

A Second Look at New Colorado housing laws

Imagine this for a second. You spend, I don't know, years saving up every extra dollar. Right, like skipping to vacations, budgeting like crazy.

Exactly. And finally, you buy your dream condo in this beautiful new planned community. You get the keys, you move in, and you think, you know, I am finally financially secure.

The dream, right? Yeah, the dream. Until three years later, you open your mail and find a legally binding bill from your homeowner's association for like \$20,000. Oh, wow.

Why? Because the retaining walls in the neighborhood are failing, the private roads are crumbling, and it turns out the developer secretly knew the community didn't have anywhere near enough money saved to fix it. It is a devastating scenario. And unfortunately for a lot of homeowners, it isn't a hypothetical.

No, it really isn't. It's just the muddy reality of jumping into a massive financial investment without having the full picture of the liabilities hiding just beneath the surface. Exactly.

And preventing that exact kind of financial ambush is a huge part of why we're here. So welcome to our discussion today. Glad to be here.

We curate and break down this massive stack of sources, you know, articles, legal texts, research, to extract the ultimate aha moments specifically tailored for you. Because we know you want to be well informed on the forces shaping your world. Right.

But without drowning in the dreaded information overload. So today, our focus is taking a close look at a fresh stack of newly signed Colorado housing and real estate bills. Just to clarify, these bills are locked in.

They'll go into law either later this year or in early 2027. Yeah. But before we get into the mechanics of these new laws, we really need to set the rules of engagement for how we're going to approach this discussion.

Absolutely. So we are focusing strictly on the language of these bills. We want to look at how they work and, you know, who potentially benefits from them.

Just the mechanics. Right. We are entirely bypassing the political run up, the lobbying, the partisan pros and cons.

We're not taking a position on whether these laws are objectively good or bad. From a legal standpoint, they just are. Right.

So no soapboxes here. Exactly. Furthermore, I want to be crystal clear that we do not believe these bills will fundamentally shift the entire housing market overnight.

It rarely works like that anyway. Right. We are taking a strictly neutral wait and see approach regarding their ultimate utilization.

The text is on the books, but, well, the open market will decide how it actually gets used. Which is definitely the best way to look at it. Although, as a quick note on the cutting room floor before we start, there was one piece of legislation, HB 261114, which would have forced limits on lot sizes.

Oh, right. The lot size mandate. Yeah.

That one was actually killed in the Senate. So good catch by the Senate there, keeping the focus tightly on other structural avenues rather than forcing mandates from the top down. It was a very interesting debate, for sure.

Yeah. And speaking of other avenues, we do have one highly anticipated exception to our wait and see rule regarding post-closing agreements, which we are absolutely going to celebrate later. Oh, I can't wait to get to that one.

But, okay, let's unpack this by looking at the very first hurdle of the housing journey, which is access. Because before you can worry about an HOA or property taxes, you have to actually figure out how to get the keys. And that brings us to Senate Bill 26053.

This is fundamentally about expanding who has access to specific, highly beneficial financing tools. The CHFA loans, right? Specifically, it expands mortgage loan eligibility through the Colorado Housing and Finance Authority, commonly known as CHFA. Now, if you aren't familiar, CHFA loans are this massive stepping stone for middle-to-lower income buyers.

They help with down payment assistance. They offer competitive interest rates. They basically just lower the barrier to entry.

Right. And this new bill explicitly targets first responders. But what really surprised me is that they didn't just stop at your standard police officers and firefighters.

No, they cast a much wider net. They really did. The law specifically broadens the definition of a peace officer to include non-certified deputy sheriffs, emergency communications specialists.

So your 911 dispatchers, corrections officers, port of entry officers, and even wildlife officers. Which makes total sense when you look at this socioeconomic trends in the state. I mean, think about a 911 dispatcher or a wildlife officer.

Right. They're essential. Absolutely essential public servants.

They make a stable, decent living, but they are generally not making the kind of massive tech industry salaries that allow someone to comfortably buy a half million dollar home in today's market. Yeah. That's just the reality.

