way.

Results First on PSH and RRH:

PSH for chronically homeless individuals is considered evidence-based by Results First standards. Most of the studies reviewed by the Washington State Institute for Public Policy looked at Housing First programs, which provide independent apartments where participants hold the lease but receive subsidies to pay rent. These programs don't have specific requirements for abstinence or treatment; however, these programs typically provide intensive case management and services. PSH targets several outcomes to varying degrees of effectiveness, but its largest impact is on reducing homelessness. Although the program significantly reduces homelessness, homelessness is not an outcome that can be monetized through the Results First model.

RRH is not considered evidence-based by Results First standards, and for our project a program is only considered a promising practice if it is listed in the Pew-Results First database, which RRH is not. The program is so new that the long-term impacts of RRH are still being studied, but initial research indicates that people assisted by rapid re-housing experience higher rates of permanent housing placement and similar or lower rates of return to homelessness after the assistance ends compared to those assisted by transitional housing or who only receive emergency shelter. (Source: https://www.hudexchange.info/resources/documents/Rapid-Re-Housing-Brief.pdf) As soon as the long-term impact studies are published, RRH will be considered an evidence-based program. Colorado Results First recommends including evaluation dollars in this request and is available to assist with evaluation planning.

Referral Process:

The Department will work closely with the DOC and DHS to coordinate a referral system for the highest utilizers who are at risk of becoming homeless at the time of discharge. Currently, the Department has existing referral systems in place with DOC and DHS for smaller housing programs. DOC identifies the eligible individuals through a standard assessment and refers them to the supportive service providers at the partnering community mental health centers. With DHS, the Department partners closely on vouchers for homeless youth who have participated in the child welfare system as well as adults exiting the state psychiatric hospitals into homelessness. DHS is responsible for identifying the eligible individuals and makes the referral to the Department or our community partners for the housing assistance.

Once the Department and mental health center have collectively agreed upon the targeted population, the eligibility criteria and the referral process, the mental health center begins to refer individuals to the Department. For each referral, the Department approves a rental voucher, identifies available housing, and pays the landlord. The mental health center provides the ongoing support for these individuals. A priority is given to individuals who have a history of homelessness and are high utilizers of state jails, prisons, emergency departments and/or other institutional systems, as well as high Medicaid usage.

The overall goal of the Colorado Plan to End Homelessness is to make homelessness rare, brief and non-recurring. The anticipated cost avoidance for breaking this cycle of homelessness ranges between $160 million[5] to $206 million[6] over the first five years, averaging between $32 million[7] and $41 million[8] annually. This reduction will come through reduced recidivism in prisons, fewer recurrent stays in jail, fewer readmissions to state hospitals and emergency rooms, and reduced unemployment cost. The potential for greater cost avoidance exists if housing is maintained for former inmates who are mentally ill.

This type of solution does exist in Colorado and many other states. However, this scale of PSH linked to persons discharged from state institutions is not available in Colorado or in other states. It is not a new service, but it is and substantial expansion of PSH inventory and supportive services for persons discharged directly from prisons and/or cycling through homelessness.

Anticipated Outcomes:

Participant Outcomes:

Residents of PSH are mostly permanently disabled and more than likely to qualify as chronically homeless. The first year measurements include acquiring "safety net" benefits for housing, food, and disability assistance when eligible. In subsequent years their success is measured by maintaining their housing, achievement of educational/vocational certifications, a reduction in medical and criminal justice costs, and reduction of substance abuse, if appropriate. The following will be specific measures of this program:

- Reduction in recidivism to state prisons, psychiatric hospitals or homelessness.
  - Measured by the reduction in length of time and number of times returning to systems.
- Analysis of Medicaid claims data to evaluate the changes in cost and type of utilization (i.e. - emergency system usage compared to primary care).
- Length of stay in stable housing compared to shelter stays.

Residents of RRH will primarily be episodically homeless; this is the proverbial "revolving door" scenario as those individuals revolve between homelessness and state institutions. Once housed, the measure of success will be reduction of any substance abuse, attendance and completion of educational/vocational training, increasing income, including securing employment, leasing unsubsidized housing, and a reduction in the medical and criminal justice costs. Specific measure of this program include:

- Length of stay in stable housing.
- Educational and vocational achievement levels.
- Securing employment and length of employment.
- Reunification with family or attainment of independent living.

For both residents of PSH and RRH, the ultimate goal is to live as independent of supportive services and public subsidy as possible. In the case of the permanently disabled person, the goal is to reduce instability

[5] http://www.coloradocoalition.org/!userfiles/housing/denver_housing_first_study.pdf

[6] Flaming, Daniel; Lee, Susan; Burns, Patrick; and Sumner, Gerald. Getting Home: Outcomes from the Housing High Cost Homeless Hospital Patients.2013 study conducted by the Economic Roundtable and Corporation for Supportive Housing.

[7] http://www.coloradocoalition.org/!userfiles/housing/denver_housing_first_study.pdf

[8] Flaming, Daniel; Lee, Susan; Burns, Patrick; and Sumner, Gerald. Getting Home: Outcomes from the Housing High Cost Homeless Hospital Patients.2013 study conducted by the Economic Roundtable and Corporation for Supportive Housing.

in order to maintain housing and stabilize health and behavior. For the episodically homeless person, the goal is to reduce this dependence by 60%. The primary measure of success for an independent life is the reduction of recidivism to prison, readmission to state hospitals, and an end to homelessness. This effort will also strive to end both veteran and youth homelessness.

State funds for construction can leverage private and other public investments. In addition to state funding, other sources include: 1) property operations, such as utilities and maintenance staff, will be funded by income from tenant-paid rent and housing voucher rental subsidies; 2) supportive services will be paid through Medicaid and other entitlements; and 3) building construction will primarily be funds by federal tax credits and grants, low interest loans, and private debt. As residents secure federal rental vouchers such as Section 8 and Shelter + Care the state's subsidy of rental assistance will decline.

Lead Agencies for the Five-Year Strategic Plan

The Colorado Homeless Partnership includes the Governor's Office, the Departments of Local Affairs, Human Services, Corrections, Health Care Planning and Finance and the Colorado Housing and Finance Authority, local governments, and the state nonprofit homeless providers.

The Department will work with DOC and DHS to develop benchmarks for measuring the impact of prison recidivism and state hospital readmissions. The goal is reduction in both benchmarks. Success will be measured by analyzing the cost benefit of this annual investment compared to the cost of incarceration and hospital care. This request is linked to the Department's strategic goal reducing homelessness and increasing the supply of affordable housing.

One of the populations served by this effort is homeless veterans, which is a Vision 2018 goal. The Department has applied and received over 400 new HUD VASH rental vouchers for homeless veterans. The Department will be applying again this year for at least 50 additional vouchers. These vouchers can be used for homeless veterans referred by the U.S. Department of Veterans Affairs (VA) to the Department. We will work with the VA to begin to link this assistance to veterans being discharged from state institutions. This effort may also include the vision goals of other departments.

Based on a $12.3 million annual budget, the Department expects to invest $39 million on acquisition and housing new construction in the first five years. This investment is expected to leverage nearly $330 million of non-state funds. Since this initiative has a start-up construction phase and non-profit agency capacity build-up, the analysis is based on the first five years of operation.

Public Cost Avoidance:

The first study to quantify the public costs associated with homeless people before and after supportive housing placement was published in 2001. It is often referred to in shorthand as "The Culhane Report." Dozens of studies have since quantified the ways homeless people with disabilities utilize various public systems, including hospitals, emergency rooms, psychiatric hospitals, shelters, jails and prisons. Some studies explore the "targeting" of resources. These interventions place individuals who typically overuse specific systems into supportive housing and track their use of those systems before and after housing. Other studies quantify tenants' use of multiple systems before and after placement. All studies, however, point to the same conclusion: 1) Leaving vulnerable individuals and families homeless costs a surprising amount of public dollars; and 2) Providing these same people with supportive housing saves enough money to pay for their housing at the very least.

