

# Sales Tax for Homelessness Resolution

## FAQs

August 2, 2020

### **What is being proposed?**

A .25% sales tax to fund housing, shelter and services for those experiencing or exiting homelessness. (2.5 cents on a \$10 purchase)

### **Why a Sales Tax?**

Unfortunately, most "progressive" taxes and some unique taxes/fees used in other states to address homelessness are unavailable to local governments under Colorado's Constitution:

- Local income ("wealth") taxes are not allowed
- Generally required to assess property taxes uniformly, cannot charge "luxury" or "vacant/second vacation" properties more
- Fees on real estate transfers prohibited by TABOR

Property tax was not proposed due to concerns about the burden on small businesses and homeowners facing increasing valuations, with concern for small business exacerbated by the economic impacts of the pandemic. Fees like OPT would not have been able to raise a comparable amount unless they were increased by many times over current levels.

Sales tax:

- Is partially paid by visitors.
- In Denver, food, medicine, fuel and feminine hygiene products are exempt from the sales tax, making it less regressive and mitigating some of the impact on lower-income households.

### **What would Denver's sales tax be if this passes?**

Denver's current local city sales tax is 4.31%, so if approved, the local tax would become 4.56%, for a total sales tax of 8.56% when including all state and regional taxes. If a second sales tax measure at .25% also passed, then Denver's local sales tax would be 4.81%, for a total sales tax of 8.81%. We would be in the upper tier of sales taxes in the region, but not the highest, if both taxes passed.

### **How much would this tax cost the average household?**

About \$5.25 a month (Department of Finance Analysis of U.S. Bureau of Labor Statistics data)

### **How much money will be generated from the .25% sales tax?**

- Would have been estimated to generate more than \$40 million, pre-COVID.
- Current estimates for 2021 are lower due to the economic impact of COVID, requesting voter approval for \$40 million, but if passed, we will plan conservatively for even less.

### **How will the funds be used?**

Similar to other dedicated taxes in Denver, the ordinance will lay out the intended and eligible uses of the funds, but will not rigidly pre-program the dollars, instead using annual and long term

planning to transparently decide how much money will be spent in each area, with the flexibility to respond to changes in state/federal funding, need or opportunities. The funds will be spent on:

- 1) **HOUSING.** Building housing, expanding rental assistance and providing supportive services or other supports to house people experiencing homelessness;
- 2) **SHELTER.** Expanding the number of shelter beds, improving access for underserved populations, and providing better health and housing outcomes through 24-hour shelter and drop-in day services such as coronavirus prevention, mental health care, substance treatment, housing and employment counseling, and other services;
- \* **CATALYTIC PROJECTS.** Which would combine shelter or services with housing in the same building, making more efficient use of scarce land and better integrating continuums of services;
- 3) **OTHER SERVICES, INCLUDING FOR THOSE WHO ARE UNSHELTERED.** Providing more housing referrals and other services to people living on the streets or in cars to help them exit homelessness.

**What outcomes will this new funding achieve?**

**In the immediate term:**

- Help us sustain our COVID emergency response
- Begin to regrow shelter capacity we've lost by 100+ beds
- Transition more people to existing housing.

**Beyond the emergency response:**

- Complete the services and funding needed to build 1,800 new apartments over 10 years
- Create 5-600 new units of shelter or housing in catalytic projects that combine uses
- Continue to expand shelter beds in ways that also improve access for underserved populations and provide better health and housing outcomes because they are 24-hours with more services.

Additional goals, metrics and outcomes will be determined through annual and 3-5 Year Plan processes.

**What about preventing homelessness?**

New funds will serve those experiencing "or exiting from" homelessness, so that supportive services or housing subsidies can continue to be provided to individuals to help them remain housed, preventing recurrence of homelessness.

Denver recognizes the importance of funding to prevent involuntary displacement, which could lead to new homelessness for some individuals and families. Programs to keep people housed, also known as Housing Stability, is funded through other existing sources:

- In 2020 Denver's base budget dedicated just over \$4.3M million from the Housing Fund and other federal resources to support housing stability. Programs funded include eviction legal defense, Temporary Rent and Utility Assistance (TRUA), home

repair, tenant/landlord counseling, and other programs to help individuals and families stay in their current homes, which can prevent new homelessness.

