Government Affairs Update
May 2017
Barbara Koelzer, Regional Government Affairs Director
barbara@ires-net.com
303.886.5675

Larimer County

Fort Collins

Municipal Election Results: Wade Troxell was re-elected mayor, winning a decisive 57 percent of the vote, defeating opponents Edie Hudetz and Kwon Atlas. In District 1, Bob Overbeck won a second term, beating Nate Budd by 15 percentage points. In the closest race, Ken Summers defeated Gordon Coombes by a seven percent margin to take the District 3 seat. Ross Cunniff easily defeated Duane Hansen by a 40-point margin. The results of the election mean that Gerry Horak will continue to be the swing vote. If Nate Budd had won the District 3 seat, the business-oriented faction would have a 4-3 majority.

Note: The Home Builders of Northern Colorado, the Fort Collins Board of REALTORS® and the Fort Collins Area Chamber of Commerce supported Mayor Troxell and Ken Summers. All three groups endorsed Nate Budd in the hope he could replace Bob Overbeck.

Loveland

Olson Wins Seat: Steve Olson easily garnered enough votes to win the vacant City Council seat representing Ward 3. He received over 65 percent of the votes, while challengers Howard Dotson and John Keil split the remaining votes. The election is good news for the Loveland-Berthoud Association of REALTORS® who endorsed Olson. The sad news is that only 1,980 of Ward 3's 11,000 voters – 18 percent -- participated in the election.

Council Postpones Adoption of New Impact Fees: The City Council has been discussing a new methodology for calculating capital expansion (or impact) fees for new development for five years. Last week staff presented Council with a resolution adopting the new plans based fees but after a long conversation, Council opted to postpone the decision until September.

The CEFs under consideration included fire, law enforcement, general government, library, cultural (museum), parks, recreation, trails and open space. Streets, water, sewer and electric CEFs were <u>not</u> included in the discussion. As recommended by staff the new fees would reduce the cost of building a single-family residence by $412, bringing the CEFs to $10,353 per home. The CEFs for multi-family projects would also go down $200 to $7,282 per unit. While a majority of the six Council members present liked the idea of reducing residential CEFs, they were not comfortable with adopting the proposed increases for commercial and industrial developments.

REGION

Johnstown Bows to Pressure: Last month the Johnstown City Council did not ratify the agreement to donate $6 million for the SH 402 interchange redesign as part of the I-25 Phase One project. At the last moment the town's mayor, who had helped broker the deal, got cold feet. He argued Johnstown should not have to contribute $6 million to the project since the town is smaller than Loveland. Loveland City Council members countered, saying Johnstown has annexed three of the four corners of the interchange and could have a lot to gain by future development there.

Fortunately, the Town Council changed its mind the following week after receiving negative feedback from the other government partners in the project and its own citizens. In a unanimous vote the Council voted to provide $6 million for the 402 interchange, per the original regional agreement. This is great news because Weld County's $1 million donation was contingent on Johnstown's participation. The Loveland City Council had already agreed to give $6 million and Larimer County agreed to give $1 million.

COLORADO ASSOCIATION OF REALTORS®
Legislative Update:

Senate Bill 17-215 "Sunset Licensed Real Estate Brokers & Subdivision Developers" CAR Position – Support.

The bill directs the Real Estate Commission to establish, by rule, the number of transactions that a broker must have completed before becoming an employing broker and amends the current provisions on referral fees to conform to the requirements of federal law. It further consolidates the various cash funds used for several licensing functions and programs administered by the division of real estate into a single cash fund.

Additionally, the bill would allow broker licenses to expire uniformly on December 31 rather than requiring licensees to apply for renewal at various times throughout the year on their individual anniversary dates and defines "conviction" to include deferred judgments and deferred sentences, in provisions listing factors the commission may consider when determining whether to discipline a licensee.

HB-1309 "Doc Fee to Fund Affordable Housing." CAR Position – Oppose.
This bill would double the existing documentary fee for the recording of real estate deeds, with half of the money allocated to the county treasurer and the other half allocated to the Colorado Housing and Finance Authority to create a housing investment fund to support new and existing affordable housing programs.

CAR says the bills has several flaws.

> “First, the fee that would double under this legislation hurts the very families that it is intended to help because such a fee is regressive. It disproportionately impacts low-to-moderate income earners – those that can least afford it, which creates a barrier to homeownership. Down payment costs – including closing costs – remain a significant barrier to homeownership, especially for low-to moderate-income households.
>
> Second, real estate documentary fees are not a reliable funding source. Real estate documentary fees are extremely sensitive to market forces, making the frequency of transactions and value of property variable in relation to the strength of the economy, which makes real estate documentary fees a poor revenue source to fund affordable housing.
>
> Finally, real estate documentary fees for affordable housing are likely unconstitutional under TABOR. The Colorado Supreme Court has weighed in on the issue of taxes versus fees, and ruled that fees levied must be directly related to the services being performed. New fees that pay or fund something not directly related to the cost of service are actually taxes, and as such, violate TABOR’s requirement that citizens are entitled to vote on new taxes.”