Below are summaries of several relevant studies and their findings:

- In 2001, the Culhane Report[9] assessed the impact of public investment in supportive housing for homeless persons with severe mental disabilities. Data on 4,679 people placed in such housing in New York City between 1989 and 1997 were merged with data on the utilization of public shelters, public and private hospitals, and correctional facilities. Results reveal that persons placed in supportive housing experience marked reductions in shelter use, hospitalizations, length of stay per hospitalization, and time incarcerated. Before placement, homeless people with severe mental illness used about $40,451 per person per year in services (1999 dollars). Placement was associated with a reduction in services use of $16,281 per housing unit per year.
- In 2006, the Colorado Coalition for the Homeless' Cost Benefit Analysis Study[10] focused on examining the actual health and emergency service records of a sample of participants in Denver, Colorado for the 24 month period prior to entering the program and the 24 month period after entering the program. The findings document an overall reduction in emergency services costs for the sample group. The total emergency related costs for the sample group declined by 72.95%, or nearly $600,000 in the 24 months of participation in the program compared with the 24 months prior to entry in the program. The total emergency cost savings averaged $31,545 per participant.
- In 2012, Supportive Housing for Returning Prisoners Program[11] in Ohio reported on the findings of its pilot project. The study tracked 121 participants who lived in supportive housing after release and 118 who did not. Those in supportive housing were 43% less likely to be re-arrested on misdemeanor charges (though there was no difference in the likelihood of felony arrests), and were 61% less likely to be re-incarcerated one year later.
- In 2013, a pilot study of the Impact of Housing First Supported Housing for Intensive Users of Medical Hospitalization and Sobering Services[12] was completed in Seattle. Participants showed a significantly greater reduction in emergency department and sobering center use relative to the comparison group. At a trend level, participants had greater reductions in hospital admissions and jail bookings. Reductions in estimated hospital and jail costs between the program participants and the comparison group members were $62,504 and $25,925 per person per year—a difference of $36,579.
- Also in 2013, a study on housing the highest hospital utilizers, Getting Home: Outcomes from Housing High Cost Homeless Hospital Patients[13], estimated the cost savings impact of housing.

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9 ScholarlyCommons: http://repository.upenn.edu/spp_papers/65

10 http://www.coloradocoalition.org/!userfiles/housing/denver_housing_first_study.pdf

11 Jocelyn Fontaine et al., "Supportive Housing for Returning Prisoners: Outcomes and Impacts of the Returning Home Ohio Pilot Project," Urban Institute, August 2012, http://www.urban.org/sites/default/files/alfresco/publicationpdfs/412632-Supportive-Housing-for-Returning-Prisoners-Outcomes-and-Impacts-of-the-Returning-Home-Ohio-PilotProject.PDF.

12 https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3558756/pdf/AJPH.2012.300867.pdf

13 Flaming, Daniel; Lee, Susan; Burns, Patrick; and Sumner, Gerald. Getting Home: Outcomes from the Housing High Cost Homeless Hospital Patients.2013 study conducted by the Economic Roundtable and Corporation for Supportive Housing.

Specifically, a group of the top 10% of homeless patients with the highest public and housing costs was followed after they obtained permanent supportive housing. The estimated average annual cost for the patients when they were homeless was $63,808 and once in housing was $16,916, for a gross cost avoidance of $46,895. When taking into consideration paying for the subsidized housing, the net cost avoidance is estimated to $40,377.

- In 2014, The Cost of Long-Term Homelessness in Central Florida[14] studied a cohort of 107 chronically homeless individuals. The study calculated that the average annual cost to be homeless and cycling in and out of incarceration, emergency rooms and inpatient hospitalizations was $31,065 per person per year. Housing for this same group would similarly cost an average of $10,051 per person per year for a savings of $21,014.
- Corporation for Supportive Housing (CSH), compiled 20 studies published between 2002 and 2014 from across the country that were conducted on chronically homeless, high utilizers accessing permanent supportive housing. The average annual cost per person while homeless was $67,209 per person. Once housed, the average annual cost reduction was $40,474 per person.
- A study released by Enterprise Community Partners in February 2016, is one of the first studies that directly assessed the impact of health care costs when low-income individuals move into affordable housing. Not only did many residents report improved access to care, but there was an overall reduction in emergency department usage by 37% in the first year after people moved into permanent supportive housing, and they accumulated lower medical costs overall.[15]

Specific costs in Colorado include:

- $666[16] per day or $243,090 per year for a bed at Colorado's state psychiatric hospitals.
- $56.02 per day or $20,447 per year is spent per inmate in Colorado correctional facilities. This amount is double for inmates with severe mental illness. Each month an estimated 150 former inmates become homeless upon discharge.
- At least $175 per day or $63,808[17] per year is spent by public agencies on detox, jails, and emergency rooms for the chronic homeless living on the street. Over 60% struggle with a significant mental illness and/or substance use[18,19].
- Homeless youth are the front door of chronic homelessness. According to Colorado's Close to Home campaign, for every homeless youth who becomes financially independent, a community saves an average of $250,000 over a person's lifetime.

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[14] http://shnny.org/uploads/Florida-Homelessness-Report-2014.pdf

[15] Saul, Amanda, Senior Program Director, Enterprise Community Partners, Inc.; Weller, Maggie, MS, Project Manager, Center for Outcomes Research and Education; and Vartanian, Keri, PhD, Associate Research Scientist, Center for Outcomes Research and Education. Health in Housing: Exploring the Intersection Between Housing and Healthcare. February 2016. (Page 20)

[16] Figure received from Colorado Department of Human Services, Office of Behavioral Health

[17] Getting_Home_2013 study conducted by the Economic Roundtable

[18] Allday, Erin. The streets' sickest, costliest: the mentally ill. San Francisco Chronicle, June 29, 2106.

[19] Substance Abuse and Mental Health Services Administration (SAMHSA). Current Statistics on the Prevalence and Characteristics of People Experiencing Homelessness in the United States. http://homeless.samhsa.gov/ResourceFiles/hrc_factsheet.pdf

With each of these "cost centers," a reduction in the number of inmates and patients will impact future cost. For DOC, the goal is a reduction in recidivism leading to the need for construction of additional prisons. For DHS, the goal is a reduction in the readmissions of patients and the need to construct more psychiatric hospitals or additional beds.

The outcomes will be evaluated by utilizing existing metrics for similar programs currently administered by the Department. Currently, the Fort Lyon evaluation study is underway and being administered by both the Department and the State Auditor's Office. This evaluation will include an assessment of the success of permanent supportive housing for dual diagnosed homeless individuals. This assessment could apply to the populations targeted by this proposal.

The five-year goal of this proposal is to end homelessness for veterans and chronically homeless and reduce homelessness for at-risk youth. An annual funding commitment provides sufficient rental subsidy, case management, and employment/skill development for these households. The RRH program is designed to graduate participants to independence through continuing education, job skills, and steady employment. For the permanently disabled, graduation leads to a federal housing voucher and support for an independent life in a PSH community. Ultimately, a long term investment would result in systems cost savings and reduce homelessness for Colorado's highest utilizers of emergency systems and state institutions. This includes making homelessness rare, brief and non-recurring, especially for chronically homeless individuals and veterans. Through the ongoing investment of this proposal, Colorado could close the front door of homelessness for persons existing state institutions, veterans, and at-risk youth.

Assumptions and Calculations:

The following is a snapshot of the first five years of this ongoing request. A five year time frame is used to forecast the long term cost, the annual housing production, and the transition of residents from state to federal housing vouchers. The calculated per unit subsidy to construct or acquire and renovate affordable housing property is estimated to be $24,000 in Year One and increase 5% per year given increases in labor, construction materials, and land.

RRH units will be used to house referrals from DOC. The total number of RRH in this five year period is 600. This inventory will be used as transitional housing for DOC referrals for up to two years as they secure their education/job skills, employment, and lease housing on the open market.

The PSH is for referrals from both DOC and DHS. This housing is permanently affordable. Since many of these will be newly constructed the plan is to complete 100 in the first year and increase the inventory by 1,200 within five years. As described below, a goal of this proposal is to transition each of these residents onto federal rental assistance programs, such as Housing Choice Vouchers (Section 8), Family Unification Program (FUP), VA Supportive Housing (VASH), or Shelter Plus Care. The annual housing production capacity of this proposal is at least 300 units. We believe the annual development capacity of Colorado developers building PSH is about 400.

Rents for all the properties are estimated to cost $650/month. The total annual cost is calculated for each year. The Rent Subsidy Offset is the amount of anticipated federal vouchers issued for each of the residents. Given the demand for these vouchers we conservatively estimated to number that can be secured each year. The goal by Year Five is the issuance of a Section 8 voucher for each resident of the PSH.

Case management for residents of both communities is projected to be a 30 to 1 ratio. The average salary with benefits is $55,000 annually. Residents of the RRH will be supported by three employment counselors.

