



DENVER
THE MILE HIGH CITY

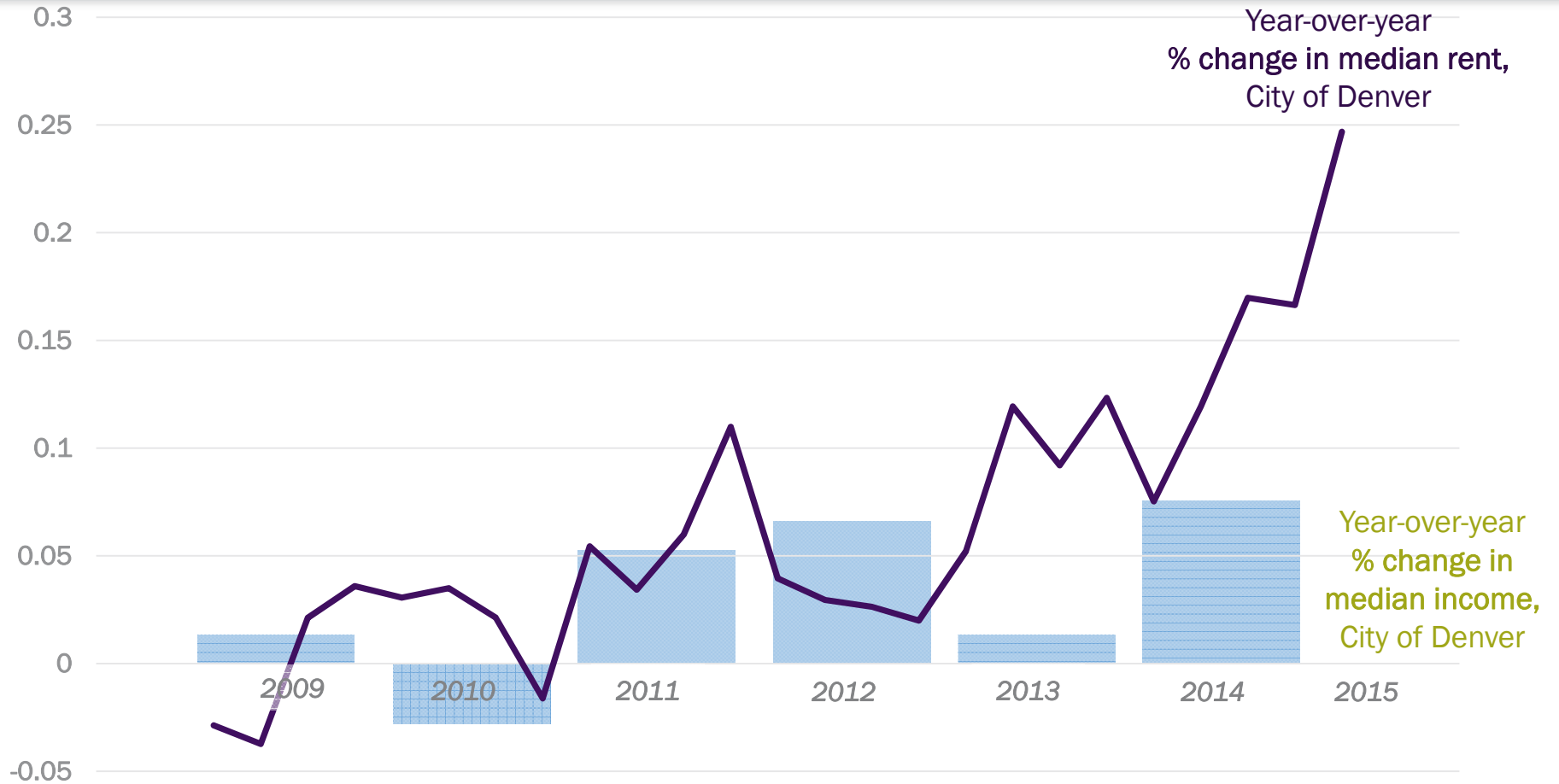
NAIOP Conference

Affordable Housing in Denver

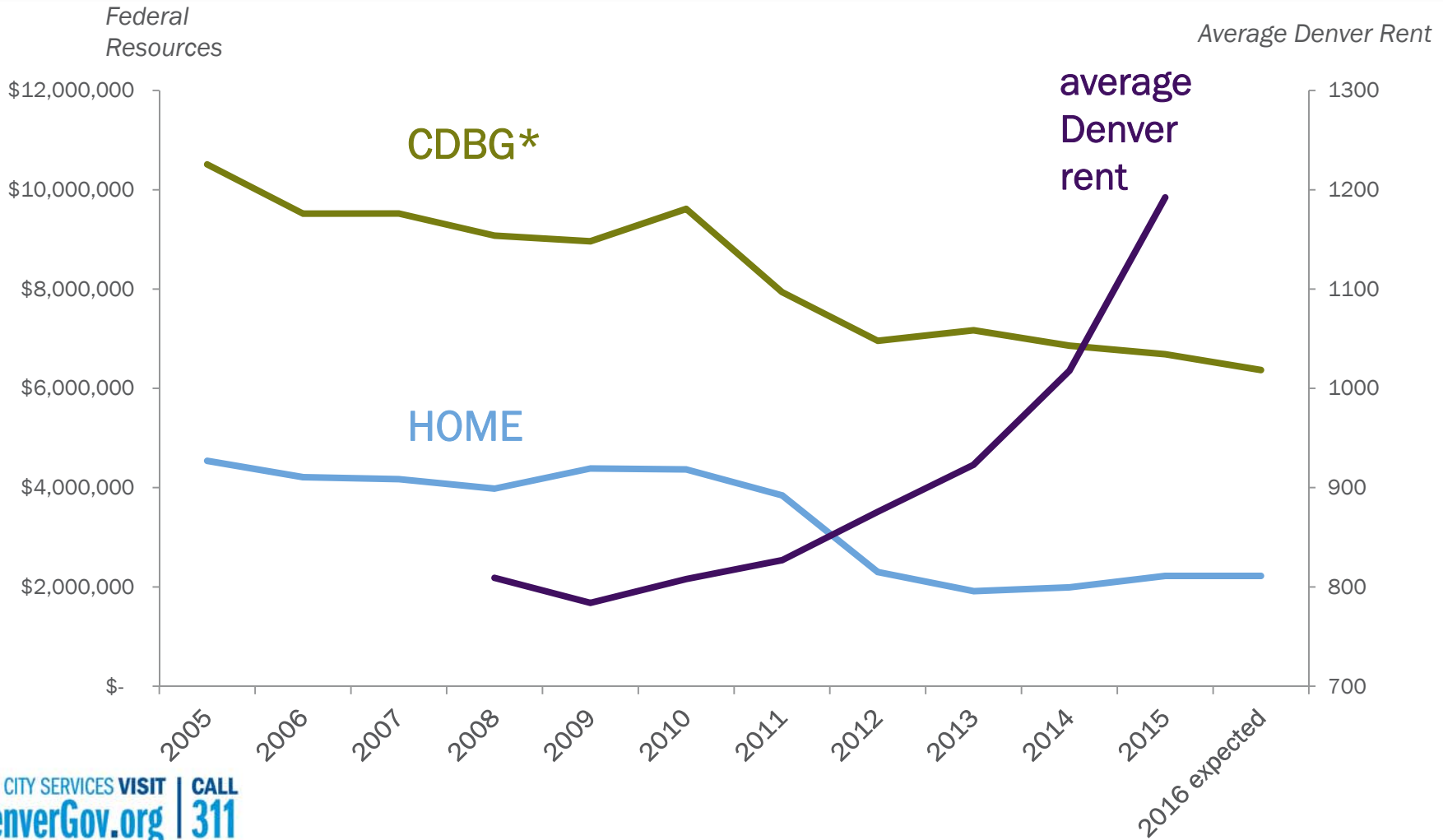
November 16, 2016

Denver, CO

FOR CITY SERVICES VISIT | CALL
DenverGov.org | **311**







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**Represents the City of Denver's CDBG allocation, some of which is not available for affordable housing investment. CDBG funds can also not be used for new construction.*

Area Median Income (AMI) = \$56,100
(one person)

				
x 30%	\$16,850	\$19,250 <i>A single parent working 45 hours/week at minimum wage</i>	\$21,650	\$24,300
x 50%	\$28,050	\$32,050	\$36,050 <i>Two parents each working full time at minimum wage</i>	\$40,050
x 60%	\$33,660	\$38,460	\$43,260	\$48,060
x 80%	\$44,900	\$51,300	\$57,700	\$64,100

- Established Permanent Fund Working Group
- Significant financial modeling by BMO and consultant
 - Led to \$15M/year and 6,000-unit goals
- Rigorous vetting of a dozen funding sources
 - Led to two preferred options: property tax and development fee
- Numerous one-on-one and small group meetings
- Significant media coverage
 - Denver Post, DBJ, Westword and neighborhood newspapers
- Monthly Stakeholder Committee meetings starting in Sept 2015
 - Developers, service providers, finance experts and many others
- 5 Informational presentations to Council Committee
- 2 public meetings with more than 300 attendees each

- **Property Tax***

- 0.5 mill for year one
- \$6.5 million in year one

