



Memo to Guide CHA Taxation Initiative Discussion for 4/4 Work Session

Date: March 31, 2022

From: Chaffee Housing Authority Board and Staff

To: Salida Mayor Dan Shore, Salida City Council members

Housing affordability is one of the most important social and economic challenges facing Chaffee County today. The Chaffee Housing Authority (CHA) has been working to address this issue through a variety of activities and funding sources. We are now looking towards the future, exploring how to increase our impact to benefit the widest swath of Chaffee's workforce, seniors, and households

Expected Outcomes and Follow-Up from Today's Work Session

During the work session, our intent is to brief you on where the CHA is in its planning process, our future vision, and new explorations of revenue options that match the scale of the local housing crisis. We'll focus the conversation on the potential for a tax measure to fund long-term goals, especially in the areas of housing development and construction. This memo tracks our presentation – laying out our analysis-to-date, how funds might be allocated to alleviate the housing crisis, and how impact might scale up as funds become available.

We seek your input and guidance on our organizational direction. We see this as a first step in public engagement around the question of how, and whether, a new tax may benefit our workforce, seniors, and community. We're hoping for the following outcomes from today's meeting:

1. The elected board is more educated and aware of the CHA's funding needs and options for revenue streams, especially local fee and tax-based options;
2. The elected board has a clearer understanding of our goals and our vision for impacts over the next five years (and beyond) on local workers, households, and seniors;
3. The elected board has the opportunity to weigh in on the pros/cons of various options.

Background and Context

CHA's Vision: A community with housing opportunities that are affordable for all residents. We envision a workforce that is able to live locally and fully participate in our community, contributing to a strong and resilient economy.

CHA Strategic Planning and Budget



The CHA is excited to grow and build our capacity to respond to the housing crisis. We've recently completed our first strategic planning process. The goals arising from that process focus on four strategic areas:

1. **Housing Development:** To contribute to the construction of permanently affordable housing units in Chaffee County through public private partnerships.
2. **Programming for Housing Stability:** To establish, operate, and promote local programs that will provide housing stability to Chaffee County residents.
3. **Advocacy and Public Policy:** To represent the housing needs of Chaffee County residents – 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.
4. **Organizational Operations:** To operate the organization with the utmost professionalism, financial responsibility, and transparency.

The most expensive (and necessary) activity on our agenda is housing development. Our long-term impact on housing will be dependent upon our ability to raise the funds needed to partner with others to produce housing units. Given the lack of availability of land, we foresee the most effective strategy for gaining new affordable housing units is through public-private partnerships, in which CHA subsidizes construction or conversion of units in exchange for permanent affordability.

An important next step for us as a growing organization is determining how to fund an ambitious agenda and identify what impact that funding might have.

- **Current budget:** \$300k/year (combination of grants and contributions from member jurisdictions)
- **Target budget goals:** Approximately \$2-4m per year. This number is based on research and analysis of both our own housing needs, as well as how organizations like ours around the state have been able to leverage similar amounts of funding. As a reference point, the annual budget for Yampa Valley Regional Housing Authority is \$2.3M revenue.

CHA Exploratory Process

To research feasibility and options for a tax measure that might come before voters in November 2022, we have taken the following steps:

1. Formed exploratory committee
2. Researched housing ballot measures in mountain towns around Colorado (pass/ fail)
3. Performed analysis on both fee- and tax-based strategies
4. Analyzed potential outcomes and impact
5. Met with lead administrators from partner jurisdictions to discuss options and gain input.



Recent Colorado Housing Ballot Measures 2006-2021

We researched housing ballot measures in Colorado between 2006-2021, prioritizing amenity-rich mountain towns with some similarities to Chaffee County. This list is not exhaustive.