- These programs have helped more than 3,400 people/households this year.
- Additionally, the city has dedicated \$5 million from our CARES Act allocation for rental, utility, and mortgage assistance which we expect to serve another 900+ households through the end of the year.
- In addition to the city and its partners' investments to support housing stability and prevent displacement, HOST also invests federal resources to support homelessness prevention with resources such as the Emergency Solutions Grant, which was increased this year through the CARES Act.

### **Who will administer the new funds?**

Denver's Department of Housing Stability (HOST) will receive the funds and administer them in accordance with recently revised planning and oversight systems already in place for Denver's Affordable Housing Fund. The law requires transparent and inclusive planning and reporting, with a Housing Stability Strategic Advisors board providing oversight in addition to Council approval of annual budgets and 3-5 Year Strategic Plans.

Because Denver utilizes other local, federal and Housing Fund dollars in this same area, it is critical that the funds be administered by the same entity to ensure alignment with and leveraging of the different sources as funding availability/priorities change.

### **Who will receive the funds?**

Denver does not own or operate housing or provide supportive services, so housing and service dollars will be invested into community-based providers and projects, through a competitive process unless there are special circumstances.

Denver currently owns two shelters that are operated by community non-profits. All remaining shelters are owned by non-profits and receive only a portion of their funding from the city. This fund will support both city and non-profit shelters and programs.

### **How can the community, including those most impacted, help shape and monitor how funds are spent?**

- Public input is required for city plans that guide housing and homelessness investments, including this new fund.
- New language is being added to the current HOST requirements through a companion ordinance to ensure equity is considered and to codify recent practices of including input from those with lived experience of homelessness.
- Publicly available reports on actual investments, outcomes and progress on goals are required. One example is the real-time reporting of affordable housing outcomes on the HOST [dashboard](#).

#### *Housing Stability Strategic Advisors :*

This formal oversight body recommends plans for use of the funds and monitors outcomes; it includes at least 3 individuals with lived experience in homelessness/displacement/affordable

housing; begins meeting in October 2020; holds public meetings; takes public input including outreach on major plans and releasing public comment drafts of annual and 3-5 year plans (which must be adopted by the City Council)

### *Stakeholder Groups on Homelessness Resolution, Affordable Housing, Housing Stability*

These subcommittees begin meeting late 2020/early 2021; open for broad stakeholder/public involvement; provide feedback/suggestions to the Strategic Advisors in their topic area

In addition, HOST often conducts outreach and gathers input from impacted stakeholders when new programs or types of investments are proposed.

### **Do these types of investments work?**

Homelessness is a national crisis with many systemic and historical causes, and all cities are challenged with trying to impact these complex forces at the local level. Where evidence-based practices are available, those are important, but we also must innovate and try new interventions to address gaps in the evidence. Several models are proving effective in Denver but require additional funding to expand their reach to more people:

### ***Supportive Housing***

- The Social Impact Bond and other Supportive Housing that has opened in recent years:
  - housing + services = 79-90% retention
  - 50-70% reduction in arrests for those in the SIB

### ***24-Hour Shelter***

- During COVID, new auxiliary shelter and emergency transformation of existing shelters to 24 hours with expanded services has **validated the benefits** of several goals in the Three-Year Shelter Plan:
  - 16% of those surveyed at the National Western Center came into shelter from sleeping directly on the streets
  - guests felt less anxious and more rested with an assigned bed
  - less transportation required, no queues impacting sidewalk/neighborhoods where guests don't have to move between separate day/night shelters
  - access to more robust food options
  - on-site clinicians provided COVID prevention and other primary and mental health

### **What about COVID?**

- As of late July 2020, more than 2993 people have been tested by Denver's Department of Public Health and Environment and Colorado Coalition for the Homeless at Stout Street Health Clinic, shelters, encampments etc.
- 349 tested positive, positive rate of 11.66% (Stout only tests those with symptoms, other testing included asymptomatic individuals)
- At least 9 deaths
- To maintain distancing, we have lost 1,200 beds of capacity
- Without state/federal action on eviction policy or unemployment or other income replacement, risk of massive increase of homelessness:

- [Columbia University](#) looked at historical trends, finding that for every 1% increase in the unemployment rate, homelessness per 10,000 people increased by 0.65
- Under current conditions, with no changes to policy, housing market, etc., that trend could result in a 40-50% increase in homelessness nationally

People experiencing homelessness include many medically vulnerable individuals, including seniors and those with pre-existing conditions. Lack of access to hand washing/restrooms and congregate sleeping conditions increase risk. While Denver’s strategy to de-concentrate sleeping spaces and place symptomatic/infected and high-risk individuals into hotel/motel rooms has been effective, with leases for some spaces ending and existing facilities caring for fewer guests to allow social distancing, Denver’s shelter capacity is down approximately 1,200 beds and the extra capacity we’ve been able to maintain relies on emergency funds that will come to an end.

