50-State Analysis:

Housing Across the U.S.

How Can Colorado Innovate?

January 2019

The Colorado Association of REALTORS® (CAR) is the state's largest real estate trade association that represents more than 26,000 members statewide. The association supports private property rights, equal housing opportunities and is the "Voice of Real Estate" in Colorado. For more information, visit www.ColoradoREALTORS.com.

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About the Study:

The Colorado Association of REALTORS® (CAR) conducted a 50-state research study, inclusive of Washington, D.C. and Winnipeg, Canada. The study looks at housing methods and ideas utilized across the country to address the lack of housing options for the entire housing spectrum. This report reviews some existing funding measures, but primarily focuses on innovative solutions that could drive new public policy either through new revenue or interesting novel approaches coming from our states and local governments.

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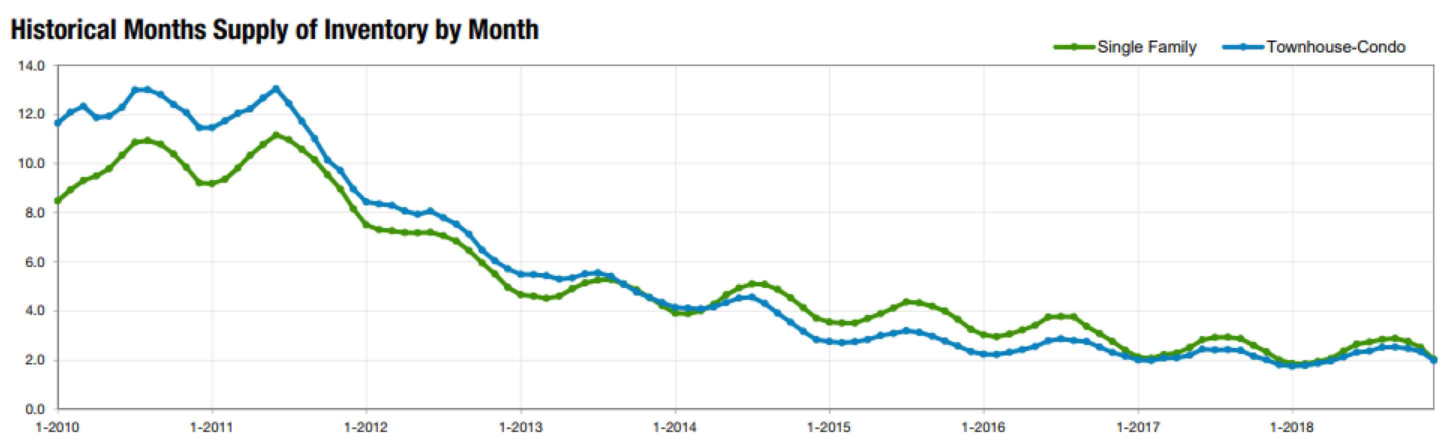
Executive Summary

The American dream of homeownership is becoming harder to achieve for many Americans as we face an affordable housing crisis across the country. The Colorado Association of REALTORS® (CAR) with the help of REALTOR® organizations across all 50 states, Washington D.C. and Winnipeg, Canada researched the programs and methods currently utilized, pilot projects in the works and the discussions being held and those yet to be had.

A place called home. We can all agree that from Colorado's beautiful mountains to our active downtown corridor to the rolling eastern plains, Colorado is a great place to live, explore, grow a career, raise a family and retire. In April 2018, U.S. News & World Report identified Colorado as one of the top ten best places to live in the United States—Denver ranked at #2 and Colorado Springs at #3. In order to make the top of the list, the following factors were assessed: good value, desirable place to live, strong job market and a high quality of life. According to the U.S. Census Bureau, Colorado grew by nearly 80,000 people between mid-2017 and mid-2018, the seventh-fastest growth rate in the country. Not only are the metropolitan areas feeling this influx of individuals and families, but the state as a whole continues to experience this growth—a positive and direct impact on the state's economy. The question is, how do we welcome this growth, ensure all Coloradans have the opportunity to own a home and can take advantage of the multitude of activities our state has to offer without breaking our budgets? As a state, what is the next step? For start, we take a deeper look at the supply of housing opportunities versus demand.

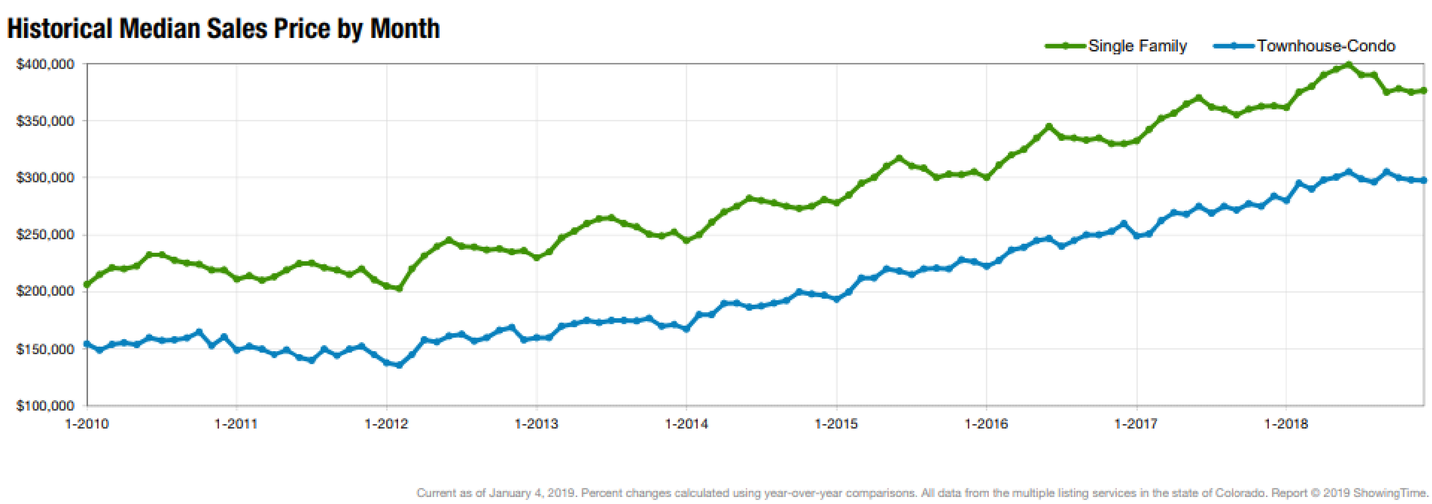
Supply and demand. Colorado, as well as many other states across the country, have and continue to identify housing as a top priority in order to sustain positive growth and economic prosperity. Although a shared priority, housing needs or the lack thereof, differ from state to state due to varying levels of growth, the cost of living, price of land, available funding sources, etc. In Colorado, the issue is a lack of inventory. There are not enough for-sale housing units available on the market to meet the demands of the state's growing population. According to the Colorado Association of REALTORS® December 2018 Statewide Market Trends Report, in the month of December, when looking at new listings, only 5,274 single family units, townhomes and condominiums were available for sale on the market.



