



City and County of Denver

Housing an Inclusive Denver – Draft Plan Framework

**SETTING HOUSING POLICY, STRATEGY AND INVESTMENTS FOR
THE NEXT FIVE YEARS**

2017

Overview and Core Goals

Denver is at a pivotal point where despite extremely low unemployment (2.2%), high workforce participation (90%+), and tremendous economic growth, housing costs are growing at such a rapid pace that incomes cannot keep up. *Housing an Inclusive Denver* will outline strategies to create and preserve strong and opportunity-rich neighborhoods with housing that is accessible and affordable to all Denver residents.

Housing an Inclusive Denver establishes **three core goals** to guide the City and its partners' affordable housing efforts over the next five years:

- **Create affordable housing in vulnerable areas & areas of opportunity.** By emphasizing housing production with a purpose, the City and its partners will prioritize specific neighborhood conditions, including areas vulnerable to displacement and neighborhoods that provide access to opportunity, when creating affordable housing.
- **Preserve affordability and housing quality.** Preservation is a core component of *Housing an Inclusive Denver*. Denver will focus on preserving existing affordable housing, both homeownership and rental, in vulnerable neighborhoods and areas of higher opportunity. The strategies under this goal include making investments in maintaining affordability of housing that does not have existing public subsidies, and preserving or continuing affordability of existing publicly subsidized affordable housing.
- **Promote equitable and accessible housing options.** This plan seeks to align cross-cutting citywide actions and policies to support equitable and accessible housing options for Denver residents along the housing continuum. Actions or policy decisions under this goal will enable housing strategies more broadly through community engagement, formal legislative or regulatory action, new and creative finance mechanisms, or through the acquisition of land for future development.

Building communities of opportunity across the housing continuum. *Housing an Inclusive Denver* is organized around two key ideas: That Denver residents should be able to live in communities of opportunity; and that housing exists along a continuum, where the needs and conditions along one part of the continuum influence the success of other areas.

Communities of opportunity. Within Denver, achieving communities of opportunity means that Denver residents can reach their highest potential. They can lead healthy lives, feel secure in their homes, and live close to quality jobs, schools, and services. To understand

specific neighborhood conditions across Denver, *Housing an Inclusive Denver* takes a comprehensive approach to measuring opportunity by analyzing neighborhoods in the context of five opportunity outcomes: stable and affordable homes; opportunities for economic mobility; connections to comprehensive health services for overall wellness; access to a quality education; and easy access to mobility and transit connections. This analysis informs the unique characteristics and challenges of Denver’s neighborhoods and allows the City and its partners to align housing strategies and investments to specific areas throughout Denver.

Housing as a continuum. In its most recent five-year housing strategy, *Housing Denver*, the City defined its housing continuum as ranging from “critical needs” to “workforce rental” to “workforce ownership.” This plan updates this continuum to focus on persons experiencing homelessness, affordable and workforce rental housing, and attainable homeownership. Recognizing households with a range of income levels exist within each of these groups, no static income levels are associated. By focusing instead on aligning income levels with neighborhood strategies, the City and its partners can make more informed decisions related to resource allocation and adjust targets based on the performance of specific strategies or as needs along the continuum evolve (rather than based on pre-defined groupings).

Housing and Affordability Investments

While housing is a core component of the City’s investments in promoting inclusive communities, addressing affordability takes more than just developing and preserving housing – it takes increasing access to higher paying wages, connecting residents to health and financial wellness and promoting equitable access to mobility opportunities. Combined, these investments across multiple agencies help work to maintain or expand affordability throughout Denver neighborhoods.

Key Actions:

- Leverage and expand the City’s housing and affordability resources with public, private and philanthropic partners to promote inclusive communities.
- Identify more effective connections and resources efficiencies across city agencies administering housing and affordability investments to ensure limited resources are invested as effectively as possible to serve Denver’s low- and moderate-income families.
- Develop more consistent, clear and measurable outcome metrics for evaluating the impact that housing and other affordability investments have on communities in Denver.

Strategic Land Acquisition

Strategic land acquisition is an essential element of Denver’s long-term housing pipeline, and is an important strategy to foster mixed-income neighborhoods, preserve affordability in vulnerable neighborhoods, and introduce affordability to areas with strong economic opportunities.

Leverage publicly owned land for affordable housing development.

