



To: City Council, City of Salida

From: Becky Gray, Director of Chaffee Housing Authority

Date: July 14, 2022

Subject: Sustainable Funding for the Chaffee Housing Authority

### **Background**

The Chaffee Housing Authority (CHA) has been in operation since 2020, funded through an intergovernmental agreement (IGA) between Chaffee County, the City of Salida, and the Town of Buena Vista. We have been able to leverage the funding provided through that IGA to bring an additional \$3,066,165 to affordable housing efforts in Chaffee County, including community outreach and education, state and federal advocacy, establishing a Rental Deposit Guarantee Program, launching the City of Salida's Open Doors Program, establishing a strategic plan, updating the Housing Needs Assessment, and putting into place the organizational operating structure to provide excellent service to our community while maintaining transparency to the public.

The IGA under which member jurisdictions provide funding to CHA expires on December 31, 2023, and therefore CHA staff and Board Members have worked to identify a sustainable, consistent revenue source to support our strategic plan.

This memo is intended to provide an outline of our Strategic Plan, our housing production goals, and the process we went through to determine that a 3.5 mill ad valorem tax would provide CHA with the base budget necessary to address the housing crisis in Chaffee County in an objectively measureable way.

### **Chaffee Housing Authority Strategic Plan**

On February 17, 2022, the Chaffee Housing Authority adopted a Strategic Plan for 2022-2026. The following is a summary of the four overarching strategies; you are encouraged to read the entire strategic plan, which can be found here: <https://www.chaffeehousingauthority.org/our-plan>

#### Goal 1: Policy, Advocacy, and Education

The Chaffee Housing Authority will represent the housing needs of Chaffee County residents, namely low-income households, moderate-income households, and people

employed by Chaffee County employers in policy and strategy discussions at the federal, state, and local levels. CHA will focus on equity and justice when building housing coalitions.

Goal 2: Organizational Operations

The Chaffee Housing Authority will strive to operate the organization with the utmost professionalism, financial responsibility, and transparency.

Goal 3: Affordable Housing Development

The Chaffee Housing Authority will strive to construct or contribute to the construction of permanently affordable housing units in Chaffee County.

Goal 4: Housing Stability Programming

The Chaffee Housing Authority will strive to operate, recruit, and create programs that will provide housing stability to Chaffee County residents.

**Housing Production Goals**

A draft Housing Needs Assessment (HNA) is poised for adoption by the CHA Board of Directors; this update builds upon the 2016 HNA and offers housing production goals through 2027, based on economic and population growth projections. In summary, the housing market has only gotten less attainable for both renters and home owners due to the following:

- Rents have increased 50% since the 2016 Housing Needs Assessment.
- 49% of renter households can afford no more than \$1,000 per month
- Renters making under \$40,000 have few to no publicly available rental options.
- Only 9% of county households have the income to enter the home ownership market.
- The average home price increased 41% between 2020 and 2022.
- Development dedicated to local workforce housing price points represents less than 10% of overall residential permits.

Our housing production goals include 440 housing units to meet the unmet demand right now, and 670 additional units over the next five years to catch up with the demand, for a total of 1,110 new housing units before 2027. Of those new units the following goals apply:

- 53% of should be studio/1 bedroom
  - o About one third (32%) of households in the three municipalities are a single person living alone.
  - o 77% of households in Chaffee County are comprised of just one or two people.
- 36% should be 2 bedrooms
- 12% should be 3+ bedrooms

Additionally, 60% should be established for renter households and only 40% for owner occupancy.

