State Capitol Building
200 E. Colfax Ave.
Denver, CO 80203

Dear Governor Polis, Rick Garcia, Allison George, and Members of the Joint Budget Committee,

I'm writing to you on behalf of the Neighborhood Development Collaborative (NDC), a coalition of 15 mission-based affordable housing organizations in Colorado, and the undersigned list of additional housing organizations across the State. Many were actively involved in the recovery effort for the foreclosure crisis of the Great Recession, and since 2009, have created or preserved over **7,400 workforce and affordable homes**, served over **40,000 households** with homebuyer education and housing cost assistance, provided over **1M square feet** of non-profit and community-serving commercial space, and created or supported nearly **2,000 jobs.**

In this letter, we provide a summary of the effects of the COVID-19 pandemic from a housing perspective, estimate the total housing assistance need across the state, and then detail the funding levels required to address these needs. We request that **$2.1M (or 33%) of the State's discretionary CDBG allocation be used to ensure that low-income Coloradans remain stably housed in order to attend to the health and economic recovery of their household.** However, we also show that even with that level of assistance, there remains a **housing needs assistance gap of $291.8M**. We acknowledge that there are many competing uses for these funds. However, given the severity of the potential housing crisis we are facing; and the acute health, economic, and sociological impacts of housing; **we recommend that the State consider dedicating 10% ($160M) of its Coronavirus Relief Fund in collaboration with local jurisdictions** to ensure that their local & federal funds in combination with Coronavirus Relief Fund and other State sources can effectively address this gap.

The COVID-19 pandemic has affected the economy in unprecedented ways. With unemployment increasing rapidly and incomes in flux, affordable and workforce housing has been gravely impacted. Prior to the pandemic, according to the Colorado Department of Local Affairs **579,773 or nearly 1/3 of all CO households are housing cost-burdened (*defined as spending 30%, 50%, or more of their income*) by their housing costs**. 57% of these households are renters and 43% are homeowners.

Since late March, nonprofits have received an unprecedented volume of requests for information and aid from low-income households at risk of losing their home because of the crisis. All told, we've seen **rent and housing cost assistance requests to non-profits jump by between 300% and 700%** across the state. Insufficient rent assistance and a virtual lack of single-family mortgage cost assistance to address these requests have severely hampered our ability to serve these families at a time when being safe at home is more important than ever. The recent Executive Order to place a 30-day moratorium on evictions, while exceedingly important in the short term, does not protect renters or homeowners from facing a massive accrued rental or mortgage debt at the end of those 30 days. With many households receiving insufficient income or federal assistance to cover current bills AND pay for a large housing bill at the end of the month, thousands may be in danger of being evicted just as we as a State begin the recovery process.

Additionally, from an organizational standpoint, while this crisis affects all housing providers, non-profits operate housing properties below market rate on incredibly thin margins, and thus, feel the effects of this most acutely. After the first of April, an initial survey of non-profit rental housing providers yielded an average rent delinquency rate of 15%, with many **projecting delinquencies of 25%-50% in May**. Nonprofits specializing in homeownership report that **upwards 25% of their homeowners requested to defer mortgage payments in**

April and expect that number to grow significantly. Across properties funded by the Low-Income Housing Tax Credit (LIHTC), Enterprise Community Partners estimates a **May rent deficit of between $2.9M and $3.4M in Denver alone**. Reduced rental income, reduced mortgage income, and inconsistent market-rate single family & multifamily mortgage forbearance standards from the many non-federally backed lenders nonprofits use to finance developments, pose immense challenges to us, and thus, the families we serve.

This crisis poses significant day to day operational challenges as well. It has left nonprofits struggling to implement health guidelines with minimal PPE & cleaning supplies and struggling to support the cost of increased service navigation. Social service navigation and property cleaning costs alone have increased for these organizations by 10s of thousands of dollars per month. To ensure that nonprofit housing organizations can protect and serve seniors and other COVID-19 vulnerable populations, State and Federal funds are needed.

Finally, this crisis is creating significant issues for individuals and families currently experiencing homelessness. Based on recent COVID-19 testing by the Colorado Coalition for the Homeless, the homeless are more than 8X more likely to have or be exposed to COVID-19 than the general population. Thus, aligning public resources to address the needs of the currently homeless and prevent more families from falling into homelessness are critical public health goals.

All the above leaves Colorado in a unique position. The State is receiving an unprecedented amount of federal funding to address the numerous health and socio-economic woes that the necessary lockdown has caused. Thus, while we stand on the precipice of a housing crisis not seen since the Great Recession, unlike 2008, the State has the resources to pro-actively attempt to address it.

