POLICY FRAMEWORK

Building Predictable Housing and Homelessness Systems

A statewide approach to recurring development capital and flexible homelessness funding

The opportunity: Replace isolated, short-term appropriations with predictable funding that matches the time needed to develop housing and sustain effective homelessness services.

1. Recurring Housing Development Fund or Expanded State Trust Fund

Purpose. Create a significant recurring state funding source that allows communities to build multi-year housing pipelines and secure early commitments needed to leverage other public and private financing.

- Eligible uses could include site acquisition, predevelopment, environmental review, design, permitting, infrastructure, construction gaps, preservation, adaptive reuse, and local project-management capacity.
- Program terms should provide multi-year spending authority, tie deadlines to closing or construction milestones, permit extensions for projects making measurable progress, and allow funds to be reallocated when a project is no longer feasible.
- The value is predictability: early-stage projects can move through planning while later-stage projects proceed toward closing and construction, creating a steadier pipeline instead of repeated starts and stops.

2. Recurring Flexible Homelessness Fund

Purpose. Establish an annual state appropriation of approximately $15-25 million for the full homelessness response continuum, including costs that capital grants, Medicaid, insurance, and other dedicated programs do not cover.

- Eligible uses could include prevention, street outreach, emergency shelter, bridge and transitional housing, rapid rehousing, supportive services, housing navigation, transportation, and services for people leaving institutions.
- The fund should also support HMIS and data improvement, local coordination, provider capacity, and targeted backfill when federal funding is reduced, delayed, or restricted.
- Recurring funding allows providers to retain qualified staff, maintain programs between grant cycles, and respond to local needs without rebuilding the service system each year.

Colorado Proposition 123: A More Complete Model

Dedicated and recurring. Approved in 2022, Proposition 123 dedicates an amount equal to 0.1% of state taxable income to affordable housing without creating a new tax. It was initially expected to generate roughly $300 million annually. Even after state budget reductions, the presentation estimates approximately $220 million will remain available in the next fiscal year.

- Broad housing uses: predevelopment and site acquisition; rental and homeownership production; rehabilitation and preservation; workforce housing serving somewhat higher incomes; and gap financing for projects using traditional affordable housing resources.
- Local participation: communities opt in by committing to increase housing production and streamline or fast-track local land-use review. This connects state investment to measurable local action.
- Capacity building: Colorado paired new funding with direct grants, training, toolkits, staff support, and development expertise. Communities can use these resources to build project pipelines and move projects from concept to construction.
- Dedicated homelessness response: a separate Proposition 123 allocation supports homelessness prevention, supportive housing services, and new supportive housing. Earlier state projections included service for about 40,300 people, supportive services for 600 households, and approximately 220 new supportive housing units annually; roughly $55 million is currently identified for these efforts.
- Backfilling federal losses: after federal emergency rental assistance ended, Colorado continued assistance with state resources. The presentation identifies approximately $25.6 million annually for emergency rental assistance and $1.1 million annually for eviction legal defense.

Recommended State Approach

Pair the two funds as complementary infrastructure: development capital creates and preserves housing; flexible homelessness funding helps people reach and remain in stable housing. Use clear eligibility standards, milestone reporting, outcome measures, and reallocation procedures to maintain accountability without imposing timelines that prevent otherwise viable projects from succeeding.

Discussion handout | September 2026 | Based on the City of Las Cruces ERDPC presentation and supporting policy materials. Colorado figures reflect estimates included in the presentation.