

Proclamation

SUPPORT OF COLORADO SENATE BILL 24-106 CONCERNING LEGAL ACTIONS BASED ON CLAIMED DEFECTS IN CONSTRUCTION PROJECTS

- WHEREAS,** the Construction Defect Action Reform act was passed by the Colorado Legislature in 2001. Since the passage, construction of condominiums has significantly declined; and
- WHEREAS,** notwithstanding the fact that Colorado's population today is 20% greater than what it was in 2008, condominium construction in the front range has slowed dramatically and is now 76% lower than it was in the years between 2002 and 2008, and between 2007 and 2022, the number of entities developing condominiums decreased by 84%. This amounted to 14 new apartments for every 1 new condominium in recent years, compared to 1 new condo for every 1.25 apartments in the 6 years prior to 2009; and
- WHEREAS,** Colorado has a challenge insofar as, according to the state demographer, it has the sixth most expensive housing market in the nation; and
- WHEREAS,** in 2022, Colorado's housing affordability dropped at the 2nd fastest rate since 2009 according to CSI's Homebuyer Misery Index. The Colorado Association of Realtors Housing Affordability Index shows the affordability of townhomes and condos declining at a faster rate than single family homes during this time, however they remain 32% more affordable; and
- WHEREAS,** multifamily for-sale housing is a critical component of this solution because it helps close the affordability gap and adds a needed element to the diverse mix of housing options the state can offer Coloradans, and historically condominiums have been the most affordable housing choice for owner-occupied housing; and
- WHEREAS,** spiking insurance costs make condominiums less attractive to developers. The high frequency and high cost of construction liability litigation has driven insurance companies to raise insurance rates for developers. In recent years, insurance costs for condominiums surged to a 5.5% of a project's hard costs, which was more than 233% higher than multifamily rental home projects, which had insurance costs as low as 1.1% to 1.65% of project hard costs; and
- WHEREAS,** over the 15-year span from 2007 to 2022, the number of unique condominium developers engaged in condominium development plummeted by 84%, dropping from 146 to 23. This stark decline underscores the significant impact of construction liability litigation laws on the willingness of developers to engage in condominium projects; and
- WHEREAS,** Colorado Springs has enacted local reform to reduce the potential risks but has been unable to fully address the problems related to construction defects law that inhibit the development of diverse housing; and
- WHEREAS,** to fill the market demand for affordable condominiums, Colorado needs policy reform that balances homeowner and developer risk. Adequate reform does not require the repeal of existing law but can instead involve a strategic series of incremental reforms. Those reforms should reasonably address the balance of interests and reduce insurance costs to promote the construction of affordable housing. These reforms can include providing greater opportunities to remedy defects through a construction professional, alternative dispute resolution, standards to improve opportunities for the resolution of claims outside of litigation, broader consent of unit owners prior to an owner's association filing of suit and other provisions to address problems with association claims, limits on damages related to compliance with building codes or industry standards, and higher standards for establishing claims; and

WHEREAS, Colorado Senate Bill 24-106 allows for the construction of needed housing inventory by:

- Lessening insurance costs by reducing the magnitude and frequency of claims
- Providing other means to resolve disputes faster for homeowners
- Ensuring that homeowners within an association are properly informed of the aspects of litigation that affects their property; and

WHEREAS, the City of Colorado Springs supports this legislation that will help bring down the building costs of affordably priced homes and create more opportunities to build wealth for residents of Colorado Springs through home ownership.

NOW, THEREFORE, The Mayor and City Council of Colorado Springs, do hereby proclaim

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in Colorado Springs, Colorado, and support the passage of Colorado Senate Bill 24-106 Right to Remedy Construction Defects which will encourage condominium construction in Colorado Springs and urges the Colorado Legislature to approve the bill.

IN WITNESS WHEREOF, we have hereunto set our hand and caused the Great Seal of the City of Colorado Springs to be affixed this twenty seventh day of February 2024.

Blessing "Yemi" Mobolade, Mayor
City of Colorado Springs

Randy Helms, President
Colorado Springs City Council