



City of Arvada City Council Agenda

MAY 22, 2023
WORKSHOPS

Councilmembers:

Marc Williams, Mayor
David Jones, Mayor Pro-Tem
Bob Fifer, At large
John Marriott, District 3
Randy Moorman, District 1
Lauren Simpson, District 2
Lisa Smith, At large

Staff Members Usually Present:

Lorie Gillis, City Manager
Linda Haley, Deputy City Manager
Don Wick, Deputy City Manager
Rachel Morris, City Attorney
Jacqueline Rhoades, Director of Public Works
Sharon Israel, Director of Utilities
Ryan Stachelski, Dir. of Community & Economic Development
Bryan Archer, Director of Finance
Gabriella Bommer, Director of Human Resources
Rob Smetana, Manager of City Planning & Development
Rachael Kuroiwa, Director of Communications & Engagement
Kristen Rush, City Clerk

Info: 720-898-7550

CITY COUNCIL CHAMBERS 6:00 PM

1. CALL TO ORDER/ROLL CALL OF COUNCILMEMBERS
2. WORKSHOPS
 - A. Colorado Proposition 123 Dedicated State Income Tax Revenue to Fund Housing Projects Initiative
 - B. Staff Updates
3. ADJOURNMENT



REPORT TO CITY COUNCIL WORKSHOP

AGENDA ITEM
2.A.

TO: THE HONORABLE CITY COUNCIL

DATE: May 22, 2023

SUBJECT: Colorado Proposition 123 Dedicated State Income Tax Revenue to Fund Housing Projects Initiative

Report in Brief

Colorado Proposition 123, the Dedicate State Income Tax Revenue to Fund Housing Projects Initiative, was approved on November 8, 2022. During this workshop, the Housing team will provide an overview of Proposition 123 that includes how the funds can be used, Arvada's commitments to opt-in, and upcoming deadlines and timelines.

Background

Colorado Proposition 123, the Dedicate State Income Tax Revenue to Fund Housing Projects Initiative, was approved on November 8, 2022. The initiative created the State Affordable Housing Fund (SAHF) and dedicated one-tenth of one percent (0.1%) of state income tax revenue to fund affordable housing programs and projects. The initiative created the Affordable Housing Support Fund to receive 40% of funds in the SAHF and the Affordable Housing Financing Fund to receive 60% of funds in the SAHF.

Funds were set to be used to:

- provide grants to local governments and loans to nonprofit organizations to acquire and maintain land for the development of affordable housing;
- create an *affordable housing equity program* to make equity investments in multi-family rental units to ensure that rent is no more than 30% of a household's income;
- create a concessionary debt program to provide debt financing for low- and middle-income multi-family rental developments and existing affordable housing projects;
- create an *affordable homeownership program* providing down-payment assistance for homebuyers meeting certain income requirements;
- create a grant program for local governments to increase capacity to process land use, permitting, and zoning applications for housing projects; and
- create a program to provide rental assistance, housing vouchers, and other case management for persons experiencing homelessness.

By November 1, 2023, a local government seeking funds under the measure or seeking to make affordable housing projects within its boundaries eligible for funding under the measure needs to file a commitment specifying its plan to increase affordable housing units in its boundaries through November 2026 by 3% each year. The Housing team will provide an overview of Proposition 123 that includes how the funds can be used, Arvada's commitments if electing to opt-in, and upcoming deadlines and timelines.

Strategic Alignment

This workshop presentation aligns with the following City Council Strategic Result- Improves access to quality housing that is affordable to a broad range of income levels and provides resources, housing, and neighborhood assistance services to Arvada residents, neighborhoods, property owners and stakeholders.

Next Steps

Based on City Council feedback, the City team will bring a resolution back to City Council considering whether or not to opt in to Prop 123.

Prepared by:

Josie Suk, Development Systems and Administrative Manager

Reviewed by:

Approved by:

Carrie Espinosa, Manager of Housing Preservation and Resources	5/1/2023
Ryan Stachelski, Director of Community and Economic Development	5/3/2023
Gail Walker, Legal Specialist-Contracts	5/3/2023
Kylie Justus, Assistant City Attorney	5/3/2023
Linda Haley, Deputy City Manager	5/3/2023
Rachel Morris, City Attorney	5/10/2023
Lorie Gillis, City Manager	5/11/2023

Enclosure, exhibits & attachments required to support the report

PROPOSITION 123

City of Arvada
Council Workshop
Monday, May 22, 2023



Workshop Objectives:

1. Understanding Prop 123
2. Learning how the funds can be used
3. Arvada's commitments and related penalties
4. Unresolved Questions
5. Deadlines and Timelines

What is Prop 123?

Legislation was approved in 2022 to dedicate 1/10 of 1% (0.1%) of state income tax revenue to create the **State Affordable Housing Fund (the Fund)** within the State Treasury.

