

SUMMARY: COLORADO'S AFFORDABLE HOUSING CRISIS:

IT'S TIME FOR STRATEGIC INVESTMENTS



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Colorado is at a crossroads in its housing crisis. People experiencing homelessness, low-income renters and aspiring homeowners are all significantly impacted by the pressure of housing costs. The median sale cost of a home in Colorado roughly doubled over the last ten years. Not only are the costs prohibitive, the housing supply is low, rent is increasing at alarming rates, and households are being pushed out of the neighborhoods that they have called home for generations. To address the growing housing crisis, it is crucial that Colorado dedicate resources to those with the greatest need—the lowest-income households at risk of housing instability and homelessness.

To that end, the Colorado Coalition for the Homeless has created an affordable housing report, [available in its entirety here](#). This document provides information on housing affordability, the Colorado housing crisis landscape, historic federal government disinvestment, the alarming trend in targeting housing resources to households at middle and higher income levels, considerations of special populations, and recommendations to elected officials on how to solve the housing and homelessness crisis in Colorado. A short summary of this report is below:

AFFORDABILITY AND AVAILABILITY CHALLENGES

According to the National Low Income Housing Coalition's (NLIHC's) 2022 Out of Reach report, Colorado ranks as the 8th most unaffordable state for housing. Affordable housing is defined as housing (including rent or mortgage and utilities) that costs a household no more than thirty percent of their income. While 86% of Coloradans report that housing is an "extremely serious or very serious problem," the data

unequivocally show that those at the lowest income levels are facing the greatest struggle. In Colorado, there are only 29 affordable units available for every 100 extremely low-income households, compared to 49 for very low income, 93 for low income, and 102 for households whose earnings are at the Area Median Income level.



COLORADO HOUSING INVESTMENTS

Though Colorado has recently made major investments in housing, funding for affordable housing has historically been quite limited. Some recent appropriations include:

- **2017:** Legislature appropriated \$15.3M per year from the Marijuana Tax Cash Fund to develop permanent supportive housing.
- **2018:** Affordable Housing Grants within the Division of Housing, DOLA increased from \$8.25M to \$9.25M.
- **2019:** Two bills passed to fund affordable housing at a larger scale, nearing \$100M per year (HB19-1245) and (HB19-1322).
- **2022:** ARPA funding from the General Assembly and Governor's Office is approved. This funding will provide \$650M, but most of these are one-time funds that must be spent by 2026.
- **2022:** CO voters approved Proposition 123 which is expected to generate \$300M per year for housing affordability and homelessness prevention and resolution.

New funding sources present an opportunity to change Colorado's housing landscape for the better, but these dollars must be strategically invested in low and fixed-income households if they are to begin to address Colorado's most pressing housing needs.

FEDERAL GOVERNMENT DISINVESTMENT

Prior to 1980, almost all affordable housing development was partially or completely federally funded. Since then, investments in many low-income housing programs have been cut or remained stagnant. And while the Housing Choice Voucher Program is the federal government's primary program for assisting very low-income families, older adults, and people with disabilities to afford decent, safe, and sanitary housing in the private market, only one in four eligible households receive vouchers or assistance. This leaves millions without a way to cover the increasing costs of rent.

ALARMING TREND IN TARGETING HOUSING RESOURCES

In recent years, there has been a trend toward using public funds to develop housing targeted at middle and higher income households. This concept of "trickle-down housing," or "filtering," suggests that when new high-end developments are built, residents of aging, previously high-end housing will move to the new development which "free up" housing for lower income households. Contrary to this misguided belief, many economists agree that this is not a reality in the housing market for several reasons:

- 1 Housing does not operate like other commodities. Non-monetary factors like location, community amenities, proximity to food sources, and healthcare influence valuation.
- 2 The trickle-down housing framework relies on demand being constant and supply outpacing demand. This does not account for a shortage of units or the use of real estate for investment.
- 3 Owners of market-rate multi-family rental housing may hold vacant units that they are unable to fill because of high rents and claim losses as tax write offs or business expenses.
- 4 Trickle-down housing assumes that people are only moving, or filtering, within a community.
- 5 High- and low-end housing options are often offered in different markets and neighborhoods.
- 6 Wealthier renters tend to rent down, which forces lower-income households to rent up, or pay more than they can afford, because there is a dearth of housing options available to them.

THE COALITION AND OUR PARTNERS CALL ON ELECTED OFFICIALS TO SOLVE THE HOUSING AND HOMELESSNESS CRISIS IN COLORADO BY COMMITTING THE FOLLOWING PRINCIPLES:

- The use of public funds or resources should be directly tied to increasing the stock of affordable housing for those who have historically suffered the most significant barriers to housing access.
- Mixed-income development should be a priority for any development benefiting from density and/or up-zoning allowances.
- The development of any publicly funded or supported housing should be proportional to demonstrated housing needs of a community and must include deeply targeted affordable housing.
- Permissions, allowances, and incentives for local communities and developers related to increased density must be directly tied to affordability requirements, anti-displacement measures, and accessibility.

Affordability: Density without affordability will only result in the creation of more unaffordable housing – density/supply alone will not address the “affordable housing crisis” without intentional policies to ensure affordability especially in low-income neighborhoods.

Anti-Displacement: Density and up-zoning (policies in a neighborhood that allow for fewer single-family homes and increased density) policies that do not ensure affordability or minimize the displacement effect of increasing land values and overall pricing pressure for the households that currently reside in targeted areas will create more harm to and erosion of lower-income, marginalized communities.

Accessibility: New housing allowed in up-zoned communities or through density allowances should be designed with an eye towards accessibility.

Without targeted investments and laws woven throughout Colorado’s current and future approaches to housing, homes for the state’s lowest-income households will not be built or preserved. Not only will the enduring challenges of housing affordability and homelessness not be resolved, they may be exacerbated.

READ THE FULL REPORT AT:
[HTTPS://BIT.LY/3NOUYTM](https://bit.ly/3NOUYTM)

For more information, please contact
 Aubrey Wilde, Advocacy Program Director
 at AWilde@ColoradoCoalition.org

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