

Roadmap to Solving Colorado's Most Urgent Rental Housing Needs

BACKGROUND

In the last six years, the State's capacity to invest in affordable housing has significantly expanded. Colorado's first sustainable sources of public funding for affordable and supportive housing were established in 2019. Three years later, lawmakers directed [\\$650 million in one-time federal funds](#) for COVID relief to housing and homelessness and voters approved Proposition 123, allocating about \$300 million in state tax revenue to affordable housing and homelessness prevention each year. And the State Affordable Housing Tax Credit was expanded and extended in 2024, followed by the creation of two new tax credits for rental development and two new funding mechanisms to boost homeownership. (Note: Our organizations work largely or exclusively in rental and supportive housing, the focus of this platform. We acknowledge the need for more affordable homeownership opportunities and defer to our partners in affordable for-sale development for their policy priorities and recommendations.)

Even with these needed investments, too many Coloradans still struggle to secure affordable homes, specifically residents living on lower and fixed incomes. This includes people attempting to exit homelessness, seniors and others on fixed incomes or receiving social security and other public benefits, and working Coloradans whose wages cannot cover their housing costs. For instance, [a recent report](#) shows statewide median wages for workers including elementary and middle school teachers, social workers, firefighters, and paramedics come in below 80% of the state median income, or [\\$69,800 for one person](#). Retail and service staff, home health aides, janitors, warehouse employees and many others earn less than half the statewide median, or \$43,650. HUD-prescribed area median incomes (AMIs) have also [increased significantly](#) in recent years, in turn inflating income and rent levels considered "affordable" in a way that does not align with local job realities and can put even deed-restricted housing out of reach for many lower-wage earning residents. Colorado's high-cost housing market is far outpacing the ability of wages to make ends meet. [Studies have shown](#) that a \$100 increase in median rent was associated with a 9-15% increase in homelessness.

Colorado's greatest housing deficit has long been in homes affordable to individuals and families living on the least. National and state data consistently show that lower-income people have the fewest affordable housing options, if any. The National Low-Income Housing Coalition ranks Colorado as the [10th least affordable place for renters](#), with only:

- 89 homes affordable and available to every 100 renter households living at or below 80% of their area's median income (AMI);
- 42 homes for every 100 renter households living at or below 50% AMI; and
- 26 homes for every 100 renter households living at or below 30% AMI.

Those living at 100% AMI have their housing needs met, even while there is not an overage of housing for any of these income groups. The Colorado Housing and Finance Authority (CHFA) shows [overall greater cost burdens](#) among renters, people with disabilities, older adults, and residents who are Black or African American, Hispanic or Latino, and Native American. Among those living at 30% AMI or below, many people are in need of supportive housing, or a rental unit with either in-house or easily accessible health care, mental health services, and other supports for residents to engage in daily activities like public transit or meal preparation. Although a proven intervention for people seeking to exit chronic homelessness, supportive housing can be particularly difficult to fund given the lack of service funding.

Despite these housing needs for lower- and middle-income households, many state and local elected officials have advocated for and dedicated public resources, which are inherently limited, to deliver new housing desirable to Coloradans with higher incomes. In the last four years, state lawmakers have prioritized expanded eligibility for several state housing programs to residents earning well into six figures, created two quasi-public statewide authorities to develop new housing largely affordable to those same households, established the country's first Middle Income Housing Tax Credit, and prioritized new funding mechanisms and investments to affordable for-sale housing. Local governments are likewise considering and approving initiatives that would dedicate local resources to higher-income households.

Stably housing lower-income residents will [boost local economies and lower public costs](#), prevent homelessness, and promote individuals' and community wellbeing. It will also require that Colorado re-prioritize public interventions to safeguard the affordability already in place. It is critical to preserve the affordable housing that exists today and stop losing affordable homes to expiring income restrictions and market-rate developers' acquisitions of naturally occurring affordable housing (properties with rents below market rate despite not having formal rent requirements). According to a [recent CHFA analysis](#), affordability restrictions on 21,000 rental units will expire in the next 15 years. And smaller properties with fewer than 50 rental units — often more affordable due to their older age, limited amenities, and owner-operator character — constitute [46% of Colorado's rental stock](#). Two-thirds of these homes are occupied by renters earning less than \$75,000 annually. Yet, in recent years, the state has been so focused on new construction that communities are losing existing affordable homes even as they wait for new ones to come online, resulting in harmful household and community displacement.

The state must also act decisively to support Colorado's affordable and supportive housing developers who are increasingly squeezed by increasing operational costs and decreasing rental and public revenue sources. Many affordable and supportive housing providers are financially challenged by rapidly increasing costs such as construction costs, maintenance and rehabilitation on older properties, property taxes, unsubsidized physical and mental health care, and insurance premiums. At the same time, many housing providers report tight revenues, with enduring rental arrears exacerbated by the pandemic and as wages cannot keep pace with rising housing costs. Demand for state dollars to subsidize affordable rental homes and the delivery of supportive services has always outstripped availability, dynamics only worsening amid tight state budget years and federal cuts to benefit programs.

Moreover, federal grant programs on which affordable developers and homelessness service providers have relied for decades are changing to advance other priorities of the Trump Administration, such as criminalizing unsheltered homelessness and targeting immigrant individuals and families. These new requirements are compromising housing providers and communities, in some cases making federal funds an unacceptable resource. Losing experienced affordable and supportive housing providers, and the high-quality homes they deliver, would have a domino effect on Colorado's existing housing and homelessness challenges.

Enabling all Coloradans to live close to their jobs and schools, receive desired care, and participate in communities will require state leaders to:

1. Prioritize public housing funds for people least able to find and afford homes (50% AMI and below)
2. Create new, sustainable, dedicated revenue streams for affordable and supportive housing
3. Preserve existing affordability with necessary dedicated public resources
4. Administer state resources through timely, transparent processes that meet community needs
5. Advance statewide housing data and informational infrastructure
6. Ensure affordability and mitigate displacement amid new development
7. Stabilize statewide network of affordable and supportive housing providers
8. Include affordable housing in meeting Colorado's Climate Change Goals
9. Prevent homelessness by stabilizing people at greatest risk of losing their homes
10. Set and implement a statewide strategy on homelessness prevention and resolution



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