The total funding for each year is at the bottom of the budget. The Department is requesting roll forward authority for each year, not to exceed the five year total of $61,599,500. The requested ongoing annual funding amount would be $12,319,900. The Department requests that funding for this request be approved in the Division of Housing, Affordable Housing Grants and Loans line item. That will provide the Department with flexibility to balance the program spending with the varying housing needs of people faced with homelessness – whether it be grant or loan funding to produce new supportive housing stock, or housing vouchers when the housing stock is adequate to absorb vouchers efficiently. This market responsiveness allows the program to operate most efficiently.

Five-year Budget and Cost Assumptions:

	Year One	Year 2	Year 3	Year 4	Year 5	Notes
Per unit Subsidy	$24,000	$25,200	$26,460	$27,783	$29,172	5% inflator
RRH units	200	100	0	0	0	300
PSH units	100	200	300	300	300	1,200
Total	300	300	300	300	300	1,500
	$7,200,000	$7,560,000	$7,938,000	$8,334,900	$8,751,600	$39,784,500
Rapid Rehousing						
Case Management	$330,000	$550,000	$550,000	$550,000	$550,000	staff ratio 30:1
Rental Assistance	$1,560,000	$2,340,000	$2,340,000	$2,340,000	$2,340,000	$650/mo
PSH						
Case Management	$165,000	$825,000	$1,100,000	$1,650,000	$2,200,000	staff ratio 30:1
Rental Assistance	$780,000	$2,340,000	$4,680,000	$7,020,000	$9,360,000	$650/mo
Employment Counselor	$130,000	$130,000	$195,000	$195,000	$195,000	staff ratio 100:1
Admin/Training/ Evaluation	$200,000	$225,000	$250,000	$275,000	$300,000	
Total Cost	$10,365,000	$13,970,000	$17,053,000	$20,364,900	$23,696,600	
Rent Subsidy Offset	$450,000	$1,350,000	$4,050,000	$7,200,000	$10,800,000	$750/mo
# of vouchers	50	150	450	650	1,200	
Total MJ funding	**$9,915,000**	**$12,620,000**	**$13,003,000**	**$13,164,900**	**$12,896,600**	**$61,599,500**

The total number of FTE for this program is 1.0 FTE. Pursuant to Section 24-32-721, the Department will spend up to 3% for the administration of the program.

Cost Avoidance Assumptions:

		Year 1		Year 2		Year 3		Year 4		Year 5
RRH		200		100		100		100		100
cumulative clients served		200		300		400		500		600
PSH units created		100		200		300		300		300
cumulative units created		100		300		600		900		1,200
TOTAL NEW HOUSING OPPORTUNITIES		**300**		**600**		**1,000**		**1,400**		**1,800**
Cost Avoidance Estimates										
10th decile public cost savings	**$**	**40,377**								
Annual cost savings	$	12,113,100	$	24,226,200	$	40,377,000	$	56,527,800	$	72,678,600
Cumulative	$	12,113,100	$	36,339,300	$	76,716,300	$	133,244,100	$	205,922,700
CCH 2006 cost savings	**$**	**31,545**								
Annual cost savings	$	9,463,500	$	18,927,000	$	31,545,000	$	44,163,000	$	56,781,000
Cumulative	$	9,463,500	$	28,390,500	$	59,935,500	$	104,098,500	$	160,879,500

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Local Affairs

Request Title

R-01 Housing Development Grant Program

Dept. Approval By: ____________

OSPB Approval By: ____________ 10/26/16

___ Supplemental FY 2016-17

X Change Request FY 2017-18

___ Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
Total of All Line Items Impacted by Change Request	Total	$20,228,793	$0	$20,228,793	$2,000,000	$2,000,000
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$8,200,000	$0	$8,200,000	$2,000,000	$2,000,000
	CF	$0	$0	$0	$0	$0
	RF	$0	$0	$0	$0	$0
	FF	$12,028,793	$0	$12,028,793	$0	$0

Line Item Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
03. Division of Housing, (B) Field Services - Affordable Housing Grants and Loans	Total	$20,228,793	$0	$20,228,793	$2,000,000	$2,000,000
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$8,200,000	$0	$8,200,000	$2,000,000	$2,000,000
	CF	$0	$0	$0	$0	$0
	RF	$0	$0	$0	$0	$0
	FF	$12,028,793	$0	$12,028,793	$0	$0

CF Letternote Text Revision Required? Yes ___ No ___ **If Yes, see attached fund source detail.**

RF Letternote Text Revision Required? Yes ___ No ___

FF Letternote Text Revision Required? Yes ___ No ___

Requires Legislation? Yes ___ No X

Type of Request? Department of Local Affairs Prioritized Request

Interagency Approval or Related Schedule 13s: None

Cost and FTE

- Beginning in FY 2017-18, the Department is requesting to increase the Housing Development Grant (HDG) fund by $2 million General Fund annually for development of 250 affordable housing units.

Current Program

- For FY 2015-16, the HDG budget was $8.2 million and 1,157 units were developed with a priority for the state's highest risk populations: homeless persons with disabilities, dual diagnosed ex-offenders, and homeless families with school children. This funding leveraged $195 million from other sources and included 420 affordable units for households at or below 30% of area median income (AMI), 379 units for homeless persons, and 294 units for seniors. When combined with all sources of funds the Division funded the development of 3,106 units this past fiscal year.

Problem or Opportunity

- The demand for affordable housing far exceeds the State's financial resources given the growing disparity between housing cost and household income. More than 800,000 wage earners, the bottom 1/3 of all Coloradan workers, make an average $22,165 per year.
- Presently, 108,970 renter households earning less than 30% AMI spend 50% or more of their income on housing. At 30% AMI, there is one affordable unit available for every six households.
- By 2020, Colorado's populations between the ages 65 to 74 will almost double the national average. This dramatic shift increases the need for more affordable and adaptable housing; 31,885 senior renters and homeowners earn less than 30% AMI and spend at least 50% of their income on housing.
- Many Colorado communities are experiencing gentrification which displaces low-income families.

Consequences of Problem

- Without more affordable housing, households across Colorado are at risk of homelessness.
- The public cost of homelessness through emergency room visits, incarceration, detoxification, and inpatient/outpatient hospital care is estimated at $31,545 per person annually.

Proposed Solution

- The Department requests an annual increase of $2 million General Fund to increase the supply of affordable housing units by an additional 250 units per year.
- Funding will be used to develop affordable housing units for low-income Coloradoans across the state that spend 50% or more of their income on housing, including seniors and other rent-burdened households. Funding will also be targeted to communities that are becoming unaffordable due to gentrification.
- At proposed funding levels, 3,350 new affordable housing units can be developed annually.

Department Priority: R-01
Request Detail: Housing Development Grant Program

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Housing Development Grant Program	$2,000,000	$2,000,000

Problem or Opportunity:

The demand for affordable housing far exceeds what available financial resources the State can provide in housing given the growing disparity between housing cost and household income. Colorado currently has the 14th highest housing wage in the country. The National Low Income Housing Coalition defines the housing wage as the wage needed to rent a two-bedroom apartment at fair market rent. Renters in Colorado must earn $21.12 an hour to afford a two-bedroom apartment or $16.64 an hour to afford a one-bedroom apartment. Presently a minimum wage earner in Colorado – which stands at $8.31/hour as of January 1, 2016 – would have to work 102 hours a week to afford a two-bedroom apartment at market rent.

As we experience record rent increases and stagnant incomes, growth in the number of rent-burdened households in Colorado continues to increase: 108,970 renter households pay more than 50% of their income for rent and earn less than 30% of the area median income (AMI)[1], $24,300 a year for a family of four in Denver. Senior renters and homeowners make up 31,885 of Colorado households who are severely housing cost burdened. At the 30% AMI household income level and below, there are six households competing for each rental unit available at an affordable level ($600 per month)[2].

"Affordability" on any unit (subsidized and unsubsidized) is based on the industry standard which dictates that a household should not spend more than 30% of income on housing. As an example, a household earning $24,000 per year can afford a rent of $600 per month. The average rent in Colorado during the second quarter of 2016 was $1,292[3] which is an all-time high and an 18% increase over just two years ago. To afford a unit at the average rent level, a household must earn $49,640, or $23 per hour (assuming six percent payroll taxes and zero income tax). New units currently being built are at price points well above the average rent level. Given the cost of construction, land and operations, a newly constructed apartment must rent for about $1,300 to break even. Since 2007, the average rent has increased 21% statewide while the median renter household income has only increased 1.1%. This trend can only result in an increase in the number of rent burdened, low income households.

