Government Affairs Update
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Loveland

Another DDA Vote This Fall: After the 2016 election and the failure of the Downtown Development Authority (DDA) mill levy tax increase ballot question, the DDA Board and staff conducted a review and surveyed voters within the District. They concluded that one reason the ballot question failed to pass was because residential property owners within the DDA could see no benefit in approving the tax increase. They also realized, in looking at the DDA's long-term development and redevelopment plans, that the residential properties would not likely be a significant component of development in the downtown corridor.

This led the DDA to recommend that certain residential neighborhoods that (1) are not currently included in the DDA plan of development, (2) are separated from the core downtown area by physical impediments, and (3) are comprised of neighborhoods that are not integrated into the DDA and do not have the same degree of contiguity to the commercial areas of the DDA, be removed from the DDA boundaries.

The City Council approved an ordinance to remove approximately 107 residential properties from the DDA boundaries. This will allow the DDA to move forward with another election this fall, at which time it will ask property owners within the new boundaries to give it permission to issue debt and pay for future improvements using future tax increment revenue generated by development within the DDA. Some observers have accused the DDA of rigging the boundaries to ensure passage of the ballot question, but that isn't fair. The DDA will still have to convince affected voters that there is a good reason to approve the measure and increase their taxes.

Habitat Receives Affordable Housing Designation for Sierra Vista: The City Council approved a request by Habitat for Humanity for an Affordable Housing Designation in the Sierra Vista subdivision near the intersection of 14th Street SW and S Lincoln Avenue. Habitat owns 25 lots and plans to build 40 homes for residents living between 30 and 60 percent of the Area Median Income. The designation is the first of a two-part process. It allows Habitat for Humanity to lock-in development fees, qualify for expedited development review, and qualify to request a waiver of development fees. Next month Habitat will request a fee waiver for the project.

REGION

Windy Gap Gets Approval: The U.S. Army Corps of Engineers finally issued a permit for construction of the $400 million Chimney Hollow Reservoir in Northern Colorado west of Loveland last week. Construction of the project could begin in 2019. Water providers that will pay for and benefit from the Chimney Hollow Reservoir are the cities of Broomfield, Erie, Greeley, Longmont, Louisville, Loveland, Superior, Evans, Lafayette and Fort Lupton, as well as the Central Weld County and Little Thompson water districts. However, Chimney Hollow still faces opposition. Gary Wockner, of Save the Poudre and Save the Colorado, says the project will be challenged in court. "The Colorado River is on life support right now. If the patient is bleeding out, you don't cut open a new artery to try and heal it. Instead, you should work to protect and restore the river, not further drain it."

STATE

SB-267 Just a Drop in the Bucket: SB-267, "Sustainability of Rural Colorado," a legislative compromise that solved the Hospital Provider Fee's impact on the TABOR cap, will not solve Colorado's transportation funding crisis. Over time the bill will generate $1.8 billion for transportation but 25 percent is slated for rural roads and 10 percent is dedicated for transit, leaving about $1 billion for other transportation projects such as North I-25 and I-70. As Governor Hickenlooper and CDOT Director Shailen Bhatt have warned, Colorado has over $9 billion in unmet transportation needs. In fact, at an event in Colorado last week, Bhatt said our state will need $20 billion over the next 20 years.

Governor Talks Transportation: At an event organized by the Northern Colorado Economic Alliance, Governor Hickenlooper said transportation and health care will be the priorities of the 2018 legislative session. He voiced frustration that no health care bills survived this year's session and said if "we all don't give a little" health care will suck the money from transportation and higher education.

When asked, he said he thinks a sales tax is the most viable option to fund transportation but also suggested another option might be a special income tax on individuals who make more than $400,000 a year. This idea wasn't especially well-received by the audience of business people. Why should more affluent people pay for the service we all use?

As Terri Blackmore, the Executive Director of the North Front Range Metropolitan Planning Organization pointed out, people spend more money on their cell phones than they pay for transportation. On average, most Coloradoans pay about $28 a month in gas taxes. Transportation is a utility, just like cell service, internet and electricity but voters don't understand the gas taxes they pay are woefully behind the times and cannot fund the transportation improvements Colorado needs.

