DENVER OFFICE OF
ECONOMIC DEVELOPMENT

2015 HOUSING REPORT

DENVER
OFFICE OF ECONOMIC
DEVELOPMENT

FROM THE MAYOR

Housing affordability is one of the most pressing issues facing Denver. Over the past year, Denver rents and home prices both continued to climb, putting many new and longtime residents in a dire situation.

Rising housing costs affect all of us, but they have the greatest impact on lower-income families. Without access to affordable housing in areas of economic opportunity, fewer working families will benefit from Denver's continued economic revival, and our most vulnerable families and residents – including those who are experiencing homelessness – will fall further behind.

Housing affordability is a top priority for my administration for this very reason, and I'm proud of the progress the city and its partners have made. A little over a year ago, we released *Housing Denver: A 5-Year Plan,* the city's first long-term housing plan in more than ten years. As detailed in this report, we have made great strides thus far in executing this ambitious plan. We established a new Revolving Affordable Housing Loan Fund, we dedicated $8 million of local funds to affordable housing for 2016, and we're hard at work to create a permanently dedicated source of local funding for affordable housing that will raise at least $150 million over the next 10 years.

A great deal of hard work lies ahead, and the housing challenge facing Denver and its residents today represents a critical turning point for our region. Keeping Denver affordable is key to keeping our economy secure and moving forward. As our economy continues to grow and the city continues to attract new residents, we will work hard to ensure that the middle-income workforce that forms the backbone of our economy will remain able to afford to live where they work.

Now is the time to strengthen partnerships, to continue to innovate programs and financing tools, and to build new resources to ensure that our city can offer affordable homes with access to opportunity for generations to come.

Respectfully,

Michael B. Hancock
Mayor

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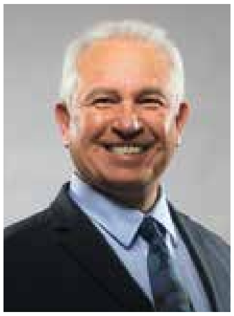
FROM THE OED HOUSING DIRECTOR



As our city's housing challenges grow, the affordable housing team in Denver's Office of Economic Development (OED) has never been busier. OED invests to advance economic prosperity for the City and County of Denver, its businesses, neighborhoods and residents. A core part of this mission is working to ensure that all residents can live in housing that provides a platform for economic security and mobility. That means housing that is not only affordable, but is also part of strong communities that offer access to economic opportunities and critical resources.

OED's housing team is continuing and growing the investments that we know work – gap financing to create more income-qualified housing units and direct services provided by partners to support Denver renter, homeowner, and homebuyer households. At the same time, we're also innovating. We're developing new financing tools and partnerships to invest in income-qualified housing in new ways. We're bringing together new data sources and layering housing and neighborhood investments to ensure that housing investments also offer access to opportunity. And we're leading and convening key affordable housing leaders and stakeholders to make sure our investments are aligned with the greatest needs as well as the greatest opportunities to support housing affordability.

The goal of this report is to share with the community key details on the work our team accomplished in 2015, guided primarily by the action items outlined in the Housing Denver plan. We look forward to continuing to work with our partners and the community to move this critical work forward.

Sincerely,

Rick Padilla
Director of Housing and Neighborhood Development
Denver Office of Economic Development

HIGHLIGHTS

In 2015, the OED prioritized and accomplished Housing Denver's top action item: to dedicate locally raised funds for investment in affordable housing. In 2015, the city created a new Revolving Affordable Housing Loan Fund. And at his second inauguration in July 2015, Mayor Hancock announced that the city will dedicate $150 million to affordable housing over 10 years, beginning in 2017. To support projects already in the pipeline for 2016, the city is committing an additional $8 million of local funds.

This report outlines the progress the OED and its partners made toward tackling the scope and scale of Denver's affordable housing challenge in 2015. This year, the City and County of Denver:

- Moved forward on plans to dedicate $150M of local revenue to affordable housing over the next ten years
- Invested $7.8M in 622 new income-qualified affordable housing units, leveraging $135.3M of additional private and public resources
- Invested $3.9M in programs to assist 7,706 renter, homeowner, and homebuyer households, working with community partners to provide services ranging from tenant-landlord counseling to down payment assistance
- Launched and made first loans from the Revolving Affordable Housing Loan Fund, leveraging investments from the city and the Colorado Housing and Finance Authority (CHFA)
- Launched the Social Impact Bond program, an innovative model that leverages private investment to deliver more effective preventive and supportive services
- Hosted the inaugural Mayor's Housing Summit, *Bridging the Gap: A Solutions Forum on Housing*, bringing together 400 housing leaders from across the region
- Built a dynamic housing mapping tool to support data-driven decision-making about development and preservation investments

GUIDING PLANS AND POLICIES

Housing Denver: A Five-Year Plan is a comprehensive affordable housing strategy that was released by OED in October 2014. The work that led to this plan started in 2012, when Mayor Hancock convened the Mayor's Housing Task Force to advise the city on affordable housing priorities and strategies. *Housing Denver* outlines eight key priorities for the city's affordable housing work and includes 39 action steps toward accomplishing those goals.

Each year, OED crafts an annual *JumpStart* strategy that plans innovation across the entire agency every year. In 2015, *JumpStart* included a fold-out spotlight on *Housing Denver* action items, and drilled down into key action items for 2015. The 39 action items listed under *Housing Denver's* eight priorities were organized into short-term (1-2 year), medium-term (2-3 year), and long-term (3-5 year) action items.

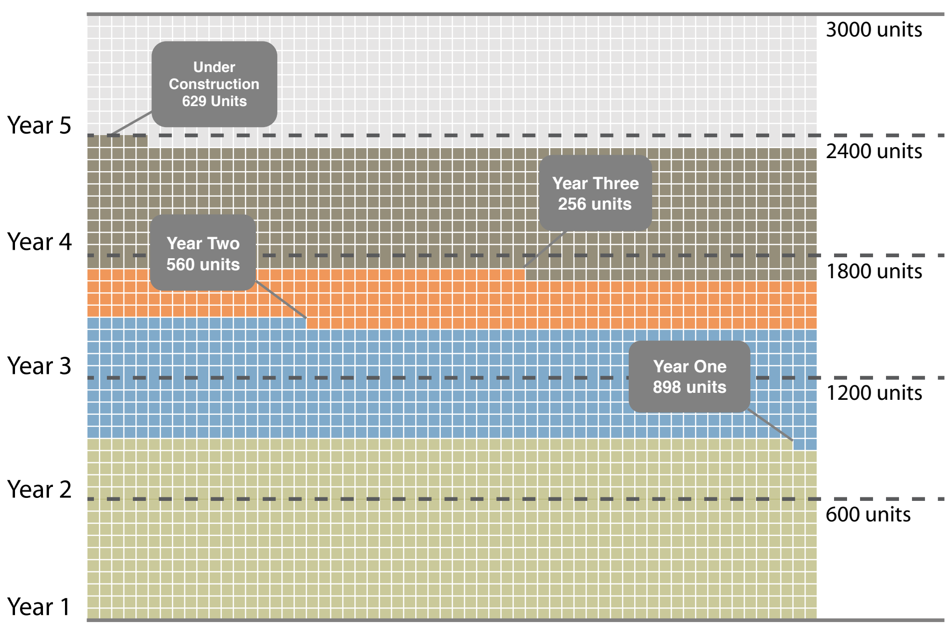
The short-term action items that have been accomplished in 2015 provide an important foundation for all the work described in this report. *Appendix A* also includes an inventory of the 10 short-term action items that were identified as 2015 priorities and reports directly on the work that has been undertaken to accomplish them.