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[1] HUD CHAS data, based on 2008-2012 ACS.

[2] HUD CHAS data, based on 2008-2012 ACS.

[3] Second Quarter 2016 Colorado Multi-Family Housing Vacancy & Rental Survey, Ron Throupe, Ph.D., The University of Denver and Jennifer Von Stroh, Colorado Economic and Management Associates.

In recent years, Colorado has been experiencing an ongoing and long-term tightening in the apartment market driven by rising demand and a scarcity in rental units. Because the number of new household formation exceeded the number of new housing units in each year from 2008 to 2015 for a total deficit of 109,727 units over the period[4], the rental market will continue to tighten. Increased levels of rental unit construction are necessary to address these issues. The apartment development industry has responded to current demand by planning numerous new apartment communities and rehabilitated units. These new and remodeled units, however, are geared toward higher-income households, and not designed to serve medium- or low-income households.

The goal of producing more affordable housing units is to offer housing for a full range of incomes that supports these households in their quest for better jobs, services, and stability. Affordable housing communities offer a range of rents, locations with transportation options, and are close to schools, jobs, and supportive services. The Housing Pipeline includes a full range of housing, which includes housing for persons earning a moderate wage and less of a per unit development subsidy and housing for persons with disabilities or the homeless, which requires a higher per unit subsidy.

The target population for this request is low-income Coloradans across the state spending 50% or more of their income on housing. This is a diverse group that can include seniors and individuals in communities that are becoming unaffordable due to gentrification, in addition to households that are simply low income.

Rural Coloradoans: Many of Colorado's rural communities face additional challenges to providing residents with adequate affordable housing. For instance, rural communities across Colorado have lost affordable housing due to aging housing stocks which can result in dilapidated and vacant homes. In addition, developments consisting of the construction or rehabilitation of rental housing in rural areas can be more difficult due to fewer available financial resources. For example, rural rental developments can be too small for Low Income Housing Tax Credit (LIHTC) financing to be feasible, and bank financing for these projects often comes with higher debt coverage ratios and/or lower loan-to-value ratios that result in lower loan amounts. Gap funding from the Division of Housing is often critical to increasing the supply of affordable housing in rural communities and can be needed at higher per unit amounts due to these challenges and lower household incomes in many rural areas.

The Division of Housing maintains a Housing Pipeline of affordable housing projects that represents what is planned to be built over the next 18 to 24 months. The Housing Pipeline is an evolving list that is updated quarterly and is based on what housing developers anticipate they can achieve *if resources are available.* Projects stay on the list until they are funded or they are cancelled. If the resources are available, the Division estimates that 7,334 units will be developed over the next 24 months. Of these pipeline units, 5,002 units are in Colorado's urban communities and 2,332 units are in rural communities. These developments will require $1.3 billion in permanent financing and require a public subsidy of $73.2 million over the next two years.

Seniors: One population often at risk of not being able to afford housing is seniors. By 2020, Colorado's population growth between the ages of 65 and 74 will nearly double the national average. By 2030, Colorado population over 65 years old will be 125% larger than it was in 2010 growing from 555,000 to 1,243,000. The need for senior housing is not only a factor of cost, but also the physical accessibility and location. The affordability depends directly on the amount of subsidy per unit; the limitation of accessible

[4] State Demography Office.

affordable units is related to the significant change in the Colorado market – homes built for families to homes with design features that are adaptable to aging in place. Senior housing needs include proximity to public transportation and services, further increasing the cost of development due to high land cost.

Many of these households will be on fixed incomes and facing increasing health costs. The requested funding will be used to develop housing designed for seniors in locations close to support services. In February 2016, Enterprise Community Partners, Inc. published the results of one of the first studies that directly assessed the impact of health care costs when low-income individuals move into affordable housing. Not only did many residents report improved access to care, but there was an overall reduction in emergency department usage by 18% in the first year after people moved into affordable housing.[5]

Gentrification: The Department also intends to target more funding to Colorado communities that are experiencing gentrification or are at risk of gentrification. Since 2000, 42% of eligible Census tracts in Denver have gentrified putting Denver at #7 of the 50 largest U.S. cities in terms of the extent of gentrification.[6] Neighborhoods in Fort Collins like Old Town and the predominantly-Hispanic neighborhood of Tres Colonias have also recently experienced gentrification as highlighted by the 2016 documentary film "Desplazado".

In May 2016, the Denver Office of Economic Development released a study on gentrification that categorized Denver neighborhoods and included strategies for mitigating involuntary displacement.[7] The City study characterized many Denver neighborhoods as "at risk" of gentrification including Elyria Swansea and identified public investment as a catalyst of the process. Beginning in 2017, CDOT will begin the reconstruction of a section of I-70 which will impact the Elyria Swansea neighborhood due to the removal of an old viaduct and a lowering and capping of the highway. The I-70 reconstruction project will require the relocation of 56 households in Elyria Swansea. Without adequate affordable housing options in the area, these displaced households may not be able to stay in their community, and many more low-income households in Elyria Swansea may be displaced by further development that results from significant infrastructure improvements. CDOT has committed $2 million to develop new and preserve existing affordable housing in Elyria Swansea. The City plans to target the development of affordable housing in neighborhoods at risk of gentrification like Elyria Swansea through a new affordable housing fund totaling $15 million annually. This HDG request will allow the Department to leverage CDOT, City, and other funds to support affordable housing development in communities impacted by the State-led reconstruction of I-70 and other neighborhoods at risk of gentrification without reducing the Department's commitment to meet other urgent housing needs across the state.

Proposed Solution:

The Department is requesting an additional $2 million General Fund annually in the Housing Development Grant Fund beginning in FY 2017-18 for the development of an estimated 250 additional affordable housing units. Funds will be targeted toward low-income households across the state that spend more than 50% of their income on housing, including seniors and households in communities at-risk of gentrification. With this request, the Department expects to satisfy the need for 1,400 units annually of affordable housing

[5] Saul, Amanda, Senior Program Director, Enterprise Community Partners, Inc.; Weller, Maggie, MS, Project Manager, Center for Outcomes Research and Education; and Vartanian, Keri, PhD, Associate Research Scientist, Center for Outcomes Research and Education. Health in Housing: Exploring the Intersection Between Housing and Healthcare. February 2016.

with Housing Development Grant funding. Using all financial tools available, the Department's goal for FY 2017-18 is to develop 3,350 new affordable housing units.

The Department's Division of Housing (DOH) seeks to provide housing to populations who cannot afford market rents. The financial tools necessary to fill the gap not funded by conventional banks include the Housing Development Grant (HDG), the Colorado Housing Investment Fund (CHIF), Federal HOME program and the Low Income Housing Tax Credit (LIHTC) program. The use of these financial tools leverages millions in private investment and conventional debt, but currently the available funding is still not enough to satisfy the demand for more affordable housing. On average, the investment of every $1 of HDG leverages more than $24 of private investment.

The Housing Pipeline list currently exceeds 7,334 units statewide with anticipated funding needs of approximately $73.2 million for a period of just two years. This is an evolving list that is updated quarterly and is based on what housing developers anticipate they can achieve if resources are available. The Department's FY 2017-18 goal of 3,350 new affordable units is modest (this goal is based on both current and new funding), but a goal that is designed to be realistic for new construction of units that will not overwhelm existing supply in any submarkets.

If this request is not funded, seniors and other low income individuals and families across the state that cannot afford the cost of housing are at risk of homelessness. The public cost of homelessness through emergency room visits, incarceration, detoxification, and inpatient/outpatient hospital care is estimated at $31,545 per person annually, as last reported in Colorado in 2006 and substantiated by multiple national studies since as footnoted.[8]

Anticipated Outcomes:

The number one goal of the Division of Housing within the Strategic Plan of DOLA is to "ensure sufficient affordable housing for persons with the lowest incomes". DOH expects to measure the success of the HDG funding through the reduction of households paying more than 50% of their income in housing expenses.

