



Meeting Date: September 3, 2024

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: **Resolution Authorizing the Execution of an Intergovernmental Agreement by and Among the Town of Castle Rock, Douglas County Housing Partnership, Douglas County, City of Castle Pines, City of Lone Tree, and Town of Parker Regarding Joint Management of Proposition 123 Funding and Credits**

Executive Summary

On September 5, 2023, Town Council approved a resolution to participate in Proposition (Prop) 123 funding. Colorado voters approved Prop 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 affordable 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 participate in Prop 123 funding, local governments had to 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, which allows local jurisdictions to pool together the number of newly created affordable housing units. The Town has historically collaborated with Douglas County jurisdictions in regards to affordable housing through the Douglas County Housing Partnership (DCHP). As part of the resolution approving participation in Prop 123, Town Council acknowledged the Town's commitment to a regional partnership with Douglas County jurisdictions to meet the affordable housing goals. All member jurisdictions of DCHP filled a commitment to participate in Prop 123.

Town staff is seeking Town Council's approval to enter into an Intergovernmental Agreement (IGA) between the Town, Douglas County Housing partnership (DCHP), Douglas County, City of Castle Pines, City of Lone Tree, and the Town of Parker to establish a joint management process to allocate any new affordable housing units created that are in excess of a local jurisdiction's required commitment to other local jurisdictions within the County. The IGA would

also assign the responsibility of tracking and reporting the newly created affordable housing units within each DCHP member jurisdiction.

Discussion

Proposition 123

Projects and activities eligible for funding under 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.

Local governments, in order to access Prop 123 funding, were required 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 was November 1, 2023. The Town met this deadline and certified the baseline number of units at 3,067 units, as explained in more detail below.

The Division of Housing 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 existed within the Town of Castle Rock. This requires 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. 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

Prop 123 allows local municipalities to work collaboratively to meet their affordable housing development goals. This allows the members of DCHP to work together to meet the aggregated commitment of DCHP members. The aggregated 3-year commitment of DCHP members Douglas is 1,023 units, as shown in the table below.

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
TOTAL	11,334	1,023

The advantage of the collaborative approach is that it allows new affordable 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. All of the member jurisdictions of DCHP filled a commitment to participate in Prop 123.

Jurisdictions that chose to commit to participate in Prop 123 certified their baselines and commitments individually and indicated the member jurisdictions that they will be cooperating with. An IGA or MOU is 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 was not required at the time of certification and commitment. Town Council acknowledged the Town's commitment to a regional partnership with Douglas County jurisdictions to meet affordable housing goals when it approved the Town's participation in Prop 123 in September 2023.

Since that time, Town staff has worked with DCHP and member jurisdictions to draft an IGA establishing parameters on the allocation of newly created affordable housing units that qualify towards the Prop 123 commitments made by the DCHP member jurisdictions. The IGA will assign DCHP the responsibility of tracking and reporting the newly created affordable housing units in each member jurisdiction. The IGA stipulates that a policy will be developed by the DCHP Board to distribute any surplus affordable housing units in a member jurisdiction to other jurisdictions. A recommendation for the allocation of the surplus units will be presented to each of the DCHP member jurisdictions' governing bodies for direction before formal action by the DCHP Board of Directors. The IGA will automatically renew annually unless terminated by mutual consent or unilaterally by the DCHP Board. Any member jurisdiction may individually terminate their participation in the IGA without terminating the entire IGA, provided that the remaining member jurisdictions consent to continue their participation.

Prop 123 Progress

Since DCHP member jurisdictions committed to Prop 123, a total of 302 new affordable units have been created or 29.5% of the 3-year overall commitment. The units created per member jurisdiction is shown in the table below.

Jurisdiction	Baseline	Three Year Commitment	Permitted as of 7/29/24
City of Castle Pines	211	19	0
Town of Castle Rock	3,067	277	42
City of Lone Tree	728	66	101
Town of Parker	2,481	224	1
Unincorporated Douglas County	4,820	434	158
TOTAL	11,307	1,020	302

In addition to the units already permitted and counted towards the County’s overall commitment, there are additional projects in the pipeline at various points in the development process. If all the projects currently in the pipeline were to be permitted by the end of 2026, it is estimated the total number of newly created affordable units would be 1,069. This would meet the overall DCHP members commitment. It is not guaranteed that all of the projects currently in the pipeline will come to fruition and it is also anticipated that new projects will be identified moving forward.

At the time of the writing of this report, a total of \$9,012,818 of Prop 123 funding has been awarded within the County as shown in the table below.

Jurisdiction	Project/Program	Amount	Award
City of Lone Tree	RidgeGate Senior	\$3,400,000.00	Mezzanine Debt
City of Lone Tree	Tall Tales Ranch	\$4,112,818.00	Equity
DCHP	Down Payment Assistance (DPA)	\$1,500,000.00	Grant

The \$1.5 million awarded to DCHP for the Down Payment Assistance program is available to Castle Rock residents. The utilization of Prop 123 funding for the Down Payment Assistance program increases the maximum income applicants may earn to qualify for the program that was allowed through previous funding sources. This will allow more residents that are considered to be middle income to potentially qualify for down payment assistance.

DCHP Member Actions

At the time of the writing of this memo, the Douglas County Commissioners held a work session on July 29, 2024 regarding the IGA and then approved the IGA at their August 13, 2024 meeting for adoption. Lone Tree staff presented the IGA to their Council on August 6, 2024 and the Lone Tree Town Council approved the IGA at their August 20, 2024 meeting. Castle Pines City Council approved the IGA at their August 13, 2024 meeting. The Town of

Parker staff will present the IGA to the Parker Town Council on September 3, 2024, with formal action scheduled for September 17, 2024.

Budget Impact

There is no financial impact to the Town, the commitment to participate in Prop 123 allows for DCHP and third parties working within Douglas County to apply for Prop 123 funds.

Recommendation

Staff recommends approval of this resolution.

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], 2024, at 6 pm.”

Attachments

Attachment A: Resolution