Current as of January 4, 2019. Percent changes calculated using year-over-year comparisons. All data from the multiple listing services in the state of Colorado. Report © 2019 ShowingTime.

The state's work has only just begun. In 2017, Colorado witnessed a bi-partisan effort to begin addressing some of the bottlenecked housing supply problems with the passage of [House Bill 1279](). House Bill 1279 reformed the construction litigation environment that stifled condominium and townhome development in Colorado. This change could help reinvigorate a stalled building market that lacks a diverse range of options for Coloradans, especially this type of starter housing products. Also, under the bi-partisan compromise, at least four years in the making, homeowners will now have a choice in whether or not they pursue litigation that could affect their ability to sell or refinance their home. With this positive first step, there are still many more pieces of the puzzle to assemble in order to allow all Coloradans the opportunity of homeownership.

Housing is a spectrum. There is not one universal remedy, nor one simple side to the equation—housing is a multi-faceted issue to be confronted from all sides of the problem. In this research, we identified the audience based on housing needs and income level by asking, "What is affordable and to whom?" Meaning, what type of housing element(s) are necessary within the state to meet varying population needs. When discussing housing, many first assume affordable housing to allow opportunity for low-income individuals or families, but in this research, we've also taken a deeper look and held a broader scope of the term "affordable" to also address attainable workforce housing to meet the needs of a growing labor force. Workforce housing is often defined as those in the labor force that make a salary higher than the salary requirements set for the sale and renting of affordable housing units, but also struggle to afford a home on their current salary without assistance from family, friends and even public and private housing agencies.



What is affordable. As you can imagine, affordable does not hold the same meaning to a family of four as it does to a single working individual or recent college graduate. The Colorado Association of REALTORS® [December 2018 Statewide Market Trends Report](), found the median price of a single family home reached over $376,000 in the month of December alone. As a state, we are tasked to determine the type of housing options that will meet the needs of various income levels, family types and workforce needs. In this research, we've discovered creative solutions from states across the country including, targeting housing for professions that don't typically make a high salary (i.e. teachers), creative solutions to address homelessness and natural disaster relief through the building and development of smaller housing units, and new and interesting funding sources or pilots that give states ways to think smarter and plan better for the future.

Engagement. As we tackle housing as a state, we first identified the barriers to enter the housing market in order to find the points of entry to create more opportunity. In doing so, we were able to identify entry points from employer engagement to tax incentives to the collection of revenue from trending sharing economy options. Colorado is not sitting on the sidelines, from the new ideas in the City of Denver to establishing programs such as the First-time Homebuyer Savings Account (FHSA) which helps first-time homebuyers responsibly save for the costs of owning a home through the passage of House Bill 1467 in the 2016 legislative session.

Housing is a statewide issue. In this 50-state analysis, you will find creative solutions, and areas to further explore that can help us change the current dynamic and learn from each other to address a significant problem all states are challenged to solve. It is Colorado's opportunity to cultivate and execute innovative ideas to increase the supply of housing and diversity of housing options to meet demands from across the entire spectrum of our population, from first-time home buyers to growing families and senior citizens. It is time to make a move and work together to plan for our shared future.

First, we start with analyzing some existing approaches.

Housing Fees and Taxes

Housing fees and taxes vary in every state and even across municipalities within the same county jurisdictional boundary. What is clear is that no one state has the same approach. And there is no silver bullet that is the immediate answer to improving housing affordability for all Americans that every state could agree on as the best method. State and local programs vary in how the fees or taxes are raised, on which type of transaction or which type of population the obligation to pay the charge of the implementing instrument should be placed upon. The fees and taxes also vary in where the raised housing fee and tax dollars are allocated to target various policy measures.

States that impose documentary fee(s):

Alaska (AK), Arizona (AZ), California (CA)*, Colorado (CO), Delaware (DE), District of Columbia (DC), Idaho (ID), Illinois (IL), Iowa (IA), Kansas (KS), Kentucky (KY)*, Maine (ME), Maryland (MD), Massachusetts (MA), Minnesota (MN), Missouri (MO)*, Nebraska (NE)*, New Hampshire (NH), New York (NY), North Carolina (NC), Ohio (OH)*, Oklahoma (OK), Oregon (OR)*, Pennsylvania (PA), Rhode Island (RI), South Carolina (SC), Vermont (VT), Virginia (VA), Washington (WA), West Virginia (WV)*, Wisconsin (WI), Winnipeg, Canada

States that impose transfer fees or taxes:

Alabama (AL), Arizona (AZ), Arkansas (AR), California (CA), Connecticut (CT), Delaware (DE), District of Columbia (DC), Florida (FL), Georgia (GA), Hawaii (HI)*, Idaho (ID), Illinois (IL), Iowa (IA), Kansas (KS), Kentucky (KY), Maine (ME)*, Maryland (MD), Massachusetts (MA), Michigan (MI), Minnesota (MN), Nevada (NV), New Hampshire (NH), New Jersey (NJ)*, New York (NY), North Carolina (NC), Ohio (OH), Oklahoma (OK), Pennsylvania (PA)*, Rhode Island (RI), South Carolina (SC), South Dakota (SD), Tennessee (TN), Vermont (VT), Virginia (VA), Washington (WA), West Virginia (WV), Wisconsin (WI), Winnipeg, Canada

** Directly fund affordable housing within state.*

Moreover, there is often little to no transparency, accountability, or clear standards around how these varying types of dollars get spent, what are the priorities of how this funding should be allocated, and what policy initiatives are derived from the nexus to statewide or local needs or some type of housing strategy. Although some jurisdictions are pursuing some of these approaches with varying degrees of success, we can point out some reasons why these raised fees or taxes are flawed or could be improved.

The problem with many of these modes of funding is that when they are collected, they are not directly allocated to be spent directly on housing. In fact, several of them are lumped into general fund state treasuries that can be allocated or raided for the whim of the current legislature and what they determine is appropriate in their particular fiscal environment. Sometimes the funds are only a pass-through for federal programs, but do not include any state innovations. While federal dollars should be maximized, successful funds leverage multiple sources from state, national, and local partners.

Alabama

In Alabama, the taxes and fees are allocated two-thirds to the state general fund, and one-third to the counties' general fund, but none of the dollars are allocated specifically for a housing focus.

Florida

According to the Sun-Sentinel, in Florida, the 2017 document stamp taxes generated about $232 million for their affordable housing trust fund, but more than $130 million was moved to the General Fund to balance the budget. This sweep of the affordable housing trust fund has happened every year since 2003, even as the legislature passed tax cut after tax cut. In the very worst year (2008-09), the $220 million raised went into the trust fund, but the Legislature took $250 million out of it, cannibalizing not only the entire amount that year, but also raiding money that was already in the fund.