Housing Denver Priorities

- **Increase Housing Resources**
- **Revise and Articulate City Funding Process**
- **Reduce Regulatory Burden of Subsidized Housing Development**
- **Provide Additional Critical Needs and Homeless Housing**
- **Increase Housing Diversity**
- **Preserve Workforce and Critical Needs Housing**
- **Provide Greater Home Ownership Opportunities**
- **Encourage Sustainable Housing Development**

DENVER 3 X 5 AFFORDABLE HOUSING INITIATIVE

OED and its partners are working to meet Mayor Hancock's 3x5 Initiative for affordable housing production. In 2013, Mayor Hancock challenged Denver to develop or preserve 3,000 affordable homes in five years. Today, approximately halfway through the five-year timeline, which started in July 2013, the city is ahead of pace to meet the 3x5 goal.



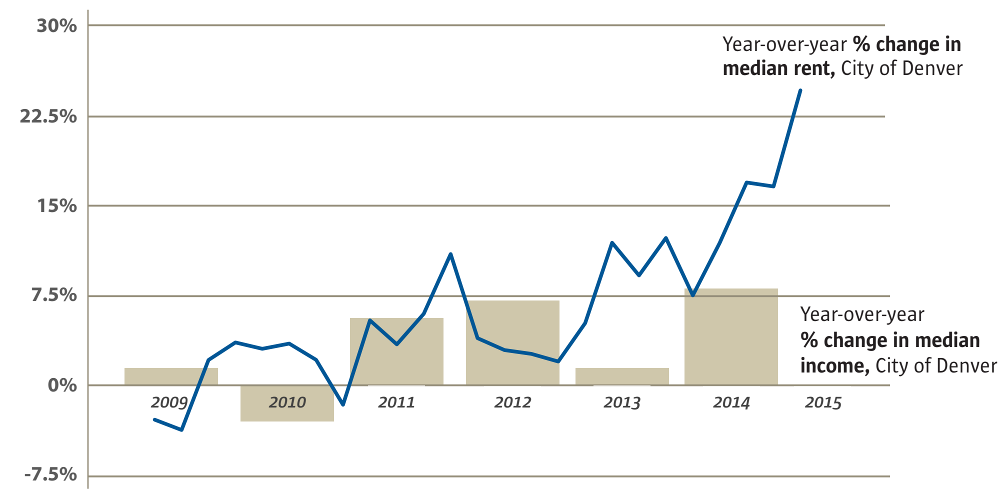
Each cell equals 1 unit; each row equals 60 units.
Years are measured from July 1 to June 30 beginning July 1, 2013.

DENVER'S HOUSING MARKET BY THE NUMBERS

Denver's economy continues to experience strong growth. In 2015, Denver added 19,500 jobs, representing a one-year employment growth rate of 4.3%, well above the national average.[1]

Median income in Denver is also growing. From 2011-2014, median income in the City and County of Denver grew 16% overall, compared to 11% growth in Colorado and U.S. average growth of 6%.[2] But when it comes to housing, this income growth has not translated into greater spending power for Denver's families. As fast as income has grown, median rent in Denver has grown even faster. The table below shows Denver's income growth rates compared to its rent growth rates.

RENT HAS BEEN GROWING FASTER THAN INCOME IN DENVER



At the end of 2015, the median rent for all apartments in Denver was $1,241.[3] Although many news reports noted that this figure was actually down slightly from median rent at the end of the third quarter of 2015 ($1,251), it still represents a 15.27% increase from the median rent at the end of 2014. In each of the last ten quarters, median rent has been at least 5% higher than it was a year before, and on average, has increased over 3% from quarter to quarter. Over the same period that median income in Denver grew 16%, from 2011-2014, median rent grew 33%, from $818 to $1,076. Counting 2015 as well, median rent has grown an astonishing 52% in only five years.

According to the Harvard Joint Center for Housing Studies, median rents across the country were up about 5.6% from the previous year at the end of the third quarter of 2015. Denver is one of 32 metropolitan areas in the South and West where rent costs increased more than 5% from the previous year, but one of only a handful of metropolitan areas across the country where rent increased exceeded 10% annually.[4]

Meanwhile, for-sale housing prices in Denver also continue to climb. According to Zillow research, at the end of February 2016, the median home price in Denver was $332,000, representing an increase of 11.9% from a year before.[5] As of the end of February, home prices were at an all-time high across all cities in the Denver metro region. In comparison, the national median home value increased only 4.3% in 2015, to $183,000.

[1]Colorado Department of Labor and Employment, 4-quarter moving average
[2]American Community Survey 1-Year estimates
[3]Apartment Association of Metro Denver Vacancy and Rent Survey, 4th Quarter 2015
[4]Harvard JCHS, America's Rental Housing: Expanding Options for Diverse and Growing Demand http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/americas_rental_housing_2015_web.pdf
[5]http://files.zillowstatic.com/research/public/realestate/ZHVI.Denver.394530.pdf

THE NEED FOR AFFORDABLE HOUSING

OED measures the need for affordable housing based on the number of Denver households who pay more than 30% of their gross income for housing, including utilities. The U.S. Department of Housing and Urban Development (HUD) defines these households as *cost burdened* when it comes to housing. Any household paying more than 50% of gross income for housing costs is considered severely cost burdened. Housing cost burdens impact families at a wide range of income levels. OED focuses in particular on measuring the number of households who are cost-burdened and who earn 80% of median income or less. For families in this income range, high housing costs can mean there is little left over to save or to invest in the future. Housing Colorado's *Living Affordably Colorado* shows an average budget for a family of four earning $59,000 (about 74% of median income for a family of four in Denver). After paying 30% of their monthly income for housing costs, and covering basic living expenses including taxes, groceries, child care, health insurance, car expenses and student loan payments, this household only has $23 left over each month to put away for retirement or save for their children's college educations.

