

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-1033 **Date:** April 28, 2015
Prime Sponsor(s): Rep. Tyler; Kraft-Tharp **Bill Status:** House SVMA
Fiscal Analyst: Erin Reynolds (303-866-4146)

BILL TOPIC: REVIEW PROCESS NEW MULTI-FAMILY ATTACHED HOUSING

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	\$25,000	\$25,000
Cash Funds	25,000	25,000
State Expenditures	\$25,000	\$25,000
Cash Funds	25,000	25,000
TABOR Set-Aside	\$25,000	\$25,000
FTE Position Change		
Appropriation Required: \$25,000 - Department of Local Affairs (FY 2015-16).		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

The bill creates a voluntary process for an external review and validation of new multi-family housing construction—paid for by the builder, conducted by a trained independent contractor, and audited by the Division of Housing (division) in the Department of Local Affairs (DOLA). Under the bill, multi-family housing is defined as any residential property that contains more than one attached dwelling unit, including condominiums or cooperatives.

The division is required to:

- establish, administer, and audit an external review and validation procedure of new multi-family housing construction; and
- maintain a registry of construction defect complaints received by the division for multi-family attached housing.

A builder of new multi-family housing must disclose to the purchaser whether or not the builder contracted to conduct an external review, and disclose the results, if applicable.

State Revenue

The bill is expected to increase state fee revenue by **\$25,000 annually**. The new inspection fee is deposited into the Building Regulation Fund in DOLA. The fiscal note assumes that 1,000 units will be reviewed and validated annually. Based on that assumption, the division will assess a per-unit \$25 fee to the developer or building owner requesting the external review and validation.

The division will hire an independent contractor to perform the external review and validation, and will perform the audit within its current resources. A typical condominium unit consists of 30 units, which generates, as an example, a total fee of \$750 per building that the division will use to pay the independent contractor.

Fee impact on multi-family housing developers and building owners. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 below identifies the fee impact of this bill.

Type of Fee	Fee Change	Number Affected	Total Fee Impact
Multi-family per-unit inspection fee	\$25	1,000	\$25,000
TOTAL			\$25,000

State Expenditures

The bill is expected to increase state cash fund expenditures by **\$25,000 annually** from the Building Regulation Fund in DORA.

External review and validation. The division will hire an independent contractor to conduct the external review and validation, and pass on the fee it assesses developers or building owners to the independent contractor. The fee is expected to generate \$25,000 per year, based on 1,000 units and \$25 per unit, which will be used to pay independent contractor costs. The division will conduct audits of independent contractor reviews within its existing resources. The contractor will review blueprints and conduct random on-site installation reviews. The division opts to use a contractor rather than FTE because the workload is unpredictable.

Complaint registry. The division will also create a web-based registry of construction defect complaints related to multi-family attached housing. The division will file complaints electronically and email each complaint to the developer or building owner. The developer or building owner will be required to post the resolution of the issue. The effort to create and maintain the registry is consistent with current division duties and can be completed within existing resources.

Rulemaking. The division will require approximately 12 hours of legal services to promulgate rules for the external review and validation process as well as the audit process within the division. Under the bill, these rules must include, at a minimum, design plan, foundation construction, and major subsystems review, as well as contain criteria for gold, silver, and bronze levels of validation of external reviews. The division will absorb this cost within existing rulemaking resources.

Effective Date

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2015-16, the Department of Local Affairs requires a cash fund appropriation of \$25,000 from the Building Regulation Fund.

State and Local Government Contacts

Judicial Department

Law

Local Affairs