While the City has an existing process for disposing of its land that considers affordable housing as a potential use, the City and its partners should take proactive steps to conduct a comprehensive analysis of the current inventory of public and quasi-publicly owned land and its suitability for affordable housing development. With the identification of key parcels that could be prioritized for affordable housing development, the City should work across public and quasi-public partners to develop a specific vision for the site, the target income, population, tenure served by the development, and supportive services or programming as needed.

Key actions:

- Explore formal partnerships with public and quasi-public agencies, such as the Regional Transportation District (RTD) and Denver Public Schools (DPS), to prioritize and set specific standards for use of publicly owned land for affordable housing.
- Evaluate the suitability of city owned land and land owned by public or quasi-public partners for affordable housing development according to factors such as its proximity to transit and other opportunity indicators such as proximity to job centers and high-quality schools.
- Develop specific visioning and procurement processes to identify development partners to build affordable and mixed-income housing on public and quasi-publicly owned land.

Facilitate acquisition of land directly and through partners for housing development.

The City and its partners also have programs and funding resources that can be used for the direct acquisition of properties, or in partnership with developers interested in building affordable or mixed-income housing. City resources should be used to enhance existing tools such as the Denver Regional Transit Oriented Development (TOD) Fund and community development financial institutions such as the Mile High Community Loan Fund. As part of a broader cross-cutting strategy to promote long-term affordability for housing investments, the City and its partners should consider mechanisms such as a land trust model to ensure

that housing for persons experiencing homelessness, rental housing, and for-sale housing remain affordable for low- and moderate-income families for decades to come. Community participation in the ongoing stewardship should be a core component of the City and its partners' exploration of a land trust model in Denver.

Key actions:

- Leverage existing city resources with current tools such as the Denver Regional TOD Fund and community development financial institutions to fund land acquisition for future affordable and mixed-income housing development.
- Directly acquire land in vulnerable neighborhoods to preserve opportunities to develop affordable and mixed-income housing and in proximity to high performing schools and job centers to promote greater access to opportunity throughout Denver.
- Explore land trusts as a tool to preserve affordability in vulnerable neighborhoods, including evaluating factors such as the upfront cost to invest in unit acquisition, ongoing cost of program development, and length of affordability.
- Explore other policy tools for long-term affordability of publicly owned or directly acquired parcels, such as a land-lease.

People Experiencing Homelessness

On any given night in the City and County of Denver, more than 3,336 people are experiencing homelessness, including more than 200 families with children, nearly 500 veterans, and more than 200 unaccompanied youth. Additionally, many people experiencing homelessness are a part of Denver's local workforce. The City will work with nonprofit and faith-based providers to take a dual approach to strengthening the pipeline of permanent and other supportive housing options and providing greater integration of housing, health services and job training opportunities for people experiencing homelessness.

Expand investments in housing options for people experiencing homelessness and integrate providers across the housing continuum

To effectively target housing resources, Denver will continue its efforts to establish a well-designed regional Coordinated Entry Systems (CES) in partnership with the Metro Denver Homeless Initiative (MDHI), the regional Continuum of Care entity, to effectively target limited resources and right-size housing interventions.

Key actions:

- Fully implement and expand the Coordinated Entry Systems (CES) outside of Continuum of Care funded projects. CES simplifies the process by which people

experiencing homelessness access housing resources and helps to ensure the right housing intervention is paired with the most appropriate participant.

- Develop and align policies with MDHI, the organization currently overseeing the OneHome, to ensure that City housing resources dedicated to serve persons experiencing homelessness are targeted appropriately.
- Employ shelter diversion strategies when people enter the system to help them identify immediate alternate housing arrangements, and connect to services and financial assistance to return to permanent housing quickly.

Building housing capacity through policy and funding alignment

To harness resources and integrate investments across the housing continuum, the City and its partners can leverage and align more resources to develop additional supportive housing. The City and its partners will collect and analyze the best practices for underwriting federal, state and local programs to connect these resources to housing options.

Key Actions:

- Develop criteria for providing operating subsidies from the dedicated affordable housing fund to create new supportive housing units.
- Leverage existing, funding streams for supportive housing such as Medicaid, Medicare, and TANF to create more streams of funding for on-site supportive services and operating services.
- Evaluate the performance of local projects (working with local partners also undertaking evaluation efforts, such as MDHI) to inform which opportunities resolve episodes of homelessness more quickly and expand the ability to serve additional households, as well as to increase rates of housing placement and stability.
- Complete a comprehensive financial modeling analysis that reviews costs, sources, and uses of the resources necessary for the creation of supportive housing including: capital, operating, rental assistance, and services. This analysis will highlight how resources can be used together effectively as well as provide more detail as to where the gaps in funding resources exist.

