



Legislation Text

File #: 24-143, **Version:** 1

An Ordinance Creating Section 452 (Eligible Affordable Housing Projects) of Part 4 (Exempt Transactions, Commodities and Persons; Deductions) of Article 7 (Sales And Use Tax) of Chapter 2 (Business Licensing, Liquor Regulation and Taxation) of The Code of the City Of Colorado Springs 2001, as amended, pertaining to Eligible Affordable Housing Projects

Presenter:

Charae McDaniel, Chief Financial Officer

Summary:

In 2022, City Council approved adding a new section to the Sales Tax Code that allows the owner of an Affordable Housing multi-family project to qualify for a refund of City taxes paid for the purchase or use of construction materials.

The Ordinance being considered currently would add a new section in the Sales Tax Code to create an exemption for Affordable Housing Projects that are wholly or partially owned by a housing authority or an entity in which a housing authority has a direct ownership interest. Eligible projects can be rental housing or for-sale housing that meets the Affordable Housing income thresholds.

Affordable Housing Projects that are solely owned by a developer and the Housing Authority is not involved may still qualify for the refund but would not be eligible for the exemption.

Background:

The Ordinance creates an Eligible Affordable Housing exemption for sales and use tax on construction and building materials, as defined in section 2.7.104, fixtures, and appliances purchased, used, or consumed for and during the construction of the eligible project (collectively “qualifying material”), which aligns directly with the State of Colorado’s Affordable Housing exemption. The sales and use tax exemption would be allowed for affordable housing projects owned by, leased to, or under construction by an entity that is wholly or partially owned directly by either a housing authority or an entity in which a housing authority has a direct ownership interest. An eligible project could be rental housing or for-sale housing that meets the Affordable Housing income thresholds.

The qualifying entity and its contractors will be able to apply for an exemption certificate from the City Sales Tax office. The contractors will then provide the exemption certificate to the qualifying materials suppliers to make tax-free purchases. The shift from a refund to an exemption process will create a simpler, more streamlined process for Affordable Housing Projects which are completely or partially owned by the Housing Authority.

The Ordinance would allow for an exemption of City taxes paid on qualifying materials for Eligible Affordable Housing projects that meet the following conditions:

- The project is located in the City of Colorado Springs
- The project is owned by, leased to, or under construction by an entity that is wholly or partially owned directly by a housing authority or an entity in which a housing authority has a direct ownership interest.
- The project is new construction or a substantial renovation
- For mixed-use projects, the exemption shall be proportional to the percentage of the qualifying mixed-use project that is for income-restricted dwelling units
- The dwelling units remain as affordable housing for a minimum of fifteen (15) years

For reference, the 2022 Ordinance that was approved allows for the refunding of City taxes paid on construction material for Affordable Housing projects that meet the following conditions:

- The project is located in the City of Colorado Springs
- The project is new construction of multi-family dwellings, substantial rehabilitation of an existing multi-family dwelling, or conversion of an existing commercial building to multi-family dwellings
- The project consists of at least one (1) dwelling unit qualified as income-restricted affordable housing. The refund shall be proportional to the percentage of the qualifying mixed-use project that is for income-restricted dwelling units
- The project has received a final certificate of occupancy
- The dwelling units remain as affordable housing for a minimum of fifteen (15) years

In conjunction with the Affordable Housing Fee Rebate Program and refund process, the exemption for sales and use tax paid for qualifying material on Eligible Affordable Housing projects will provide additional incentive for Affordable Housing projects.

Previous Council Action:

N/A

Financial Implications:

No financial impact

City Council Appointed Board/Commission/Committee Recommendation:

This item was discussed with the City Council Budget Committee on March 12, 2024

Stakeholder Process:

N/A

Alternatives:

City Council could choose to not change City Code to allow for exemptions of City taxes paid on Eligible Affordable Housing projects

Proposed Motion:

Move approval of the Ordinance creating Section 452 (Eligible Affordable Housing Projects) of Part 4 (Exempt Transactions, Commodities and Persons; Deductions) of Article 7 (Sales and Use Tax) of Chapter 2 (Business Licensing, Liquor Regulation and Taxation) of the Code of the City of Colorado Springs 2001, as amended, pertaining to Eligible Affordable Housing Projects

An Ordinance amending the City's Sales Tax Code pertaining to implementing a sales and use tax exemption on qualifying materials for eligible affordable housing projects