Whereas, some states are at the forefront of innovative programming and drive their housing funds to be accountable to measurable goals, which give these states the ability to demonstrate their impact and widen the circle of potential collaboration with partners in all sectors.

Alaska

In Juneau, the city created the Juneau Affordable Housing Fund (JAHF). What is strikingly different than other programs across the country is that they establish annual funding priorities based on a local housing needs assessment and housing gap analysis. This allows the JAHF to be flexible to changing market conditions and focus on greatest local housing needs. The funds are also available for up to 120% area median income (AMI) households. The fund seeks to leverage outside resources including public subsidies and private capital to develop additional affordable housing. It also includes eligible uses that are "pre-development" expenses such as permitting, building materials and labor costs, demolition to make way for housing and "operating expenses" for existing and new housing developments that promote affordable housing and self-sufficiency assistance such as job skills training, substance abuse aid, and childcare.

House Build is a partnership between the University of Alaska Southeast, the Juneau School District, and the Juneau Housing Trust. This program gives students real world construction experience that can be applied toward a degree or certification and all the housing built through the program is used to address the affordable housing needs in Juneau.

Arizona

Arizona has a statewide annual Housing Forum that brings together housing advocates, state and local public officials, policymakers, industry professionals, and other community leaders to address the needs of Arizona's housing market. And the Arizona Department of Housing also has a consolidated 4-year strategic plan for housing and an annual performance evaluation report on how they are meeting that plan, and finally an annual action plan to ensure they meet their performance goals.

Iowa

Iowa allocates part of the Iowa Finance Authority funds for the FirstHome Program that offers first-time homebuyers affordable mortgage financing with a fixed interest rate for qualified buyers. They also have a Workforce Housing Loan Program that provides financial assistance in the form of a repayable loan to cities and counties that demonstrate a need for additional workforce rental housing as a result of employment growth within the local government's jurisdictional boundaries.

Housing fees and taxes are derived from the portion of the population who are actually purchasing or selling a house in the housing market, consequently when the market changes these fees or taxes from real estate transactions could also change drastically along with the market. These types of funds are not a sustainable revenue source even when the dollars are allocated directly to a housing purpose and are strategically addressing goals set by the needs of the state or community. However, we can point out what ideas around the nation are innovative funding sources to consider for alternative streams of revenue. And many states have the opportunity to be creative in finding the sustainable solutions that work best for their communities.

Innovative Funding Ideas

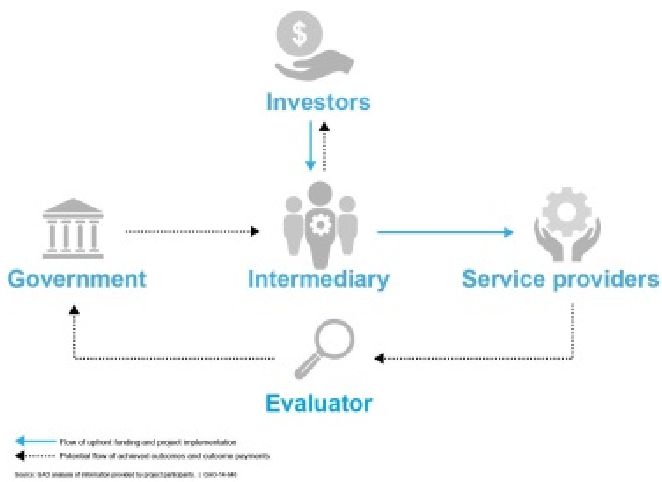
Marijuana Revenue

Denver is actually leading the country in pursuing one type of non-traditional revenue source when the Denver City Council partnered with the Denver Housing Authority to increase the city's sales tax on marijuana and utilized some of their marijuana taxes to fund the building or preservation of affordable housing units and purchase of property. This could be a great avenue for states that have some sort of legalized use of marijuana or perhaps other types of unique revenue streams their state has available to them. In Colorado, if we were to take this Denver example and expand it, there are a couple options.

First, we could let each local jurisdiction that allows marijuana use and has a city tax allocate that revenue for a housing purpose. This idea would not require any new state laws to be enacted, but instead would be a local decision. The second option would require more effort, and that is determining that some of the state marijuana revenue should be allocated to housing needs. This could be something for voters to consider under a new citizen initiative that would require signatures to get on the ballot statewide. Or a less burdensome option that would require a bill at the legislature to allocate some of the revenue that the legislature has the ability to control under the Marijuana Tax Cash Fund. State law allows legislators to appropriate any general fund dollars, but additionally every year there are new "allowable purposes" or bills to create grant programs adjusting how we spend our marijuana dollars.

Pay for Success (also known as Social Impact Bonding)

In 2016, Denver launched an effort to use social impact bonds as a way to bolster their limited resources by investing in a preventative, permanent supportive housing program for the chronically homeless. This pay-for-success model allows the city of Denver to partner with lenders and community partners to allow the city to pay for the most effective services, and shift its spending from short-term to long-term solutions. And two years later, the model seems to be working very effectively. In fact, the program is expanding to also address early childhood programs.



SOURCE GAO: https://pfs.urban.org/pfs-101/content/what-pay-success-pfs

Several other states have passed legislation and many more are taking up action to enable themselves to pursue these innovative funding approaches that could allow for national partners and maybe even federal agency support in combination with the private sector. While many of the early focuses of this model have focused on supportive housing or green building, it is only limited by the imagination as to what partnerships can dream up as the next avenue for housing funding. There are also interesting models that are starting to deal with consumer debt out there too.