Prioritize supportive services “gap” funding for approved supportive housing projects

With a source of funding to do so, the City and its partners will build a supportive service funding program. This strategy will be key in achieving the creation and preservation of quality supportive housing projects; as well as establishment of a project review framework by which funding decisions and prioritization can be made.

Key Actions:

- Prioritize funding for existing supportive housing projects, or those anticipated to come online in the next 12-24 months that do not have adequate services funding resources to deliver the intensive services needed to ensure high levels of housing stability for formerly homeless tenants.
- Establish a framework for how to review, rank, and award critical services funding to supportive housing projects in the pipeline.
- Establish a common outcomes framework across programs to evaluate their effectiveness. Recommendations for outcomes-tracking on the effectiveness of supportive housing include:
 - Annual rate of housing stability in project
 - Returns to homelessness

Affordable & Workforce Rental Housing

Preserve existing income-restricted rental housing in vulnerable neighborhoods and near transit

In partnership with Colorado Housing and Finance Authority (CHFA) as the lead agency, the City is also part of the Housing Preservation Network (HPN), where local, state and federal partners are coordinating across Colorado to preserve existing affordable housing stock. As part of this partnership, the City and CHFA have developed an inventory of income-restricted housing, identified initial priority areas and property types for preservation efforts, and conducted outreach to owners of existing income-restricted properties. The City also provides financing for acquisition and rehabilitation of existing income-restricted properties, usually in partnership with 4% Low Income Housing Tax Credits (LIHTCs) administered by CHFA. These resources play a key role in extending the affordability of existing income-restricted properties, but costs have escalated in recent years, especially for prospective property acquisitions with affordability restrictions that are expiring soon. The City and its HPN partners have identified a need for new, creative sources of bridge capital that can help acquire affordable properties for long-term preservation.

Key Actions:

- Coordinate with HPN partners, such as CHFA, to leverage the existing inventory of income-restricted properties to develop and maintain a list of priority preservation projects based on expiring restrictions, income and population served, and proximity to transit.

- Pursue proactive strategies to preserve priority preservation projects through acquisition and rehabilitation financing, leveraging 4% LIHTCs, and other local incentives to promote long-term affordability of existing affordable housing stock.
- Develop a bridge finance tool that leverages public and private resources to strategically acquire affordable properties at risk of converting to market rate pricing while long-term finance options can be assembled.

Preserve affordability of existing unsubsidized properties

Denver has more than 130 unsubsidized large-scale affordable rental properties with more than 50 units that have rents at or below the Fair Market Rent. While the City's financing tools for acquisition and rehabilitation of affordable properties can be used for unsubsidized affordable housing, a limited number of projects have accessed city resources for this purpose in recent years. Like acquisition and rehabilitation of income-restricted properties, the City's financing tools for acquisition and rehabilitation could be leveraged with 4% LIHTCs to preserve these properties long-term. Another local tool that could be leveraged as part of a financing package for preservation of existing affordable housing is the city's Property Assessed Clean Energy (PACE) program where eligible participants receive capital to finance eligible improvements that promote energy efficiency, renewable energy and water conservation improvements.

Key Actions:

- Develop and maintain an inventory of unsubsidized large-scale affordable housing properties in Denver.
- Educate existing owners about the creative finance tools available, including recently adopted PACE financing and other acquisition or rehabilitation resources.
- Support development partners to directly acquire and preserve affordability of existing unsubsidized large-scale affordable housing stock, utilizing new tools that provide bridge financing, city financing, and 4% LIHTCs.

Preserve affordability of unsubsidized small-scale affordable rental properties

Seventy-eight percent of the city's multi-family rental housing stock is between two and 49 units, but the current tools available for preservation of unsubsidized small-scale affordable rental properties are currently limited in Denver. Leveraging 4% LIHTCs becomes more difficult at this scale due to the smaller number of units unless developers can manage a scattered site portfolio of several small developments. While challenges exist, some peer cities such as San Francisco have developed special programs such as the "Small Site Acquisition Program" to fund acquisition and rehabilitation of multi-family rental buildings

with 5-35 units. Under this program, properties where existing tenants face immediate risk of eviction due to the sale of the building are given priority for acquisition and rehabilitation resources.

Key Actions:

- Explore a package of finance tools to incent existing owners to preserve small-scale properties, including resources for rehabilitation and potential tax relief.
- Explore development of a finance tool that leverages public and private resources to strategically acquire small-scale unsubsidized rental housing, using San Francisco's Small Site Acquisition Program as a model.