So what ends up happening is that these public servants are entirely priced out in the very communities they serve and protect. You have dispatchers commuting an hour and a half just to get to the emergency call sign. Which is terrible for everyone.

It is. Yeah. By bringing these specific roles under the CHFA umbrella, the state is trying to offer a financial lifeline so these essential workers can actually live in the towns they work in.

But there are income limits, right? Yes. They've set an income limit for the families made eligible by this act just to ensure the financing targets the exact economic bracket that actually needs the help. Okay, wait, hold on.

I get the social benefit of that for sure. But if I am a mortgage underwriter trying to process a CHFA loan, isn't this an administrative nightmare? Oh, it's definitely going to cause some friction. I mean, how do I quickly verify a non-certified deputy sheriff versus a standard emergency communications specialist without delaying the whole loan? It just feels like broadening these definitions creates this massive new checklist that could slow down the actual approval process.

It's a very fair point. And it is a real friction point in the industry. You know, whenever you expand a legal definition, you inevitably create a new compliance headache for the underwriters.

Right, more paperwork. Exactly. Lenders are going to have to update their verification protocols, and yes, there might be delays while a lender figures out if a specific port of entry job title actually matches the statutory requirement.

Which is frustrating for the buyer. True. But the legislative calculation here is that the friction of a slightly longer verification process is entirely worth the benefit of opening home ownership pathways to essential workers.

I hear that. But giving a 911 dispatcher a great mortgage rate is pretty much useless if there are zero homes in their town they can actually afford to buy. A great loan doesn't just conjure a house out of thin air.

That supply issue is the massive bottleneck, which is exactly what the state is trying to solve next with Senate Bill 26-001. Right, the workforce housing bill. Yeah, you cannot solve the housing crisis with individual financing alone.

You have to look at community level development. And this bill, SB 26-001, is dense, but it is super important. It's entirely focused on workforce housing.

First, it allows local governments, like counties and municipalities, to sell, dispose of, or enter into long-term leases of public property specifically to build affordable or workforce housing. It's a big shift in how they can use their land. Definitely.

It also allows local governments to use ad valorem tax revenue for workforce housing. And just to be clear for you listening, ad valorem is just the fancy legal term for standard property taxes that are based on the assessed value of the real estate. Right, just your regular property tax.

Plus, the bill completely exempts construction materials for county workforce housing from taxation. Let's actually pause on that last point, because exempting construction materials

from taxation is a massive, immediate cost-saving measure on the front end of development. Oh yeah, the savings have to be huge.

They really are. When you are building a 50-unit complex, the taxes on the lumber, the steel, the concrete alone can run into the hundreds of thousands of dollars. Wow, just in taxes.

Just in taxes. By erasing that tax, you drastically lower the upfront capital required to even break ground. But what's fascinating here is the specific mechanism this bill introduces regarding tax credits.

Right, the middle income housing tax credit. Yes. So, the state has this middle income housing tax credit, which is an incentive given to encourage the building of housing for that missing middle demographic we just talked about.

Right. People making too much for traditional low-income housing, but not enough for luxury builds. Exactly.

Previously, if you wanted to claim this tax credit, you had to actually have an equity stake in the development. You had to own a piece of the building. Which means you had to basically be a real estate developer.

Or partner with one, yeah. And that was a massive derriere, I would assume. It was.

Let's say a local town wants to build a housing complex. The town has the land, but they don't have the cash. Meanwhile, there is a private investor who has plenty of cash and would love a tax break.

But they don't want to be a landlord. Right. They have absolutely no desire to manage a residential building.

Well, SB 26-001 changes the game. It allows governmental or quasi-governmental entities to transfer this tax credit to an entity subject to income tax, even if that entity does not own a piece of the building. So the town can essentially sell or transfer the tax credit directly to the investor in exchange for the capital to build the housing.

Precisely. It allows pure capital injection without forcing the investor into the messy reality of property ownership. It fundamentally changes how these projects can be funded.

