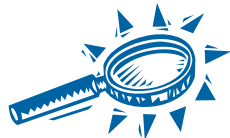




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# Blueprint Brief



A closer look at the research in  
**Blueprint for Opportunity:**  
**Issues that matter • Ideas that work**

Blueprint Brief No. 8

Aug. 22, 2006

## Making housing more affordable for all Colorado families

By Daniel Spivey  
*Public Policy Fellow*

Too many families in Colorado cannot afford housing. Expensive housing hurts Colorado families and damages the state's long-term economic vitality. Making housing more affordable has many benefits;

- More residents can own their home
- Renters are less burdened by the high cost of housing.
- Local economies remain competitive for attracting businesses and workers.

In the past decade, housing costs have outpaced income growth by 32 percent in Colorado.<sup>1</sup> The Colorado Division of Housing estimated that in 2001, a total of 38,700 renting households earning between 60 and 80 percent of statewide area median income were interested in home ownership, but couldn't find homes in their price range.<sup>2</sup> These families earned \$34,620 to \$46,160 per year – the typical salary range for teachers and police officers.

It's becoming harder for the middle class to afford a home at the median price in most communities in Colorado.

Most renters in Colorado also pay high housing costs. In 2004, two of every three rental households earning up to \$35,000 paid more than 30 percent of total income on housing.<sup>4</sup> This income drain is a big obstacle to saving for home ownership. Colorado had the nation's seventh highest rate of residents who paid 30 percent or more of their income on rent in 2004.<sup>5</sup>

Annual household earnings needed to afford a median priced home<sup>3</sup>

Greeley	\$62,157
Colorado Springs	\$62,475
Denver	\$73,574

Colorado's transportation infrastructure, higher education system and workforce development efforts are all closely linked to housing. Workers should be able to afford to live near their jobs. If not, some companies will choose to do business elsewhere.

When workers can't live nearby and have to commute long distances, they strain community infrastructure and add to congestion and pollution. Work absences increase and workplace productivity decreases.<sup>6</sup>

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## Advantages of a state housing trust fund

Construction of housing in Colorado is expensive and developers set a minimum price to make a profit. In most communities in Colorado, even middle class families struggle to afford these prices. For many low-income families, buying a home is not even an option.

A housing trust fund grows affordable housing, but Colorado is one of 12 states without a publicly supported housing trust fund. Such a fund would support construction of affordable housing for rent or sale, preservation of existing affordable housing, down payment assistance and development of special needs housing.

A housing trust fund would give developers incentives to build more affordable housing. It would also ensure that existing affordable housing is maintained and rehabilitated. A 2001 study by the Colorado Division of Housing suggested an annual funding stream of \$26.5 million to address the affordable housing need in Colorado. The benefits would be:<sup>7</sup>

- Financial help for Colorado families to access 3,400 affordable housing units each year: 63 shelter beds, 2,100 rentals and 1,200 home purchases.
- Households paying rent would gain an average of \$2,460 per year to spend on goods and services other than housing.
- \$334 million a year in direct, indirect and induced economic activity, resulting in \$26 million a year in tax revenues, with more than half of that going to state and local governments.

Cost of living is high in Colorado, and the state government should help workers live near their jobs. Creating a state housing trust fund would help the state's lowest earners keep up, give home ownership opportunities to many in the middle class and keep Colorado attractive to businesses and workers.

### ✓ Use a housing trust fund to increase affordable housing.

**Colorado should work with federal, local and private partners, and it should greatly increase its own investment so Colorado's housing trust fund can provide a level of assistance that will truly make a difference for low and moderate-income families seeking affordable housing. Ultimately, the state government and its partners should collectively provide at least \$25 million annually to the fund.**

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### End Notes

<sup>1</sup> Data from memo sent from Britta Fisher, Colorado Housing Trust Fund Coalition.

<sup>2</sup> *Final Report: Colorado Housing Trust Fund Impacts Study*. Colorado Division of Housing, report prepared by Economic and Planning Systems, Inc. for Colorado Housing Trust Fund Coalition. (2005).

<http://www.coloradohousingtrustfund.org/facts/Economic%20Impacts%209-24-02.pdf>

<sup>3</sup> Britta Fisher memo.

<sup>4</sup> Colorado Division of Housing. *Advances: The Source for Current Housing Trends*, 2004.

<sup>5</sup> American Community Survey. (2004). *Selected Housing Characteristics*.

<sup>6</sup> Colorado Blue Ribbon Panel on Housing, *Final Report*. (2006).

<sup>7</sup> *Final Report: Colorado Housing Trust Fund Impacts Study*.



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