



THE LIHTC Property Compliance ISSUE

LIHTC Compliance Relief Extended

IRS Notice 2022-05 extends some, but not all compliance relief
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Offline LIHTC Units at Year-End

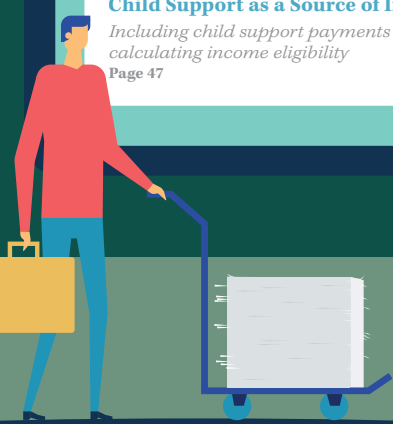
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FOCUS ON 🔍

Focus On: Colorado Springs, Colorado

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

Politically speaking, mountainous Colorado is fittingly purple, with the Denver metro area and Boulder famous for delivering a plethora of blue votes while much of the rest of the state, including the city of Colorado Springs, leans conservative.

What that means for the affordable housing market in Colorado Springs is something of a curiosity: A reputedly red region that has actively advanced its affordable housing strategy, so much so that Republican candidates for office adopt it as a major component of their platforms.

“Almost every conservative—mayor and city council candidates—is on the campaign trail advocating for affordable housing,” said Lee Patke, executive director of Greccio Housing, which built and/or operates more than 600 affordable rental units in 27 properties in the city, with plans to top 1,000 units by 2025. “It

wins now because employers and business owners know the value and know the necessity of having good, stable employees and the foundation of that is a good, stable home.”