Plastic Bag Tax

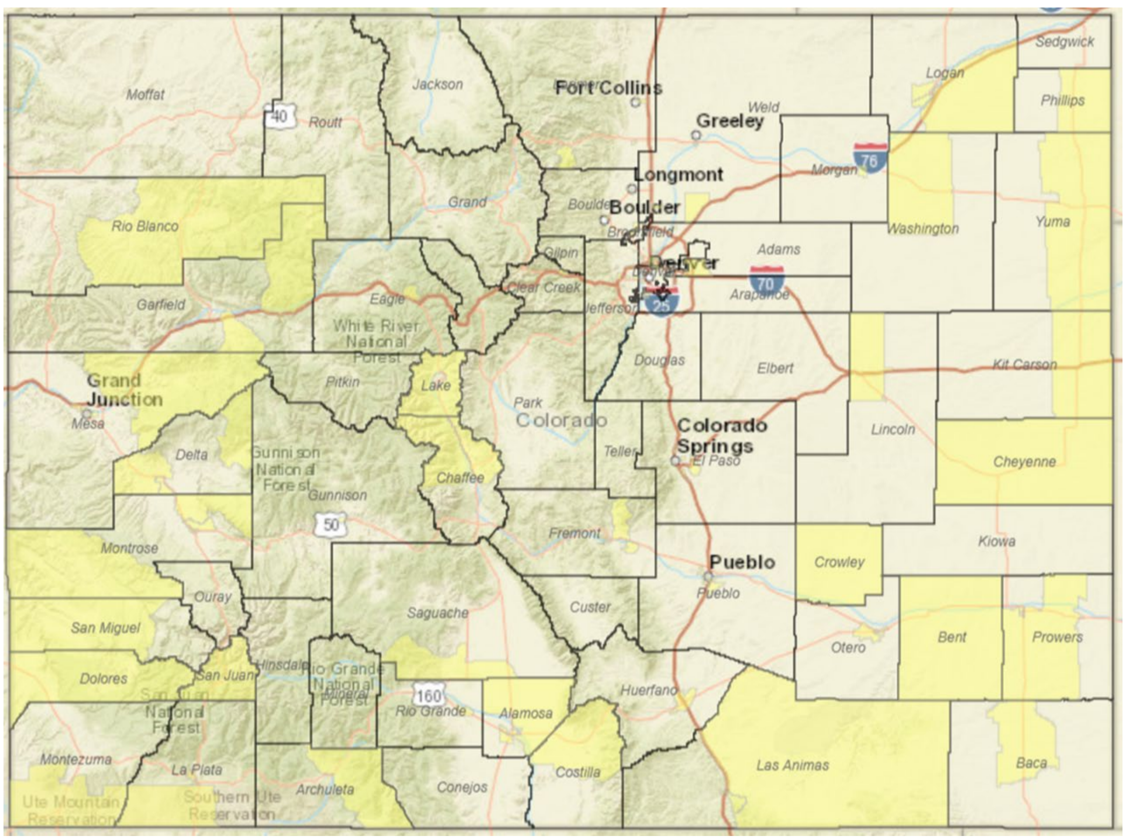
The United States as a whole is not as regulated as Europe in taxing, or in some way, limiting the use of plastic bags. Only a handful of states have enacted this legislation and during the 2017-2018 legislative cycle, 73 bills were introduced on the subject either to ban or charge a fee to improve recycling programs. And several of the enacted pieces of legislation were on the subject of whether or not local government action could be preempted. There are at least 349 municipalities across the nation that passed some form of local limits or bans on using plastic bags, but one unique bill linked the plastic bag tax revenue to fund affordable housing. That bill came from a former Colorado legislator, Paul Rosenthal in 2018.

Opportunity Zones

Opportunity Zones come to us from the 2017 federal tax cut bill. Some of the regulations were recently released, but there is still much to be understood about how the zones will work and what their ultimate potential will be for each state depending on the location of their zones. But it could be a device that states maximize to focus on housing. Regardless of how they were developed in federal law, it's a unique opportunity for housing industry groups to speak to investors and understand the regulations and rules surrounding these new devices that resulted from the federal Tax Cut and Jobs Act passed by Congress in December 2017. And this particular part of the tax cut act received support across both parties, so it has potential to continue well into the future if the program is successful.

States were given broad authority to determine where the Opportunity Zones were drawn in their states. Now that we have the list of Opportunity Zones, it will be critically important for states to evaluate how they can best encourage their zones to be utilized. And there are a few organizations and entrepreneurs who are supportive of the new federal initiative to be sure. But using these new investment devices might require a specifically tailored approach for each Opportunity Zone. In fact, a nonprofit in Alabama has taken a direct approach and set-up an organization dedicated to maximizing the impact of the state's Opportunity Zones. Ultimately, there is no shortage of discussion about how these devices might be employed in Colorado. (*Click here to see more resources on Colorado's Opportunity Zones.*) Some local jurisdictions are passing public policy to streamline permit procedures to further encourage and utilize these new vehicles for investment.

Colorado Opportunity Zones



Funding Streams for Housing

Housing trusts and community land banks are regularly used in many states. Multiple uses of fund dollars enable them to be flexible to community needs.

Some of the eligible uses include:

- NEW CONSTRUCTION OR REHABILITATION OF AFFORDABLE HOUSING PROJECTS FOR HOMEOWNERSHIP AND RENTAL HOUSING
- RENTAL ASSISTANCE
- LAND ACQUISITION (INCLUDING VACANT, ABANDONED, TAX DELINQUENT, OR CITY PROPERTY)
- PRE-DEVELOPMENT COSTS
- INFRASTRUCTURE
- TRANSITIONAL HOUSING
- DOWN PAYMENT ASSISTANCE
- HOUSING AND FORECLOSURE COUNSELING
- TECHNICAL ASSISTANCE
- HOME REPAIR
- HOMELESSNESS PREVENTION
- REVERSING BLIGHT AND MAINTAINING NEIGHBORHOODS
- CONSTRUCTION OF MARKET RATE OR REGULAR RENTAL OR HOMEOWNERSHIP HOUSING
- INCREASE STABILITY OF PROPERTY VALUES AND MAINTAIN ARCHITECTURAL FABRIC OF COMMUNITY
- IMPROVE HEALTH AND SAFETY OF NEIGHBORHOODS

Many housing trust funds are the depository for state, local and sometimes federally collected dollars, but these funds do not always have accountability and transparency measures to determine how funds should be allocated. The funds also might not have self-sustaining revenues streams built into their structures. Those that do succeed have created self-supporting structures that either do not depend on general fund revenue or have a way to leverage the nonprofit community or with investment in the capital markets. Some innovative ideas include leveraging public or corporate investment in these funds too. Many trust funds also designate a percentage of their dollars for the state and a different percentage for local governments.

Idaho

The Idaho Housing and Finance Association (Idaho Housing) is a uniquely created financial institution for the state. It's a self-supporting corporation that must generate all revenue to cover the cost of its operations. Idaho Housing earns fees for work performed and does not use any state-appropriated funds. Idaho Housing raises millions of dollars in national capital markets and forms partnerships with banking and lending institutions throughout the state including construction loans, gap financing, and transportation infrastructure bonds. There is also a Home Partnership Foundation that is an independent 501(c)(3) that accepts charitable donations from employers, private citizens, developers, local governments, and others to help communities meet their most pressing housing needs.

Community land trusts or land banks tend to be localized to a county, municipality, or regional area. And they are really doing good work in their communities as they can often offer an opportunity to maintain neighborhood character or specialize their focus to local needs. Land banks vary in size, shape and scope, but many of them are often accountable to a board that targets where the funding is spent and how it is spent. Sometimes the localized nature of a land bank can allow flexibility to focus on a particular population such as veterans for example. Several land banks focus on acquiring and selling unused property for redevelopment in cooperation with both the non-profit and private sector developers and the cities in which they operate. They can also be used for rehabilitating old residential structures or vacant or abandoned property for new productive uses.

