COLORADO COALITION FOR THE Homeless Creating Lasting Solutions

March 28, 2019

HB19-1245: Affordable Housing Funding from Vendor Fee Changes
Sponsors: Rep. Weissman and Sen. Gonzales

Colorado is 1 of only 10 states that does not have a mechanism to sustainably fund affordable housing, which has led to a shortage of available and affordable homes across the state, and in many cases, homelessness.[1] Studies have shown that providing supportive housing and services costs roughly $20,000 per household annually, compared to the $30,000-$50,000 in annual costs to taxpayers for emergency medical care, shelter services, incarceration, and detox services for each person living on the streets. An investment in housing is an investment in our neighbors, our economy, and the Colorado Way of Life.

THE NEED FOR AFFORDABLE HOUSING[2]

- Across the state, there is a shortage of 114,071 rental units affordable and available to extremely low-income (ELI) families below 30% area median income (AMI).
- For every 100 ELI families there are only 28 available and affordable units, while for every 100 Colorado families earning a moderate income (100% AMI), there are 102 available and affordable units. The greatest housing need is among those with the fewest resources.
- 76% of ELI families spend more than half their income on housing, while less than 1% of moderate-income families have to spend that much.
- The wage needed to afford housing without being cost-burdened in Colorado is $23.93 per hour, more than double the state's minimum wage.

THE SOLUTION: USING FUNDING FROM THE VENDOR FEE FOR HOUSING

Under current law, businesses can keep 3 1/3% of sales tax they collect for administration purposes. This bill would increase the vendor allowance to 4% and set a $1,000 monthly cap on the amount businesses can keep. The savings would be transferred to the housing development grant fund within the Department of Local Affairs, which would be used to improve, preserve, or expand the supply of affordable housing in Colorado. Under the bill, 1/3 of the funds will be used to provide affordable housing to ELI households. This minor change in the way the allowance is administered would result in roughly $23 million being invested in housing across Colorado in the first year and $45-50 million per year thereafter.

WHY THIS APPROACH?

- This bill is revenue neutral, meaning that it does not draw from Colorado's tight budget.
- Only retailers that bringing in annual revenue of over $12 million are impacted by the cap. More than 98% of Colorado businesses are not impacted. Businesses bringing in less than $12 million annually will receive a greater vendor allowance.
- For every dollar a state invests in housing, $7-$12 can be leveraged from private investments or federal programs.[3]
- Investing in housing generates billions of dollars in revenue and income to the state and creates thousands of jobs.[4]

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[1] Center for Community Change. Housing Trust Fund Project. 2019. https://housingtrustfundproject.org/wp-content/uploads/2019/02/HTFunds-in-the-US-2019.pdf

[2] National Low Income Housing Coalition. Gap Report, 2019. https://reports.nlihc.org/gap

[3] Center for Community Change. Housing Trust Fund Project. 2019. https://housingtrustfundproject.org/wp-content/uploads/2019/02/HTFunds-in-the-US-2019.pdf

[4] Housing Colorado. Driving a Vibrant Economy: Housing's Role in Colorado's Economic Success. 2017. https://www.housingcolorado.org/page/economicimpactstudy

Questions: Cathy Alderman at calderman@coloradocoalition.org & Danny McCarthy at danny@mendezconsultinginc.com

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