HOUSING ADVISORY COMMITTEE MEETING

Thursday, May 2, 2019 | 12:00 p.m. – 4:00 p.m.

Colorado Health Foundation

Committee Members Present:

Chris Conner, Jennie Rodgers, John Parvensky, Kevin Marchman, Tracy Huggins, Jill Jennings Golich, Brendan Hanlon, Kenneth Ho, Heather Lafferty, Jenny Santos, Britta Fisher, Ismael Guerrero, Chuck Perry, Councilwoman Robin Kniech, Jessica Dominguez, Alison George, Cris White, Bill Pruter

Committee Members Not Present: Veronica Barela, Monique Johnson, Eric Hiraga, Carl Patten, Randy Kilbourn

- Introduce newest HAC member - Jessica Dominguez
- Roll Call
- Approve April Minutes
- Framing the Retreat
- Overview of New Department of Housing and Homelessness
    - Timeline and Structure:
        - Britta will be leading this department. Will focus along serving residents experiencing homelessness under Denver's Road Home and Denver Human Services as well other work under Denver Economic Development & Opportunity (DEDO) and we're looking at how all of that works together.
        - There is a survey for you to give your feedback or you can provide feedback via email to staff
        - There is a working group looking at how we implement this change into executive orders, various committees, and other areas
        - Trying to get legal framework and budget by mid-July; aligning everything by January 2020
    - Questions:
        - Will you be the agency administering funding like CDBG, HOME, and others?
            - DEDO will still have HOME; more discussion is happening regarding CDBG
        - What brought you to this place and how can we help support you?
            - There was a study done about what sort of structure makes sense that recommended this restructuring but DEDO felt need more time to align resources and other items before making that change. We went from an 11-person housing team to 32 that we are today. It has been difficult that we are supposed to be having half of our resources go to 30% AMI and below including people experiencing homelessness but there is not enough coordination with the team in Denver's Road Home and Denver Human Services.
- HAC Executive Committee Report
    - Overview of survey feedback

        - More clarity around what our purpose is; people want to contribute, make sure that people see feedback having an impact, people want to be strategic.
        - Managing our own expectations; we are advisors, not decision makers.
            - Managing with community who think they need to be in front of HAC to get certain things done
    - We are making recommendations:
        - When it comes to policy work, be intentional:
            - How are we framing the conversation? Frame up so everyone can be able to participate.
            - Be clear about what we talk about as a full committee and what is discussed in subcommittees
            - Be clear on what HAC's recommendation for certain policies. Eg. Preference policy – had a great robust discussion but left wondering what's next?
            - As a group, we are not digging into specific topics – do we want to identify what the top priorities and what the HAC can have the most input on to move things forward?
                - Preference Policy
                - Budget
                - Rental Registry
                - Universal Design
                - Homeless services
                - Zoning
    - Questions/Comments
        - Who are we advising? Who are we making recommendations to?
        - Should be focusing on the five-year housing plan; are we on the right track, specifically how the affordable housing funds are being used
        - The ordinance has the HAC advising Eric (ED of DEDO) – need to revise
        - This group is too large and does not have the expertise – would recommend 7-9 people of housing experts
        - What we have done well; we have created more transparency around the budget and financing – how things are reported is much more clear now
        - There is also an awkward expectation that is not in the ordinance that HAC is a place for the community to give input – that is also not a good fit for this committee
        - Think there is some more work to be done about what we see in the pipeline. Part of this is the things in the pipeline may not be able to get shared – for example, results of RFPs. What is our role in developing the pipeline? It isn't us in this room, it is the developers out there looking for land.
        - Some work to be done to leverage resources – from the finance subcommittee
        - Whether how we strategically allocated across the income levels, amounts, and timeframe, I do not know that it was strategic.
        - In terms of the pipeline – developers needing financing from DEDO are cautious on how much detail on their pipeline that they want people to see; how are tax

