

# Audit at a glance



## Affordable Housing

NOVEMBER 2023

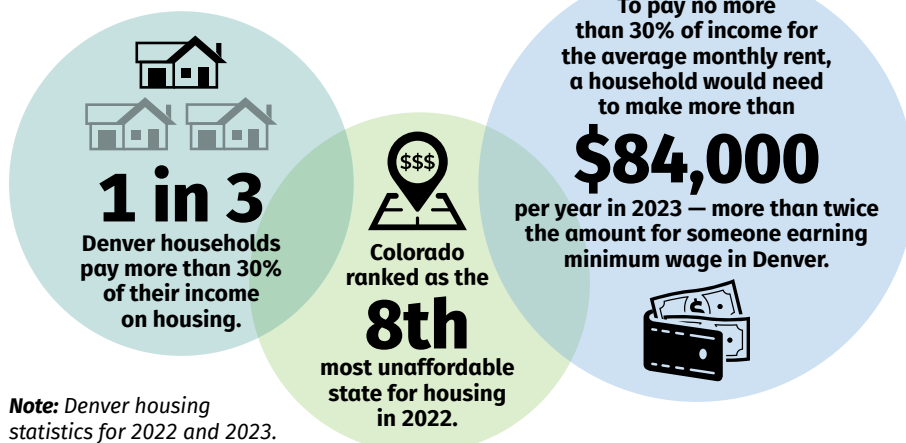
**ABOUT** | The Department of Housing Stability is responsible for overseeing the development and preservation of affordable housing in Denver and plans to increase available housing for people making lower incomes. It accomplishes this goal through extensive housing agreements, such as the one with Denver Housing Authority known as “DHA Delivers for Denver Program” — or D3. As of Aug. 31, 2023, the average home value in Denver was \$562,400 and a 20% down payment was about \$112,000. As of July 2023, Denver’s monthly rent averaged \$2,105.

## In the report

### **FINDING: The Department of Housing Stability must improve its oversight of affordable housing**

- The department is not ensuring Denver Housing Authority is complying with an agreement to build affordable housing.
  - The number of affordable housing units for low- and moderate-income households required by the agreement have not been developed.
  - The authority reported 203 market-rate units renting at prices above the 80% area median income and had developed fewer units for low- and moderate-income individuals than required by the agreement.
  - Of the housing units developed, Denver Housing Authority’s 2023 reports show 32 fewer units were developed for very low-income individuals and 301 fewer units were developed for moderate-income individuals.
  - City investment allocations range from an estimated \$160 million to a projected \$223 million — a difference of about \$63 million. Without more adequate oversight, this money may not be used effectively for affordable housing.

### Denver housing affordability



**Source:** Created by Auditor’s Office staff using information from the Colorado Coalition for the Homeless, the Denver Department of Housing Stability, and the U.S. Department of Housing and Urban Development.

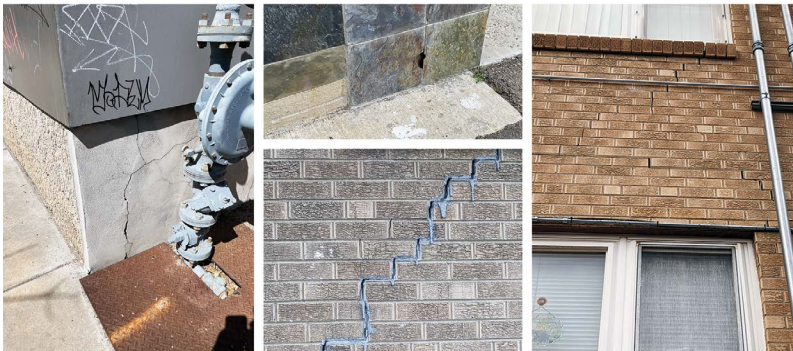
Timothy M. O’Brien, CPA | Denver Auditor

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- Department property inspections and compliance reviews may not be effectively and consistently identifying issues.
  - The department is not conducting inspections in a manner that effectively and consistently ensures affordable housing is consistently well-maintained, safe, and clean.
  - We found issues at 14 of the 21 properties we observed where the most recent inspection forms showed no issues.
  - The department does not even inspect properties managed by Denver Housing Authority and the affordable housing unit we observed, Fusion Studios, had the most significant issues.
  - Despite our evidence, the Department of Housing Stability disagreed with our recommendation to improve its inspections.
  - Without adequate inspections, people living in affordable housing may be subject to increased health and safety risks.
  - The department is also not verifying that property managers are accurately and consistently verifying income eligibility for people living in affordable housing.



Observations included cracks and other exterior damage, above, and damaged or broken windows, right.



### WHY THIS MATTERS

If the Department of Housing Stability is not adequately overseeing affordable housing contracts, development, and conditions, it cannot ensure it is meeting the needs of Denver residents who struggle to afford to live in the city and it cannot ensure it is providing more affordable housing units that are clean and safe for people to live in.

- The department is not ensuring contractors comply with wage laws.
  - By not ensuring the enforcement of prevailing wages in federally funded contracts or complying with the requirements, the city risks losing future federal funding.
  - The department is not ensuring that workers developing and constructing affordable housing are able to afford homes themselves.
- The department's housing data is inaccurate and unreliable.
  - The department did not follow city rules when planning to integrate one of its systems — Salesforce — with the city's financial system of record.
  - If the department cannot accurately report how it is spending money on affordable housing, Denver residents cannot have assurance that taxpayer money is being used efficiently and effectively to fund and preserve affordable housing.

### FINDING: The parts of the Department of Housing Stability's Affordable Housing Prioritization Policy that we reviewed were well designed to minimize lawsuits and displacement

- The Department of Housing Stability met with stakeholders, such as the City Attorney's Office, to minimize the risk of discrimination lawsuits when designing its new prioritization policy. But after the department hires a program manager, it needs policies and procedures and training for property managers to help ensure program effectiveness and compliance.

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