1	County	Measure	Date of Vote	Pass/Fail	YES Vote
2	Avon	2C 2% Excise tax on short term rental units to fund community housing	2021	Pass	70.18%
3	Basalt	3A \$18 million in debt authority to fund affordable housing, infrastructure improvements and green projects, to be paid for with the	2021	Pass	66.71%
4	Crested butte	2D \$8.985 million in debt authority, paid for with an increase of the excise tax by 2.5% on vacation rentals, to help with affordable housing fund	2021	Pass	74.91%
5	Crested butte	2C \$24 million in debt authority, to be paid for with 1) a sales and use tax increase of 0.5% and 2) Community Housing tax of \$2500 on undeveloped residential land and on residential units that are not a primary residence/not being rented	2021	Fail	43.43%
6	Lafayette	Sales tax to be used for mental health/human services, may include rent assistance, assistance with food, utilities, childcare, and medical care, mental health care and resources and support for victims of domestic violence	2021	Pass	70.79%
7	Leadville	2A 4.92% Accommodations tax on the leasing of short-term rental units and short-term commercial public accommodations to fund affordable and community housing programs	2021	Pass	69.71%
8	Ouray	2A 15% Excise tax on the leasing of short-term rentals to fund housing programs, as well as to fund debt for the water and wastewater treatment plants	2021	Pass	56.83%
9	Telluride	2A 2% Lodging tax to manage the effects of tourism on the community, including the acquisition of property for and construction of affordable or employee housing, as well as transportation improvements and wastewater treatment facility improvements	2021	Pass	65.10%
10	Telluride	2D Increase to the business license fees for STR units and cap on # of licenses that have been issued as of Nov. 2, 2021. Would increase rental unit business license fees to fund Affordable Housing	2021	Pass	55.30%
11	Telluride	300 An initiative to cap the number of short-term rental business licenses available for non-primary residences	2021	Fail	40.10%
12	Vail	2A 0.5% Sales tax increase to fund housing initiatives, developments, and programs	2021	Pass	53.74%
13	Summit County	0.6% sales tax increase slated to put \$7.8 million annually for 10 yrs into an affordable housing Construction Fund	2017	Pass	57%
14	Summit County	6B 20-year extension of 0.6% sales tax that funds local housing authority	2021	Pass	71.1%
15	Summit County	Property tax mill levy dedicated to affordable housing	2015	Pass	
16	Denver	A new one-time fee on new commercial and residential development, and a portion of a property tax mill already approved by Denver voters	2016	Pass	CC vote, not ballot measure
17	Archuleta	Lodging tax - 4.9%	2006	Pass	
18	Summit County	5A 0.125% sales tax and a development impact fee fore a Workforce Housing Fund. Impact fee was on non deed-restricted units	2006	Pass	

CHA's Current Funding Mix

- **Grants:** CHA and other nonprofit housing partners will continue to seek housing grants and tax credit dollars. However, these resources are competitive, time limited, and insufficient to address the scope and scale of the problem. In addition, most state and federal resources have an income cap on the housing occupants; this income limit would prevent over 44% of the Chaffee County workforce from accessing these housing developments, because they earn more than the income cap but not enough to afford market rate housing.
- **Partner jurisdiction contributions:** Per the "Intergovernmental Funding Agreement for Chaffee Housing Authority," the participating jurisdictions have agreed to contribute to the operating budget of the CHA through December 31, 2023, automatically renewable for a one-year period. Should CHA fail to successfully achieve the desired revenue levels through taxation or other methods, it is conceivable that CHA leadership will be asking member jurisdictions to continue, and increase, their funding contributions past 2024 or be faced with an operating budget deficit that will significantly impact the ability of CHA to take meaningful action.



CHA Taxation Analysis

Given this landscape, and the current social, economic, and political urgency of the issue, we believe that a tax ballot measure is a reasonable and necessary option for the CHA. We've explored several tax- and fee-based options as potential revenue streams. Below we've presented four potential options, within three taxing categories (property, sales, and short-term rental [STR]).

Overview table:

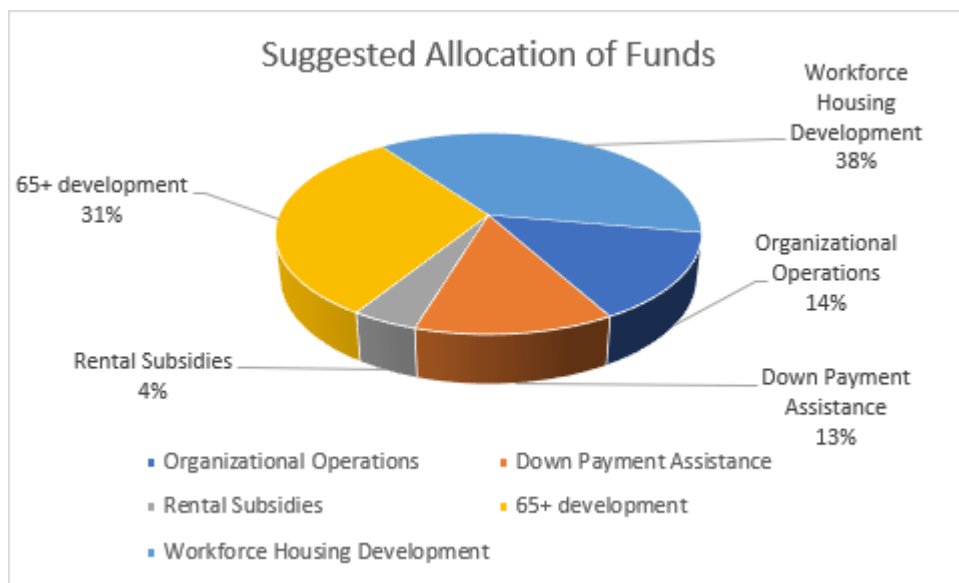
Property Tax	Sales Tax	Short-Term Rentals
<u>Option A: 4 mils ≈ \$2.7M</u> - Median household increase ≈ \$117/yr - Median commercial increase ≈ \$414/yr	<u>Option A: .25% ≈ \$1.6M</u> - Existing county rate = 5.65%; New County rate = 5.9% - Existing Salida rate = 8.65%; New Salida rate = 8.9% - Existing BV rate = 8.15%; New BV rate = 8.4%	<u>Option A: 5% 'User' Tax ≈ \$1M</u> <u>Option B: \$2,000 license fees ≈ \$1M*</u>

* This option would not require a public vote but would require approval by elected bodies.



