**Q & A**

**If You’re a Real Estate Professional Working on Affordable Units**

**I have a client who wants to buy an affordable unit. What should I do?**
Ensure that your client is income verified by the city prior to signing a purchase contract (if they are not, make sure that the offer is contingent upon the buyer being income verified). Affordable units may not be sold to non-income verified buyers. Make sure that all requested income documents have been provided by your client with the income verification application. If additional information is requested by the city for income verification, make sure your client provides the requested materials within 60 days, or the application will be withdrawn. (Note that if your client has not yet selected a specific unit to purchase, the application for income verification is assigned a lower priority than applications from buyers of specific units.) When you have a unit selected and your client is under contract, make sure your client has read and understood the covenant and Memorandum of Acceptance (MOA) before signing. Once your client has been income verified, submit title company contact information to the city as soon as the closing is scheduled.

**I have a client who wants to sell an affordable unit home. What should I do?**
First, have your client obtain a Maximum Resale Price from the City. Second, list the unit on [www.ColoradoHousingSearch.com](http://www.ColoradoHousingSearch.com). Third, ensure that the buyer of the affordable unit has been income verified by the city. The seller may submit one prospective buyer for income verification and one additional back-up applicant, but no more than two; the first applicant must be under contract to purchase the unit. Income verifications for the purchase of an existing affordable unit receive top priority in the city’s review process. Finally, submit the title company contact information to the city as soon as the closing is scheduled.

**How can I tell if a unit is an affordable unit home?**
Please contact us to verify if a unit is affordable via e-mail to: affordablehousing@denvergov.org. Please include the owner’s name, and the exact address of the unit, including unit number. You may also review the title work to ascertain if an Affordable Housing Plan or covenant has been recorded against the property.

**What is the control period on an affordable unit home, and what does it mean?**
The control period is a set period of time the covenant (and its terms) are in effect. During the control period, the affordable unit can only be sold at a restricted price to an income-qualified buyer, and it cannot be rented. A covenant remains with the property—not with an individual owner. Thus the control period is not re-set or restarted with the resale of any unit.

**Are there any limits on the sale price of an affordable unit home after the control period is up?**
It depends on the covenant. For Inclusionary Housing Ordinance (IHO) units, if the sale is the first to occur within 10 years after the end of the 15-year control period (i.e., years 16 through 25), half of the excess profits must be paid to the city. This requirement may or may not apply to—and may be somewhat different for—projects built under rezoning agreements or that are large-scale developments. Please refer to the project covenant or contact the city.

**Once the control period has expired, can the owner sell to whomever they want to?**
The city has a right of first refusal and must be offered the affordable unit home at a fair market price during the first 30 days after expiration of the control period. If after that time the city does not make an offer to
purchase the unit, the owner can sell it to any buyer at market price. However, the excess profit must be shared if the sale meets the condition described above.

**What is the definition of "excess profit?"**
Generally, excess profit is calculated by first determining an “affordable unit home sale price.” This figure is then subtracted from the contract sales price to determine “excess profit.” For IHO units, the city is entitled to one-half of the excess profit from the first sale of an affordable unit occurring within 10 years after the end of the control period. Excess profits may or may not apply to projects built under rezoning agreements or large-scale developments. Please refer to the project covenant or contact the city.

**How are the affordable requirements enforced?**
The city's affordable requirements are enforced through covenants that are placed on the property. Once the control period has ended, and once the city has received its share of the excess profits (if applicable), these covenants are released.

**Does the city take action against affordable unit homeowners who do not follow the covenants and program requirements?**
Yes. The city will vigorously enforce all requirements and, when necessary, seek any and all legal remedies as provided by the ordinance.

**If the covenant allows inclusion of a broker commission, what is the maximum allowable commission?**
The maximum allowable broker commission, if allowed by covenant, is 6%.