credits and other resources lining up. These deals are a year or two out but developers do not necessarily want them to be public
    - There was a finance committee meeting; the Mayor then announced a big investment using vouchers – but there was not discussion from the HAC. We have been a reacting group
    - Not a fan of the subcommittees – do not like having to choose which conversation to participate in.
    - Continue to focus on the five- year plan, community representation, - please continue to provide feedback
    - Intent is to have a more focused conversation on these topics
    - Meeting process
      - Start with Community Spotlight
      - Want more time for discussion
      - Written reports – so there is more time for questions and discussion
    - Doug was doing a written report but now we don't see it wondering - we moved to the housing dashboard.
      - It's an early warning about what's coming through the pipeline and what's not
    - Continue to send feedback to HAC leadership
- Quick Updates
  - Preference Policy – Laura
    - Was a conversation that we started early – had a conversation as a full HAC two months ago – provided background information and got early direction
    - We are working with Root Policy – they have taken that early feedback, got responses from them
    - We also got additional feedback from the Policy and Program
    - Focus groups are now being conducted – Anti-Displacement Policy Network, developers, etc.
    - We give a more refined updated
    - Have we decided that we are doing a preference policy or exploring?
      - We are still in exploration phase
    - Need to talk to HUD about the preference policy – concerned that you cannot have a preference in projects with federal funds
      - We are speaking with HUD and there is a way to have a preference policy for projects with federal funds

  - Community Land Trusts: We are at staff level in agreement in scope of work. It is in legal review.

- Presentation of Budget/Outcomes 2018 – 2019 (Refer to presentation)
  - Includes funding from HUD, Special revenue sources, property tax, etc.
  - Property tax $7.9M, GF/DHS Transfer $11.7M, RMJ Tax $9.3M, Linkage Fees $4M, Total $32.9M
  - Maintaining 2019 program levels

    - Maintain 2019 infusion of $2.5M into bridge/transitional housing for residents exiting homelessness
    - Anticipates 2 PSH projects
    - Unit tracking – Q: Are we missing a piece of ongoing reporting – report the numbers of units through incentive (38th/Blake for density bonus), etc.? Are we missing a piece of the puzzle? A: those are in the public calculator/map
    - We are discussing the detailed discussions on the budget, we can come back in September with more detailed numbers
    - Would be interested in knowing which projects used LIHTC
    - Q: Assuming that the dollars in the homelessness bucket are not just units, but also include services and programs A:That is correct

- Update on DHA 2019/2020 investments and outcomes (refer to presentation)
    - Met with Advisory Group last week
    - The pipeline looks like larger projects – 150 units, where we are seeing smaller PSH projects. What happens when the pipeline doesn't match that?
        - Our taskforce advised that they are doing mixed projects at the larger scale in the 4% round but larger projects in the 9%.
        - This is a projected model so we are eager to see actual
    - How are the non-voucher PSH units getting operating funds?
        - Partnering with Division of Housing around matching vouchers, working with the task force around using operating funds for the other PSH units
    - Can other PSH projects happen outside of this project?
        - There is plenty of other funds outside of the bond funds for PSH units and services – especially for the City to meet its goals
        - Concern that we are running up against our cap for vouchers
        - We're also hearing that the 4% bond cap is an issue – the City may need to make policy decisions about whether to fund those that will not fit the 4%
    - We are going to bump up against having only 300 vouchers

- Discussion of Proposed 2020 Budget (Refer to presentation)
    - Want to ask about unit tracking – are we tracking units through development agreements, 38th and blake, and other ways we are requiring affordable housing? Can we get an update on those to see a more comprehensive picture?

Small group discussion:

- From time to time, the City is approached with capital leveraging opportunities from private, philanthropic, business, or other government funds. An example is the Transit Oriented Development fund, which provides flexible funding that can be used to quickly acquire land or property near transit for affordable housing. What kinds of categories or data should the city consider to help inform our evaluation of these opportunities?

