Colorado Workforce Housing Trust Authority (WHTA)

Addressing the critical need for affordable rental housing that serves middle-income Coloradans

Sponsors: Sen. Jeff Bridges, Reps. Leslie Herod and Dylan Roberts

Background: There is an acute shortage of affordable middle-income housing in Colorado, particularly in fast-growing areas where jobs are being created. Housing is increasingly not affordable for essential workers like nurses, teachers, firefighters, and other members of our communities. In Denver we've seen a 100% increase in rent since 2010, and this rapid escalation of costs has had a particularly damaging effect on diverse heritage neighborhoods. The community cohesion from these neighborhoods simply cannot be reconstructed elsewhere.

Government subsidies support families making below 60-80% of Area Median Income (AMI), while market-rate financing for housing focuses almost exclusively on high-priced developments. Despite the investment this year of hundreds of millions of dollars into affordable housing, **the need in Colorado is in the billions**. This has left a damaging void of housing that's affordable for our middle-income individuals, families, and communities.

Right now, there's little incentive for a developer to build affordable workforce housing when the returns on market-rate housing are so much higher. To solve this piece of our housing crisis, especially in our heritage neighborhoods, we need to make workforce housing a more attractive investment.

Proposal: Colorado will create a Special Purpose Authority, like CHFA, called the **Workforce Housing Trust Authority (WHTA)**. Working with local partners, this authority will use its access to tax-free bonds and social impact investors to create market-based incentives that will drive the development of affordable workforce rental housing. In other words, it spurs Colorado's housing market to quickly and efficiently build homes for nurses, teachers, and firefighters—using private capital and a minimum amount of government dollars to do it.

In broad strokes, the process for funding projects is:

1. The authority will solicit proposals from local governments, housing authorities, nonprofit organizations, and experienced real estate professionals, with fees limited to the same as low-income LIHTC projects.
2. It will prioritize projects based on AMIs already negotiated by stakeholders on the Interim Housing Committee's bond and loan bills. These vary depending on the type of county (urban, rural, or rural resort) which in Denver is 60-120% AMI, or $42,000-$82,000 per year for an individual.
3. Completed buildings will be owned in perpetuity by the WHTA, which means **they will remain affordable workforce housing in perpetuity**—the properties do not revert to private market owners.

Board: The eleven-member board will represent the geographic and demographic diversity of the state. Members must have expertise in rental housing development, real estate transactions, or public finance. There must be one representative each from a county government, a municipal government, a nonprofit with relevant expertise, a local housing authority, and the head of OEDIT or their designee.

Housing Finance 101: During the construction phase, market-rate housing typically has a capital stack—the combination of investors who finance the development of a project—where roughly 60% comes from a low-interest bank loan and 40% from equity investors. These equity investors are rarely from Colorado. Usually, they're out-of-state private equity funds and even out-of-country sovereign wealth investors. **That means every time most Coloradans pay rent, those dollars immediately leave the state.**

For the WHTA, the expected capital stack during construction will still have a 60% low-interest bank loan, with the rest made up of social impact investors, investments from local stakeholders like counties, school districts, or large employers, and tax-free bond investors. That last group is critical—the national municipal tax-free bond market is $450 billion dollars annually, and the WHTA provides direct access to these low-interest funds. **Crucially, 100% of the equity is owned by the authority, which means that any rent payment or increase in the property's value goes directly to expanding affordable workforce housing in Colorado.**

FAQ

Why a Special Purpose Authority and not DOH?
The creation of an authority means that any bonds issued by the WHTA are solely the responsibility of the authority and cannot result in any obligation by the state. This ensures our treasury isn't at risk and that all returns beyond the initial investment are TABOR-neutral.

Why isn't CHFA doing this?
CHFA was approached about this idea, but they don't see their role as long-term holders of equity in housing projects. That's why we're creating a new special purpose authority specifically to issue tax-free bonds that result in a long-term equity position for workforce rental housing.

How much will this cost?
We're putting in $6 million, all in general fund dollars, because ARPA funds can't be used for loans or investments with a capital return. This will be used for startup costs and potentially for initial pilot investments.

What if a community doesn't want the project being proposed?
First and most importantly, all zoning and permitting requirements still apply to all WHTA projects. And because we have representatives on the board from communities across the state, many with expertise in locally developed housing projects, proposals that don't have the support of their community will not be prioritized by the authority.

What about [this other very important affordable housing issue]?
Yes! That is also very, very important. But that is not this bill. This bill is about solving one particular, major problem faced by communities across the state: the lack of affordable workforce rental housing.