Impact/Outcome Analysis Per Taxation Options

For illustrative purposes, the chart below lays out potential outcomes based on each of the four taxation scenarios above. For the purposes of this discussion, and to compare “apples to apples” across the taxation categories, we’ve chosen one potential impact scenario to demonstrate what could be achieved with varying amounts of income. Please note that these potential impact numbers/percentages are provided for comparison purposes only, not production commitments.



Then, for each taxation option, we’ve described some of the voter/community implications, a sample of the pros/cons, and what types of outcomes could reasonably be expected for each funding amount (based on the allocation above). Please note that these financials are for illustrative purposes only.



Property Tax Options

4 mill increase, expected annual revenue \$2.73M

Implications for Voters:	Pros/Cons	Estimated Annual CHA Impact w/ 4 mill increase
<u>Option A: 4 mills ≈ \$2.73M</u> - Median household increase ≈ \$117/yr - Median commercial increase ≈ \$414/yr	Pros: - Could generate substantial revenue - 'It takes a community' approach - everyone is chipping in - Spreads the burden out - Slower to fluctuate based on economy - Based on more stable asset (land) than a service Cons: - Potentially harder to build broad support	- Roughly 95 units with direct construction subsidy, averaging \$20,000 Per unit - Roughly 9 Households receiving \$40,000 Down Payment Assistance - Roughly 24 households receiving \$1,500/month for 3 months in rental assistance



Sales Tax Option

.25% increase, expected annual revenue \$1.6M

Sales Tax rates	Pros/Cons	Estimated CHA Impact
<ul style="list-style-type: none"> - New County-wide rate = 5.9% - New Salida rate = 8.9% - New BV rate = 8.4% 	<p>Pros:</p> <ul style="list-style-type: none"> - Recent precedent in 1A for success - Visitor's chip in in addition to locals - Targeted (e.g. not taxing food) <p>Cons:</p> <ul style="list-style-type: none"> - Recent increase for 1A may lead to perception it is already too high - Fluctuates faster with economy <p>Sales Taxes are regressive, hitting lower income households harder</p>	<ul style="list-style-type: none"> - Roughly 58 units with direct construction subsidy, averaging \$20,000 Per unit - Roughly 5 Households receiving \$40,000 Down Payment Assistance - Roughly 16 households receiving \$1,500/month for 3 months in rental assistance



Short-Term Rental Options

Option A: 5% 'User' Tax, expected annual revenue \$1M

Option B: \$2,000 license fees, expected annual revenue \$1M

Pros/Cons	Estimated Annual CHA Impact w/ 5% "user" tax	Estimated Annual CHA Impact w/ \$2,000 license fees
<p>Pros:</p> <ul style="list-style-type: none"> - Political support right now - likely successful at the ballot - Targets solely visitors - i.e. no local impact <p>Cons:</p> <ul style="list-style-type: none"> - Highly volatile - will fluctuate fast depending on economy - Doesn't generate as much money therefore doesn't help as much - Compliance capacity needed - software and human(s) - Caps are already in place, so revenue stream may never grow 	<ul style="list-style-type: none"> - Roughly 36 units with direct construction subsidy, averaging \$20,000 Per unit - Roughly 3 Households receiving \$40,000 Down Payment Assistance - Roughly 10 households receiving \$1,500/month for 3 months in rental assistance 	<ul style="list-style-type: none"> - Roughly 36 units with direct construction subsidy, averaging \$20,000 Per unit - Roughly 3 Households receiving \$40,000 Down Payment Assistance - Roughly 10 households receiving \$1,500/month for 3 months in rental assistance



CHA's Recommendation and Questions for Discussion

CHA's goal is to tackle the housing crisis in a way that will truly move the needle on our local housing problem. While our goal is not to create a new tax, we do believe that a taxation strategy is our community's most viable option to reach that goal. We recommend achieving a minimum of \$2M per year in sustainable, stable, and consistent revenue to meet community needs.

CHA's Recommendation: Today's meeting is about discussing options. From our perspective, a property tax option provides the most stable and consistent revenue stream, with the least number of downsides. Today, we'd like to hear from you with your questions and recommendations for next steps.

We would like to use these work session discussions to open a public engagement effort to gather community input and assess our best route forward.

Discussion questions:

- Given your perspective and what we've shared, what do you believe is the preferred option(s)?
- What are we missing? Are there any other measures that we haven't heard about that may be competing for voters' attention?
- What should be our next steps in order to reach a final recommendation?

Suggested timeline/upcoming milestones

- April 4-12: Administrators brief elected boards on process and recommendations
- May-August: Public input process to gather feedback on taxation options for affordable housing
- July: CHA committee drafts ballot language – with legal input
- July: Based on public input process, CHA requests resolution or vote from County, Salida and BV elected bodies
- By July 29 - Ballot language submitted to County for inclusion on ballot