I gotta say, that is a brilliant mechanical fix. It connects the people with the money to the people with the land without forcing them into some complicated business marriage. Exactly.

And speaking of connecting people, another piece of this bill allows for what they call multi-jurisdictional housing authorities to be approved at biannual local elections. And they can combine this with tax and debt ballot questions. Let's break down how that actually works in practice, because the name is a mouthful.

Yeah. Multi-jurisdictional housing authority. I like to think of this allowance as the ultimate neighborhood potluck, but, you know, for millions of dollars.

I like that analogy. Right. Imagine you have two neighboring towns.

Town A is geographically huge. Wow. They have acres of vacant usable land, but their local economy is struggling, so they have zero budget to build.

Right next door is Town B. Town B has a booming commercial district and a massive tax base, but they are totally landlocked. They couldn't build a new apartment building if they wanted to, because there's simply no space. Under the old system, they're both totally stuck.

Town A has the space, but no money. Town B has the money, but no space. Exactly.

But with this new law, instead of every small town struggling in isolation, they can legally and easily pool their resources. They form a multi-jurisdictional authority. They team up.

Right. They team up. They put a combined question on the local ballot, and suddenly, Town B's tax revenue can legally cross municipal lines to fund a housing development on Town A's vacant land.

That's a huge shift. It is. They pool their debt, they pool their land, and they build something substantial together that serves the whole region.

Everyone brings a different dish to the table, and instead of everyone going hungry, they get a feast. That perfectly illustrates the mechanism. It essentially erases the invisible municipal borders when it comes to pooling resources for a shared regional crisis.

Which is desperately needed. It is. But again, keeping to our rules, we wait and see if these municipalities actually decide to share their resources, or if local politics gets in the way of the potluck.

Right. It's one thing to have the option to share. It's another to actually convince two different town councils to agree on who writes the checks.

But let's assume it works. Let's say the multi-jurisdictional authority builds the housing, and our wildlife officer from earlier gets their CHFA loan and buys a beautiful new townhouse. Okay, they're moved in.

They're moved in. But once they do, we shift from the excitement of getting the keys to the anxiety of keeping the lights on. How is their financial future protected? Right.

Because buying the home is just step one. Maintaining the community is step two. And that leads us directly into House Bill 26-1099, which is entirely focused on HOA transparency and protecting the financial condition of common interest communities.

This is where we get back to your opening scenario with the surprise \$20,000 bill. The dreaded assessment. Yes.

House Bill 26-1099 places a very strict new rule on declarants, which is just the legal term for the developers who originally built these communities. Prior to transferring control of a

planned community or a condominium over to the actual homeowners association, the developer must commission and pay for a 30-year reserve study. And a 30-year reserve study is not just an accountant looking at a spreadsheet.

It is a massive, highly technical, predictive analysis. Oh, it's incredibly detailed. Right.

They send engineers out to physically inspect the property. They calculate exactly when the community pool will need a new filtration system, what year the clubhouse roof will start leaking, how many winters the private asphalt roads can take before they need repaving. Yeah, I'm to the last detail.

Exactly. And they figure out exactly how much money the HOA needs to be saving every single month, starting on day one, for the next three decades to afford all of it. That is exactly what it is.

And the language of this bill strictly dictates that this study must be conducted by an independent professional with industry standard knowledge. That independent part is key, right? Crucially key. This professional can have absolutely no financial interest, business relationship, or affiliation with the declarant.

So no hiring your buddy to rubber stamp it. Exactly. The intended beneficiaries here are clearly the homeowners.

They are now legally protected from inheriting a community with severely underfunded maintenance reserves. Which is exactly what leads to those devastating special assessments down the line. Precisely.

Okay, but let me challenge the reality of this for a second. We know that sending out structural engineers to do a comprehensive, independent 30-year reserve study on a large planned community is incredibly expensive. Well, absolutely.

It's not cheap. Right. So if the developer is statutorily forced to pay for this expensive study up front, out of their own pocket, won't they just quietly bake that exact cost into the initial purchase price of the units? That's a very common question.