SOCIAL OUTCOMES:

In February 2016, Enterprise Community Partners, Inc. published the results of one of the first studies that directly assessed the impact of health care costs when low-income individuals move into affordable housing. Not only did many residents report improved access to care, but there was an overall reduction in

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[8] ScholarlyCommons: http://repository.upenn.edu/spp_papers/65
[8] http://www.coloradocoalition.org/!userfiles/housing/denver_housing_first_study.pdf
[8] Jocelyn Fontaine et al., "Supportive Housing for Returning Prisoners: Outcomes and Impacts of the Returning Home Ohio Pilot Project," Urban Institute, August 2012, http://www.urban.org/sites/default/files/alfresco/publicationpdfs/412632-Supportive-Housing-for-Returning-Prisoners-Outcomes-and-Impacts-of-the-Returning-Home-Ohio-PilotProject.PDF.
[8] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3558756/pdf/AJPH.2012.300867.pdf
[8] http://shnny.org/uploads/Florida-Homelessness-Report-2014.pdf
[8] Saul, Amanda, Senior Program Director, Enterprise Community Partners, Inc.; Weller, Maggie, MS, Project Manager, Center for Outcomes Research and Education; and Vartanian, Keri, PhD, Associate Research Scientist, Center for Outcomes Research and Education. Health in Housing: Exploring the Intersection Between Housing and Healthcare. February 2016. (Page 20)

emergency department usage by 18% in the first year after people moved into affordable housing.[9] In addition to savings from reduction in services use, the State sees larger-scale economic benefits from low income housing. Someone who is able to achieve a stable residence can hold a job much easier than someone who is dipping in and out of homelessness. Children do better in school if they have a have a stable residence. The State sees a good long term return on investment when it assures that more of its citizens have housing they can afford.

ECONOMIC OUTCOMES:

Consider the return on investment when using public dollars to develop affordable housing: FY 2015-16 HDG funding of $8.2 million leveraged over $195 million in other funding sources.

The 2014 Housing Colorado report, "Driving a Vibrant Economy: Housing's Role in Colorado's Economic Success", and the 2015 National Association of Home Builders' report, "The Economic Impact of Homebuilding in a Typical State: Income, Jobs and Taxes Generated" analyzed the economic impacts of affordable housing development. The studies make a compelling case for strong return on invested public funds.

The Division's FY 2015-16 HDG program funded 1,157 affordable housing units. Of these, 934 are rental units (534 new construction units and 400 rehabilitation units) and 35 are new construction for-sale units, with the remainder of the projects consisting of downpayment assistance, single-family owner-occupied rehabilitation, emergency shelter, landlord/tenant counseling and landlord recruitment programs (Attachment 2).

Rental Units: According to the Housing Colorado report, the one-year economic impacts of building and rehabilitating the 934 rental housing units funded with FY 2015-16 HDG include:

- Over $141 million in income for Colorado residents;
- Nearly 23 million in taxes and other revenue for the state and local governments; and
- Over 1,693 jobs in Colorado.

The additional annually recurring impacts of building the 534 new rental housing units funded with FY 2015-16 HDG include:

- Over $13.3 million in income for Colorado residents;
- Over $2.8 million in taxes and other revenue for the state and local governments; and
- Over 181 jobs in Colorado.

According to the National Association of Home Builders' report, the one-year economic impacts of building the 35 for-sale units funded with FY 2015-16 HDG include:

- Over $10.6 million in income for Colorado residents;
- Over $2.1 million in taxes and other revenue for the state and local governments; and
- Over 146 jobs in Colorado.

[9] Saul, Amanda, Senior Program Director, Enterprise Community Partners, Inc.; Weller, Maggie, MS, Project Manager, Center for Outcomes Research and Education; and Vartanian, Keri, PhD, Associate Research Scientist, Center for Outcomes Research and Education. Health in Housing: Exploring the Intersection Between Housing and Healthcare. February 2016.

Assumptions and Calculations:

The assumptions for funding per unit vary based on the types of units being financed. The need for gap funds in the construction of a project increases as resident income levels decrease (i.e. the residents can pay less in rent which supports a smaller mortgage). DOH uses HDG funding to improve debt coverage ratios in projects that have affordable rents that cannot support a mortgage based on market rents. Given the cost of construction, land and operations, a newly constructed apartment must rent for about $1,300 to break even. The gap funding necessary to construct housing for working families earning less than 30% AMI is higher because the rent these individuals can afford to pay is even lower.

The assumed cost per unit for this request is $7,600 per unit, which is based on a $7,600 per unit average cost using Housing Development Grant and Housing Investment Trust Fund dollars for development projects funded in FY 2015-16. The total estimated annual production of 250 new units is modest but designed to be realistic for rising new construction costs and intended to not overwhelm existing supply in any submarkets.

The Department has provided the following attachment as additional documentation for the assumptions and calculations used in this request:

- *Attachment 1: FY 2015-16 Housing Development Grant Funding Summary.* - This document highlights the complete list of projects funded with FY 2015-16 HDG funding.

Additionally, the Department has provided links to the following documents in support of this request:

- *The Housing Colorado report, authored by Dr. Elliot Eisenberg, "Driving a Vibrant Economy: Housing's Role in Colorado's Economic Success".* - This study quantifies the economic and financial impacts of market rate and subsidized housing construction and rehabilitation at the Denver metropolitan level and the State of Colorado level. The report found that the one-time economic impacts of building single and multifamily subsidized and market rate homes in Colorado provides $4.78 billion in state and local income, $1.19 billion in taxes and other revenues for all governments, and 70,076 full-time equivalent jobs in Colorado. The recurring annual impact beyond the first year is over $335 million in income, $96 million in taxes, and 4,968 jobs. (http://www.housingcolorado.org/?page=economicimpactstudy)
- *National Association of Home Builders' study, The Economic Impact of Homebuilding in a Typical State: Income, Jobs and Taxes Generated.* - This study estimates the local area impacts of building 100 single-family homes in a typical local area. The report found that the one-year impacts of building 100 single-family homes in a typical local area provides $28.7 million in local income, $6 million in taxes and other revenues for local governments, and 394 local jobs. (https://www.nahb.org/~/media/Sites/NAHB/Economic%20studies/1REPORT_local_20150318115955.ashx?la=en)
- *Health in Housing: Exploring the Intersection Between Housing and Health Care, 2016.* – This document is the most recent study of the health impacts of stable housing. (http://www.enterprisecommunity.com/resources/ResourceDetails?ID=0100981)
- *White Privilege and Gentrification in Denver, 'America's favourite city'.* The Guardian, July 14, 2016. (https://www.theguardian.com/cities/2016/jul/14/white-privilege-gentrification-denver-america-favourite-city)

Attachment 1: FY 2015-16 Housing Development Grant (HDG) Project Summaries

	Beginning Balance:	$7,954,000		
Project #	County and Name	Amount	Total Project Cost	Lever-aging
15-071	Jefferson County – JCHA Hidden Lake Homes	$600,000	$19,795,887	32:1
15-074	Jefferson County – 40 West Residences	$590,000	$13,566,900	22:1
15-076	Denver County – CCH Renaissance Downtown Lofts	$1,000,000	$23,189,101	22:1
15-077	Denver County – St. Francis Apartments	$490,000	$10,141,361	19:1
15-081	Denver County – MHCD Sanderson Apartments	$320,100	$15,128,782	46:1
16-001	Denver County – Westwood Crossing	$725,000	$23,219,426	31:1
16-008	Mesa County – Owner Occupied Rehab	$120,000	$494,252	3:1
16-012	Denver County – Mariposa VII	$450,000	$13,506,172	30:1
16-028	Grand County – Cliffview Assisted Living Rehab	$235,000	$1,774,522	6:1
16-030	Montrose County – Haven House Transitional Housing	$300,000	$618,432	1:1
16-032	Statewide – HERO Alliance	$210,000	$3,896,700	17:1
16-033	Costilla County – SLVHC Downpayment Assistance	$86,800	$911,020	9:1
16-034	El Paso County – RMCLT Downpayment Assistance	$153,600	$2,743,865	17:1
16-035	Douglas County – DCHP Downpayment Assistance	$56,000	$7,291,297	129:1
16-037	Statewide – Habitat for Humanity	$374,000	$5,250,000	13:1
16-039	Routt County – Reserves at Steamboat Springs	$400,000	$15,055,858	36:1
16-041	Denver Metro – Brothers Redevelopment Landlord Recruitment	$40,000	$81,900	1:1
16-042	El Paso County – Brothers Redevelopment Landlord/Tenant Counseling	$50,000	$86,050	1:1
16-043	Boulder County – Thistle Cannery Rehab	$204,215	$6,232,615	29:1
16-058	Denver County – Kentucky Circle Village	$410,000	$21,271,185	50:1
16-062	Denver County – Willow Street Residences	$525,000	$13,200,557	24:1
16-074*	El Paso County – Springs Rescue Mission Shelter	$614,285	$5,773,877	5:1
	Current Balance:	**$7,954,000**		

** Total award of $850,000. Balance of $235,715 awarded from SFY17 HDG funding.*

15-071- Jefferson County – Hidden Lake Homes

Jefferson County Housing Authority was awarded a grant of $600,000 to assist with construction of Hidden Lake Homes, a project serving seniors 55 and older in Westminster. Hidden Lake Homes will consist of 72 one and two bedroom units in a three-story structure with two elevators. The apartments will serve households earning up to 30% to 60% AMI with eight units designated for <30% AMI residents. Residents will receive on-site supportive services provided by Senior Resource Center. These services include recreational activities, laundry assistance, meal planning, shopping, and transportation.

