



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Initiative 3

Fiscal Summary

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LCS TITLE: ESTABLISHMENT OF A NEW ATTAINABLE HOUSING FEE

Fiscal Summary of Initiative 3

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at www.colorado.gov/bluebook. This fiscal summary identifies the following impact.

State government revenue and expenditures. Beginning January 2024, Initiative 3 increases state government revenue and expenditures by an estimated \$70 million annually. New state revenue is from a fee imposed on the sale of real property when the sale is recorded with the county clerk. The fee is imposed at a rate of one-tenth of one percent (0.1%) of the amount by which the sale value of the property, as specified in the recorded deed, exceeds \$200,000. State revenue from the new fee is estimated based on an analysis of residential and nonresidential property values and transactions in 2021, inflated for assumed market conditions in 2024. The estimate incorporates fees on sales of residential, commercial, industrial, and agricultural real property, and vacant land. If the fee also applies to other property, such as oil and gas mineral rights, the amount of fee revenue will be greater than estimated and depend significantly on energy market conditions. Revenue from the fee is exempt from the state TABOR limit as a voter-approved revenue change.

County clerks will remit the majority of the fee to a dedicated fund in the state treasury. The bulk of the revenue is then available for allocation to local, community-based attainable housing programs by the Division of Housing in the Department of Local Affairs (DOLA). The DOLA will have increased expenses for new personnel and operating costs to administer new and expanded attainable housing programs. A portion of the new state revenue from the fee will be used for the department's administrative and operating expenses.

Local government revenue and expenditures. Beginning January 2024, Initiative 3 is estimated to increase local revenue to county governments by \$3.5 million annually. This amount is five percent of the total estimated fee revenue, which is retained by county clerks for their administrative expense to calculate, collect and remit the fee. Local governments, including municipalities and counties, in addition to other local community-based public and private entities, are eligible to receive funding from the state for the construction and maintenance of attainable housing.

Economic impacts. Imposing a fee on real estate transactions will make acquisition of real estate more expensive, which may slow the pace of transactions and lower the pre-fee price of real estate. Purchasers who pay the fee will have less money available to spend, save, or invest elsewhere in the economy. The measure will increase revenue available for local governments and community-based attainable housing programs to subsidize the purchase or rental of attainable housing for individuals meeting income and eligibility requirements.