In order to prevent an outbreak of foreclosures (and associated loss of low-income and minority wealth), stave off a massive eviction crisis, reduce new instances of homelessness, and alleviate the acute pressure this crisis has placed on non-profits' ability to serve both Colorado's workforce and its most vulnerable residents; the State needs to swiftly and proactively use its incoming federal funding to address imminent housing crisis in market rate homes, as well as partner with non-profit housing organizations to preserve the affordable housing we already have.

FUNDING REQUESTS

Housing as an Eligible Use of the Coronavirus Relief Fund

In addition to ESG dollars to serve the homeless, the State is receiving discretionary allocations of **$6.3M in CDBG funding**, and **$1.6B from the Coronavirus Relief Fund** (CRF). Because we have received conflicting information from the State on the eligible uses of these funds, we have included the official federal guidance below. According to Section 601(d) (added under Section 5001) of the CARES act: "*A State […] or unit of local government shall use the funds provided […] to cover only those costs of the State […] or unit of local government that—**(1)** are necessary expenditures incurred due to the public health emergency with respect to […] COVID-19 **(2)** that were not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government; and **(3)** were incurred during the period that begins on March 1, 2020, and ends on December 30th, 2020*."

Because the parameters of "necessary expenditures" were undefined, On April 22nd, 2020, the Treasury Department issued the following additional guidance: "[*necessary expenditures*] *may include expenditures incurred to allow the State, territorial, local, or Tribal government to respond directly to the emergency, such as by addressing medical or public health needs, as well as expenditures incurred to respond to second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures*."

The Department of Treasury also states that with regard to the word "necessary", it "*understands this term broadly to mean that the expenditure is reasonably necessary for its intended use in the reasonable judgement of the government officials responsible for spending fund payments*." We believe that this guidance makes housing-related spending an eligible and necessary expense for the following reasons:

1. Housing instability is a clear "second order effect" of the pandemic as it is directly related to the employment instability caused by pandemic-related business closures.
2. The above point notwithstanding, housing development and construction is a key part of the economy—directly creating and indirectly supporting thousands of jobs.

Given the scale of the housing crisis, the fact that it is both caused by and causes acute economic and health impacts, the fact that the law states that both health and economic relief are legitimate expenditures of the CRF, and the broad flexibility that it gives state governments to use it according to their needs--we believe that housing-related assistance is both an eligible and crucial use of these funds.

Below, we list the projected housing needs by homeownership, rental, affordable housing preservation assistance, ongoing housing program and development, and then identify projected funding levels to address those needs. Given that roughly 1/3 of CDBG funds are used for affordable housing, we suggest how those funds should be divided to address those needs; and then respectfully **ask that the State utilize its CRF funding sources to compliment local funding sources to attempt to cover as much as possible of the remaining gap**.

Homeownership

To ensure that history does not have a repeat of 2008 regarding the loss of homeownership among vulnerable communities, we estimate that for-sale housing sector will require the following resources:

> **Need**: There are 252,125 low-moderate income cost-burdened homeowners in Colorado. Assuming that the majority (7/8ths) of these homeowners are either eligible for Federal Forbearance, or, may be able to collect sufficient income and/or federal benefits to continue to make housing payments, we estimate that there will be some 31,516 households in need of housing cost assistance at the end of the State eviction moratorium. At a $1,500/month mortgage, the cost for assisting these households for 2 months' worth of unpaid mortgage bills is at least **$94,546,875**.
>
> **Request**: we request that **$700,000 of the State's CDBG funding** be directed to mortgage cost assistance, and that as much as possible of the **$93,846,875 gap** be funded by the CRF and other sources.

Rental Housing

Given April's non-payment rates, and projections for non-payment rates by the Eviction Defense Project and others, it appears that we may be facing an eviction crisis over the next few months. To stave off the worst of it, we estimate that the rental sector will require the following resources:

> **Need**: there are 327,648 low-moderate income cost-burdened renters in Colorado. Assuming that ½ or 163,824 of these renters live in multifamily properties that are subject to federal forbearance, and that ½ of the remaining 163,824 renters may be able to collect sufficient income and/or federal benefits to continue making housing payments, we estimate that there will be at least 81,912 renters who will be in need of housing cost assistance at the end of the State eviction moratorium. At approx. $1,200 per household assisted the cost for assisting these households with 2 months of rent is **$196,588,800**.
>
> **Request**: we request that **$700,000 of the State's CDBG funding** be directed to rent assistance, and that as much as possible of the **$195,888,800 gap** be funded by the CRF and other resources.