Michigan

Michigan took a unique approach in creating a statewide land bank that is focused on promoting economic growth through the acquisition, assembly and disposal of public property, including tax-reverted property, in a coordinated manner to foster the development of that property, and to support land bank operations on the county and local levels.

Missouri

The Land Bank of Kansas City, Missouri (KCMO) is required to sell properties for at least two-thirds of their fair market value. And, the KCMO land bank created a unique home ownership program for public employees by putting up 25 homes for ownership for only $100. Buyers have to pass certain qualifications, such as a background check and agree to make the home their principal residence for at least three years and submit an application. The homes were refurbished by the land bank. The Next Step program provides incentives for homebuyers to move into "opportunity areas" and the borrowers who take up this offer receive a slightly better interest rate.

North Carolina

In North Carolina their self-supporting public agency, the North Carolina Housing Finance Agency has an interesting program that utilizes housing affiliates of Habitat for Humanity to offer homebuyers earning up to 80% AMI to purchase a home from loan pool members for single, interest-free amortizing loans with 20 to 33 year terms.

New Mexico

The New Mexico Affordable Housing Charitable Trust is a qualified 501(c)(3) organization administered by the New Mexico Mortgage Finance Authority (MFA). This is a tax-deductible (up to 50%) donation-based fund. All donations made to the Charitable Trust will be used to provide decent, quality affordable housing for low-to-moderate-income working families, seniors, people transitioning out of homelessness and individuals with disabilities. In addition, MFA will leverage your donation several times over, multiplying the amount of your original contribution.

Best practices for housing funds that all states could improve on for the future include:

- Develop a statewide strategy to address past, present and future housing growth that is flexible enough to change as states' needs adapt over time.
- Undertake a comprehensive needs assessment to inform policy makers about:
    - what amount of funding can be implemented under the current state methods and modes;
    - what programs and initiatives are working, and which ones can be retired in the future that are either inefficient or not successful and need to be re-imagined;
    - determine how to develop micro-targeted approaches that take into account different geographic and population group needs across the state.
- Develop accountability, transparency, and priorities of funding statewide so that consumers, the public, and stakeholders or players in the housing industries all have access to good data and feel a shared sense of trust as to how funds are being truly being allocated and make that basic overview information available in one location for everyone not listed separately by stakeholder or organization.
- Give stakeholders an opportunity to meet regularly to share ideas across geographic boundaries and across institutions that work statewide in order to pool resources, work together to drive meaningful projects, and drive innovation between the private sector, non-profit sector and public sectors. Stakeholders can also use this meeting to take advantage of current event mobilizations, such as a company relocation, transit improvements related to a major event such as an Olympics or major conference.
- Develop metrics to determine how successful the ideas are at achieving the impact goals you set as a state.
- Think outside the box about ways to put together untraditional partners, find sustainable sources of funding that are diverse enough to weather any potential economic uncertainty.

Incentives

There are various programs and assistance available for homebuyers that are either statewide, local to your municipality, or your mortgage lender. Incentives and tax credits available across the country vary from down payment assistance, mortgage credits based on interest paid, loan provider programs, interest free savings account programs, rental and rehabilitation assistance, and combined financing to fund new construction. What is interesting to note, is that the majority of these options are pursued by an individual after they make an important decision to make a significant purchase. Rather than it being something that is driven by the organization that contributes to the ability of that individual to make that important decision. But increasingly that narrative is changing as employers see value in affecting what type of employees they can attract, retain and recruit.

In fact several health related organizations, national foundations, private companies and even governments are now starting to describe housing as part of the health continuum for well-being or putting real dollars towards improving access to housing opportunities. States also are starting to look at how affordable housing can really impact state and local ecosystems more broadly than solely the individual that receives the incentive or benefit including how we help several of our most important civil servants who have difficulty finding housing close to where they work.

Affordable housing investments do impact our economy directly.

REDUCES TAXPAYER EXPENSES:
- Affordable, community – based housing for seniors and people with disabilities is significantly less than the cost of institutional care.
- Chronically homeless persons often cycle through jails, hospitals, and other crisis services. Permanent supportive housing for this high-need population can reduce taxpayer costs considerably.
- Affordable housing can improve the health and educational outcomes of low-income families, and children, reducing the public costs associated with illness and poor school performance.

STIMULATES THE ECONOMY:
- Creating demand for good jobs
- Families living in affordable housing have more discretionary income to spend on food, clothing, and other goods and services
- Giving Employers access to skilled workers, reduce employee absenteeism and turnover, which retains talent and as a by-product stabilizes communities.
- Reduces costs of providing social services to persons who are elderly, homeless, or have disabilities when we enable those services to be delivered through home or community-based care and permanent supportive housing rather than the significantly more costly institutionalized care, jails, or emergency rooms.

STRENGTHENS THE HEALTH AND WELL- BEING OF FAMILIES AND STUDENTS:
- Helping citizens prioritize nutritious food and preventative health visits
- Reducing the frequency of moves and associated stress and depression
- Removes environmental issues that increase likelihood of injury or cause behavioral problems for kiddos
- Reduces the ability to rest and recuperate after illness and keep medications stored adequately
- Reducing transportation burdens and costs that increase when long commutes are required to find affordable housing

For more information check out the Center for Neighborhood Technology that calculated a Housing + Transportation Affordability Index for communities across the nation and the Home Matters 2018 Florida Report.

Alaska

Leveraging funds is a great way to get the private sector and non-profit sector involved in accelerating the impact of housing especially for financially challenged populations such as our essential civil servants like teachers or long-standing members of our communities such as tribes. The Alaska Housing Finance Corporation is doing great work in Alaska. The step program uses layers of incentives to put families on the road to financial independence and together with the jumpstart program also works to enables families to better their employment and financial opportunities.

California
California housing dollars are allocated to state-sponsored housing directly under a detailed formula that includes such untraditional categories as: direct funding to update planning documents and zoning ordinances to streamline housing production including environmental analysis to expedite local permitting, local government use where local governments apply to the state for a requested use that will accelerate housing production, and creating mixed income multifamily residential housing, etc. If you want to learn more check out the legislative formula.

Best practices for incentives include making sure the regulatory environment is not so hairy or complicated that it actually deters consumers, non-profits, developers, and other participants from taking advantage of them. Moreover, details that really reduce the effectiveness of the credit can deter action or use. Simplicity is critical to potential use of the designed incentive.

Supply / Inventory

Aside from traditional incentives, there are many other ways to reimagine how we address the lack of inventory and supply from how we think about building investments to zoning and planning changes.

