



1026 Park Ave · PO Box 99
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www.townofgrandlake.com

To: Mayor Kudron and the Grand Lake Board of Trustees
From: John Crone, Town Manager
Re: Opting In to Proposition 123
Date: September 11, 2023

Background

Proposition 123 was enacted by the voters of Colorado in 2022. The proposition contains provisions intended to create more affordable housing through additional funding and planning. The proposition establishes a three-year cycle of funding as well as future requirements for development review.

In order for a municipality to participate in this funding cycle, it must:

- 1) Identify a baseline number of affordable units in the municipality (including both existing deed restricted and naturally occurring affordable units);
- 2) Increase their baseline number on average 3% per year through the 3-year cycle; and
- 3) Adopt a “Fast Track” permit approval process for Affordable Housing by November 2026 to continue eligibility for funding.

Grand Lake’s approach in this first commitment cycle will be to meet the minimum baseline commitment to participate. Grand Lake is relying on the State’s Baseline tool to determine the number of units that we need to commit to building. The State’s baseline tool indicates that we currently have 76 for sale and rental units that can be deemed affordable.

In order to qualify for Proposition 123 money, the Town needs to commit to a 3-year total of 8 Affordable Housing units to be created (2.3/year on average) by December 31, 2026. We currently have six units under construction at Portal Crossing.

Proposition 123 requires the Town to file a commitment specifying how it will increase a combination of its newly constructed affordable housing units and its existing units converted to affordable housing over its determined baseline number of affordable housing units by 3% each year. The DOH interprets this to mean as long as the municipality demonstrates a 9% increase over the baseline at the end of the 3-year commitment period ending on December 31, 2026, even if a 3% increase may not be achieved in a year during that time frame.

If a commitment is not filed by November 1, 2023, then the Town and any development project in its jurisdiction are ineligible to receive any funding established by Proposition 123 during the 2024 calendar year. If this is to occur, the Town may file a commitment by November 1, 2024, for a 2-year commitment to increase its affordable housing stock by a total of 6% by December 31, 2026.

If the Town is unable to meet its 9% total commitment by December 31, 2026, then it and any development project in our jurisdiction are ineligible to receive any funding established by Proposition 123 for calendar year 2027. The good news is it may file a new commitment by November 1, 2027, for a 2-year commitment to increase its affordable housing stock by a total of 6% by December 31, 2029.



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As the Town works to package its commitment and file it with DOH by November 1, 2023, it does not have to include verification of a “fast-track approval process” in this initial commitment. This will be a requirement in future commitments starting with the one due by November 1, 2026. However, Proposition 123 does provide that for this first commitment and future ones, “local governments should prioritize high-density housing, mixed-income housing, and projects consistent with the goal of environmental sustainability, when appropriate, and should prioritize affordable housing in communities in which low concentrations of affordable housing exist.”

Recommendation

It is important that the Town files its commitment to opt-in to the Proposition 123 funding sources. There are hundreds of millions of dollars that will be available through this program, and it is very important that the Town is eligible for this money as we look to expand our workforce housing.

Proposed Motion

If the Board wishes adopt the commitment to provide eight affordable housing units by the end of 2026 and opt in to the Proposition 123 funding , it may do so by adopting one of the following motions:

I move to instruct the Town Manager to file the necessary paperwork with the state recognizing our commitment to provide eight affordable housing units by the end of 2026 and opting in to eligibility for Proposition 123 funding.