The table below illustrates how many residents in Denver are cost-burdened at each household income bracket, according to the most recent Census data. In 2014, the median household income in Denver was $54,941 and 80% of median income was $43,953.[6]

COST BURDEN BY INCOME: DENVER RENTER HOUSEHOLDS

	TOTAL HOUSEHOLDS	#(%) COST-BURDENED: PAYING 30%-49% OF INCOME FOR HOUSING	#(%) SEVERELY COST BURDENED: PAYING 50% OR MORE OF INCOME FOR HOUSING
All Denver Renter Households	146,192	35,679 (24%)	34,604 (24%)
Earning < $10,000	21,813	2,254 (10%)	13,507 (62%)
Earning $10,000 - $19,999	18,166	3,596 (20%)	11,450 (63%)
Earning $20,000 - $34,999	26,811	15,041 (56%)	7,738 (29%)
Earning $35,000 - $49,999	22,876	8,987 (39%)	1,683 (7%)
Earning $50,000 - $74,999	21,583	4,521 (21%)	226 (1%)
Earning> $75,000	34,943	1,283 (4%)	0 (0%)

Source: American Community Survey, 2014 1-Year Estimates

Of all Denver renter households, 24% are cost-burdened and another 24% are severely cost-burdened. Nearly 90,000 Denver renter households, or 61% of all renter households, earn less than $50,000. Of these lower-income renter households, nearly 30,000 (33%) are cost-burdened and over 34,000 are severely cost-burdened (38%). In other words, over 70% of Denver households who earn $50,000 or less struggle to afford their monthly housing costs. These struggling households make up 44% of all Denver renters.

Because the most recent Census data is from 2014 and rents in Denver rose dramatically from 2014 to 2015, it is likely that even more households have fallen into cost-burdened or severely cost-burdened situations since this data was collected. Notably, the median rent of $1,241 at the end of 2015 was well above the rent of $1,098 that would be affordable to a family earning 80% of 2014 median income. In other words, less than half of apartments in Denver would be affordable to a family earning 80% of median income.

Although home prices are not growing quite as rapidly as rental rates, the current median home price is far less affordable than the current median rent. For a family earning 80% of median income, an affordable 2-bedroom home would cost about $218,000. To afford a home priced at the current median of $332,000, a family would have to earn over $67,000 annually, or more than 120% of Denver's 2014 median income.[7] Increasing home prices also have an indirect effect on rental affordability – as higher-income households are priced out of homeownership, they are staying in rental homes that might be affordable to lower-income households ("renting down"), making it even harder for renters to find an affordable place to live.

Half of Denver renters pay **more than 30%** of their income for housing, and a **quarter** pay **more than 50%**

[6]Income estimates are based on Census survey data for 2014. HUD also sets Area Median Income (AMI) levels for each Metro area. AMI levels are determined by HUD annually according to a complex formula and scale based on household size. HUD's current AMI levels for Denver are described later in this report.
[7]Assuming down payment of 10%, mortgage rate of 4%, and monthly taxes and insurance of $250

AFFORDABLE HOUSING PRODUCTION

OED's primary tool for driving the development and preservation of affordable homes is by investing gap financing in affordable housing development projects. Most affordable housing units developed in Denver today are part of projects that receive an allocation of low-income housing tax credits. Tax credits are an essential tool for making affordable housing development and preservation financially feasible, but projects that receive tax credits typically still need additional public investment to cover all development costs.

▸ Partner Spotlight **Colorado Housing and Finance Authority**

Colorado Housing and Finance Authority (CHFA) is a statewide agency that invests in affordable housing and community development by offering resources for affordable housing developers, homeowners, and small businesses. One of CHFA's key roles is to allocate federal Low-Income Housing Tax Credits in Colorado.

Tax credits provide critical financial support for affordable rental projects that serve families earning 60% of AMI or below. *9% tax credits* provide equity that covers about 70% of project costs, and are allocated on a competitive basis. *4% tax credit*s provide equity for only about 30% of project costs, but have a rolling application and are available to any project meeting certain benchmarks. Projects that receive 4% tax credits typically need to raise other gap financing. Key tools for 4% projects include Colorado's state low income housing tax credit – which is up for renewal in the state legislature in 2016 – and the city's new Revolving Affordable Housing Loan Fund.

In 2015, OED made funding commitments of

$7,839,000

to nine new development projects, which will collectively create

622 new

income-qualified affordable units.

For projects that apply to OED for funds and are approved by OED's Loan Review Committee (and by City Council for investments greater than $500,000), OED typically invests funds amounting to 5-7% of project costs. OED investments may be funded by either federal or local funds, depending on the project type and availability of funds. Most OED funds for affordable rental housing are invested in the form of *cash flow loans*. Cash flow loans accrue interest at a below-market rate, and the project makes principal and interest payments back to the city based on cash flow remaining after paying for operating expenses and bank debt. Any remaining principal and accrued interest are due when the loan matures. Typically, the city's loan matures when the affordability restrictions on the project end.

In 2015, OED made funding commitments of $7,839,000 to nine new development projects, which will collectively create 622 new income-qualified affordable units. From the time that OED makes a funding commitment, it typically takes another 2-3 years for a project to finalize its financing, complete construction, and open for occupancy. The table on the following page shows the nine projects that received OED funding commitments in 2015, as well as projects that achieved either of two other key milestones in 2015: closing financing and beginning construction, or opening for occupancy.

2015 AFFORDABLE HOUSING FUNDING COMMITMENTS, CLOSINGS, AND PROJECTS COMPLETED FOR OCCUPANCY

PROJECT	UNITS	OED FUNDING COMMITMENT	FINANCING CLOSED/UNDER CONSTRUCTION	OPENED FOR OCCUPANCY
Renaissance Stout Street Lofts	78	2012	Dec 2012	Jan 2015
Mariposa Phase IV	77	Nov 2013	Sep 2014	April 2015
18th & Chestnut (Ashley Union Station)	107	Dec 2013	Nov 2015	
Humboldt Apartments	15	April 2014	Aug 2014	Dec 2015
Park Hill Station	156	April 2014	Aug 2014	March 2016
Ruby Hill Residences	114	Sep 2014	Feb 2015	
Terraza del Sol	42	March 2015	June 2015	
Northfield at Stapleton	84	July 2015	Jan 2016	
Stapleton 4 & 5 (Spruce Townhomes)	45	Aug 2015	Dec 2015	
Mariposa Phase VII	45	Sep 2015	Mar 2016	
Westwood Crossing	98	Oct 2015	Feb 2016	
Ash Street Apartments	112	Oct 2015		
Montbello VOA	86	Dec 2015		
St. Francis	50	Dec 2015		
Sanderson Gulch	60	Dec 2015		

When OED or its public-sector partners invest in the development or preservation of affordable housing unit, the builder in turn agrees to place *a restrictive covenant on the unit*. The covenant is a legal guarantee for that a set number of years, the rental price of the unit will be affordable (i.e. less than 30% of income) for a household earning a specified level of income, and that only households at that income level or below can live in the unit. The income limit on an income-qualified housing unit is typically expressed as a percentage of Area Median Income (AMI), a figure set annually by the U.S. Department of Housing and Urban Development that is tied to the Census measurement of median income for a metro area. See the AMI chart on the following page.