Hawaii
A developer in Hawaii is looking into a unique approach called “equity build” rentals. This new approach if piloted would enable renting to be the first step toward ownership. Any developer that uses government money to build affordable rentals allows tenants to pay their rent, while the owner pays the mortgage, and any equity generated through the amortization of the loan goes to the tenants rather than the owner. The equity is held in escrow for the tenants until they have enough money for a down payment on a home. This approach would also need to allow for rents to be high enough to cover the owner’s expenses and a modest profit. At the end of the affordability requirement the owner could sell the property to get his money back or it could only apply to the percentage of the property that is required to be affordable housing.

Maine
Maine has an affordable housing tax increment financing program that offers municipalities flexible financing tools. The program allows municipalities to designate a specific area as the affordable housing development district where the communities use the incremental tax revenue to help make the housing affordable and pay for related costs such as public infrastructure improvements, support services for residents, costs of recreational and child care facilities and even potentially establishing permanent housing development revolving loans or investment funds. It also allows stable sources of funding because communities can avoid decreases in state revenue sharing or state education subsidies.

Minnesota

In Minneapolis, the new revolutionary 2040 comprehensive plan will end single family home zoning in the city's residential neighborhoods, abolish parking minimums for all new construction, and allow high–density buildings along transit corridors as it creates new zoning categories. Policy goals around the new initiative are aimed at providing a way for residents to downsize without leaving their neighborhoods, instill more affordability across the metro area, stem the displacement of lower-income residents in areas that are accused of gentrification, and create new opportunities for people to move for schools or a job. Time will tell if this new idea proves to be successful or not.

Illinois

Community Investment Corp. (CIC) in Chicago is unveiling a new loan program that enables them to preserve affordability through financing. Essentially a landlord takes out a senior mortgage from another lender, and the investor finances the rest of the acquisition with equity, and then CIC will provide a subordinate 10-year loan to account for the remaining 10%. This could be a model other non-profits or private sector organizations look at to help cities maintain affordable housing.

Employers and Employees

What are other states doing to encourage employers to invest in their employees or be part of the solution? This is an area that could see great expansion and has untapped potential as many companies and employers want to be involved in their communities and be a positive force for change in the world as we all are more interconnected.

California

The California Association of REALTORS® is going to build a mixed-use project for their Los Angeles headquarters, and it will have condos for sale and apartments to rent, for those with lower incomes and our veterans and emergency services workforce and policing agencies. This is an interesting approach for private and non-profit organizations to be part of the solution by building housing into their office locations.

Mississippi

Statewide Employer-Assisted Housing (EAH) Legislation passed in 2018--Mississippi's EAH law allows employers to provide down payment and/or closing cost assistance to their employees without the benefit counting as employee income for purposes of state taxation. Businesses can use this benefit as an employment incentive to attract and retain the best, most qualified workers.

Illinois

In 2016, Illinois passed legislation that provides a valuable tool to finance the creation and preservation of affordable housing by allowing a 50 percent state income tax credit for affordable housing and employer assisted donations to qualified nonprofit housing developers. One of the organizations behind this effort won the MacArthur award for their creative approach to fund housing. In Colorado, a similar bill was introduced but did not pass in 2018. Over 58 Illinois employers also offer some form of Employer Assisted Housing giving their employees a chance to live near where they work. Again Colorado has considered similar legislation in 2018 and in 2019.

First-time Homebuyer Savings Accounts

FHSAs are a great way for future homeowners to start saving early for the costs of buying a home, especially as home affordability is declining, and Colorado is not alone in pursuing this type of legislation.

Alabama

In the 2018 legislative session, the Alabama Association of REALTORS® succeeded in passing House Bill 248, known as the Alabama First-time and Second Chance Home Buyer Savings Account Act. Under the new law, accounts may be opened by first-time homebuyers and those re-entering the housing market, if they have not owned a home within ten years. Savings from the account can be used to pay for a down payment and/or closing costs for the purchase of a single-family dwelling. The principal deposits and earnings from the account are deductible. Limits on deductions for principal contributions are $5,000 for individuals and $10,000 for couples and families filing jointly. The total deductions from deposits and earnings cannot exceed $50,000. Qualified expenditures must be made in five years from opening the account. The account can be opened at any institution authorized to do business in Alabama, and only marketable securities or cash may be contributed. Penalties apply if funds withdrawn or used for any non-qualified purpose.

To date, there are an estimated 570,000 renters in Alabama. Approximately 328,000 are 44-years of age or under. The program would have a positive net economic impact on the state that would range from $2.4 million to $26.8 million annually in economic activity due to increased home purchases spurred by the FHSA program and would create up to 245 jobs and increase annual earning for residents by $613,000 to $6.8 million in numerous sectors of the economy affected by homeownership.

Mississippi

The First-Time Home Buyers Act was signed into law in the 2017 legislative session (House Bill 1601) and allows Mississippi residents to establish a savings account to help offset the costs of home ownership and receive tax advantages. The amount deposited into the First-time Home Buyers account may be excluded from gross income and any interest earned on the account is excluded from gross income. The law enables individual Mississippians to deduct up to $2,500 from state adjusted gross income annually, and couples filing jointly are able to deduct up to $5,000 annually from their state adjusted gross income. Interest earned on the account is also exempt from state gross income, and there is no cap on the aggregate amount that can be saved.

FHSA Expansion Potential

The Colorado Association of REALTORS® will be bringing legislation in 2019 that expands the Colorado first time homebuyer savings account program to give employers an opportunity to match their employee contributions to their own savings accounts as a near term device that enables both the employer and the employee to pitch in and contribute money to save for that first home purchase. This is a novel approach to allow employers to help their employees save faster to purchase a home.

Housing Alternatives:
Accessory Dwelling Units (ADUs) and Tiny Homes

Year after year, Colorado continues to rank high in the charts as one of the top places to live. As an attractive state, companies and individuals have relocated to Colorado as an attribute to the state's economic success. In June of 2018, Colorado's unemployment rate was at a steady 2.8 percent, falling below the national unemployment rate of 4 percent. However, with this positive growth, many Americans, including Colorado residents still cannot afford to purchase a home.

Tiny homes and accessible dwelling units, such as mother-in-law apartments have become hot commodities for the affordable housing market as they are a less expensive option and due to their size by nature don't take up as much infrastructure as a single-family home. States and municipalities across the country have begun reshaping public policy and local ordinances that prohibit or limit the building of these units. These policies address the construction process to provide tiny homes to not only target low-income markets, but to also veteran communities, individuals struggling with homelessness, senior populations and families and individuals looking to downsize. To many, these smaller housing units can be the key to provide additional inventory at a lower cost. And we are seeing increasing interest on used extra-space attached to existing homes for co-housing options.