15-074- Jefferson County – 40 West Residences

Archway Investment Corporation was awarded a grant of $590,000 to support construction of 40 West Residences, a 60-unit rental project in Lakewood at West Colfax and Sheridan. The development will serve households earning up to 30% to 60% AMI in 54 one-bedroom and 6 two-bedroom units, including 25 units of project-based VASH vouchers for veterans. The VASH tenants will receive case management, supportive services from the VA, and services from Jefferson Center for Mental Health, Rocky Mountain Human Services, and Mpowered. The project site is located a ½ mile from the Lamar Station on the West light rail line and a RTD bus rapid transit stop. 40 West Residences will provide redevelopment in a corridor that is a priority for the City of Lakewood and neighborhood.

15-076- Denver County – Renaissance Downtown Lofts

The Renaissance Housing Development Corporation (RHDC), the development subsidiary of the Colorado Coalition for the Homeless has been awarded a $1,000,000 grant for construction of the Renaissance Downtown Loft Apartments. The development will use 4% and 9% LIHTCs to provide 100 units of permanent supportive housing for the chronically homeless in a single six-story building serviced by two elevators. The project will serve households earning at or below 30% to 60% AMI. RHDC will receive 50 project-based housing choice vouchers from the Denver Housing Authority and 50 vouchers from DOH for the project.

Renaissance Downtown Lofts is a transit oriented development (TOD) site in the Downtown Central Business District and is located less than ¼ mile from two Light Rail Stations at Broadway and Welton and 18th and Stout Street. The development will be located on a frequent RTD bus route and proximate to employment, health and social services, and educational opportunities. CCH and its partnering agencies will make supportive services available to all residents, funded in part by the Social Impact Bond (SIB) program.

15-077- Denver County – St. Francis Apartments

The St. Francis Center was awarded $490,000 for the development of St. Francis Apartments at Cathedral Square in the Capitol Hill Neighborhood of Denver. The project will use 9% LIHTCs and provide permanent supportive housing for 49 chronically homeless individuals. St. Francis will consist of one six-story building with 49 one bedroom units restricted to individuals with income at or below 30% AMI and an on-site manager unit. The project will include 25 project-based vouchers (PBVs) from the Denver Housing Authority and 24 PBVs from the Division of Housing. The building will include office space for the on-site provision of supportive services to residents.

15-081- Denver County – MHCD Sanderson Apartments

Mental Health Center of Denver (MHCD) was awarded a $320,100 grant to assist in the development of Sanderson Apartments. The development will consist of 60 one bedroom apartments in a three story elevator serviced building. The development was awarded 9% LIHTCs by CHFA and has a commitment from the Denver Housing Authority and the Colorado Division of Housing for 30 project-based vouchers each for a total of 60 project-based vouchers. MHCD will provide services to the community's "Front End Users", those repeat offenders who, as a result of their homelessness, have frequently committed low-level offenses and relied heavily on local service agencies such as medical and psychiatric hospitals, jails, courts, shelters, and detox facilities. Located in Metro Denver, the project includes offices and amenities designed to facilitate the delivery of case management services.

16-001- Denver County – Westwood Crossing

McDermott Properties was awarded $725,000 for the development of Westwood Crossing located at the corner of Alameda Avenue and Irving Street in Denver. Westwood Crossing will be a mixed use community containing 98 affordable rental apartments and 5,100 square feet of commercial space. The project will consist of a single four-story building with two elevators. All units will be restricted to households earning at or below 30% (7 units) or 60% AMI (91 units). The 30% AMI units will have project-based vouchers from the Denver Housing Authority (DHA). The project will include 20 one-bedroom units, 55 two-bedroom units, and 16 three-bedroom units.

16-008- Mesa County – Single Family Owner Occupied Rehab

Housing Resources of Western Colorado (HRWC) was awarded a grant of $120,000 to support its on-going Single Family Owner-Occupied rehabilitation program serving Mesa and Garfield counties. HRWC has operated a rehabilitation program since 1996 with over 225 homes rehabilitated to date. The HDG grant will support administration costs for 14 rehabilitation loans and two emergency repair loans. Rehabilitation loans will be provided to households earning at or below 80% AMI.

16-012- Denver County – Mariposa VII

The Housing Authority of the City and County of Denver (DHA) was awarded a grant in the amount of $450,000 for Mariposa VII, a mixed use rental apartment complex with 45 age-restricted units located in the Mariposa District of west Denver. The development will include senior/disabled project based vouchers, Annual Contributions Contract (ACC) units and approximately 2,100 square feet of ground-floor commercial space. The development will consist of units for seniors earning less than 30-60% AMI. Mariposa VII will utilize 4% low-income housing tax credits from CHFA.

16-028- Grand County – Cliffview Assisted Living Rehab

The Grand County Housing Authority was awarded $235,000 to replace the fire suppression system at Cliffview Assisted Living Center, the only assisted living facility in western Grand County. Located in Kremmling, Cliffview also serves residents from Summit, Routt, and Jackson counties. The community includes 24 studio units, a commercial kitchen, a dining room, common areas, a barber shop and two staff offices. Cliffview has eight Medicaid units restricted at or below 50% AMI and 16 private pay units. The Housing Authority owns the property and contracts with Senior Housing Options for property management.

16-030- Montrose County – Haven House Transitional Housing

Haven House of Montrose, Inc. was awarded grant funding of $300,000 to pay off acquisition and rehab bridge loans and complete the rehabilitation of Haven House Transitional Housing in Olathe. Haven House is a two-story, 36-unit dormitory building with 18 shared bathrooms, built in 1992 for farm labor housing. The 2-acre site includes a commercial kitchen and an on-site resident manager unit. Six rooms are used for services and case management offices. Haven House is the only facility serving homeless individuals and families in Montrose County. Resident families pay a weekly program fee and receive a private housing unit, life skills classes, supportive services, and counseling in this transitional housing program. Rehab work will include the creation of an accessible unit and entrance, replacement of three furnaces with new units including central air condensers, re-sloping of the exterior concrete patio to eliminate water penetration, repair/replacement of windows and interior doors, upgrade of electrical circuits, and repair of the kitchen swamp cooler and roof damage.

16-032- Statewide – HERO Alliance

Colorado Housing Assistance Corporation (CHAC) was awarded $210,000 in FY16 HDG funds on behalf of their Downpayment Assistance (DPA) program for the Homeownership Education and Real Estate Opportunity (HERO) Alliance. CHAC operates this program for the HERO Alliance, a statewide collaboration of funding sources and service providers who make homeownership possible for persons with disabilities. Homebuyers receive housing counseling tailored to persons with disabilities along with DPA in order to secure low-interest mortgages from Rural Development, CHFA, and conventional banks. This grant will assist 20-24 persons with disabilities who are at or below 80% AMI with approximately $7,500 of downpayment assistance. Funds are loaned at 1.5% for 30 years and payments are deferred until the first mortgage is repaid or the home is transferred to a new owner.

16-033- Costilla County – San Luis Valley Housing Coalition Downpayment Assistance

The San Luis Valley Housing Coalition was awarded $86,800 for the continuation of its existing Down Payment Assistance (DPA) program. Funds awarded will be used in conjunction with the existing DPA revolving loan fund to provide nine homeownership opportunities to low/moderate income families throughout the San Luis Valley. The DPA program serves Alamosa, Conejos, Costilla, Huerfano, Mineral, Rio Grande, and Saguache Counties.