Affordable Housing Preservation & Support for Ongoing Programs/Development

Non-profit housing providers are facing significant fiscal challenges to operating their properties because of projected non-payment of rent and mortgages, drastically increased PPE and cleaning costs, and the increased cost of providing services to particularly vulnerable tenants. To ensure that these organizations can continue to operate sustainably, and thus, that existing affordable housing may be preserved, we estimate that the following resources will be required.

- PRESERVATION/SUPPORT NEEDS:

1. **Housing Counseling –**

   Need: based on the experience of the State's HUD-certified housing counselors from the Great Recession, there will be (and already has been) a significant uptick in housing counseling needs. We estimate that 10-11% of the State's 63,031 low-income housing cost-burdened homeowners will be in need of foreclosure prevention counseling. The

   Additional Staff: For at least 10 housing counseling agencies to hire extra staff to meet this need, at $81,250 per staff person (benefits and overhead included), the total cost is $812,500. At roughly $150/counseling session, this would allow housing counselors to assist over 5,400 households in need of foreclosure prevention navigation.

2. **Housing Services & Operating Expenses**

   Need: Yearly cost of a social services navigator is roughly $50,000. At 2x increased output over just one month will cost approximately $8,333 per multifamily building. With approximately 100 nonprofit-run affordable housing buildings in CO in need of increased social services navigation during this time, we estimate that it will cost the non-profit sector $833,333. We also (preliminarily) estimate that across the State's affordable housing properties, there will be approx. $210,000 worth of cleaning, security, and other costs to keep residents safe. These and other costs are above and beyond typical operational costs, and thus cannot be covered by PPP loans.

3. **Housing Mortgage Forbearance Cost Assistance – Habitat for Humanity**

   Need: Habitat for Humanity affiliates across CO are carrying the mortgage on 1,600 homes in CO. Based on non-payment requests, they expect that some 30% of homes will not be able to pay their mortgage this month. Thus, Habitat (who plans to grant forbearance requests) will experience a loss of approximately $960,000 over the next 2 months alone.

***- PRESERVATION/SUPPORT REQUEST*:**

To cover all the costs detailed in the section above would cost $2,815,833. We request that **$700,000 of the State's CDBG funding** be allocated to these costs, and that as much as possible of the **$2,115,833 gap** be funded by the CRF and other resources.

Summary of Total Funding Request

In total, we estimate that the total funding that needed to cover these conservative estimates is **$293,951,508**. Local jurisdictions have limited levels of federal and local funding sources to address this. Thus, we request that the State direct **$2.1M** of its discretionary CDBG allocation to these costs, leaving a gap of **$291,851,508**. Our CDBG ask totals to 33% of the State's discretionary allocation, and our CRF ask totals to 18.37% of the State's discretionary allocation. However, allocating even just **10%** of the CRF to housing would go a long way towards addressing these needs. While this pandemic has damaged many sectors, housing insecurity is perhaps the single largest known contributor to economic and health insecurity. Thus, investing in housing now will help us stave off further socio-economic and health ills for vulnerable CO households.

POLICY REQUESTS

1. **Utilities Expense Relief:** Encourage utility companies to waive or reduce utility expenses for clients across the State.

2. **Provide Property Tax Relief:** While PHAs and organizations who partner with PHAs on affordable housing development are exempt from paying property taxes, nonprofits who don't do this (commonly in rural Colorado) are not exempt, and can have property tax bills that cost 100s of thousands of dollars.

3. **Protect Existing State Funds for Affordable Housing:** New federal, state, and local funding for affordable housing is essential, but insufficient. Thus, it is important that resources be available for affordable housing providers so they can continue to provide housing assistance and deliver on their development pipeline. Affordable housing construction is still ongoing, and demand for down payment assistance and other programs is still high. Continuing to develop housing and provide these services allows us to continue to address the pre-COVID-19 housing gap, ensure that prospective homeowners are able to access housing, and ensures that essential workers in the construction industry can continue to work. The solution to this crisis is not to divert funding from current important work—rather, it is to identify and allocate *new* sources to address the pandemic-related expanding need. Therefore, we submit that, contrary to the Joint Budget Committee Staff recommendations, revenue from the affordable housing **vendor fee** and **unclaimed property fund** should not be diverted to the State's General Fund.