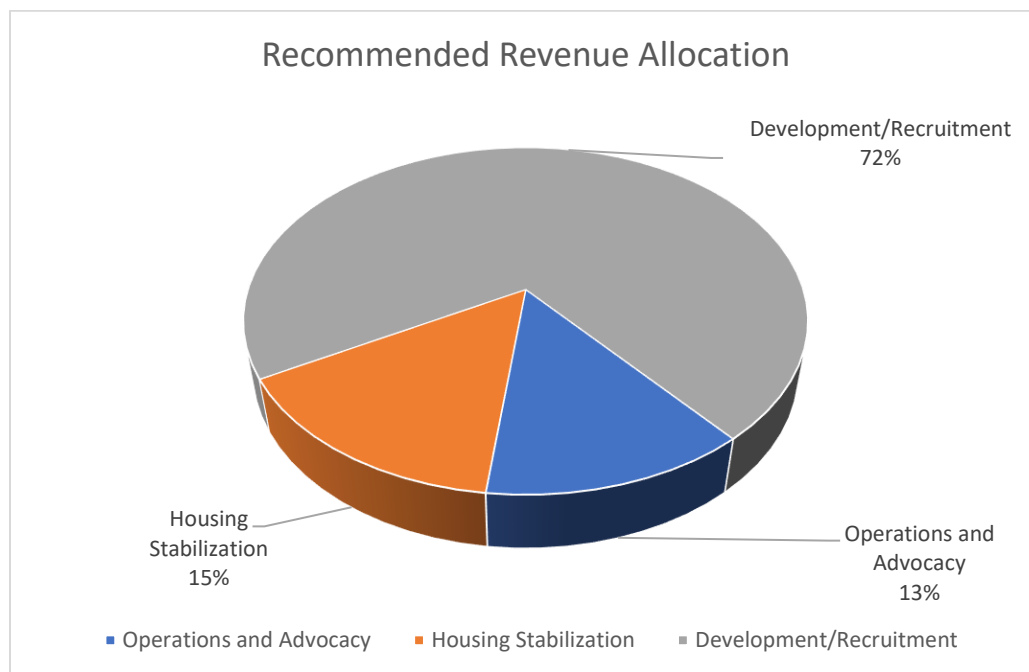
## CHA Sustainable Funding Analysis

### Resource Allocation

The CHA Board of Directors established an ad hoc committee to identify strategies to meet the Goals outlined in the strategic plan, identify an appropriate amount of financial resources necessary to make measurable impact towards the goals, and determine what form of allowable revenue generation the CHA might use to reach an appropriate operating goal.

Based on the identified needs, the CHA will prioritize revenue allocation to development of new housing units that align with the goals in the HNA. This could come in the form of stand alone projects, public-private partnerships and partnering with employers for employee recruitment and stabilization strategies with regard to housing. Although the allocation percentages will change over time to reflect the needs of the time, at this point, we are estimating that 72% of all revenue generated would be dedicated to development/recruitment.

About 15% of the generated revenue will be dedicated to housing stabilization programming, including deposit assistance in exchange for deed restrictions, rental assistance, and other approaches to stabilize our workforce household. The following chart demonstrates how the CHA would propose to allocate any resource



### Needed Resource Estimate

The CHA understands that to reach the production goals outlined in the HNA, we will need to partner with developers to have the greatest impact possible, help stabilize the workforce with down payment and rental assistance, and continue to advocate for increasingly flexible funding from state and federal resources.

The following table demonstrates the proposed subsidy per activity, as well as the total resources needed to have measureable impact:

*Table 1- Projected revenue needed*

<b>Total revenue needed</b>	<b>\$2,403,500.000</b>	<b>%</b>	<b>Subsidy per unit/household</b>	<b>Total Units/households per year</b>
<b>Organizational Operations</b>	<b>\$ 313,500.00</b>	<b>15%</b>		
<b>Program support</b>	<b>\$ 490,000.00</b>	<b>18%</b>		
Down Payment Assistance	\$ 400,000.00	75%	\$ 40,000.00	10
Rental Subsidies	\$ 90,000.00	25%	\$ 4,500.00	20
<b>Development*</b>	<b>\$ 1,600,000.00</b>	<b>73%</b>	<b>\$ 40,000.00</b>	<b>40</b>

*\*Development may include subsidies toward infrastructure*

### **Evaluation of Sources**

Once a realistic operating budget goal was established, the ad Hoc committee evaluated what opportunities the CHA had to generate such revenue. By Colorado Statute, a multijurisdictional housing authority can either:

- Increase sales or use tax up to 1%; or,
- Increase ad valorem taxes by up to 5 mills

Both activities, of course require the tax increase to be voted on by the registered electorate within the CHA's political boundaries. Additionally, the IGA establishing the CHA states that each member jurisdiction has to pass a resolution in support of the CHA putting a measure forward to the voters.

Both of these taxation approaches were analyzed, as well as a 5% user fee or \$2,000 license fee on Short Term Rentals and a 0.25% increase in sales tax, providing the committee with revenue estimations for each approach. The committee determined that an ad valorem tax would produce the most consistent, sustainable, and adequate amount of revenue for the CHA's stated goals while having the least impact on low to moderate income residents.

Following that decision, the full CHA Board of Directors convened and was tasked with determining the appropriate number of mills to propose an increase. After thorough deliberation, the CHA Board of Directors voted to put forth a 3.5 mill ad valorem tax measure. While this does not bring the total revenue needed demonstrated in Table 1 above, it does provide enough funding to accomplish measureable results in housing development, access, and stabilization.