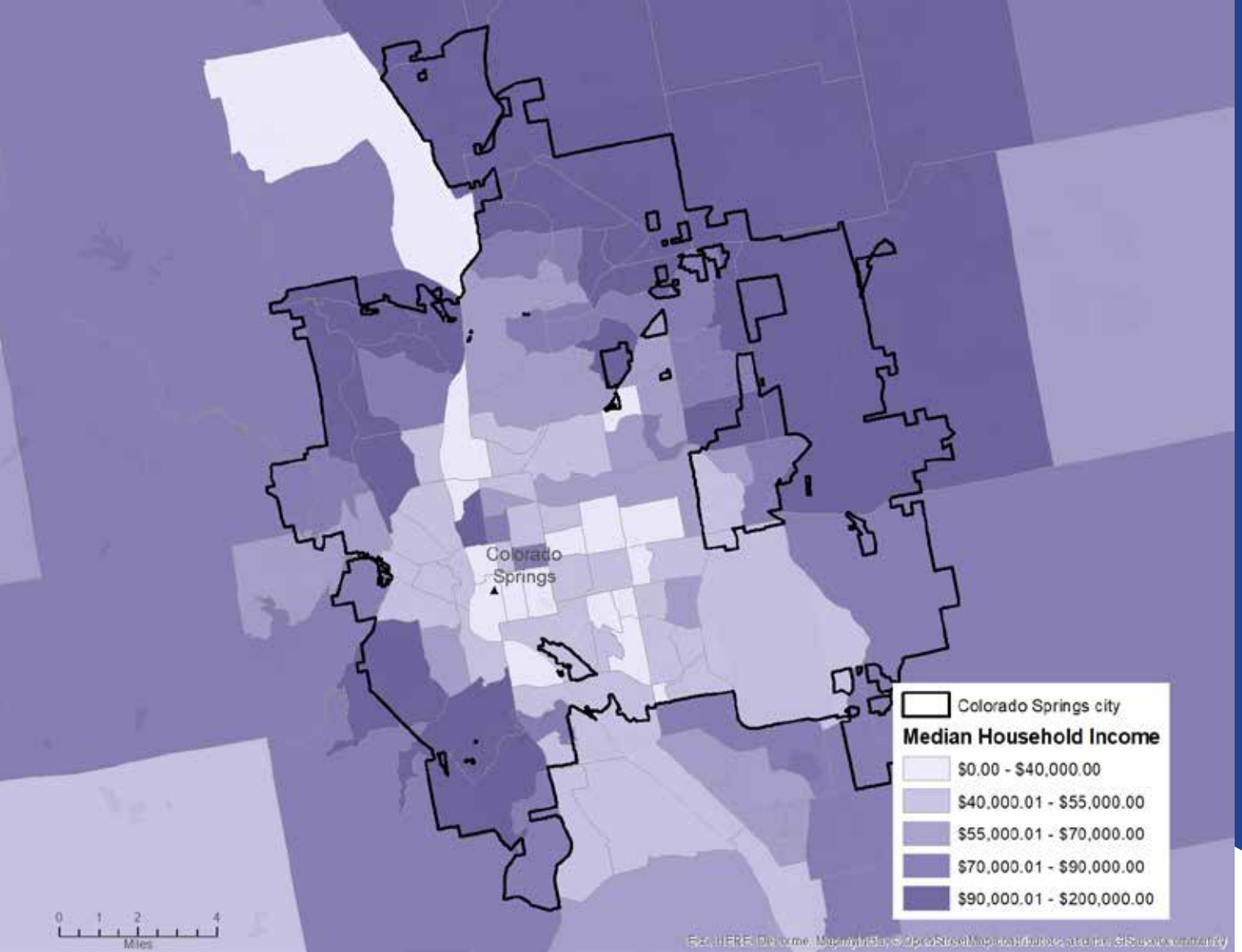
COLORADO SPRINGS CENSUS DATA

	2010	2021
Population	416,381	486,741
Percentage of white residents	78.9%	76.1%
Median household income	\$67,834	\$76,898
Renter-occupied housing units	66,978	76,164
Percentage of population 65+	11%	15.1%

Source: U.S. Census Bureau

Image: Courtesy of Greccio Housing

Pikes Peak sits to the west of The Atrium at Austin Bluffs, an affordable housing development from Greccio Housing in Colorado Springs, Colorado.



Median Household Income in Colorado Springs



There's an avalanche of change in "the Springs," as many Coloradans call it, where economic diversity and changing demographics are reshaping the state's second-largest city. It's also the home of intense focus in community development. In 2018, the city's mayor adopted a plan to add 1,000 affordable homes per year for five years. Patke said the COVID-19 pandemic has "turbo charged" the issue.

"The Springs is growing like crazy," said Josh Russell, a partner with Denver-based Medici Consulting Group, which develops and consults on properties in Colorado Springs. Russell called the Springs "a business-friendly community. ... It's a conservative

community in the Springs being forward-thinking about these issues. They're doing as good a job as anybody in Colorado."

Where the Columbines Grow

It's hard to talk about Colorado Springs without mentioning Pikes Peak. The towering mountain looms to the west of the city, the highest summit in its portion of the Rocky Mountains. The Pikes Peak gold rush brought miners to the Rockies in the 1850s, although the name is largely apocryphal—many plied their wares around 90 miles to the north. Before miners, Spanish descendants as well Native Americans, including the Utes, Cheyenne

and Arapaho, inhabited the land that's now Colorado Springs.

In 1871, William Jackson Palmer, a Union Army general and railroader who helped introduce the nation to coal-burning train engines, helped found the city. In the 20th century, the Springs became a focal point of American military activity, hosting or being in close proximity to multiple installations: The Air Force Academy, the headquarters for North American Aerospace Defense Command, and Air Force Space Command, which split off in 2019 to become its own branch of the service, the U.S. Space Force. It's also the home of the United States Olympic and Paralympic Training Centers.

The city is 76.1% white. Those earning below \$35,000 make up just more than a quarter of the city. More than one-third of Colorado Springs residents are renters, according to the National Low Income Housing Coalition's 2021 Out of Reach Report. The report states a resident of the Springs needs to earn \$23.08 per hour to afford a two-bedroom, fair-market rent home.

Guess They'd Rather Be in Colorado

In terms of economic and affordable housing development, Colorado Springs is following bust with boom. Patke said in the 2000s, the city was primarily a military community and also a college town thanks to a quartet of nearby universities. It also was a period of people leaving the Springs.

"Everyone who loved this community was concerned about the perceived lack of young people moving here," Patke said. "They were moving out. It wasn't dynamic and it wasn't what they were looking for."

It was a tough time to develop affordable housing as a result. Russell said the city struggled to provide block grants. Patke mentioned a dearth of developments earning tax credit awards for more than a decade.