2015 AFFORDABLE HOUSING FUNDING COMMITMENTS: INCOME LEVELS AND BEDROOM COUNTS

PROJECT	TOTAL UNITS	AFFORDABILITY YEARS	30%	40%	50%	60%	80%	MGR.	1BR	2BR	3BR
Terraza del Sol	42	40	5	5	27	5			15	24	3
Northfield at Stapleton	84	40	9	31	13	31			18	42	24
Spruce Townhomes*	45	15					45			25	20
Mariposa VII	45	40			10	35			39	6	
Westwood Crossing	98	40				98			22	57	19
Ash Street Apartments	112	40				112			86	14	12
Montbello VOA	86	40	35		32	18		1	70	16	
St. Francis	50	40		49				1	50		
Sanderson Gulch	60	40		15	6	39			60		
TOTAL	622		49 8%	100 16%	88 14%	338 54%	45 7%	2 0.3%	360 58%	184 30%	78 13%

**For-sale project; all other projects are rental projects*

AREA MEDIAN INCOME (AMI)

The table above shows how OED's 2015 funding commitments break down in terms of income restrictions and covenant length, as well as bedroom counts. Of the units OED financed in 2015, a slight majority are rental units designated for households earning 60% of AMI. Seven percent, or 45 units, are for-sale units available to households earning 80% AMI. Fourteen percent, or 88 units, are rental units available to households earning 50% AMI and another 16 percent are designated for households earning 40% AMI. The remaining 8% of units are designated for households earning 30% of AMI or less.

2015 Area Median Income (AMI) = $56,000
(one person)

A single parent working 45 hours/ week at minimum wage

x 30%	$16,800	$19,200	$21,600	$24,250
x 50%	$28,000	$32,000	$36,000	$39,950
x 60%	$33,600	$38,400	$43,200	$47,940
x 80%	$44,750	$51,150	$57,550	$63,900

Two parents each working full time at minimum wage

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OED'S GAP FINANCING SOURCES

Gap Financing

Historically, the majority of OED funds for gap financing have been drawn from federal funding allocations. Key federal funding sources include the U.S. Department of Housing and Urban Development (HUD)'s HOME Investment Partnerships Program and Community Development Block Grant (CDBG) program. HOME funds can be invested directly in the construction and preservation of income-qualified housing, as well as for programs. CDBG funds are used primarily for programs and land acquisition, and can also be used for new construction of community facilities including emergency shelters.

Looking ahead, the city is working to increase the pool of locally generated resources that can be invested in affordable housing. In 2015, the city and its partners invested to launch the Revolving Affordable Housing Loan Fund (RAHLF). The RAHLF fills a key gap in the city's portfolio of affordable housing financing tools, providing support for projects that receive 4% Low-Income Housing Tax Credits. Projects that receive 4% tax credits need to find additional financing sources to raise enough capital to be feasible. In the past, few of these resources were available, so few 4% tax credit projects were developed – the Denver development community was not able to fully leverage this available resource. **In its first year, 2015, the RAHLF invested $2.9 million in three 4% tax credit projects, resulting in 294 new affordable homes.**

In the past, OED has also had several smaller locally generated funds available for investment in affordable housing, including Skyline funds and surplus funds generated by the Inlcusionary Housing Ordinance (IHO) and Metro Mortgage Assistance Plus (MMA) programs. In 2016, recognizing the scale of the need for affordable housing in Denver, Mayor Hancock made a one-time allocation of $8M in general funds for affordable housing. As described in the Appendix and elsewhere in this report, the city is working in 2016 to create a permanent locally generated source of funds dedicated to affordable housing that is projected to generate at least $150M over the first ten years.

2015 AFFORDABLE HOUSING FUNDING COMMITMENTS: FUNDING AND LEVERAGE

This table shows how OED funds leveraged other public and private financing for affordable housing in 2015.

PROJECT	TOTAL UNITS	OED FUNDS	SOURCE	FUNDING PER UNIT PER YEAR	OTHER PUBLIC INVESTMENT	TAX CREDITS	PRIVATE DEBT AND EQUITY	OED LEVERAGE RATIO
Terraza del Sol	42	$425,000	HOME	$253	$727,435	(9%) $9,475,465	$1,920,111	1:29
Northfield at Stapleton	84	$785,000	HOME	$501	$3,729,545	(4%) $4,995,470	$7,835,850	1:10
		$900,000	RAHLF					
Spruce Townhomes	66	$479,000	HOME	$484	$450,000	n/a	$10,836,495	1:24
Mariposa VII	45	$600,000	HOME	$333	$5,090,895	(9%) $5,064,785	$2,767,248	1:22
Westwood Crossing	98	$1,000,000	RAHLF	$255	$4,107,581	(4%) $7,999,426	$10,112,419	1:23
Ash Street Apartments	112	$700,000	Skyline	$379	$4,502,068	(4%) $7,934,276	$10,841,794	1:15
		$1,000,000	RAHLF					
Montbello VOA II	86	$860,000	City	$250	$4,623,722	(4%) $4,623,722	$5,000,495	1:19
St. Francis	50	$490,000	City	$245	$490,000	(9%) $8,893,392	$267,969	1:21
Sanderson Gulch	60	$600,000	City	$250	$1,250,000	(9%) $11,670,421	$102,381	1:20
TOTAL	622	$7,839,000		$326	$24,971,246	$60,656,957	$49,684,762	1:18

IHO PRODUCTION IN 2015

The Inclusionary Housing Ordinance (IHO) is a key tool for the city to drive the development of affordable for-sale homes. Every residential project in Denver that includes 30 or more for-sale units must: (a) provide 10% of those units as affordable; (b) provide a cash-in-lieu payment; or (c) negotiate an alternative satisfaction with the city.

On-Site Satisfaction – If developers satisfy the IHO requirement by building on-site, units must be affordable to households earning 80% AMI or, if the building is in a high-cost structure that meets certain requirements, 95% AMI. The maximum sales prices for affordable units in 2015 are shown in the table below. Sales prices update annually with changes in Denver's AMI – the most current sales prices are available on OED's website.