Aren't they effectively making the buyers pay for it anyway, just hidden in the mortgage? Well, in a free market, yes. It is highly probable that the cost of development is passed down to the consumer. I mean, the developer is not running a charity.

Their goal is profit. Right. However, the goal of this law isn't necessarily to make the study free.

The goal is forced visibility and due diligence. Even if the buyer technically absorbs the cost of that study and the purchase price, they are buying into a community where the financial realities of the next 30 years are laid bare on the table. You're paying for transparency.

Exactly. You are paying for the peace of mind that you aren't walking into a ticking financial time bomb. That makes sense.

Honestly, if you've ever owned a condo, you'd probably rather pay a fraction of a percent more on your initial purchase price than get hit with a massive surprise assessment three years later. Absolutely. But HB 261099 doesn't stop at the developer handover, does it? It also addresses the ongoing everyday management handovers.

Yes. This is the second major half of the bill. It deals with what happens when an HOA decides to fire their property management company.

Which happens a lot. It does. Under this new law, the former management company has exactly 45 days to deliver all association property to the new management company or the HOA board.

All the property? Everything. This includes all the money, the financial records, the account passwords, the insurance policies, and all the community's data. What about the software they use? The only exception is the proprietary software itself.

But every single piece of the community's data within that software must be extracted and handed over. And the state is not messing around with the enforcement here. Failing to turn this over results in a \$250 per day fine.

Ouch. Yeah. The former company is also fully liable for all interest and late fees the HOA incurs because they couldn't access their own funds to pay, say, the water bill or the landscapers.

It gets expensive fast. Very fast. And if a civil court finds that the management company's violation was willful, meaning they purposely dragged their feet, the company is liable for trouble damages.

Which is huge. Yeah. That means triple the actual damages, plus reasonable attorney fees and court costs.

If we connect this to the bigger picture, this is changing who holds the cards in these transitions. Historically, management transitions could get incredibly messy. Right.

A lot of bruised egos. A terminated company might be angry about losing the contract, so they drag their feet. They essentially hold the community's operating funds and passwords hostage over a disputed final invoice.

Wow. Yeah. So by implementing strict per-day penalties and the terrifying threat of triple damages, the law removes all the gray area.

It gives HOAs real teeth to recover their operational funds quickly. It's basically like a bitter breakup where one ex holds the keys to the joint bank account hostage, forcing the other to freeze their life. That is exactly what it feels like.

Right. And this law is like having a judge step in and say, look, I don't care why you're fighting. You have 45 days to hand over the keys, the passwords, and the cash, or I am fining you every single day and tripling what you owe.

It forces a clean break so the community can actually keep the lights on. Which is crucial. But as we established at the beginning, we will wait and see how frequently HOAs actually have to litigate to enforce these new treble damages in the real world.

Right. Having the law and enforcing it are two different things. Exactly.

Which brings us to the final piece of the puzzle. We've talked about handing over the HOA from the developer and handing over the management from one company to another. Now let's look at the physical handover of the home itself between a seller and a buyer.

Okay. Okay. Here's where it gets really interesting.

Ah, yes. Senate Bill 26054. Exactly.

Now, remember the rule we established at the beginning of our discussion. For most of these bills, we are strictly taking a neutral wait and see approach. We are.

But this specific change, SB26054, is our one big exception. We are explicitly stating that this is a highly positive, incredibly practical change. It really is.

It was desperately needed. It was directly asked for by the real estate industry. And it officially takes effect January 1st, 2027.

So to understand why this is such a win, let's look at the underlying friction this bill finally resolves. Current law in Colorado strictly prohibits a landlord from requiring a tenant to submit a security deposit in an amount that exceeds two months' rent. Which makes sense.

Right. On its face, that is a perfectly standard, common-sense tenant protection measure designed for long-term residential leasing. But the problem arises when a buyer and a seller execute what the industry calls a post-closing occupancy agreement.

Yes. If you've ever bought or sold a home, you know how fragile the domino effect of moving can be. Let's say I am selling my house to you, but the new house I am moving into won't be ready for three weeks.