Especially in year one, this source will help us maintain some emergency measures, including 24 hour operations of some facilities and COVID screening, and restore at least 100 beds of lost shelter capacity while also helping to connect more people from shelter to housing.

**What are the racial disparities in homelessness, and are these funds intended to help improve access for those who have been underserved?**

Denver’s Three-Year Shelter plan, which this funding is in part intended to implement, specifically calls for shelter and services to be better targeted to groups that have experienced barriers to access, including seniors, medically frail and those with mobility impairments, couples, families, and people with pets.

*The data on racial disparity:*

**Among those who are homelessness in Denver County:** When compared to the population of Denver overall, Denver’s 2019 Point-in-Time count identifies racial disparities. Black and American Indian and Alaska Native people are over-represented in those experiencing homelessness, while white people are underrepresented.

- 9.5% of Denver’s population is Black or African American, but 26.3% of the population experiencing homelessness.
- While 1.0% of Denver’s overall population is American Indian or Alaska Native, 6.3% of the population experiencing homelessness identifies as American Indian or Alaska Native.

**Among those who are unsheltered in Metro Denver (analysis of Denver County was not available from MDHI):** According to the 2019 Point in Time data (PIT), and the HUD racial equity tool the majority of those who are unsheltered in Metro Denver are people of color.

- 12% of unsheltered persons are African American; while they are only 5% of the metro Denver population;
- 10% of unsheltered persons are American Indian or Alaskan Native; while they are only 1% of the Metro Denver population;
- 11% of unsheltered people identified as being of multiple races; while they are only 8% of the metro Denver population.
- 22% of the unsheltered population identifies as Latinx (ethnicity category).

- While PIT data are not reported such that we can determine how Latinx individuals identify their race, data from the U.S. Census Bureau show that most Latinx individuals (82% regionally) identify as white. If we apply this percentage to the 209 people who were unsheltered and identified as Latinx, **we estimate that 53% of the unsheltered population are people of color** (defined as those who identify as non-white race or white and Latinx).

### *Current and future equity considerations:*

- Because there is racial disparity among those who are unsheltered, it will be critical that a portion of new resources be directed to the unsheltered community.
- Conversations are already underway regionally through MDHI on how the OneHome system prioritizes those eligible for housing, and whether updates to the factors used to prioritize households for housing might help address intersecting risk factors that might disproportionately impact people of color (for example, due to higher rates of policing/arrest of people of color, including criminal justice involvement as a factor may prioritize more individuals of color more highly for housing)
- It is not enough for services to just be available “regardless of race,” we must help service providers to become more culturally competent through training and language access, and to consider racial equity within and throughout program design and delivery:
  - The more we can include peer navigators, hire staff, and gather input from people of color and those with lived experience, the more likely our policies and programs will be to better meet the unique needs of persons of color experiencing homelessness