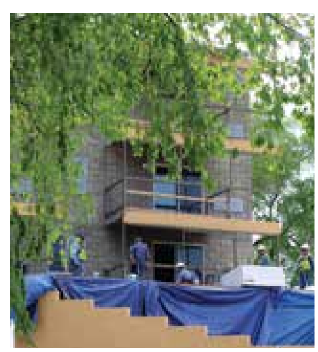
2015 IHO SALES PRICES

	NUMBER OF BEDROOMS				
	STUDIO	1-BEDROOM	2-BEDROOM	3-BEDROOM	4-BEDROOM
80% AMI	$155,330	$169,084	$218,108	$246,886	$260,465
95% AMI	$192,073	$211,045	$270,309	$303,131	$320,971

Cash in Lieu Payments – If developers choose to satisfy the IHO requirement by paying cash in lieu, the required payment varies by *IHO Zone*. Each of the city's neighborhoods is categorized as a Low-, Medium-, or High-Need zone for affordable homeownership, based on the neighborhood's average home price and its access to transit. When developers choose to satisfy the IHO by building units on-site, they receive a rebate from the city to offset the cost of building. These rebates also vary by IHO Zone. The pricing structure for each zone was amended in 2014 to more strongly incentivize units to be built on-site in the highest-need areas – those with the best transit access where a household below median income is unlikely to be able to find an affordable home to purchase. The cash-in-lieu requirement and rebate available by IHO Zone are shown in the table below.

CASH-IN-LIEU REQUIREMENT AND IHO REBATE BY ZONE

	CASH-IN-LIEU FEE (percent of IHO Unit sales price)	REBATE PER UNIT
High	70%	$25,000
Medium	50%	$6,500
Low	25%	$2,000



Alternative Satisfaction – Developers of projects that are covered by the IHO can negotiate off-site or on-site alternative compliance.

Off-site alternative compliance options may include:
- Building more total bedrooms or more units than required at a site in the same or proximate neighborhood;
- Building more total bedrooms or more units than required at a site within a half mile of light rail or commuter rail; or
- Building more rental units at a site in the same or proximate neighborhood or within a half mile of light rail or commuter rail.

On-site alternative compliance options may include:
- Building fewer units than required that are affordable at lower income levels than required;
- Building fewer units than required with more net bedrooms;
- Building fewer units than required for populations with special needs;
- Building fewer units than required with a longer deed restriction; or
- Building more rental units.

Each for-sale residential development in Denver that is covered by the IHO must work with OED to record an Affordable Housing Plan (AHP) that explains how the project will comply with the ordinance. In 2015, OED worked with developers of three projects to record three AHPs, shown in the table below.

AFFORDABLE HOUSING PLANS RECORDED IN 2015

	IHO ZONE	AMI LEVEL	COMPLIANCE OPTION	IHO REQUIREMENT		UNITS PROVIDED	
South Sloan's Lake/ St. Anthony's	Medium	80%/95%	Alternative Satisfaction	Total Units	28	The project will provide 30 on-site rental units, and four 3-BR for-sale units OR six 2-BR for-sale units	
Julian Heights Condos	High	95%	On-Site	Studio	2	Studio	0
				1-BR	1	1-BR	3
				2-BR	2	2-BR	2
				3-BR	1	3-BR	1
The Coloradan	High	95%	On-Site	Studio	6	Studio	0
				1-BR	13	1-BR	21
				2-BR	15	2-BR	13
				3-BR	0	3-BR	0
TOTAL				68		74-76	

No eligible project in 2015 opted to pay the cash-in-lieu fee. The 74-76 units that will be produced on-site, offering mixed-income homeownership opportunities, represents a strong increase from the five units that were built on-site in 2014. Although Denver saw one project that was subject to an IHO requirement in 2014 and opted to pay the cash-in-lieu fee, the increase is likely due to a combination of recent changes in the ordinance and increased overall for-sale construction.

PROGRAMS AND SERVICES FOR RESIDENTS IN 2015

In addition to investing directly in the development and preservation of income-qualified housing units, OED also provides resources directly to residents to assist them in accessing and maintaining affordable housing, ranging from short-term rental assistance for families at risk of homelessness to homeownership counseling and down payment assistance. Most of these programs are financed by OED's annual allocation of federal funding through the U.S. Department of Housing and Urban Development (HUD). The city also offers two bond-funded mortgage assistance programs for first-time homebuyers.

PROGRAMS FOR RENTERS

Tenant-Based Rental Assistance – Most tenant-based rental assistance vouchers in Denver are administered by the Denver Housing Authority, including Section 8 vouchers. Tenants who receive a tenant-based voucher can use it to rent any housing unit, not only an income-qualified unit. The tenant pays the rent they can afford (generally 30% of their household income) and the voucher covers the rest of the rent up to a maximum market rent. OED contracts with community partners to provide tenant-based rental assistance to a small number of households at risk of homelessness, funded by OED's federal HOME Investment Partnerships Program allocation. In 2015, OED's partners provided $570,000 in short-term rental vouchers to 104 households.

Tenant-Landlord Counseling – OED provides funding through its federal Community Development Block Grant (CDBG) allocation to community partners that provide services to renters who need help finding an apartment to rent, need help understanding their rights, or who are facing eviction. In 2015, OED provided $120,000 in funds to support community partners who assisted 4,364 renter households.

PROGRAMS FOR HOMEOWNERS

Single-Family Rehab, Emergency Home Repair, Rental/Homeowner Access Modification Program – OED partners with the Denver Urban Renewal Authority (DURA) to provide federal CDBG funds to homeowners to repair their homes. The Emergency Home Repair program provides low-interest loans to homeowners to correct emergency situations that immediately threaten the safety of residents. The Single Family Rehabilitation program provides low-interest loans that allow homeowners, especially senior citizens, to make repairs (including roof, electrical, plumbing, etc.) to bring their homes into compliance with building codes. The Rental/Homeowner Access Modification Program provides grants to assist disabled homeowners in making access modifications. In 2015, through DURA, OED provided $930,000 in federal funds to assist 100 homeowners in making repairs.

PROGRAMS FOR HOMEBUYERS

Homebuyer Counseling – OED works with community partners to provide free assistance for residents who are becoming first-time homebuyers. Any household, not only income-qualified households, can participate in a HUD-approved first-time homebuyer class for free with one of OED's community partners. Some providers also offer more in-depth counseling. In 2015, OED invested $299,000 of federal CDBG funds in homebuyer counseling to assist 2,787 first-time homebuyer households.

Down Payment Assistance – OED works with a partner organization, the Colorado Housing Assistance Corporation, to provide low-interest, flexible loans to homebuyers earning up to 80% of AMI. In 2015, OED invested $200,000 of federal CDBG funds to assist 25 households in purchasing a home.

Metro Mortgage Assistance Plus (MMA) – OED and the Department of Finance work with participating lenders throughout the Denver metro area to offer qualifying first-time homebuyers a down payment assistance grant of up to 4% of the purchase price of the home. The MMA program is backed by bond capital, but program funds are self-sustaining through the resale of mortgages issued by participating lenders. The program is available to first-time homebuyers earning up to about 150% of AMI, although the majority of borrowers who use MMA assistance earn less than $60,000. Since 2013, the MMA program has supported the home purchases of 1,066 households with $8.6M of down payment assistance. In 2015, 190 households received MMA grants totaling $1.8M (averaging $9,430 per household).