Steve Posey, community development and U.S. Department of Housing and Urban Development program manager for the city, said two factors transformed the city and inspired the urgency for change in affordable housing in the 2010s: a youth infusion of millennials who helped swell the city's ranks by more than 70,000 people while diversifying and boosting its economy. That had the side effect of moving rental prices up, which rippled through Colorado Springs' senior population, many of them connected to the military community.

"A lot of long-time seniors who have lived here for decades are really feeling the squeeze as rents continue to go up across the city," Posey said. The rising value attracted investors to buy properties and push for improvements with the outcome of a rise in rents. "We're watching our senior population very carefully, especially lower-income seniors' possibility for displacement or them having to move and change apartments in a really dynamic market."

The political will to boost affordable housing comes from the top, with Mayor John Suthers issuing in 2018 the Housing Our Future, the City of Colorado Springs' (HomeCOS) affordable and attainable housing plan aimed at increasing the city's affordable housing inventory by 1,000 units each year for five years, a goal it is exceeding thus far. Posey said HomeCOS and the investment plan by the mayor, whom he called "very engaged and forward-looking" on affordable housing, are paramount to the program's success.

"In terms of what the city's doing, I can't overemphasize enough how important it was for our mayor to very publicly say, 'I'm going to challenge the community to meet this goal,'" Posey said. "I'm not aware of any other community in Colorado that has done that."

Patke called the community development landscape in Colorado Springs "a lightning-in-a-bottle kind of moment." Russell said that while the city struggled in the 2000s, the changes starting in the 2010s are

becoming evident. “You can take my word for it, but look at what city has done,” Russell said. “The city’s done a 180.”

Rocky Mountain Way

Suthers’ mayoral predecessor, Steve Bach, helped galvanize public support for five different endeavors in the 2010s to inspire economic growth: a new visitors center at the Air Force Academy; construction of two new sporting venues, Ed Robson Arena for Colorado College’s ice hockey program and Weidner Field for the Colorado Springs Switchbacks soccer team; a new sports science building at the University of Colorado-Colorado Springs; and the U.S. Olympic & Paralympic Museum.

“Where there’s smoke, there’s fire,” Russell said. “Look at all the things they’ve been doing. They recognize there’s a problem and they’re getting after it.”

The southeast side of the city near the Colorado Springs airport is seeing some of the biggest affordable housing growth, said Posey, who anticipates a high level of affordable housing production for the next few years. Russell agreed.

“The area east of (Highway) I-25 toward the airport used to be desolate prairie,” Russell said. “That’s just gone gangbusters.”

Posey said the city has taken creative approaches not just to encourage development in the city, but to incentivize developers to build housing for specific demographics such as a fee-offset program that doesn’t waive or reduce building fees, but balances costs in other ways such as placing issuer fees for bond transactions into a pool that’s shared by developers. Russell said part of what drives the affordable housing market in Colorado Springs is taxes, which are some of the lowest in the state, as well as lower prices for water as the city owns its aquifers and has lower tariffs than other places in Colorado.

“There’s a lower cost to develop there than many, many other areas,” Russell said. “Particularly Fort

Collins and Greeley and the suburbs around Boulder are very expensive to develop in.”

Counting Stars

Posey and Russell said one hurdle that may arise as Colorado Springs pursues its affordable housing goal is saturation. Russell said developers building homes for those earning up to 60% of the area median income (AMI) are starting to face challenges. “There’s only so many human beings in the area in that income band,” Russell said.

He speculated this could shift developer goals to lower-income AMI percentages, but also that it presented an opportunity to catch the “missing middle.” Posey said the city must address a diversity of income levels if it wants to achieve its goals.

“If you don’t have a housing market that can provide housing at multiple price points across the income spectrum, it’s really starting to, I think—not ‘starting to.’ I think will be a drag on region’s continued economic health,” Posey said.

One local initiative aimed building housing in a direction that’s affordable and sustainable is the Affordable Housing Collaborative, of which Patke is a part.

“It’s not a nonprofit, just a group of individuals that we’ve put together with participation by 60 to 65 other folks in community through interviews, listening sessions, gatherings and meetings to see how to move the needle on affordable and sustainable housing in community,” Patke said.

As Colorado Springs grows, despite the storm of changes, Posey said the city hopes to grow in a way that retains its character. Russell praised the area.

“I’m totally in love with the Springs,” Russell said. “I don’t see why anyone else wouldn’t be.” ❖

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