The Fund is meant support to rental housing initiatives and services for Colorado families earning less than 60% Area Median Income, and homeownership opportunities for those earning less than 120% Area Median Income.

The Fund is split into **two parts: The Affordable Housing Financing Fund** (60% of the total Fund), and **the Affordable Housing Support Fund** (40% of the total Fund).

Funding runs on a three-year cycle.

Mechanics of Prop 123:

- **Opting-in:** Municipalities must choose to “opt-in” to Prop 123. Opting-in allows applications for funding for projects and services in that municipality, but **does not issue funding**, or guarantee that funding will be granted.
- **Applicants:** Local Governments, Non-Profits, Community Land Trusts, and Private Entities may all apply for Prop 123 funding if the municipality where the project is located has opted-in. Applicants should be able to demonstrate experience with Affordable Housing initiatives and projects.
- **Obligations:** Municipalities that opt-in automatically commit to increasing their affordable housing stock over a three year period whether or not funding is allocated to projects in that municipality.
- **90 Day Fast Track Approval Process:** Municipalities must establish processes to enable it to provide a final decision on any application for a special permit, variance, or other development permit, excluding subdivisions, of a project for which 50% or more of the units in the project are affordable within 90 days of application submission
- **Governing the Fund:** All distributions from the fund will be made at the discretion of a state-selected Administrator
- **Fund Priorities - Financing Fund:** The Administrator will prioritize high-density, mixed-income housing, and housing that achieves the goal of environmental sustainability

Fund Uses:

Affordable Housing Financing Fund (60%)

- Land Banking
- Equity Investments in Affordable Housing Developments for the creation of a Tenant Equity Vehicle
- Below market debt financing for affordable multi-family developments (new construction and preservation)
- Subordinate debt and predevelopment loans for LIHTC projects
- Below market debt financing for modular and factor build housing

Affordable Housing Support Fund (40%)

- Down-payment Assistance for first-time homebuyers
- Assistance to mobile homeowners to purchase a mobile home park
- Homelessness support: rental assistance, vouchers, legal assistance, and case management
- Local planning development program: increase capacity in local government planning departments to expedite development processes

Arvada's 2 Commitments for Opting – In

1. City is automatically agreeing to increase its affordable housing stock by 3% per year for 3 years OR 9% in 3 years
2. The City agrees to create a streamlined permitting process where a decision is rendered 90 day or less after a developer submits an application.

Baseline Calculation

Baseline (Current affordable housing stock) defined as:

rental units that cost less than 30% of monthly income for households earning less than 60% of the median income
+
mortgage payment costs less than 30% of the monthly income for a household at or below 100% of the median income
+
units could be purchased by a household at or below 100% of the median income

The Increase is defined as: new affordable housing units permitted between Jan 1, 2024 and December 31, 2026

Flexibility: The City is allowed to select from a range of applicable AMIs which could reduce the amount of new affordable units the City is obligated to add considerably.

Example: If Arvada uses the State Median Income its baseline is 2,041 units and commits to increase its affordable housing stock by 184 units.
If Arvada uses Jefferson County Median Income, its baseline is 6,849 units and it commits to increase its housing stock by 617 units.

Penalties for the City

Not Opting-In: Projects in Arvada will not be able to apply for the State Affordable Housing Fund from Jan 1, 2024 to December 31, 2024. The City can elect to opt-in by November 1, 2024 or 2025 to be eligible for funding in 2025 and 2026 or just 2026 respectively. Increase in affordable housing targets would be reduced by 3% and 6% respectively.

Missing the new affordable housing target: The City will not be allowed to opt-in to the next three-year cycle on November 1, 2026, and will not be able to apply for Prop 123 funding for 12 months. The City will be allowed to opt-in the following year.

Unresolved Questions:

- 1. Programs are not fully developed;** City is in communication with DOLA and CHFA to better understand possible implications of the legislation
- 2. Baseline questions;** Unclear if the City can “mix and match” AMIs for the baseline calculation and the newly created units three years later
- 3. Preservation question:** Unclear if units that were counted in the baseline as “naturally occurring affordable units” be counted as new units if they are rehabbed and restricted.

Timelines

Opt-In Deadline: November 1, 2023

(ensures Arvada projects are eligible for the full three-year cycle)

Late Opt-In Deadlines: November 1, 2024/2025

Time to increase affordable Housing Stock: Permit projects between Jan 1, 2024 and December 31, 2026



REPORT TO CITY COUNCIL

AGENDA ITEM
2.B.

TO: THE HONORABLE CITY COUNCIL

DATE: May 22, 2023

SUBJECT: Staff Updates

Report in Brief

The purpose of this workshop is for staff to provide City Council with brief updates on projects and issues that do not require a full workshop.

Prepared by:
Chris Koch, CCO Admin

Reviewed by:

Approved by:

Enclosure, exhibits & attachments required to support the report