Mortgage Credit Certificate (MCC) – Denver also offers Mortgage Credit Certificates for first-time homebuyers, another bond-backed mortgage assistance program. Through the MCC program, qualifying homebuyers can receive an annual federal income tax credit for 30% of the interest they pay on their mortgage, up to a maximum of $2,000 per year. This tax credit can be taken into account by lenders to help households qualify for a mortgage – in 2015, about 60% of the 136 households who took advantage of the MCC program used it to qualify. Like the MMA program, households with an income of up to about 150% of AMI are eligible to use MCCs. In 2015, the average income of households using the program was 70% of AMI, adjusted for household size.

▸ Partner Spotlight **Down Payment Assistance: NeighborhoodLIFT**

In addition to Denver's programs to support homebuyers, partners throughout the community offer counseling and down payment assistance resources. The NeighborhoodLIFT program, a collaboration between Wells Fargo Bank, Wells Fargo Foundation, NeighborWorks America, and local partner Community Resources & Housing Development Corporation (CRHDC), has provided a total of $5.6 million in down payment assistance and program support that created 252 new homebuyers since the effort was launched in 2014. These homeowners completed homebuyer education and received down payment assistance grants of $15,000. The program is designed to encourage buyers to stay in their homes for at least five years. Longer-term homeownership plays a key role in stabilizing neighborhoods and building strong communities. The NeighborhoodLIFT program also included 10 grants to nonprofits for local neighborhood revitalization efforts.

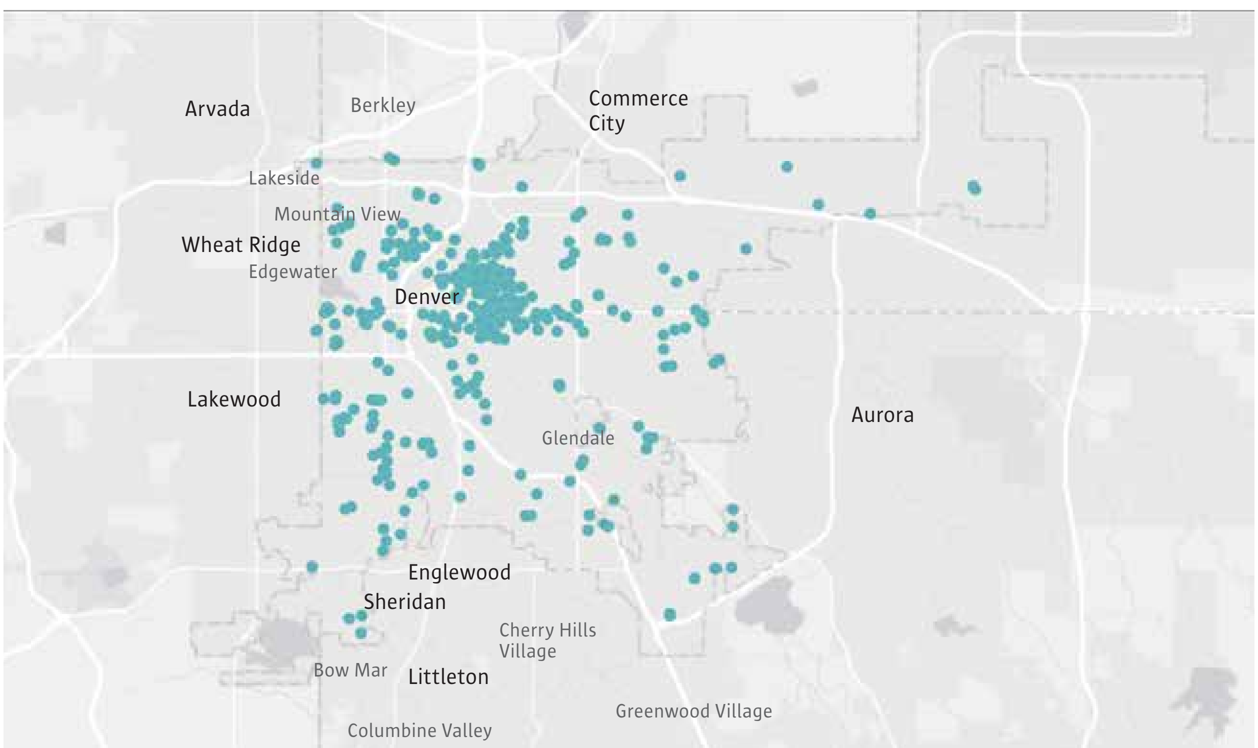
POLICY AND STRATEGY

AFFORDABLE HOUSING IN DENVER TODAY

In 2015, OED led a major effort to clean and map data from both the city and our partners that describes the existing inventory of income-qualified affordable housing units in Denver. Leveraging this data effort, we can now estimate that as of the end of 2015, Denver has a total of 21,826 income-qualified housing units either existing or under construction, at a total of 365 locations. An important caveat to this total is that many existing income-qualified units have covenants that are nearing the end of their life, and are at risk of converting to market rate.

The map below illustrates the distribution of income-qualified affordable rental units in Denver today.

INCOME-RESTRICTED RENTAL HOUSING, CITY AND COUNTY OF DENVER



DATA-DRIVEN DECISION-MAKING

The map on the previous page and the data underlying it are the basis for OED's new housing mapping tool for internal decision-making about affordable housing investment. Detailed data about existing income-qualified units supports decisions around how to prioritize existing units for preservation investments. Additionally, combining this data with demographic and housing market data has become a key tool to evaluate applications for OED funding in proposed development projects.

The housing mapping tool allows staff to weigh factors including existing income-qualified units nearby, neighborhood housing costs, and access to transit and job opportunity when considering a development investment. In 2016, HUD released new map data to support fair housing analysis, which OED is in the process of incorporating into this mapping tool. Analyzing these factors along with project financials will help OED achieve the goal of investing in affordable housing development that supports family economic security, mobility, and opportunity. Access to resources including job opportunity, transit, healthy food, health care, and education is critical to supporting residents of income-restricted units in achieving economic success.

Throughout 2016, OED will use these new data sources and analysis tools to update the decision-making criteria published on its loan application. Looking ahead to 2017, applications for OED investment will be evaluated competitively based on a combination of project financial strength and readiness and ability to provide access to key economic and community resources.

PRESERVING EXISTING AFFORDABILITY

A comprehensive strategy for creating and maintaining inclusive communities in Denver involves preservation of our existing affordable housing stock as well as new construction opportunities. When local, state and federal dollars are invested into affordable housing, a restrictive covenant is typically placed on the home or the land to ensure it is available at a certain price for a set amount of time, usually 15, 20, 30 or more years. When the covenant expires, the owner of the rental or for-sale home is no longer required to rent or sell to an income-qualified household, and the property may be at risk of converting to market rate housing, which as described in this report, is becoming unaffordable for an increasing number of residents.

