



Meeting Date: September 5, 2023

## **AGENDA MEMORANDUM**

**To:** Honorable Mayor and Members of Town Council

**Through:** David L. Corliss, Town Manager

**From:** Tara Vargish, PE, Director, Development Services  
Brad Boland, AICP, Long Range Project Manager, Development Services

**Title:** **A RESOLUTION AUTHORIZING THE TOWN MANAGER TO FILE AN AFFORDABLE HOUSING COMMITMENT WITH THE COLORADO DEPARTMENT OF LOCAL AFFAIRS PURSUANT TO PROPOSITION 123 AND STATE LAW AND ACKNOWLEDGING THE TOWN'S COMMITMENT TO WORK COLLABORATIVELY WITH OTHER DOUGLAS COUNTY JURISDICTIONS TO MEET AFFORDABLE HOUSING GOALS**

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### **Executive Summary**

Colorado voters approved Proposition 123 in November 2022. The ballot measure authorized the state to retain money from existing state tax revenues to support affordable housing investment. It is estimated that funding from Proposition 123 will create 170,000 houses and rental units over two decades throughout the state. The initiative directs 0.1 percent of Colorado's income tax revenue to fund affordable housing programs that include helping essential workers, such as teachers and nurses, buy homes, while financially supporting local governments to increase affordable housing stock by 3% each year for a total of 9% over the next 3 years.

In order to access Proposition 123 funds, local governments must file a commitment to the Department of Local Affairs that they will increase their affordable housing stock by 3% each year for a total of 9% over the next 3 years. Failure to meet this goal would make a local government ineligible for funding in the year 2027. Collaboration between local jurisdictions is allowed, and the Town has historically collaborated with Douglas County jurisdictions in regards to affordable housing through the Douglas County Housing Partnership.

Town staff is seeking Town Council's approval to file a commitment to the Department of Local Affairs to increase the affordable housing by a total of 9% (277 units) over the next 3 years and to acknowledge the Town's commitment to a regional partnership with Douglas County jurisdictions, through Douglas County Housing Partnership, to meet this commitment.

## **Discussion**

### **Proposition 123**

Projects and activities eligible for funding under Proposition 123 (Prop 123) include: land banking, affordable housing equity, concessionary debt, affordable homeownership, programs for housing instability, and local capacity development. Funding is estimated to be \$160 million in the 2022/2023 state budget year and \$318 million in the 2023/2024 state budget year.

The initial step for a local government to qualify to access Proposition 123 funding is to establish a baseline number of affordable housing units and commit to increasing the number by 9% over the next 3 years. The deadline to certify the baseline number and submit the commitment to the Department of Local Affairs is November 1, 2023.

The Division of Housing has provided data, using the American Community Survey from 2017 to 2021, to assist local governments in estimating the number of affordable rental and for-sale homes within their jurisdictions and determining their baseline and three-year commitment. Per that data, a baseline of 3,067 affordable units exist within the Town of Castle Rock. This would require a total of 277 affordable units to be permitted by December 31, 2026, to meet the 9% increase commitment. Housing units are counted at time of building permit issuance. Any housing units permitted after filing the commitment would be counted. Failure to achieve the 9% increase would result in the Town being ineligible for future funding in 2027.

Prop 123 does not require any changes to or supersede any local zoning regulations or development process in any way.

### **Douglas County Housing Partnership (DCHP)**

The DCHP, a multi-jurisdictional housing authority, was formed as a cooperative effort between Douglas County businesses, local governments, and county government to address the issue of the lack of affordable and attainable housing for people who work in the area. The DCHP operates with financial support from the jurisdictions of the City of Lone Tree, the Town of Castle Rock, the Town of Parker, the City of Castle Pines, and Douglas County as a political subdivision and public corporation of the State of Colorado.

### **Collaboration**

Proposition 123 allows local municipalities to work collaboratively to meet their affordable housing development goals. This would allow the members of DCHP to work together to meet the aggregated commitment of DCHP members. The aggregated 3-year commitment would be 1,023 units.

Jurisdiction	Baseline	3 Year Commitment
Castle Pines	206	19
Castle Rock	3,067	277
Larkspur	32	3
Lone Tree	728	66
Parker	2,481	224
Unincorporated Douglas County	4,820	434
<b>TOTAL</b>	<b>11,334</b>	<b>1,023</b>

The advantage of the collaborative approach is that it allows new housing units to be spread out throughout the entire county. If a jurisdiction exceeds its 3-year commitment, any excess units permitted in that jurisdiction may be allocated towards the commitment of another DCHP member as needed. This regional collaborative approach is in line with the historical approach of creating attainable housing within Douglas County through DCHP.

Jurisdictions that choose to commit will certify their baselines and commitments individually and will indicate the member jurisdictions that they will be cooperating with. An IGA or MOU will be required between the cooperating jurisdictions, formally committing to and documenting the method the cooperative will use for the credit of units. The IGA or MOU is not required at the time of certification and commitment.

DCHP has a pipeline of potential projects that would currently produce an estimated 800 affordable housing units throughout the County over the next three years. This pipeline includes projects in various stages of the development process and is fluid, as project details change, certain projects become unfeasible, and new projects emerge. The current pipeline represents DCHP's efforts using existing funding sources. It is anticipated that by having access to Prop 123 funds, new opportunities will become available, increasing the number of units in the pipeline for the DCHP jurisdictions.

DCHP members have been reviewing this option and are working to move forward in a regionally cooperative manner. DCHP recently sent the Town a letter regarding Prop 123, encouraging working together and committing that DCHP would provide guidance and support for the certification and subsequent requirements (Attachment B).

#### DCHP Member Actions

At the time of the writing of this memo, the City of Lone Tree and Douglas County have scheduled resolutions to opt in to Prop 123 and to work collaboratively with DCHP members on August 15, 2023, and September 12, 2023, respectively.

The City of Castle Pines on August 8<sup>th</sup> and Town of Parker on August 14<sup>th</sup> held study sessions regarding Prop 123. Neither jurisdiction has scheduled action on the subject at this time.

Town staff and DCHP will be able to provide updates of the other jurisdictions actions on Prop 123 at the September 5, 2023, Town Council meeting.

## **Budget Impact**

There is no financial impact to the Town, as committing to participate in Prop 123 allows for DCHP to apply for Prop 123 funds.

## **Recommendation**

Staff recommends partnering with the DCHP and member jurisdictions to allow access to this first round of Prop 123 funding. This funding will support the Town's and the DCHP's efforts to provide affordable housing opportunities to our community and within the county. If the Town utilized Prop 123 funding and was unable to achieve the full 9% increase in affordable units by December 2026, this would only result in the Town being ineligible for future funding in 2027. In addition, Prop 123 does not require any changes to or supersede any local zoning regulations or development process in any way.

Staff recommends approval of this resolution to allow the Town Manager to file an affordable housing commitment with the Colorado Department of Local Affairs pursuant to Proposition 123 and State law and acknowledging the Town's commitment to a regional partnership with Douglas County jurisdictions to meet affordable housing goals.

## **Proposed Motion**

### **Option 1: Approval**

*"I move to approve the Resolution, as introduced by title."*

### **Option 2: Approval with conditions**

*"I move to approve this resolution as introduced by title with the following conditions:" (list conditions)*

### **Option 3: Continue item to next hearing (need more information to make decision)**

*"I move to continue this item to the Town meeting on [date certain], 2023, at 6 pm."*

## **Attachments**

Attachment A: Resolution

Attachment B: Letter from DCHP