16-034- El Paso County – Rocky Mountain Community Land Trust Downpayment Assistance

Rocky Mountain Community Land Trust (RMCLT) was awarded a grant of $153,600 to continue its Down Payment Assistance (DPA) program in El Paso County. These funds will be used to assist eight households in the purchase of homes not currently in RMCLT's portfolio and an additional eight households in the purchase of resale homes within the portfolio. The program will make it possible for 16 families earning at or below 80% AMI to become first-time homebuyers. RMCLT offers long term land leases (99 years) to eligible households.

16-035- Douglas County – Douglas County Housing Partnership Downpayment Assistance

Douglas County Housing Partnership (DCHP) was awarded $56,000 in FY16 HDG funds for its Home Ownership Program. These funds will be used to cover administrative expenses for up to 16 Down Payment Assistance (DPA) loans. DCHP provides DPA through its Amortizing Loan Program and Shared Equity Program. DCHP also provides first-time homebuyer classes.

16-037- Statewide – Habitat for Humanity

Habitat for Humanity of Colorado (HFHC) was awarded $374,000 in FY16 HDG funds to help local affiliates develop 35 Habitat homes in scattered sites across Colorado. Habitat homes serve households earning up to 60% AMI and are traditionally single-family dwellings built with no garage, carport or basement. Newly constructed homes are typically less than 1,200 square feet with three bedrooms and one or two bathrooms. Habitat affiliates use grants, donations and sweat equity to reduce construction costs and to keep the first mortgage affordable to the homebuyer. The difference between the first mortgage and the appraised value of the home is recorded as a second mortgage and is forgivable over time.

16-039- Routt County – Reserves at Steamboat Springs

The Yampa Valley Housing Authority (YVHA) was awarded a grant of $400,000 for the development of The Reserves at Steamboat, a 48-unit multifamily rental project located on the west side of Steamboat. The project will serve a mix of households earning at or below 40% - 60% AMI in 24 two-bedroom and 24 three-bedroom units. The project is a partnership between YVHA and Overland Property Group. The project received a 9% LIHTC award in the 2015 round and will be the first LIHTC project in the area in 20 years. The Reserves at Steamboat will consist of two three-story walk-up buildings and a one-story clubhouse. There will be an on-site basketball court, community garden, playground, workout facility and community room. The development is located less than 0.1 mile from a bus stop.

16-041- Denver Metro – Brothers Redevelopment Landlord Recruitment

Brothers Redevelopment, Inc. was awarded $40,000 for its Landlord Recruitment Campaign, "Landlords Opening Doors". The program educates and encourages landlords in the Denver Metro area to open up their units to hard-to-house individuals or households who may hold vouchers, yet find difficulty locating properties willing to accept them. The Landlord Recruitment Campaign consolidates housing search efforts into a coordinated approach in the attempt to minimize duplicated efforts amongst service providers and other housing agencies. The program also receives funding from the Denver Metro Fair Housing Center.

16-042- El Paso County – Brothers Redevelopment Landlord Tenant Counseling

Brothers Redevelopment, Inc. was awarded $50,000 to expand its Rental Counseling Program to have a physical presence in Colorado Springs and more effectively serve the El Paso County area by providing more in-person counseling and education. Brothers provides this program in the Denver Metro area. The program educates prospective renters on HUD rental and rent subsidy programs; other Federal, State or local assistance; fair housing laws; landlord tenant laws, lease terms; rights of applicants and clients; rent delinquency; reasonable accommodations and modifications for persons with disabilities, along with providing other housing search assistance.

16-043- Boulder County – Thistle Cannery Rehab

Thistle Communities was awarded $204,215 for rehabilitation at the Cannery, a 94-unit affordable rental housing development in Longmont. The Cannery consists of studio, one- and two-bedroom units with five units at 30% AMI, 79 units at 50% AMI and 10 units at 60% AMI. Using HDG funds and a grant from NeighborWorks America, Thistle will replace 40 window unit air conditioners with energy efficient combination AC/Heat Pump units, repair a fire door, replace brick flooring, and replace the hot water heater system. The Kuner building, one of the Cannery's three buildings, was built at the turn of the century and was home to the Empson Cannery. It was converted into apartments in 1983 when the two other buildings were built. Thistle acquired the Cannery in 2007 and rehabilitated and converted it to affordable housing in 2008 using private activity bonds and 4% LIHTC financing. The property is on the National Register of Historic Sites.

16-058- Denver County – Kentucky Circle Village

The Senior Homes of Colorado Foundation, Inc. was awarded a grant of $410,000 for Kentucky Circle Village, a 172-unit rental community for seniors over the age of 62. Rehabilitation of the property will include major upgrades to landscaping, drainage systems, siding, and masonry, as well as, replacement of all windows and storm doors and improvements to exterior lighting and security. The unit mix includes 11 studios, 100 1-BR units, and 61 2-BR units. The distribution of these units includes nine units at up to 30% AMI, 15 units at up to 50% AMI, and 112 units at up to 60% AMI. Project financing includes 4% LIHTCs and tax-exempt bonds.

16-062- Denver County – Willow Street Residences

The Community Housing Development Association (CHDA) was awarded a grant of $525,000 for Willow Street Residences, located near the Four Square Mile Neighborhood in unincorporated Arapahoe County. Willow consists of 80 units across six townhome style buildings and a Community Center/Leasing Office. The unit mix includes 32 1-BR, 40 2-BR, and 8 3-BR units at 30% - 60% AMI including 16 units for households earning at or below 30% AMI. The rehabilitation of the property will include concrete repairs; new windows, exterior doors, roofs, gutters, plumbing, cabinets, countertops, doors, Energy Star rated appliances, lighting fixtures, water heaters, furnaces, and air conditioners; and the installation of laminate flooring. Financing sources will include 4% LIHTC equity and private activity bond proceeds.

16-074- El Paso County – Springs Rescue Mission Shelter

The Springs Rescue Mission was awarded $850,000 for the construction of a campus expansion of the current winter emergency shelter in Colorado Springs. The completed project will provide an additional 108 emergency shelter beds (for a total of 168 beds) and will allow the shelter to operate year round. The expanded facility will also be able to offer day services such as laundry facilities, showers, community space and electronic access for job searches and application submissions. Meeting rooms will also be available for case workers providing supportive services. The project is the first phase of a three-phase expansion of the shelter facilities. The subsequent phases consist of a kitchen and dining room expansion and the construction of a new welcome center.

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Local Affairs

Request Title

R-05 Kit Carson Mitigation Plan

Dept. Approval By: ______________________

OSPB Approval By: ______________________ 10/26/16

___ Supplemental FY 2016-17

X Change Request FY 2017-18

___ Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total of All Line Items Impacted by Change Request	Total	$750,000	$0	$750,000	$515,095	$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$750,000	$0	$750,000	$515,095	$0
	CF	$0	$0	$0	$0	$0
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

Line Item Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
04. Division of Local Government, (B) Field Services, (1) Field Services - Rural Economic Development Initiative Grants	Total	$750,000	$0	$750,000	$515,095	$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$750,000	$0	$750,000	$515,095	$0
	CF	$0	$0	$0	$0	$0
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

CF Letternote Text Revision Required? Yes ___ No ___ **If Yes, see attached fund source detail.**

RF Letternote Text Revision Required? Yes ___ No ___

FF Letternote Text Revision Required? Yes ___ No ___

Requires Legislation? Yes ___ No X

Type of Request? Department of Local Affairs Prioritized Request

Interagency Approval or Related Schedule 13s: None

COLORADO
Department of Local Affairs

Cost and FTE

- To minimize impact of the closure of Kit Carson Correctional Center (KCCC), the Department of Local Affairs requests an appropriation of $515,095 General Fund for (4) Division of Local Government (B) Field Services, Rural Economic Development Initiative Grants.
- The $515,095 General Fund will be transferred from the Department of Corrections' (B) External Capacity Subprogram, External Capacity Sustainability line.

Current Program

- Between June 30, 2015 and June 30, 2016, the Colorado total inmate jurisdictional population declined by 1,004 offenders, from 20,623 to 19,619.
- The State does not guarantee a minimum number of beds to private correctional facilities.

Problem or Opportunity

- In the recent legislative session, the General Assembly included $3.0 million in the FY 2016-17 Long Bill to address "External Capacity Sustainability." The intent of this appropriation was to prevent a closure of KCCC.
- Negotiations with KCCC's owner, Corrections Corporation of America (CCA), ended with the finding that the $3.0 million would be insufficient to achieve a full year of continued operation.
- Therefore, as of July 31, 2016, KCCC had no offenders on site.