Promote programs that help families stay in their existing rental housing through comprehensive eviction assistance.

While investment into preserving existing income-restricted and unsubsidized housing stock can ensure long-term affordability for generations to come, short-term resources that are available to stabilize a renter in their existing home can help mitigate displacement and prevent an individual from becoming homeless. The City has already taken steps to support renters experiencing a housing crisis by connecting rental assistance programs across the continuum of eviction assistance, especially in neighborhoods at risk of gentrification. These steps include supporting renters experiencing a housing crisis such as a notice of rent increase or sudden loss of income by providing direct financial assistance to help the family stabilize, with resources aimed at preventing eviction.

Key Actions:

- Continue to support direct financing assistance programs aimed at stabilizing families experiencing a housing crisis, across the eviction spectrum and in vulnerable neighborhoods.
- Continue collaborative efforts with public and private partners to educate residents in vulnerable neighborhoods about their rights as tenants.

Promote development of new affordable, mixed-income and mixed-use housing

Given the gap in existing affordable options for low- and moderate-income families in Denver, the City and its partners will focus on providing choices along the housing continuum via new affordable and mixed-income development. There is an estimated gap of nearly 15,500 units for extremely low-income renters (renters with household income at or below 30 percent of area median income). Higher income households occupying these rental units further exacerbate the availability of affordable rental units for low-income households and increases the gap among extremely low-income households to approximately 21,000 units, and 26,000 units among very low-income households.

Development of new affordable and mixed-income development can act as a tool to bring affordability to areas of the city near transit, job centers, and with high-performing schools, as well as provide housing for special populations such as seniors, persons with a disability, and persons experiencing homelessness.

Key Actions:

- Explore finance mechanisms to better support mixed-income development that includes affordable housing, including gap financing, bridge financing, and loan guarantees.
- Explore tools to enhance Colorado’s existing State Low Income Housing Tax Credits (LIHTC) to provide additional equity for projects in Denver.
- Explore ways that the City’s zoning code and financial mechanisms can support missing middle housing options such as live-work units for artists, among other occupations, through targeted mixed-use developments and worker space.
- Expand partnerships with local employers to contribute to a housing fund to expand rental workforce housing.

Promote programs that help families access affordable rental housing.

In 2016, more than 5,600 new rental units came online, a record high, and in 2017 over 2,000 more will be added. The city’s population has grown by more than 100,000 in the last ten years and the new rental development is helping to accommodate this surge in new residents, however many new buildings throughout the city have above average vacancy rates, leaving hundreds of existing units empty while, elsewhere, low- and moderate-income families are searching for limited options for affordable rental homes. Partnering with owners of market rate units, the City and its partners can “buy down” the cost of vacant units to a price point that is affordable for working families. The City and its partners have already taken steps to develop a Lower Income Voucher Equity (LIVE) Denver program aimed at connecting working families with vacant units, focusing on bringing those new affordable opportunities into high opportunity areas with access to transit, job-centers and high-performing schools.

Key Actions:

- Implement and evaluate success of a proposed LIVE Denver program to buy down affordability of existing vacant rental units in high-opportunity areas of the city.
- Assess existing Tenant Based Rental Assistance investment as part of the continuum of financial assistance to help persons experiencing homelessness return to permanent housing, including how the tool can prioritize individuals with the greatest need from the Coordinated Entry System.

Attainable Homeownership

A significant barrier to homeownership is the current cost of for-sale homes. For-sale home values have increased by 30 percent since 2015, and many residents interested in achieving homeownership are finding themselves priced out of the city, even in areas that have had historically more affordable options. While homeownership plays a key role in promoting economic mobility and opportunity for residents through wealth building, the City and its partners are also focused on the long-term affordability of existing for-sale housing stock and will explore strategies aimed at promoting long-term affordability.

Additionally, preserving existing affordable homeownership opportunities for Denver residents is an important strategy to mitigate involuntary displacement due to rising home values.

Promote programs that help families maintain their existing homes.

Nearly half of all cost-burdened homeowners in Denver live in vulnerable neighborhoods. With property values rising in these areas, many families are struggling to keep up with the rising cost of taxes and the cost of critical home repairs. To support families in neighborhoods with the highest home price appreciations and low- to moderate-income resident populations, the City and its partners will support programs and investments that provide economic support to help homeowners maintain the physical structure and affordability of their homes.