Very common. Super common. If I can't move into my new house, I have nowhere to put my couch, my kids, or my dog.

So we close on the sale on a Friday, you officially own the home, but we sign an agreement where I get to rent the home back from you for those three extra weeks before I physically move out. It happens all the time in this market. But under the old interpretation of the law, that three-week post-closing occupancy technically turned the new buyer into a landlord.

And the former seller into a tenant. Exactly. Therefore, the new buyer was legally capped at asking for a maximum of two months' rent as a security deposit to protect their brand new asset.

Which is terrifying for the buyer. It is. Senate Bill 26054 creates an explicit statutory exception to this limit exclusively for these post-closing occupancy agreements.

Professionals overseen by the Division of Real Estate, or DRE, will likely breathe a massive sigh of relief here. Oh, I bet. This entirely removes a huge point of friction in finalizing complex housing chains.

It really does, because applying a standard renter's deposit to a half-million-dollar home sale is like wearing a heavy winter coat to the beach. I love that. Right.

Like, it's a great protective measure in the right environment standard renting, but completely the wrong fit when a buyer is risking a newly purchased asset with the previous owner. A deposit equal to two months' rent is great for a standard apartment lease. But if a seller accidentally burns down the newly renovated kitchen while trying to move a heavy stove out during those three weeks, a standard rent deposit isn't even going to cover the cabinets.

Not even close. No. Allowing buyers and sellers to negotiate a customized deposit that actually reflects the massive value of the asset they just traded makes everyone breathe easier.

Precisely. It allows the contract to reflect the true mechanical reality of the transaction, rather than forcing a square peg into a round hole meant for traditional, long-term landlord-tenant dynamics. It is a huge win for common sense.

So what does this all mean? If we pull all the way back and look at this massive stack of legislation, the core takeaway is that these new laws are trying to fix three very distinct phases of the housing journey. First, they are opening very specific doors for affordable workforce housing and offering financing lifelines to essential first responders so they aren't priced out of their own towns. The access phase.

Yep. Second, they are establishing rigorous transparency and handover rules for HOAs to protect homeowners from hidden costs and management hostage situations. Addiction.

Exactly. And third, they are fixing a major practical technical headache for post-closing occupancies that the industry desperately needed resolved. That is an incredibly accurate synthesis of the mechanics here.

But I will remind the listener that, aside from the obvious immediate relief of the post-closing occupancy fix, we must maintain our objective wait-and-see stance on the broader impacts of the rest of the stack. The language is officially on the books, but whether municipalities can successfully navigate their own local politics to actually leverage those multi-jurisdictional tax credits, or how aggressively HOAs are willing to wield their new treble-damage enforcement powers against bad management companies, well, that remains to be seen in the open market. Yeah, time will tell.

The blueprint is drawn, but the house is still being built. Absolutely. The reality of living in this structure is always messier than the cleaning on the page.

It is. And looking at this blueprint as a whole, this raises an important question for us to ponder. Okay.

Lay it on us. Over the course of this discussion, we've essentially looked at two very different philosophies toward housing. On one hand, with Senate Bill 26-001's tax pooling and land sharing, we're increasingly treating housing as a collaborative, multi-jurisdictional public utility.

Like a shared regional responsibility where towns work together. Exactly. But on the other hand, with House Bill 26-1099, we are fortifying the individual HOA, treating the community as a hyper-protective private investment fortress that must legally defend its assets against developers and managers.

Oh, that's a really interesting contrast. Right. So how long until that communal public utility mindset fundamentally clashes with the guarded private investment mindset of the individual HOA? Can a state's housing market be both a collaborative public good and a guarded private fortress at the exact same time? Man, that is the muddy reality right there.

A fascinating tension to leave off on and definitely something to keep an eye on as these laws hit the real world. Thank you so much for joining our discussion today. It was a pleasure.

Remember, understanding the blueprint is only half the story. Stay curious, keep paying attention to the real world execution, and keep learning.

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