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Making a house a home in Colorado **State's affordable housing program needs dependable funding**

By Mindy Klowden

The Boulder Daily Camera • October 19, 2003

There's no place like home, especially if you own it. A house represents independence, security and stability, and there was a time when housing was plentiful and accessible in our state. But today, Colorado is ranked the seventh least affordable state when it comes to the cost of housing. Unless we start investing in our citizens by establishing a statewide Housing Trust Fund, the state's lack of safe, affordable homes will continue to diminish opportunities for families and communities.

The good news is that most of Colorado's households — about 68 percent — own the home they live in. That's important, because homeownership is the single greatest source of wealth in America, representing 44 percent of the gross assets for families earning \$50,000 or less per year. And families that save and accumulate assets have the best chance of getting on the Cycle of Opportunity, the path to economic self-sufficiency and social stability.

The bad news is that homeownership rates vary considerably based on family income, with most homeowners having incomes above \$50,000. For example, the Colorado Division of Housing notes that an elementary school teacher earning \$38,560 could afford the statewide average rent of \$753 per month, but could not afford to purchase the average priced home of \$166,396 — putting this part of the American Dream out of reach. According to the Washington D.C.-based National Low Income Housing Coalition, Colorado is also among the 10 least affordable states when it comes to rental housing.

In many states, a combination of state, local, and federal assistance helps open the door to homeownership for low- and moderate-income working people. Here in Colorado, this has not been a priority. Over the last decade, appropriations for affordable housing have made up less than one-quarter of 1 percent of the state's total general fund budget. And with the budget cuts over the past several years, housing assistance has been hit hard. In fact, in 2003, general-fund appropriations for affordable housing were eliminated entirely. Colorado's affordable housing program needs a steady, dedicated source of funding — a trust fund — so that it is there for families in bad economic times as well as good.

The benefits of providing more affordable housing to working people are well documented. There is a strong link between homeownership and the overall well-being of families and communities. For example, children who attend the same school for multiple years are more likely to do well in school than children who bounce from school to school. Neighborhoods with high rates of homeownership tend to be safer. Studies also indicate that the construction of rental and single family housing generates substantial economic benefits for local communities including job creation, income, and state and local revenues.

And there's more. The production and rehabilitation of affordable housing often attracts additional resources that may not otherwise be available to the community. These leveraged resources can come



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from private financial institutions, equity from the developer, foundation grants, and other state and federal programs. For example, housing trust funds leverage an average of an additional \$8 for every \$1 invested, according to the Washington, D.C.-based Center for Community Change.

So why has Colorado failed to make these critical investments? Throughout the 1990s, the state's real estate production did not keep pace with our rapidly increasing population, dramatically inflating housing costs. Wages did not keep pace with rising housing costs, making housing a disproportionate share of a family's expenditures. And despite this year's softening of the real estate market, increased unemployment and stagnant wages have widened this disparity.

When all these factors converge, families suffer. This year alone, the Colorado Division of Housing estimates a need for 36,502 new rental housing units for families earning less than 60% of median income. The Boulder-Longmont area is the best example of the disparity in housing costs. With the most expensive market in the state — rents average \$983 per month — a family would need a household income of \$18.90 per hour (just under \$40,000 annually) just to afford a two bedroom apartment.

High rental costs create limited opportunities for low to moderate- income individuals and families to become homeowners. Nearly half of all Colorado renters put more than the recommended 30 percent of their gross monthly income toward housing costs, with many low income families spending up to 50 percent of their income on housing. This means some must forego other necessities, such as food, clothing, transportation or medical care. With such a large percentage of income going toward monthly housing costs, families are unable to save for the future. The cycle of poverty and despair continues.

With no reliable source of funds to support the goal of affordable housing, Colorado is powerless to improve this situation. That's why it's critical that the state establish a Housing Trust Fund to provide a permanent source of public revenue to this issue. As of March 2002, 41 states had established state and local Housing Trust Funds. We need to challenge our civic and business leaders, elected officials, and fellow community members to make affordable housing a public priority. It is an investment worth making.

Mindy Klowden is a contributing researcher for the Bell Policy Center, a nonprofit, nonpartisan organization dedicated to promoting opportunity and self-sufficiency in Colorado. www.thebell.org