Denver's Preservation Ordinance helps the city preserve existing covenant-restricted affordable housing by requiring property owners with expiring covenants to notify OED if they plan to sell their building or convert existing units to market rate. In 2015, City Council adopted updates to the ordinance that: 1) expanded the number and type of projects required to notify the city of planned sale or conversion; 2) increased the notification period to provide increased opportunity for preservation; and 3) allowed the city or its designee the right of first refusal when owners do plan to sell. Long term preservation of these properties will require partnerships across sectors, including alignment of resources and outreach across local, state and federal housing agencies to educate existing owners on the opportunities available for preservation of their properties.

While maintaining affordability of Denver's existing covenant-restricted housing stock is a critical component of a robust preservation strategy, a large number of low- and moderate-income families across Denver and the region also live in "market-affordable" housing – housing that is affordable but whose rent is not restricted by a covenant. This market-affordable housing is usually in older buildings, in traditionally lower-cost neighborhoods. As development pressures extend out from downtown and central Denver, many of these older and lower-cost neighborhoods are experiencing gentrification, contributing to higher market rents and putting families in market-affordable properties at risk of involuntary displacement.
Since these properties are not captured under the Preservation Ordinance, strategies to acquire and rehabilitate market-affordable properties can help preserve affordability and mitigate involuntary displacement, especially in gentrifying neighborhoods.

Where resources are limited or opportunities to acquire and preserve whole buildings are difficult, OED is also exploring options that preserve and covenant-restrict a portion of homes within a larger building or development as affordable. This type of program, similar to a project-based voucher, could increase the available covenant-restricted housing stock without the need for new construction and leverage of tax credits or other public resources, and create mixed-income communities across diverse neighborhoods. Research into other opportunities to protect renters and homeowners in Denver and throughout the region is ongoing within the city and through partnerships with outside stakeholders.

OED is working with internal and external partners to maintain a robust preservation strategy that focuses on mitigating involuntary displacement from our covenant-restricted and market-affordable housing stock, leveraging public and private resources to keep housing options available for low- and moderate-income families throughout Denver.

CONVENING AND LEADERSHIP

In February 2015, the City and County of Denver hosted its first regional housing summit, *Bridging the Gap: A Solutions Forum on Housing*. The summit brought together 400 regional affordable housing stakeholders and policymakers to address and explore key housing policy areas:

Dedicated Local Funds – Denver hosted a panel including peer cities from *Enterprise Community Partners' High Cost Cities Housing Forum,* which includes the nine most expensive cities for housing in the U.S. Of the cities in the group, Denver is one of only two that does not dedicate local revenue for affordable housing. At the panel, housing leaders from peer cities delved into how they collect and invest dedicated local resources for affordable housing. In 2015, Denver made significant progress on developing dedicated local resources for affordable housing (see appendix for more detail).

Construction Defects – Colorado's construction defects law has played a major role in limiting condo construction across the state over the last several years. Significantly fewer units are becoming available than are demanded by the market, and what units are built are sold at a much higher price point. Both factors hold back affordable homeownership opportunities. In 2015, Denver City Council passed a local construction defects ordinance designed to complement state construction defects legislation. The ordinance requires consent from a majority of homeowners to file suit and limits how plaintiffs can use local building codes. OED is also partnering with RTD to release an RFP challenging the development community to pilot new models for affordable, transit-oriented for-sale construction.

Coordinated Entry – In 2015, *Denver's Road Home* worked with local and regional partners to build a new coordinated entry system that will streamline access to services for Denver residents and families who are experiencing or are at risk of homelessness. The Metro Mayor's Caucus also joined the Landlords Opening Doors Campaign with a $50,000 fund to incentivize landlords to accept rental subsidy vouchers for formerly homeless individuals and families.

Preserving Affordability – Preserving existing income-qualified housing units plays just as big a role in creating opportunity for Denver families as developing new units. *Denver's Preservation Ordinance* and preservation strategy are described in greater detail above.

Tax Increment Financing – The resources that OED dedicates to investing in affordable housing are one tool for incentivizing affordability. Another potential tool is *Tax Increment Financing (TIF),* a redevelopment tool used by the *Denver Urban Renewal Authority (DURA)* to encourage development in previously blighted areas. OED and DURA are currently collaborating to develop the process for including affordable housing in TIF areas where appropriate.

▸ Partner Spotlight **University of Denver**

In both 2015 and 2016, the University of Denver partnered with OED to host the Mayor's Housing Summit, providing significant in-kind support. DU auditoriums and breakout rooms provided the right setting for housing leaders to step away from their day-to-day work and roll up their sleeves on the big questions facing the Denver region's affordable housing community. OED has also begun to partner more closely with DU faculty and students. Through Dr. Barbara Jackson, DU is sponsoring a community design forum for a city-owned property located at 4400 Lincoln in the Globeville neighborhood. This design forum is the first step toward engaging the neighborhood to help envision the future community-serving use of the property.

OED is leading the planning of the second regional housing summit in May 2016, which will again include 400 key regional housing leaders addressing the following issues:

- Affordable Housing, Location, and Access to Opportunity
- Gentrification, Involuntary Displacement, and Preservation
- Small-Scale Affordability
- Incentivizing Mixed Income
- Financing Supportive Services
- Bridging Affordable Housing and Homelessness

APPENDIX

REPORT ON 2015 *HOUSING DENVER* ACTION ITEMS

OED identified 10 action items from the *Housing Denver* plan as short-term items to address in 2015. The outcomes of these action items, many of which are related to policy and strategy, directly supported the work described in the main body of the report. This appendix additionally reports on progress, outcomes, and challenges by action item.

Action Item 1A. Create a dedicated funding stream supported by public and private investments, to address the city's full continuum of housing needs.

Status: In Progress

At his second inauguration in July 2015, Mayor Hancock proposed to generate $150M of revenue for affordable housing over the next 10 years. In 2015, OED worked closely with the Mayor's Office, City Council members, and other city agencies to develop proposed sources and governance mechanisms for locally raised funds. The working group identified two sources of affordable housing revenue: (1) a linkage fee to offset the affordable housing impacts of both commercial and residential development; and (2) collecting up to one property tax mill that is currently being credited back to property owners. Both of these sources require City Council approval, with legislative action anticipated in mid-2016. The linkage fee component also requires a nexus study, which will calculate the legally justified maximum fee the city can collect from developers as well as the feasibility of different fee levels. OED issued and awarded an RFP to conduct the nexus study in 2015, and the study is currently underway.