Missouri

One story in particular that has been nationally recognized amongst the veteran's community takes place south of Kansas City, Missouri with the leadership of a nonprofit organization called the Veterans Community Project. The Veterans Community Project started assisting veterans by offering free rides on city public buses, but they soon found that several veterans they support, struggled to find a stable place in the workforce or didn't have a place to call home at the end of the day. As a result, the Veterans Community Project privately funded the building of thirteen 240-square feet homes and developed a rent-free program that assists veterans in the transition from military life to the labor force.

As a rent-free resident, veterans are required to attend job training courses, drug rehabilitation, counseling and other courses that assist in transitioning residents to their own stable home. Residents are allowed to stay in the tiny home community for up to a year.

Utah

Utah faces a 50,000 affordable housing shortage and decided to act now. In 2018, a small home architect, Jeff White, joined forces with Utah Housing Coalition as part of the "Our Homes, Our Voices," national campaign to bring awareness to country's affordable housing crisis by developing an energy-efficient tiny home partially made from a shipping container. White designed the tiny-home to allow just enough space to live, enjoy a low-cost energy bill and easily relocate the home at any desired time. When built out, the twenty by eight-foot container allows for a 32-square-foot storage space and a rooftop deck with the small price tag of $36,000.

Utah's state legislature is also pushing for the construction of high-density affordable housing options near transit corridors to target working individuals and families under, Senate Bill 34. In advance of the legislative session (which begins at the end of January), legislators have drafted a bill that puts $20 million into the Olene Walker Housing Loan Fund in 2020 and an additional $4 million each following year, that can be used to build mother-in-law apartments, commonly known as accessible dwelling units.

New Jersey

Identified in National Low-Income Housing Coalition 2018 Out of Reach report, New Jersey is ranked as the sixth most expensive state to rent a home in the country. A renter in New Jersey would need to earn $28.17 per hour to afford a two-bedroom apartment (the national average is $22.10/hour) marking more than 30 percent of their income spent toward housing alone. In 2018, New Jersey's legislature introduced Senate Bill 177 which would create a three-year, $5 million tiny home pilot project. The program is structured to award funds to one or two municipalities in various parts of the state to build 300-square-foot homes available for rent to people with incomes of less than 30 percent of the area median income (AMI) or $19,950 annually.

Municipalities that aid in the construction of affordable housing units through this program would earn two credits toward fulfilling their affordable-housing obligations for every tiny home they construct and would be eligible for a portion of $1.65 million a year for three years to build the tiny home developments. The program would be overseen by the New Jersey Housing and Mortgage Finance Agency and provides housing solutions for the homeless, low income and veteran subpopulations. The pilot program does not burden the state's budget to provide grants but looks to the federal government and other sources for funding.

Arizona

Arizona struggles to recruit and maintain teachers and educators due to the cost of housing. Nationally, Arizona ranks as one of the poorest states when it comes to teacher salaries. In Vail, Arizona, a town of 10,000 people outside of Tucson, the median price of a home is over $260,000, and rent is nearly $1,200 a month on average. The Vail Unified School District found a creative solution to help their teachers by constructing a tiny home village to help educators stay in the communities where they teach. The 300 and 400-square-foot homes were built on five acres of land purchased by the district and these homes include a full kitchen, living room, bathroom and bedroom. Teachers have the option to either buy the home with a $600 per month mortgage payment or rent at $125 per month from the district.

Homelessness and Natural Disaster Relief

According to the U.S. Department of Housing and Urban Development's 2018 Annual Homeless Assessment Report (AHAR) to Congress, Colorado is ranked as the third-highest state when it comes to number of homeless families with children.

What's known as the Camp Fire, became the deadliest wildfire in California history. The fire started on November 8, 2018 and burned 117,000 acres and destroyed 6,453 homes within the first week. By the time the fire was contained at the end of November, 153,336 acres had burned, which is larger than the city of Chicago.

Hurricane Irma hit the southwest region of Florida, Puerto Rico and the U.S. Virgin Islands in September 2017 and quickly became the fifth most damaging Atlantic storm in U.S. history. Hurricane Harvey devastated Houston, Texas just a month earlier in August 2017. In Barbuda alone, Irma damaged 90 percent of the buildings, destroyed almost all communication and left 60 percent of the population homeless. In Florida 6.5 million people were ordered to evacuate.

Florida

Last year, the Florida Keys Community Land Trust a non-profit 501(c)(3) established after the destruction of Hurricane Irma to preserve and enhance the way of life for the workforce of Monroe County, constructed a community of 760-square-foot, two bedroom, tiny homes designed to withstand 200 mph winds and meet height standards set by the Federal Emergency Management Agency (FEMA). Rent for these energy efficient cottages, known as the “Keys Cottages” are capped to about one-third of the household’s income to provide housing options to Florida’s workforce. Monroe county is leasing four lots to the Florida Keys Community Land Trust over 99 years for the project. The homes were designed by Marianne Cusato, the architect who also created the Katrina Cottages in Mississippi and Louisiana in 2006 after the devastating Hurricane Katrina.

Mississippi

The Mississippi Alternative Housing Pilot Program is a one-time, four-year pilot to identify and evaluate better ways to house disaster survivors. Mississippi is one of the four states that received an award through the Alternative Housing Pilot Program. The Mississippi project was comprised of two distinct projects - the Mississippi Park Model / Cottage Project and the Eco Cottage Project. Both projects were single-family disaster housing alternatives that could serve as temporary or permanent units. The Eco Cottage Project used green building techniques. Mississippi constructed small temporary units on homeowners’ lots during reconstruction of damaged or destroyed homes. Over 2,500 such homes were constructed and occupied, demonstrating it is possible to rapidly procure, construct, deliver and occupy high quality housing following a disaster. A second strategy demonstrated the potential to improve communities by building quality housing units to replace those that had been lost.

Addressing homelessness and disaster relief housing solutions help us stabilize the entire housing continuum and directly affect the supply and demand needs of states. This is also an area where we can utilize innovation to address changing climates and think about spending an ounce of prevention money to deter a pound of cure when we see chronic problems that exacerbate state budgets trying to find money for education, transportation, healthcare, and housing out of increasingly smaller and smaller pots.

Interesting Concepts and Pilot Projects

States across the country are taking their own spin when it comes to identifying affordable housing solutions to meet the needs of their residents through creative concepts and pilot projects to test the landscape. States are implementing programs to provide down payment assistance and open entry points to housing for disadvantaged populations to flexible zoning codes and home sharing. Instead of a traditional wedding registry, a couple in Los Angeles, California created a “Honeyfund” account to raise funds not for a honeymoon, but instead, a down payment for a home. Although, crowdfunding is not traditionally a recommended platform by all mortgage lenders, individuals and families are taking their own necessary steps to find solutions to housing in a climate where housing is everything but affordable.

Oklahoma

Oklahoma City Housing Authority recently joined Vera Institute of Justice in an initiative to increase access to public housing for formerly incarcerated people through a national program called Opening Doors to Public Housing Initiative.