### **What about other dedicated funds?**

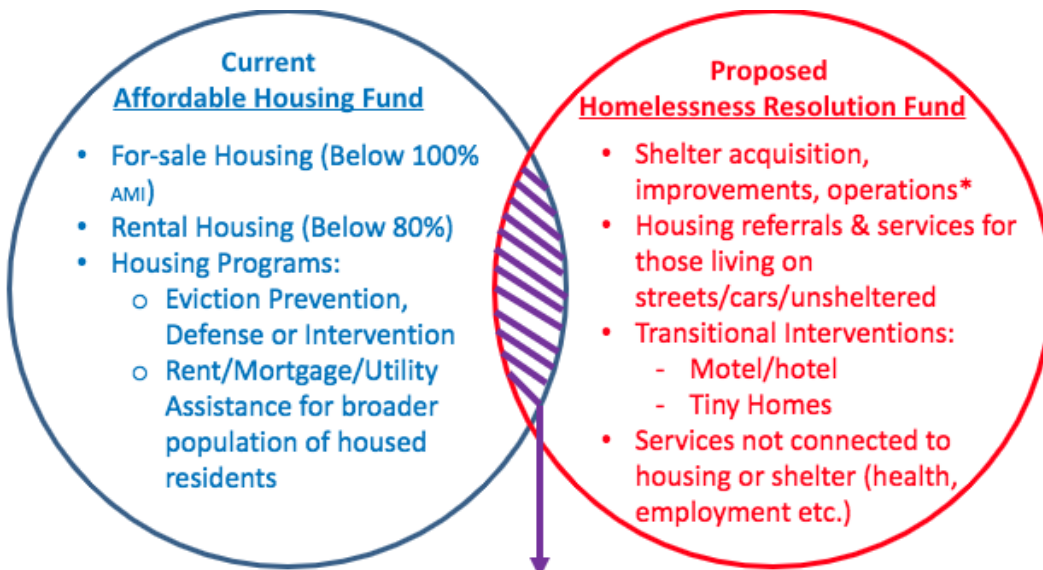
While both the Housing Fund and Caring for Denver will make investments in this area, homelessness is not the primary focus of either revenue stream, only a small portion. And a dedicated approach is needed to make a larger and more sustainable impact.

### *Caring For Denver:*

- Is in the early phases of deploying first of three rounds of funding, homeless service providers are eligible but there are no specific set-asides or funding targets for this sector.
- Within a funding set-aside for the City, has funded \$1.9 million in funding for co-responders, training, and the STAR street response team as an alternative to police for those in crisis, which should help reduce harm and connect those experiencing homelessness and in crisis to services, pathways out of homelessness.
- Has provided the City \$6.6m in funding for facilities for those in mental or substance crisis many of these will likely be experiencing homelessness
- Nine homeless serving providers got grants of \$25,000 to help with COVID crisis response.
- While we anticipate a portion of funds going to serve those experiencing homelessness, the need is greater than Caring for Denver can meet alone and per their current structure and priorities, they may be a better funder for innovative, catalytic programs and partnerships than core, on-going, system-wide mental health services.

### *Denver's Housing Fund:*

- Launched in 2017, currently targets 20-25% of ~\$30 million annual funding to house those experiencing homelessness. It has worked well to provide gap funding for new construction when projects receive state or federal tax credits, but we also continue to utilize more federal HOME or other funds for the gaps in these projects (the ability to leverage competitive tax credits in a given year varies, some years 0 or 1 projects have gotten tax credits, other years we've received 2-3).
  - 1,200 households exiting homelessness have received rent assistance, services and other resources.
  - Across all sources (Housing Fund, federal, other), more than 350 supportive housing or other apartments for those experiencing homelessness have either been created or are in the immediate pipeline.
- The D3 Bond issued by Denver Housing Authority, backed by Housing Fund dollars, will help 10-15 new projects acquire land in the coming years. A small percentage of the units in that pipeline (300) will get DHA rental vouchers, which are also needed to fund deeply affordable apartments, leaving a gap that can be filled by the new Homelessness Resolution Fund.
- Funded some rapid rehousing and bridge housing investments
- In these ways the Housing Fund has created a robust pipeline. But there are several gaps to complete that pipeline:
  - Supportive housing relies on "project-based vouchers" to help make the financing work, and there are not enough State/DHA vouchers for all possible pipeline units, or to grow the pipeline to house more individuals.
  - Services funding is capped, can only fund small gaps in services (not the entire cost), and only enough to fund that gap for 1 or 2 projects per year.
  - There is also no sustainable source of city funding for services to accompany scattered site housing or enough funding to provide services in legacy projects that house those experiencing homelessness but were not established with service funding before current best practices emerged.



**Overlapping Eligibility:** HOST will evaluate how to maximize each source for best outcomes

- Acquire/build/renovate housing for persons experiencing homelessness
- Tenant based rental assistance for those experiencing homelessness
- Rapid rehousing or other short term rental, service support for those experiencing homelessness
- Supportive services connected to housing for those experiencing homelessness\*\*
- Project based rental assistance those experiencing homelessness\*\*\*

\* Denver allocates local general fund dollars and receives federal funds that are also used for shelter and homeless services, but those funds are not dedicated and are unable to meet the scale of the need on their own.

\*\*Housing Fund limited to using 10% of property tax/non-linkage for supp svcs

\*\*\*Eligible but not currently funded by Housing Fund