- We have done this before just not with this money; example Social Impact Bond
- How did TOD fund come to be?
  - There was an understanding that there is one opportunity to invest in these areas
- Our dollars cannot solve all the problems – need to leverage and be last in
- Do the goals match the annual action plan?
- The city is applying for a federal grant – social impact pay for performance; federal will repay you for any savings; SIB already measures reduction in jail time and number of days service providers can keep them housed. Federal grant is looking at expanding – trying to quantify medical savings
- SIB came before affordable housing fund; was paid with general fund dollars
- Talking about efficiency of dollars – cost per household/cost per unit
- Some funds may have a return on investment, some may just have a social impact but not have a financial return
- What is the amount of the leveraging and is it the best use of funds.
- Do the goals match the housing plan? Does it match what we are seeing on the ground? What's the impact or return on investment?
- What have we not done?
  - There has not been anything we have said no to.
- We have plenty of opportunities for organizations who are interested in leveraging funds with the City - Eg. reaching deeper affordability
- Are there specific neighborhoods that we should be investing in? – One way to drill down
- Are there areas in the City or types of investment that is above and beyond what they City can do? - Eg. Community Land Trusts
- Service dollars – is an area where maybe we could leverage funds
- Collectively could we create a list of where other funders could leverage funds – maybe the City is not the place.
  - Important to do risk management – capabilities of administering
- Does this match Blueprint Denver Plan?

- Our spending on the plan to date has not reached the goal of at least 40-50% of our resources serving residents experiencing homelessness and those earning at or below 30% AMI. Moving funds into program or services for these populations is the quickest way to direct funding in those spending priorities. How might this inform our proposed 2020 budget on production versus programs? What services are we missing that could benefit these populations?
  - New infusion into Bridge housing if this is a successful program
  - We talk about building units but that process can take two years before the project is ready to come to the City for support. How do we deploy these funds more quickly?
  - how effectively are we making a pipeline from rent assistance to bridge to permanent?
  - Convert existing units to PSH, put out an RFQ for existing building that have units to convert
  - Emphasizing PSH but not emphasizing 30% or lower AMI that isn't PSH

- Is there an option to have a voucher program like the State operates?
- In our term sheet should be calling out in term sheets priorities in PSH vs. 30% AMI and lower
- Spending on 30% or lower AMI, has not met plan to date
- New infusion into to Bridge housing, Ismael had mentioned constraint of PBVs particularly for non-PSH units (LB)
- In goal of 5 yr Housing Plan there is goal of X,XXX units. In regards to program dollars, it keeps getting allocated each year (such as TRUA program), are we still getting to those units that will be there for 60 years.
- The Housing Plan says 3,000 units over 5 years, 30,000 households. 2,000 created, 1,000 preserved. The plan and those numbers were adopted by Council.
- 6,400 units including partnership with DHA (1,300) and the PSH pipeline
- learning from RFQ for PSH units. RFQ resulted in 17 respondents, half of those have sites identified. In 30-60 days we can fill that sheet with real numbers.
- Organization has land and wants to do 30% and below, not PSH. Was new information about a new deal that wasn't on their radar.
- Do an offering/solicitation/RFQ as a call for ideas to see what is out there - it's a little bit like proof of concept
- We've got to spend this money, we know there are deals, but when are they going to come to the City for funding? How do we deploy these funds more quickly?
- E. Colfax process took two years.
- We spend a lot of money on hotels, VOA hotel, end up spending $100/room which can be two rooms for a family, 14 nights a stay, many times families are going right back to where they came
- More Housing focused approach, master lease units, land folks in that unit. Could end up being their permanent place
- Often times we are finding that families are the most resilient of the people we serve
- Among our housing programs, 30-60 days bridge program. VOA RRH program and tenant-based rental assistance is the same.
- Convert a Bridge housing voucher, then get a tenant-based voucher – walk back the 100% rent to what the family can afford
- There's some nights where we don't have somewhere to put someone, other nights there are 20 rooms available
- TBRA = $10K - $12K per household per year. 1 or maybe two years of assistance. Vs. a development investment which could be $30K but get a unit for 30 years.
- how effectively are we making a pipeline from rent assistance to bridge to permanent?
- when market got tight we started doing more Project-basing
- Put out an RFP for anyone who had an existing unit to project base
- Ended up project basing at 8-10 buildings (for profit and nonprofit) who would say I have 5 units.
- Put out an RFP for an owner who wants to change existing units to PSH (immediately)
- Subsidize the rent and pay for services
- Units would become immediately available
- Units that do or do not have a deed restriction