Maryland

The You've Earned It Initiative provides a 0.25% discount on the standard Maryland Mortgage Program mortgage rate and $5,000 in down payment assistance to qualified homebuyers that have at least $25,000 of student debt. Participants are to purchase a home in one of Maryland's Sustainable Communities. Sustainable Communities are defined as regions across the state where governments, business and communities coordinate investments to achieve sustainable growth and thriving neighborhoods. Maryland also provides the SmartBuy program as a way to eliminate student debt as a barrier to homeownership by providing debt relief throughout the home purchase process. The city of Baltimore has developed a Live Near Your Work program, a partnership between the City and participating employers that provides a $2,000 to $5,000 grant to be used toward a down payment or assist with the closing costs. The City providing 50 percent of the funds and the participating employer provides the other half. Under this program, employers can implement eligibility requirements for their employees to participate.

Missouri

The Kansas City Housing Committee approved a measure in November 2018 to utilize the scooter fee collected by the city and put those dollars toward affordable housing. City officials have made it a priority to create an affordable housing program to encourage low-income families to move from rent to homeownership. Scooter companies, Bird and Lime, pay $1 a day for every scooter which generates about $300,000 per year in additional revenue for the city. They are allowed to deploy up to 500 scooters total in Kansas City. This could be an interesting concept to drive transit-oriented development for that last-mile focus for the housing and transportation nexus.

Tennessee

The Nashville Mayor’s Office launched the Housing Incentive Pilot Program that motivates private developers to incorporate workforce units into their apartment, condo, or housing developments as a way to provide workforce housing options for working families in Nashville that would be offered at rates that do not exceed 30% of their household income.

Vermont

The HomeShare Program started in 1982 in the northwest part of state but has expanded to other parts of the state facing a tight housing market. In this program, a person offers a private bedroom and shared common space in exchange for rent, help around the home or a combination of the two.

Wisconsin

Madison is using a unique aspect of state law to keep a few successful tax increment financing districts (TIF) open an extra year to allocate over $15 million in revenue for affordable housing. This 2009 law allows municipalities to keep TIF districts open if most tax revenues from growth are used for affordable housing so as long as it is created within the municipality.

Oregon

Portland is leading the nation in creating flexibility into its zoning codes to allow for accessible dwelling units but they have even gone a step further to keep those ADU's affordable too with a new start-up called Dweller that fronts the costs of purchasing and installing a one-size fits all prefabricated ADU. Third party property managers rent out the unit to long-term tenants and Dweller splits the revenue 70-30 with the homeowner.

Washington

The 2019 legislative session will in Washington will feature supply and smart growth ideas. Legislation will address funding for construction of housing, efforts to maximize denser housing development near transit, and attempts to create more rental and homeownership opportunities for middle-income Washingtonians. One bill would allow cities and towns to keep a percentage of the state sales tax they collect if they use that revenue to fund affordable housing construction. Cities can then borrow money against that sales tax revenue with bonds to further generate housing funds. Another bill would establish minimum density in neighborhoods near public transit. It would require a minimum of 150-units of housing per acre within a half-mile of a transit hub. There's also another bill that would make "missing middle" housing, such as duplexes, triplexes, small apartment buildings legal to build near public amenities, such as parks, schools and hospitals. Finally, a bill enables accessory dwelling units, including basement apartments and backyard cottages, to be legal across the state and loosen any regulations on their construction.

Mississippi

The Mississippi Employer-Assisted Housing Teacher Program (established in the 2017 legislative session—Senate Bill 2937) provides special home loans for eligible, licensed teachers who render service to the state in areas where there exists a critical shortage of teachers. The home loan program is administered by the State Department of Education, which designates those areas of the state that are in critical need of teachers, in conjunction with the Federal National Mortgage Association (Fannie Mae). The maximum amount of a loan under the program to any one person is $6,000.

Conclusion and Takeaways

After reviewing the ideas from around the country, here's what we've learned—All states see increasing the ability of their citizens to own a home as a priority and important focus for the near future. There are some really creative states and people behind the ideas those states are considering who can breathe new life into our housing discussions. The federal government and state and local governments all have a role to play whether it's understanding local needs most intimately or creating a new program that could re-ignite investment all over the country. What is new is how the private sector and non-profit sector can be leveraged creatively to work with the public sector because we should be addressing affordable housing with innovation and collaboration for the entire housing spectrum.

Employer Solutions

There are a few states starting to tip their toe into the employer side of the equation, but this is truly an opportunity for Colorado and other states to heavily lean in as a new avenue to address the supply of housing. For many years now, employers have desired to recruit talent that will be great assets to their company or their school district or their start-up. We know that when citizens have the opportunity to purchase a home and plant roots it generates significant community engagement and dividends down the road. In Colorado, the Colorado Association of REALTORS® is bringing legislation to give employers an opportunity to match employee contributions for first-time homebuyer savings accounts. But we can and we should do more to enable our employers the choice to be part of the contributing solution for their employees and help us bridge the housing gap with innovative new solutions.

Untraditional Partners and Partnerships

Increasingly, more and more ideas are coming from collective partnerships or untraditional partners working towards a common goal combining creative ideas from the private sector and non-profit sector with the public sector. Although we cannot neglect the public sector systems that provide important foundational and critical programs, we need to think more in terms of driving our possibilities with a multi-pronged approach. That means we need strategic input, measurable data and impact goals that can drive us to new types of solutions that leverage the best that each sector has to offer. These types of shared risk, shared goals, and shared thought partnerships can be game changers because these ideas could breakdown traditional silos, diffuse old tensions and create new opportunities that are more dynamic and flexible to suit state and local government community needs for the present and future.

Re-evaluate "Affordability" and "Attainable"

In the last several years we have used the words "affordable" and "attainable" when we talk about the significantly low supply of housing available for those citizens that would like to buy a home. Honestly, we are now at a time when we should evolve beyond these two phrases and think about housing as an entire spectrum because everyone needs better options whether it's a vulnerable subpopulation where supportive housing is necessary to meet basic needs or a new family looking to invest in their future, to our senior citizens whose needs are changing as they retire. All Americans deserve better and now is the time to be bold and dream bigger. What can we do to challenge our best and brightest to think about housing as a continuum that lives inside our dynamic communities rather than divides our communities? What can we do to look at our changing economies and changing lifestyles to bring solutions that meet the needs of today and tomorrow? Neighborhoods should be sources of culture, engagement, and places that we come home to rejuvenate and enjoy each other, but increasingly if we do not think big, we could further isolate our society into individual groups rather than the melting pot idea of America that draws strength from the interactions among our citizens. Housing is one of the ways that we can bridge gaps and build strong communities, so we challenge you to be bold, bring the unorthodox and the new ideas to the table. Homeownership is the American dream, so it's about time that we thought about how we protect and enable that dream to be a reality for everyone.