Action Item 1B. Create a revolving housing fund to help finance the construction and preservation of rental workforce housing. The fund will be capitalized with $3 million from Denver's General Fund and an additional $3-5 million in leveraged investments. Ensure the fund has a comprehensive set of standard governance and accountability provisions.

Status: Complete

In February 2015, at Denver's first housing summit, OED celebrated the creation of the Revolving Affordable Housing Loan Fund (RAHLF) with investments of $6 million from the City of Denver and $1 million from the Colorado Housing and Finance Authority (CHFA). CHFA acts as the fund administrator, according to governance and accountability standards approved in August 2015 by City Council as part of the City's Master Funding Agreement with CHFA. The RAHLF deployed its first round of funds in the fall of 2015, investing $2.9 million in three projects that received 4% Low Income Housing Tax Credits. These three projects will create 294 income-qualified units serving households at 60% of Area Median Income, and are described in more detail in the Affordable Housing Production section of this report.

Action Item 1D. Dedicate revenues generated by the Metro Mortgage Assistance Plus Program to housing-related activities and programs. Make the fund self-sustaining.

Status: Complete

Denver's Metro Mortgage Assistance Plus program is structured so that all funds invested in the program are returned to the program through the sale of mortgages that use MMA assistance on the secondary market. The program is self-sustaining, but in the past, the use of any surplus funds was restricted to re-investment in the MMA program. In August 2015, City Council passed an amendment to the ordinance authorizing the MMA program to expand the uses of MMA Fund revenue to include any affordable housing investment. Proposed investments must be reviewed by OED's Loan Review Committee and approved by the City's Chief Financial Officer. This change creates an additional source of flexible capital that can be deployed to meet Denver's most critical affordable housing needs.

Action Items 2A and 2B: Align priorities for housing funding with CHFA, the Colorado Division of Housing (CDH), the Denver Housing Authority and local housing development community. Define development preferences and establish consistent underwriting criteria for project applications. Work with the State CDH and CHFA to develop a common statewide funding application process.

Status: In Progress

In 2015, OED met regularly with CHFA and CDH to share information about each agency's application process and criteria. Because CHFA and CDH each have a statewide focus, OED's funding priorities overlap with but differ slightly from the priorities of its partner agencies. OED is in the process of working with CHFA and CDH to identify what information will be used in common by all three agencies, and what information would need to be added uniquely by each agency. In addition to application content, this action item also touches on technical application systems and funding timelines. CHFA is in the process of reworking its online application process; therefore, the technical element of this collaboration is on hold until all agencies have the ability to review CHFA's updated system. OED is also in the process of evaluating its application timeline with respect to CHFA and CDH applications. Currently, OED accepts applications for funding on a rolling basis, which makes it difficult to compare projects competitively and evaluate the opportunity cost of each investment. Over the course of 2016, OED is working to streamline its application timing, which should contribute significantly to efforts to align application process and timing between all three agencies.

Action Item 4E: Work with the Neighborhood Development Collaborative and housing advocates to work with neighborhood planning groups, property owners and property managers to help address issues that give rise to negative perceptions related to the placement of critical needs and homeless housing, and supportive services.

Status: In Progress

In 2015, a number of additional stakeholders and advocacy groups approached OED about public communications strategies to promote affordable housing, including the Urban Land Institute's and American Institute of Architects' respective Housing Committees, Enterprise Community Partners' Make Room campaign, Housing Colorado's Living Affordably Colorado campaign, and Mothers Advocating for Affordable Housing. Collaborating with these partners, OED is working to make "putting a face to housing affordability" a key theme of the 2016 housing summit by incorporating multi-media materials produced by partners. Following the summit, OED will continue to support the efforts of these groups, including work to educate the Denver metro news community on affordable housing history and policy.

Action Item 5A: Work with partners to develop a dynamic mapping system that can help define neighborhood affordability goals for construction and preservation of workforce and critical needs housing. Target housing opportunities in areas where changing market conditions may lead to displacement. Additionally, prioritize areas that provide proximity and access to child care, medical care, healthy foods, and green space.

Status: Complete

In 2015, OED led a major effort to compile a comprehensive, de-duplicated database of income-qualified housing units across the city. This data provides one layer of a dynamic mapping tool that also includes data on transit access, job access, housing market trends, and other opportunities and resources for affordable housing. Another key layer of this map is data created in connection with OED's Gentrification Study, which identifies neighborhoods that are vulnerable to involuntary displacement. This new mapping system is a powerful tool for data-driven decision making, as described in greater detail in the Policy and Strategy section of this report.

Action Item 6B: Officially adopt recommendations from the National Housing Trust and Mile High Connects' "Preserving Affordable Housing in Denver" study by amending the current preservation ordinance to include additional covenant-restricted units, such as LIHTC housing, and increase the required amount of time for the notice of intent to sell an income-restricted unit.

Status: Complete

In August 2015, City Council adopted four amendments to the City's Preservation Ordinance, following directly from the recommendations of the National Housing Trust study. The amendments include:

- Covering additional covenant-restricted units, including all units that received Low-Income Housing Tax Credits
- Cover units that are at risk of conversion due to a sale, not only due to the expiration of an existing covenant
- Grant the city or its designee the first right of refusal, with a 120-day period to match any offer on a covered property
- Increase the required notice period from 90-210 days, depending on type of covenant, to one year for all unit types

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Action Item 7A: Recognizing that the 2005 state construction defects law is an impediment to new condominium development and, consequently, homeownership opportunities, the City will continue to work with regional partners to identify and endorse a legislative solution.

Status: In Progress

In 2015, City Council passed a local construction defects ordinance designed to mitigate the impact of state legislation on developments in Denver. The key features of Denver's ordinance include:

- Building code violations may only be used as cause for action if linked to actual damage or injury or risk thereof
- Denver's codes represent the standard for construction; other codes or standards may not be applied in litigation
- Where covenants require alternative dispute resolution, the covenant cannot be unilaterally eliminated by the HOA
- Informed consent of a majority of homeowners and a majority vote is required before litigation can be pursued.

The City and County of Denver also continues to support state-level efforts to create a legislative solution around construction defects.

Action Item 8D: Promote high density developments by reducing parking requirements in areas that are in close proximity to TOD.

Status: Complete

For any land use that is within ¼ mile of the outer boundary of a fixed rail station or ¼ mile of an enhanced transit corridor, as defined in Blueprint Denver, the parking requirement that would otherwise apply is reduced by 25%. This applies to any affordable housing use at TOD as well. Additionally, any "affordable housing" use in any zone district, as defined in the Denver Revised Municipal Code (generally 65% AMI for rental and 80-95% AMI for for-sale, depending on building type) is eligible for a 20% reduction in its parking requirement. The 25% TOD reduction and 20% affordable housing reduction may be combined up to a total reduction of 45% (a maximum reduction of 50% across all applicable reductions is allowed).

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