Senate Concurrent Resolution 17-002 “Real Estate Transfer Tax For Affordable Housing” CAR Position – OPPOSE This resolution is sponsored by Senator Kefalas (D-Ft. Collins). SCR 02 deletes the prohibition in TABOR on new or increased transfer tax rates on real property. The concurrent resolution imposes a tax upon the recording of each real property deed at the rate of 1/10 of one percent of the value of the real property as specified in the deed for the privilege of transferring the title to real property (tax). Unfortunately, without meaningful construction litigation reform, any money allocated to for-sale units would not be truly effective. Absent reform, affordable housing developers will not be building such units.

> SCR 02 has several flaws. First, the transfer tax hurts the very families that it is intended to help because such a tax is regressive. It disproportionately impacts low-to-moderate income earners – those that can least afford it, which creates a barrier to homeownership. Down payment costs – including closing costs – remain a significant barrier to homeownership, especially for low-to moderate-income households. Two weeks ago, the Denver Post reported that Colorado is the nation’s epicenter when it comes to housing unaffordability. Specifically, seven of the 12 counties in the entire U.S. where housing affordability is out of balance are along the Front Range. Adding even more costs to purchasing a home would further reduce many families’ ability to achieve the American Dream of homeownership.

Second, real estate transfer taxes are not a reliable funding source. Real estate transfer taxes are extremely sensitive to market forces, making the frequency of transactions and value of property variable in relation to the strength of the economy, which makes real estate transfer taxes a poor revenue source to fund any government programs, let alone affordable housing.

Finally, real estate transfer taxes are unconstitutional under TABOR. This concurrent resolution would remove that prohibition against transfer taxes in Colorado's Constitution.

STATE

Transportation Bill Moves to Senate: HB-1242 "Transportation Infrastructure Funding" had its first committee hearing in the Senate's Transportation Committee on April 11. It passed out of the committee on a 3-2 vote but that could spell trouble for the bill. While HB-1242 is co-sponsored by the Senate President, a Republican, Senators John Cooke (Greeley) and Ray Scott (Grand Junction), voted against it.

Some key amendments may make the bill more palatable to conservative Republicans. One amendment reduced the sales tax increase from .62 percent to .50 percent. Another changed CDOT's allocation from a flat $375 million a year to 53 percent a year, which allows the portion for State projects to grow over time.

The Northern Colorado Legislative Alliance has a neutral position on the bill because we have significant concerns about the bill. For one thing, our polls show voters will not support such a large sales tax increase. In addition, the emphasis on funding local projects and multi-modal transportation comes at the expense of state highways. We believe the bill should include a "signature list" of projects generated by the Transportation Commission that guarantees funding for key interstates and corridors.

Note: The Colorado Association of REALTORS® currently has a neutral position on this bill.

NATION

Why Home Ownership Matters: According to a study funded by the National Association of REALTORS® the for-sale housing industry is a key component of the gross domestic product (GDP), and an important driver for the overall economy. Since 1959, total housing-related spending, including both owners and renters, accounted for an annual average of 18.9 percent of GDP, and an average of 17.8 percent of GDP since 1985. However, following multiple years of contraction in the national homeownership rate and a sharp reduction in capital availability for new home construction, housing-related spending as a share of GDP decreased significantly, falling to 15.6 percent of GDP as of 2016.

However, there is cause for optimism according to the report's authors. They say foreclosure rates will continue to fall and economic factors work in favor of increasing home ownership rates in the near term. Income and employment are on the rise, potential increases in federal government spending on infrastructure and defense, and possible reductions in tax rates and regulation should stimulate the economy, the report states. Follow this link to read more: **http://tinyurl.com/lkvjsox** .

NAR Urges Mnuchin to Protect MID: In a recent letter NAR 2017 President William E. Brown urged new Treasury Secretary Steven Mnuchin to protect the current tax benefits of homeownership as the Trump Administration seeks to reform the federal income tax system.

Referring to recent media reports where Mnuchin promised to leave "the mortgage interest deduction as is," the letter explained that certain types of tax reform plans, such as the "Blueprint" put forward by House Republicans last year, also pledge to leave the deduction untouched. However, by nearly doubling the standard deduction while repealing most itemized deductions, "the Blueprint would in fact have the consequences of nullifying not only the MID, but also other tax incentives of owning a home for the great majority of Americans who now are, or who aspire to become, homeowners."

The letter goes on to explain that this kind of approach to tax reform could harm the incentive effect that makes purchasing a home easier for the first-time homebuyer and also could lead to a drop in the value of all existing homes. "The overall result could be a disastrous downturn in the quality of many neighborhoods and communities, and especially our most vulnerable ones," Brown said in the letter.

The letter concludes by asserting that REALTORS® support tax reform, but that in making needed changes, we should "not discard the features of our tax system that make America a homeownership society."'