4. **Renter, Landlord, and Homeowner Protections:** the Federal eviction moratorium only applies to properties with federally backed mortgages (*covering roughly 62% of single family mortgages, and 42% of multifamily mortgages*), and we project that the State's new $3M emergency housing relief funding for 50% AMI and below will be insufficient to address the remaining housing need. While the Governor's recent executive order to extend and strengthen the state eviction moratorium for 30 days is a tremendous step in the right direction, it is still unclear how low-income residents will be able to pay multiple past-due months of rent and mortgages at once when this grace-period ends. Tenants should not be penalized or evicted when they are unable to pay rent due to pandemic-related economic hardship; simultaneously, landlords shouldn't be penalized for not collecting rent from vulnerable tenants. Thus, housing stability policy must carefully balance landlord (especially affordable housing provider) and tenant needs so that landlords remain solvent and tenants remain housed. Creating rent and mortgage assistance funds at the levels discussed earlier in this document should be the first priority of the State. The following additional policies, many of which should be employed in tandem, would also help:
   a. ***Encourage Private Lenders on non-Federally backed Mortgages to Provide Multi-Family & Single Family Loan Forbearance*** – To prevent financial instability due to non-collection of rent, the State should issue official guidance to lenders on providing forbearance to multifamily housing providers

where needed. This would protect affordable housing providers, while also relieve financial pressure on market-rate multifamily landlords, thus mitigating the need for them to enforce rent collection on families in hardship. Similar guidance to single-family lenders on non-federally backed mortgages would also help protect low-income homeowners from being forced to pay mortgage "balloon payments" at the end of the eviction moratorium.

b. ***Create a Fund to Compensate Affordable Housing Providers for Lost Rent* -** While affordable housing providers will not evict tenants simply because they are unable to pay rent, in the absence of significant rent assistance for tenants or guaranteed mortgage forbearance for landlords, <u>they are left shouldering the cost of significantly diminished revenue to support their programs</u>. To ensure that they can remain operational, the State should provide a fund that non-profits can apply for to make them whole if they suffer significant income loss over the duration of this crisis.

c. ***Standardize Tenant Means to Petition Landlords for Rent Relief*** – To ensure that tenants who have the means to pay rent, do so, and to protect tenants who cannot pay from being evicted in 30 days, the State should distribute a document to all housing providers that can determine tenant eligibility for rent-relief, while also instantly qualifying them for State-run housing cost assistance.

d. ***Temporarily Extend Cure Period for Past-Due Rent* -** This would allow vulnerable households to save up money (and potentially access assistance) to cover rent costs that snowballed over the last few months, and thus avoid eviction.

5. **<u>Undocumented Immigrant Protections</u>:** While PRWORA *appears* to discourage the use of HUD dollars to help undocumented residents, the issue of assisting undocumented households with CDBG dollars is actually a rather grey area. HUD has never issued guidance on how immigration status is to be verified when using CDBG, and furthermore, states explicitly in Section 432(d) of the HUD "*Interim Guidance on Verification of Citizenship, Qualified Alien Status and Eligibility Under Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996*" that non-profit affordable housing providers are <u>not</u> required to query the immigration status of those they administers federal housing programs to. Thus, we urge the State not to take a more conservative stance than the Federal Government on this by more explicitly prohibiting the assistance of undocumented households. Doing so would leave a huge number of low-income members of our community (already not eligible for most federal pandemic-related assistance) even more vulnerable.

   It is also important to note that anyone, regardless of immigration status, is ineligible for much existing federal COVID-19 assistance if they: do not have an SSN and/or pay taxes with an ITIN, are non-tax filers, or are recently employed individuals without enough "quarters" of work to qualify for unemployment. In short, it would be a mistake to assume that everyone in need is covered by CARES act programs—it will be up to the State of CO to ensure that assistance gets to those who most critically need it.

6. **<u>FEMA:</u>** Work with PHAs and affordable housing organizations to ensure they are included in State and Municipal grant applications to FEMA for emergency PPE and other pandemic related emergency protective measures to ensure that rental properties are kept clean and safe. This is especially critical for organizations providing supportive housing.

Thank you for taking the time to review our letter. We look forward to your response and stand ready to work with you to help our State bounce back from this crisis; and ensure that when it does, that it does not leave any families behind.

Thank you,

Jonathan Cappelli
Executive Director, Neighborhood Development Collaborative

NDC Members:

Denver Housing Authority
Ismael Guerrero, Executive Director
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Colorado Housing Assistance Corp.
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Urban Land Conservancy
Aaron Miripol, President and CEO
Aurora Housing Authority
Craig Maraschsky, Executive Director

Undersigned Organizations

Habitat for Humanity, Colorado

Habitat for Humanity Vail Valley

Elevation Community Land Trust

Enterprise Community Partners

Colorado Association of Realtors