- looking for projects that don’t have a lot of permanent debt, for projects that have sufficient cash flow
- $680 – 780 per month, for a unit, for vouchers
- State of CO, Marijuana sales tax fund, General fund – focused on specific populations.
- Program for those leaving nursing homes, higher cost vouchers (need 2nd bedroom for equipment)
- Substance abuse, People exiting homelessness, People exiting mental health
- Always partner with a local agency
- And, we also need units for less than 30% that are not PSH
- Are there populations, subgroups, that come with certain funding already that you could add rental subsidy to it
- SIB-like funding, chronically homeless, Medicaid savings, also going to need to build a unit
- Term sheet - organizations were limited to $10,000/unit unless they went to full PSH

- Historically, DEDO has worked to leverage competitive and non-competitive tax credits to develop and preserve affordable rental units. Even with proposed expansions to the state tax credit, the city and state’s limited private activity bonds create a barrier to increasing the number of projects that can be produced in Denver. Given the limitations on tax credits and PABs moving forward, how do we creatively fund rental projects that align with the plan goals outside of these resources?
    - DEDO as primary financer, funding units at a higher level; (current tax projects are about $300,000/unit, what level could DEDO come in?
    - Seattle does fewer units, more dollars (provides primary financing)
    - Investment strategies ie: TOD fund, RAHLF financing for 4% development. Are there other ideas to consider
    - More money, fewer units, but we may get more of what we want (more control)
    - If funds are available from group 2, those could be leveraged for #4; or a fund that other investors that join);
    - Opportunities for immediate affordable impact but not eligible for tax credit (CCH purchasing motel)
    - current DEDO acquisition financing product: up to $50,000/unit. Not being used (acq/rehab project, valuations of properties don't work); also, relocation (URA) difficult. Cost of acq lower than construction
    - Looking for funding sources not subject to fed requirements? Ie: TIF, etc, not replacing tax credits. What are the city's priorities around housing, what other financing tools are available. Scale is a challenge
    - How do we generate the level of equity that tax credits generate without tax credits?
    - 15MM typically generates 75 units (9% LIHTC)
    - other states have used carve off of TIF to a specific deals. How many 9% deals? On average, 2+DHA

- 38th and Tennyson -$5 MM in TIF/yr after stabilization.
- Continued discussion of potential of TIF for affordable housing
- 4% deal, what if city participates in construction financing, will PAB go farther?
- Current deal, if city could come in for construction, could PAB be more efficient
- Carrying costs on construction loan is small, not much savings for construction
- Construction period bonds are really to use 4% tax credits
- TIF amt is bondable
- City has conservative approach to TIF, ie Stapleton. If City anticipates TIF payoff in x years, then City want dollars paid back to general fund
- Not for stand alone projects (can't replace tax credits) but provides gap financing. Ie Marycrest (ARIA)
- Aria: 5MM in tif got 40% of affordable units, but TIF did not pay, it was leveraged
- In ideal world, an IZO/IHO that required production of 60%-80% AMI (have for profit developers pay for higher income units), focus our funds on lower AMIs. Don't have TIF subsidize units in a large redevelopment area.
- Those resources are currently being used but not at the scale of the discussion
- Discussion of ways to scale TIF in a way to fund more affordable units; can't replace LIHTC $s with something that acts like LIHTC
- Be creative and combine strategies
- Sees better path in next 5 years
- Not all projects generate enough TIF, some only $1 million
- How about loan guarantees? Would this help leverage lower AMIs? CW: bank would underwrite to a lower DCR so lower AMIs could be served.
- Developers do not want more debt
- Find out why acq tool is not being used; 'zoning maximization bonus' developers don't max out their zoning, maybe use subsidy to incent developer to max out zoning
- Retiring RAHLF because normal 4% termsheet product meets need with better terms
- How about, in urban renewal projects, require that individuals/businesses may not be displaced or ROFR