Another key component of homeownership success is ongoing financial assistance. The City and its partners will continue to promote financial literacy programs such as ongoing budget and credit counseling through non-profit partners, banking institutions, and the City's Financial Empowerment Centers.

Some low-income homeowners in vulnerable neighborhoods in Denver have the appropriate zoning and lot sizes to build Accessory Dwelling Units (ADUs). Across the country, and in a limited number of circumstances in Denver, development of ADUs has been used as a tool to introduce new affordable rental stock into predominantly single-family neighborhoods. ADUs can also provide a wealth building tool (due to the rental income received over time) and support intergenerational households.

Key Actions:

- Target existing homeowner rehabilitation programs to low- and moderate-income homeowners in vulnerable neighborhoods throughout the city, such as the Denver

Urban Renewal Authority’s (DURA) Single-Family Rehabilitation and Emergency Home Repair programs.

- Promote ongoing education for existing homeowners through financial literacy, focusing on outreach to low- and moderate-income residents in vulnerable neighborhoods.
- Promote development of accessory dwelling units as a wealth building tool for low- and moderate-income homeowners in vulnerable neighborhoods and to support intergenerational households.

Preserve affordability of existing unsubsidized affordable for-sale housing

Preservation of existing affordable homeownership opportunities for Denver residents is an important strategy to mitigate involuntary displacement due to rising home values. Models that promote long-term affordability and shared equity for homeowners include land trusts, which enable eligible households to purchase an affordable home and lease the land underneath it. By taking the cost of the land out of the real estate transaction, homes in a land trust can be much more affordable for low- and moderate-income buyers than houses on the open real estate market, and applying a shared equity model allows residents to benefit from the wealth building potential of homeownership.

Key Actions:

- Explore feasibility of land trusts as a preservation tool to secure affordable homeownership opportunities long-term.

Preserve affordability of existing income-restricted homeownership stock.

Nearly 2,000 for-sale homes in Denver are affordable due to an existing covenant that ensures the property is occupied and resold to an income-qualified buyer over a specific period, usually between 15-30 years. Many of these homes were built under the City’s previous Inclusionary Housing Ordinance (IHO) or a large-scale development agreement that mirrored the IHO’s requirement that 10% of homes in a new for-sale development be available for moderate-income families.

The City is taking steps along with non-profit and foundation partners to preserve these existing affordable homes and ensure future low- and moderate-income homeowners can purchase homes in these high-opportunity areas.

Key Actions:

- Explore partnerships across key non-profit and foundation partners to exercise right-of-first-refusal to preserve affordability of existing income-restricted homes in high-opportunity areas, such as Stapleton, to resell to qualified buyers.

Promote development of new affordable and mixed-income homeownership stock.

The City has taken several steps to promote development of for-sale housing across Denver. In November 2015, the City adopted a local ordinance aimed at spurring more condominium development in Denver. Since condominiums can provide a path to more moderately priced attached housing, this ordinance unlocked the potential for development of more attainable options for Denver’s working families.

Further, the City and its partners are taking steps to pilot the development of mixed-income condos at 29th and Welton, a transit-oriented development site in the Five Points neighborhood, in partnership with RTD. The development will include at least 25% of the units as affordable and is intended to inspire creative ways to finance affordable homeownership options in partnership with the development community. Using the 29th and Welton project as a model, partnerships that support mixed-income condominium development can promote affordable housing options in high-opportunity areas.

Key Actions:

- Implement and evaluate success of the mixed-income condo pilot at 29th and Welton and explore how the approach can be expanded to other areas of the city, especially near transit.

Promote programs that help households access for-sale housing.

With a focus on providing down payment assistance to qualifying families to access existing homeownership opportunities on the open market, the City and its partners work with lenders throughout the Denver metro area to offer qualifying first-time homebuyers with a grant to help with up to 4% of the purchase price of a home. Since 2013, this Metro Mortgage Assistance Plus Program has supported the home purchases of 1,277 households with \$10.8 million in assistance. The City and its partners also took steps to extend the 2017 Mortgage Credit Certificate that allows qualifying borrowers to receive an annual federal income tax credit equal to 25% of the annual interest they pay on their mortgage loan up to a maximum \$2,000 per year. The program, which can save a low- or moderate-income family thousands over the life of a mortgage, can be combined with the Metro Mortgage Assistance Plus Program.

Key Actions:

- Continue to support existing Metro Mortgage Assistance Plus and Mortgage Credit Certificate programs to lower housing costs for low- and moderate-income homeowners.

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