The table on the following page demonstrates the revenue generated from a 3.5 mill ad valorem tax as well as the measureable outcomes the CHA may be able to accomplish:

Table 2- Projected 3.5 mill Revenue and Outcomes

<b>3.5 mill property tax</b>	<b>\$ 2,047,908.42</b>	<b>%</b>	<b>Subsidy per activity</b>	<b>Total Units/households per year</b>
<b>Organizational Operations</b>	<b>\$ 307,186.26</b>	<b>15%</b>		
<b>Program support</b>	<b>\$ 368,623.52</b>	<b>18%</b>		
<i>Down Payment Assistance</i>	<i>\$ 276,467.64</i>	<i>75%</i>	<i>\$ 40,000.00</i>	<i>7</i>
<i>Rental Subsidies</i>	<i>\$ 92,155.88</i>	<i>25%</i>	<i>\$ 4,500.00</i>	<i>20</i>
<b>Development*</b>	<b>\$ 1,494,973.15</b>	<b>73%</b>		
<i>55+ development</i>	<i>\$ 373,743.29</i>	<i>25%</i>	<i>\$ 40,000.00</i>	<i>9</i>
<i>Workforce Development</i>	<i>\$ 1,121,229.86</i>	<i>75%</i>	<i>\$ 40,000.00</i>	<i>28</i>

*\*Development may include subsidies toward infrastructure*

### **Impact on Chaffee County Property Owners**

A 3.5 mill property tax increase will cost less than \$10/month for residential property owners and less than \$34/month for commercial property owners. Yearly, this is less than \$120/year for residential property owners and less than \$420/year for commercial property owners. This is based on the median assessed values.

### **Request of the City of Salida City Council**

On behalf of the CHA Board of Directors, I am asking the City Council for the City of Salida to adopt the attached resolution supporting the CHA's placement of this ad valorem tax on the 2022 ballot, and allowing the registered voters in Chaffee County to either support the increase or oppose their increase, as demonstrated through their vote.

**CITY OF SALIDA, COLORADO**  
**RESOLUTION 2022-32**  
**(Series of 2022)**

**A RESOLUTION OF THE CITY COUNCIL FOR THE CITY OF SALIDA, COLORADO,  
CONSENTING TO THE CHAFFEE HOUSING AUTHORITY SEEKING VOTER APPROVAL  
FOR AN INCREASE IN AD VALOREM PROPERTY TAXES**

**WHEREAS**, in October of 2020 the City of Salida entered into an Intergovernmental Agreement (the “IGA”) establishing the Chaffee Housing Authority (the “Authority”); and

**WHEREAS**, Article V(a)(6) of the IGA provides that the Authority may be funded by ad valorem property taxes; and

**WHEREAS**, Article V(b)(2) of the IGA requires that the authority obtain prior written consent of the parties to the IGA, including the City of Salida, before proposing an increase in ad valorem property taxes to the registered electors of the Authority; and

**WHEREAS**, the Board of Directors of the Authority seeks the City’s consent to submit a vote to the registered electors of the Authority increasing ad valorem property taxes to fund the Authority; and

**WHEREAS**, the City Council has determined that it is in the best interests of the City of Salida and its residents to grant the Authority consent to refer to the registered electors at the November 8, 2022 general election a question to increase ad valorem property taxes by three and one-half (3.5) mills to fund the Authority; and

**WHEREAS**, the Authority has determined that a three and one-half (3.5) mill levy would generate approximately \$2,046,908.42 in revenue annually, which based on the median assessed value of property would increase costs less than ten dollars (\$10) per month for residential property owners and less than thirty four dollars (\$34) per month for commercial property owners; and

**WHEREAS**, the City Council has further determined that a dedicated revenue stream to the Authority furthers the goals of the Authority, including but not limited to providing attainable and affordable housing programs or projects for employees of employers located within the jurisdictional boundaries of the Authority, which is in the best interest of the City of Salida.

**NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SALIDA COLORADO, THAT:**

1. The Salida City Council incorporates the foregoing recitals as its conclusions, facts, determinations, and findings.
2. The Salida City Council understands and agrees that the Authority may submit a question for the upcoming election on November 8, 2022, concerning whether ad valorem property taxes shall be increased within the boundaries of the Authority.
3. The Salida City Council recognizes that the Authority has determined to put forth a measure asking voters to approve a 3.5 mill levy increase.

RESOLVED, APPROVED, AND ADOPTED this 19<sup>th</sup> day of July, 2022.

CITY OF SALIDA, COLORADO

By

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**Dan Shore, Mayor**

[SEAL]

**ATTEST:**

\_\_\_\_\_  
City Clerk/Deputy City Clerk