



**Fiscal Note**  
**Legislative Council Staff**  
Nonpartisan Services for Colorado’s Legislature

**SB 26-040: AFFORDABLE HOME OWNERSHIP PROGRAM**

**Prime Sponsors:**

Sen. Simpson; Amabile  
Rep. Stewart K.

**Fiscal Analyst:**

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**Version:** Initial Fiscal Note  
**Date:** January 30, 2026

**Fiscal note status:** The fiscal note reflects the introduced bill.

**Summary Information**

**Overview.** The bill provides flexibility to the Division of Housing in the Department of Local Affairs to allocate money for affordable housing assistance.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- Local Government

**Appropriations.** No appropriation is required. The Affordable Housing Cash Fund is continuously appropriated to the Department of Local Affairs.

**Table 1**  
**State Fiscal Impacts**

| Type of Impact          | Budget Year<br>FY 2026-27 | Out Year<br>FY 2027-28 |
|-------------------------|---------------------------|------------------------|
| State Revenue           | \$0                       | \$0                    |
| State Expenditures      | \$8,856                   | \$8,856                |
| Transferred Funds       | \$0                       | \$0                    |
| Change in TABOR Refunds | \$0                       | \$0                    |
| Change in State FTE     | 0.1 FTE                   | 0.1 FTE                |

**Table 1A**  
**State Expenditures**

| <b>Fund Source</b>        | <b>Budget Year<br/>FY 2026-27</b> | <b>Out Year<br/>FY 2027-28</b> |
|---------------------------|-----------------------------------|--------------------------------|
| General Fund              | \$0                               | \$0                            |
| Cash Funds                | \$6,786                           | \$6,786                        |
| Federal Funds             | \$0                               | \$0                            |
| Centrally Appropriated    | \$2,070                           | \$2,070                        |
| <b>Total Expenditures</b> | <b>\$8,856</b>                    | <b>\$8,856</b>                 |
| <b>Total FTE</b>          | <b>0.1 FTE</b>                    | <b>0.1 FTE</b>                 |

## Summary of Legislation

Under current law, the Division of Housing in the Department of Local Affairs (DOLA) may spend money from the Affordable Housing Cash Fund to support affordable home ownership with down-payment assistance to first-time buyers, and with grants to nonprofit organizations, local governments, tribal governments, community development financial institutions and land trusts.

This bill allows the division to also offer below market rate loans to these groups if the funding is for households with income less than or equal to 120 percent of the statewide area median income, and the total cost of the monthly housing payment does not exceed 35 percent of monthly household income.

The bill creates a waiver process allowing DOLA more flexibility to allocate funding for affordable housing projects. A waiver request must include a housing needs assessment, a proposed maximum percentage of income that a household may allocate for monthly housing costs, and evidence that the unit has been adequately marketed to eligible buyers for purchase for at least six months after the unit's completion. DOLA may approve a waiver request, may authorize a waiver with housing cost limits that are different than those requested, or may modify the total amount of funding to account for an increase in the sale price of the unit.

Finally, the bill allows DOLA to consider a local affordability mechanism when determining affordability criteria for project approval. The local mechanism may include a deed restriction, community land trust ground lease, secured recapture lien, or comparable recorded instrument in lieu of a state-prescribed use covenant. The mechanism must allow the state to maintain its compliance obligations and be equivalent to or more protective of affordability than a state-prescribed use covenant. An eligible organization may request that the division allow it to rent residential units constructed as part of the project, despite original funding awards specifying for-sale ownership only. DOLA must develop guidance for this provision by December 31, 2026.

## State Expenditures

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The bill increases state expenditures in the Division of Housing in DOLA by about \$9,000 annually beginning with FY 2026-27. These costs, paid from the Affordable Housing Cash Fund, are displayed in Table 2 and discussed below.

**Table 2**  
**State Expenditures**  
**Department of Local Affairs**

| <b>Cost Component</b>        | <b>Budget Year<br/>FY 2026-27</b> | <b>Out Year<br/>FY 2027-28</b> |
|------------------------------|-----------------------------------|--------------------------------|
| Personal Services            | \$6,786                           | \$6,786                        |
| Centrally Appropriated Costs | \$2,070                           | \$2,070                        |
| <b>Total Costs</b>           | <b>\$8,856</b>                    | <b>\$8,856</b>                 |
| <b>Total FTE</b>             | <b>0.1 FTE</b>                    | <b>0.1 FTE</b>                 |

## Staff

The department will have staff costs of about \$9,000 and 0.1 FTE beginning in FY 2026-27. This estimate is based on approximately:

- 100 hours annually for underwriting, review and approval, documentation, and drafting amended agreements to process an assumed four waiver requests each year;
- approximately 100 hours to update Division of Housing templates for new contracts, and for evaluation of proposed local affordability mechanisms;
- about 75 hours to conduct stakeholder engagement, and to create, review, and publish implementation guidelines in FY 2026-27; and,
- up to 100 hours annually for project review, evaluation, and approval of requests to rent units that have been built for sale as part of the original covenant.

## Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

## **Local Government and Statutory Public Entities**

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The bill may impact workload for local governments and local housing authorities participating in housing affordability programs offered through DOLA. This work may include updating procedures and evaluating options for eligible projects. The availability of waivers may streamline work for some projects. Overall, any impact is minimal and will depend on the number and types of projects pursued by a local government or housing authority.

## **Effective Date**

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The bill takes effect July 1, 2026, and applies to requests for waivers received on or after that date.

## **State and Local Government Contacts**

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Local Affairs