

Colorado Legislative Council Staff Fiscal Note
STATE and STATUTORY PUBLIC ENTITY
REVISED FISCAL IMPACT

(replaces fiscal note dated January 22, 2014)

Drafting Number: LLS 14-0093	Date: February 14, 2014
Prime Sponsor(s): Rep. Duran Sen. Ulibarri	Bill Status: House Finance
	Fiscal Analyst: Louis Pino (303-866-3556)

SHORT TITLE: EXPAND AVAILABILITY OF AFFORDABLE HOUSING

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-17
State Revenue		(\$1.5 million)	(\$4.75 million)
<i>Revenue Change</i>			
General Fund **		(\$1.5 million)	(\$4.75 million)
<i>State Transfers***</i>			
Cash Funds	(\$840,000)	(\$840,000)	(\$840,000)
Cash Funds	\$840,000	\$840,000	\$840,000
State Expenditures			
General Fund	\$28,840		
	\$28,840		
FTE Position Change			
Appropriation Required: \$28,840 - Department of Revenue (FY2014-15)			

* This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.

** The total amount of income tax credits authorized by this bill is \$40 million. See state revenue section.

*** The amount can vary. The note assumes the same appropriation amount as FY 2013-14.

Summary of Legislation

HB14-1017, **as amended by the House Local Government Committee**, makes several changes to both the Home Investment Trust Fund and Housing Development Grant Fund under the Division of Housing (DOH).

For the trust fund, the bill;

- renames the trust fund to the Housing Investment Trust Fund;
- removes the provisions that the fund be governed by federal regulations related to the home investment partnerships program under the Housing and Urban Development Code of Federal Regulation (CFR);
- allows the fund to receive moneys from federal grants as well as gifts, grants, and donations from any other organization, entity, individual, either public or private. The fund may also receive any fees or interest generated from the fund;
- expands the eligible grantees from the fund by removing the restriction that loans be made to only local housing authorities, public nonprofit corporations, or private nonprofit corporations;
- eliminates the requirement that loans from the fund be used for development or redevelopment incurred prior to the occupancy of low-or moderate income housing
- allows for a continuous appropriation to the fund for DOH, of which no more than 3 percent can be used for costs in administering the fund; and
- allows the DOH to charge a fee for loans made from the fund for administration costs.

For the grant fund;

- allows the fund to receive moneys from federal grants, as well as gifts, grants, and donations from any other organization, entity, individual, either public or private. The fund may also receive any fees or interest generated from the fund;
- allows the DOH to transfer 20 percent of the balance, as of July 1, to the newly named Housing Investment Trust Fund; and
- allows no more than three percent of the moneys from the fund be used for administrative costs of the fund.

In addition, HB14-1017 restores an income tax credit to owners of qualified low-income housing developments. The Colorado Housing and Finance Authority (CHFA) would be authorized to issue the \$20 million of income tax credits in 2015 and 2016. The total amount of income tax credits authorized by the bill is \$40 million. Any portion of the credit that exceeds the tax due for the taxable year may be carried forward eleven years from when the allocation from CHFA was made. Any unused credit is not refundable.

Background

Home Investment Trust Fund. The Home Investment Trust Fund was created to meet federal matching funds requirements. The fund is administered by the DOH and consists of monies made available by the state or federal government for the purpose of making loans, and by the principal repayment and interest on those loans. The fund provides money for development, redevelopment or rehabilitation of low- or moderate-income housing. Under current law, only non-profit developers and housing authorities are eligible grantees for development or redevelopment costs incurred prior to completion or occupancy of low- or moderate-income housing.

Housing Development Grant Fund. The Housing Development Grant Fund consists of monies appropriated by the General Assembly. The purpose of the fund is to provide funds for acquisition, rehabilitation, and new construction through a competitive application process to improve, preserve or expand the supply of affordable housing, and to fund the acquisition of housing and economic data necessary to advise the State Housing Board on local housing conditions.

Low-Income Housing Income Tax Credit. For tax years 2001 and 2002, the state provided an income tax credit for owners of qualified low-income housing developments. The amount of the credit was allocated by the Colorado Housing and Finance Authority, a statutory public entity, over a two-year period. CHFA was authorized to issue the aggregate sum of \$20 million in income tax credits at a rate of \$5 million per year for four years. The total amount of the credits was \$40 million. Unused credits could be carried forward up to 2012.

State Revenue

General Fund revenue will be reduced by \$1.5 million in FY 2015-16, \$4.75 million in FY 2016-17, and \$7.0 million in FY 2017-18. The total amount of income tax credits authorized by this bill is \$40 million. While issued over two years, the credits will be used over a five year period (plus the carry forward period). As shown in Table 1, the revenue impact will be phased in because the taxpayer cannot claim the credit until the qualified development is placed in service.

On average, it takes one year to complete the type of development that would qualify for the credit. Hence, the fiscal note assumes a one-year lag from the time CHFA allocates the credit to when the taxpayer claims the credit. Thus, a credit is not expected to be claimed until tax year 2016, creating a half-year impact in FY 2015-16

In addition, the fiscal note assumes 60 percent of the credit will be used the first year the taxpayer claims the credit and the remainder will be claimed over the next four tax years. Data from the Department of Revenue suggests the majority of the credit was claimed early in the credit period the last time it was available. If the amount of the credit claimed during any tax year is higher than the assumed amount of this fiscal note then the revenue impact will be higher.

Fiscal Year	General Fund Revenue Impact
FY 2014-15	\$0.0
FY 2015-16	(\$1.5 Million)
FY 2016-17	(\$4.75 Million)
FY 2017-18	(\$7.0 Million)
FY 2018-19	(\$8.0 Million)
FY 2019-20	(\$7.5 Million)
FY 2020-21	(\$5.0 Million)
FY 2021-22	(\$3.0 Million)
FY 2022-23	(\$2.0 Million)
FY 2023-24	(\$1.0 Million)
FY 2024-25	(\$0.25 Million)
Total	(\$40 Million)

State Transfers. HB14-1017 allows the DOH to transfer 20 percent of the balance of the grant fund as of July 1 to the trust fund. In FY 2013-14, the state general fund appropriation for the grant fund was \$4.2 million. If the appropriation is the same as FY 2013-14, \$840,000 may be transferred to the trust fund each year beginning in FY 2014-15.

State Expenditures

This bill will increase Department of Revenue General Fund Expenditures by \$28,840 for one-time programming costs in FY 2014-15.

Programming Costs. This bill will require an estimated 140 hours of computer programming of the GenTax system, paid at a rate of \$206 per hour, or \$28,840 in one-time programming costs.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Local Affairs
Treasury

Revenue
Colorado Housing and Finance Authority (CHFA)