STATE

Independence Institute Considering Transportation Ballot Measure: John Caldera of the Independence Institute is considering a transportation initiative for the November ballot. "Fix Our Damn Roads" has been approved by the Secretary of State's title board with signatures due from voters by August 7. The proposal would ask voters to authorize the State to issue $2.5 million in bonds for transportation funding with a list of projects for which the proceeds would be spent, including North I-25, South I-25 and I-70 West. It specifically excludes transit projects. The Institute is looking for allies because it's estimated the cost to gather signatures is $1.2 million and another $3 million for a campaign.

NATION

NAR - Tax Reform Could Hurt Homeowners: The National Association of REALTORS® has published a study focusing on the impacts of comprehensive tax reform. While the study did not say so, the reforms identified in the study closely mirror President Trump's proposed tax reform plan. *

NAR's study focused on how lower and consolidated marginal tax rates would impact income taxes. Specifically, lowering and consolidating tax rates to three rates with a top rate of 33 percent, doubling the standard deduction, eliminating all itemized deductions other than charitable contributions and mortgage interest, and eliminating personal exemptions, which is comparable to several other income tax proposals released in the past few years. The study indicates the reforms would result in higher income taxes for those with an adjusted gross income (AGI) between $75,00 and $250,000 and lower taxes for another with an AGI over $200,000.

In addition, the study concludes comprehensive tax reform would impact the demand for owner-occupied housing by reducing the number of homeowners who claim the mortgage internet deduction, eliminating the itemized deduction for property taxes and decreasing the marginal tax rate. The authors conclude the after-tax cost of homeownership would increase and home prices would fall in the short run as housing becomes a less attractive investment. Read NAR's summary here:
http://narfocus.com/billdatabase/clientfiles/172/26/2906.pdf

* The Trump Plan recommends a top rate of 35 percent, doubling the standard deduction and eliminating deductions except for the mortgage interest and charitable contribution deduction.

NAR Opposes USDA Reorganization: The U.S. Department of Agriculture (USDA) has provided a report to Congress proposing their reorganization. The new plan creates an Under Secretary for Trade and Foreign Agriculture Affairs. However, it also eliminates the Under Secretary of Rural Development, a department which includes rural housing programs. Instead, rural development agencies will report directly to the USDA Secretary.

While the USDA report calls this move an "elevation" of the program, NAR is concerned that it will undermine the importance of these programs, which provide valuable access to housing financing in rural communities. USDA is not required to eliminate an Under Secretary to create a new position, so elimination of this area is unnecessary. NAR sent a letter to Congressional members with jurisdiction over USDA, asking them to retain the Rural Development Under Secretary, and keep these critical programs fully functioning.

Hearing Held on PHH v. CFPB: On May 24, 2017, the U.S. Court of Appeals for the D.C. Circuit heard oral arguments in the case of PHH Corp. v. CFPB. The court examined whether the Consumer Financial Protection Bureau's (CFPB) single director structure is unconstitutional and whether the CFPB exceeded their authority when interpreting the Real Estate Settlement Procedures Act (RESPA). The bulk of the oral arguments focused on the constitutionality argument, rather than the RESPA concerns.

Initial reports indicate the court is unlikely to rule the CFPB is unconstitutionally structured (rejecting the previous three-judge panel decision) but will uphold the RESPA interpretation in favor of PHH (and NAR) issued by the three-judge panel in October. Recall, the three-judge panel held that payments for bona fide services provided and made at fair market value do not violate RESPA, reinforcing NAR's support of marketing service agreements.

The court will likely publish their decision sometime in the fall, at the earliest. In the meantime, the CFPB continues to issue enforcement actions on RESPA related concerns, as evidenced by the recent Consent Orders. NAR continues to work with the CFPB on these matters and the impact on the real estate industry.

NAR Says No Degree Needed for Appraisers: NAR submitted a comment letter to the Appraiser Qualifications Board (AQB) in response to the Third Exposure Draft concerning proposed changes to the AQB's *Real Property Appraiser Qualification Criteria*. NAR agreed with the AQB's removal of the degree requirement for licensed residential appraisers, the basic appraiser qualification, and to instead require completion of 150 AQB *Core Curriculum* credit hours. NAR also agrees with the AQB's proposed removal of the minimum time limits on obtaining experience hours for all appraiser credential levels.

NAR is concerned with the AQB proposal to reduce the experience hours for appraiser classifications and the impact that could have on the quality of incoming appraisers. In addition, NAR asked the AQB to consider a two-year rather than four-year degree requirement for certified residential appraisers, the mid-level appraiser qualification, and allow for prior work experience to count toward the degree requirements.