Consequences of Problem

- The facility's closure will impact the community beyond the loss of payroll for previous employees.
- CCA's payments to Kit Carson County provided approximately 10% of the county's total tax revenue.
- The loss of expected revenue will negatively impact Kit Carson County and Burlington and the level of services that could be provided.

Proposed Solution

- To minimize impact from the facility closure, the Department of Local Affairs requests an appropriation of $515,095 General Fund for (4) Division of Local Government (B) Field Services, Rural Economic Development Initiative Grants.
- The assessed value for CCA will not be $0 for tax year 2017, but will decrease by approximately two-thirds, which is the amount this proposal would backfill.
- The Department will submit a FY 2016-17 supplemental request for the lost utilities and per diem revenue.

Department Priority: R-05
Request Detail: Kit Carson Mitigation Plan

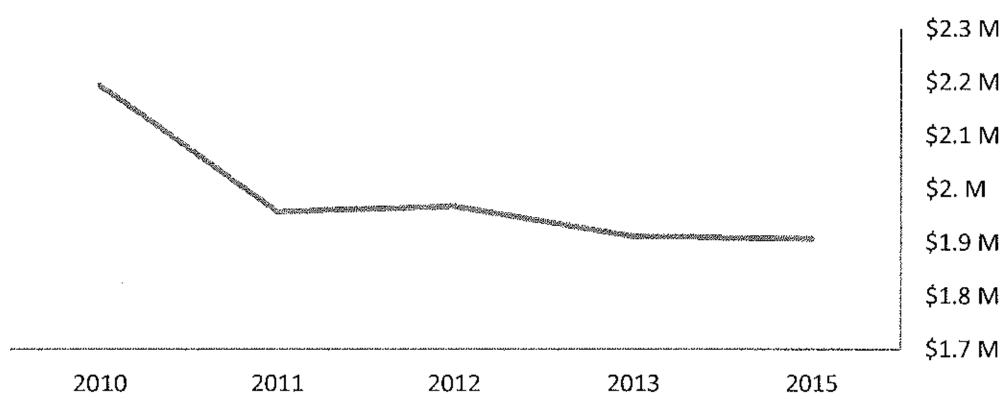
Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Kit Carson Mitigation Plan	$515,095	$515,095

Problem or Opportunity:

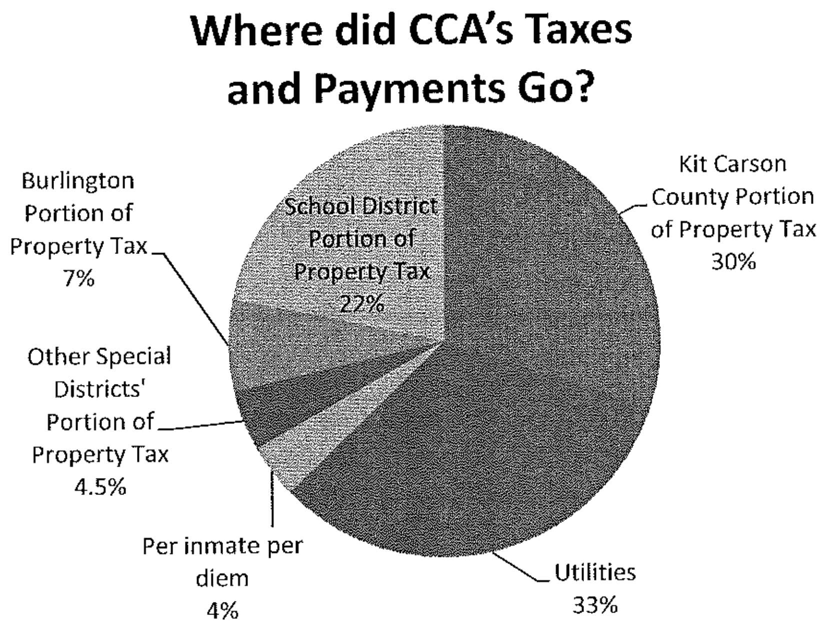
Between June 30, 2015 and June 30, 2016, the Colorado total inmate jurisdictional population declined almost five percent to 19,619, a drop of 1,004 offenders. Because external private beds assist with the overflow of inmates from State correctional facilities, the operational sustainability of the Kit Carson Correctional Center (KCCC) declined with the loss of both Colorado and Idaho offenders. In the recent legislative session, the General Assembly included $3.0 million in the FY 2016-17 Long Bill to address "External Capacity Sustainability." The intent of this appropriation was to prevent a closure of KCCC. Negotiations with KCCC's owner, Corrections Corporation of America (CCA), ended with the finding that the $3.0 million would be insufficient to achieve a full year of continued operation. Therefore, as of July 31, 2016, KCCC had no offenders on site. Offenders were moved to other facilities throughout the state, including Bent County Correctional Facility and Crowley County Correctional Facility, also owned by CCA. At the time of closure, the prison had 142 employees, some of whom will transfer to other CCA facilities.

The facility's closure will impact the community beyond the loss of payroll for previous employees. While there are new businesses opening, there will still be a decline in revenue for utilities and special districts and there will no longer be per diem payments to the city of Burlington. CCA's property taxes provided approximately 10% of the county's total tax revenue. CCA paid Burlington 25 cents per inmate per day since offenders were located in Burlington. The chart below shows the annual property tax and payments to Kit Carson County and the City of Burlington from CCA, equaling $1.9 million in 2015.

Annual Property Tax & Payments to Kit Carson County and Burlington from CCA



The following chart shows the revenue breakdown by category, excluding school district payments. Utilities make up the largest share of revenue that was paid by CCA.



At the present time, our understanding from Kit Carson County officials is that CCA will still pay its property taxes for tax year 2016; however, the amount will decrease for tax year 2017.

Proposed Solution:

To minimize impact from the facility closure, the Department of Local Affairs requests an appropriation of $515,095 General Fund for (4) Division of Local Government (B) Field Services, Rural Economic Development Initiative Grants. The $515,095 General Fund will be transferred from the Department of Corrections' (B) External Capacity Subprogram, External Capacity Sustainability line. This proposal is to backfill lost property tax revenue for the tax year 2017 by $515,095, which is two-thirds of the three year average amount of property tax revenue from CCA. The assessed value for CCA will not be $0 for tax year 2017, but will decrease by approximately two-thirds, which is the amount this proposal would backfill. The table below shows how the funds would be distributed to the property tax recipients:

Kit Carson County	$ 374,626
City of Burlington	84,857
Health District	29,601
Fire District	20,386
Cemetery District	5,624
Total	**$ 515,095**

After the closure was announced, state cabinet officials met with officials of Burlington and Kit Carson County to listen to priorities from the community and ways they could help. In addition to the funding proposed here, the Office of Economic Development and International Trade (OEDIT) is contributing resources it has based on discussions at the meeting. OEDIT has completed an economic impact study for Burlington if new business was to move in. In October, the Tourism Office sent tourism industry experts to Burlington to provide recommendations to connect them with resources to assist them with their efforts moving forward.

The Department will submit a FY 2016-17 supplemental request for the lost utilities and per diem revenue.

This proposal does not include funding for schools because the School Finance Act has a provision that protects districts from "rapid decline" and will average 3-5 years of student count data. The state would make up a portion of the lost assessed value of properties if this was to occur. Burlington, Bethune, and Stratton school districts would be protected from sharp student declines through this annual process.

Anticipated Outcomes:

This mitigation plan will give the County and City time to address the loss of revenue due to the closure of KCCC and sustain the current level of services.

Assumptions and Calculations:

Kit Carson County and Burlington provided revenue data from CCA that was used to calculate the three year average of each special district's portion of property tax revenue amount:

	2013	2014	2015	**3 year average**
Kit Carson County Portion	$ 555,480	$ 554,141	$ 576,196	**$ 561,939**
Burlington Portion	125,823	125,520	130,516	**127,286**
Health District Portion	43,892	43,786	45,529	**44,402**
Fire District Portion	30,227	30,154	31,354	**30,578**
Cemetery District Portion	8,339	8,319	8,650	**8,436**
Total	$ 763,761	$ 761,920	$ 792,245	**$ 772,642**

The assessed value of the facility will not decrease to $0, but it has been estimated that it will decrease by two-thirds. To calculate the requested amount of $515,095, each district's three year average revenue was multiplied by two-thirds and summed.