** Adjustable mill in year two and beyond (as with other mills). Tax revenue is expected to grow gradually over time.*

- **Development Fee**

- | | | |
|---------------|---------------------------|--------------|
| – Residential | Single-Family/Duplex | \$0.60/sq ft |
| – Residential | Multi-Family | \$1.50/sq ft |
| – Commercial | Hotel/Office/Retail/Other | \$1.70/sq ft |
| – Commercial | Industrial/Agricultural | \$0.40/sq ft |

HISTORY:

- In 2012, voters removed City from TABOR limitations
- Voters gave Denver permission to keep up to 6.22 property tax mills (annually) that we hadn't been collecting
- Denver has never activated all the mills, about 5 mills not being collected today

PROPERTY TAX COMPONENT OF FUND:

- Dedicate one half (0.5) mill year 1, estimated \$6.5 million
- Will grow gradually over time

Phase One: Nexus study to determine “legally justified maximum fees”

Phase Two: Tested fees for project feasibility

Phase Three: Fee proposal refined based on stakeholder feedback, peer city review and city goals to keep fees low, simple and fair

Development fees

- Charged per square foot on new construction/additions of square footage
- Used to help meet demand for new affordable housing needed due to new permanent jobs in new commercial & induced by residential
- Payable at issuance of Building Permit
- **Replaces the existing Inclusionary Housing Ordinance – costing condo developers $\frac{1}{4}$ to $\frac{1}{10}$ less than the current ordinance**



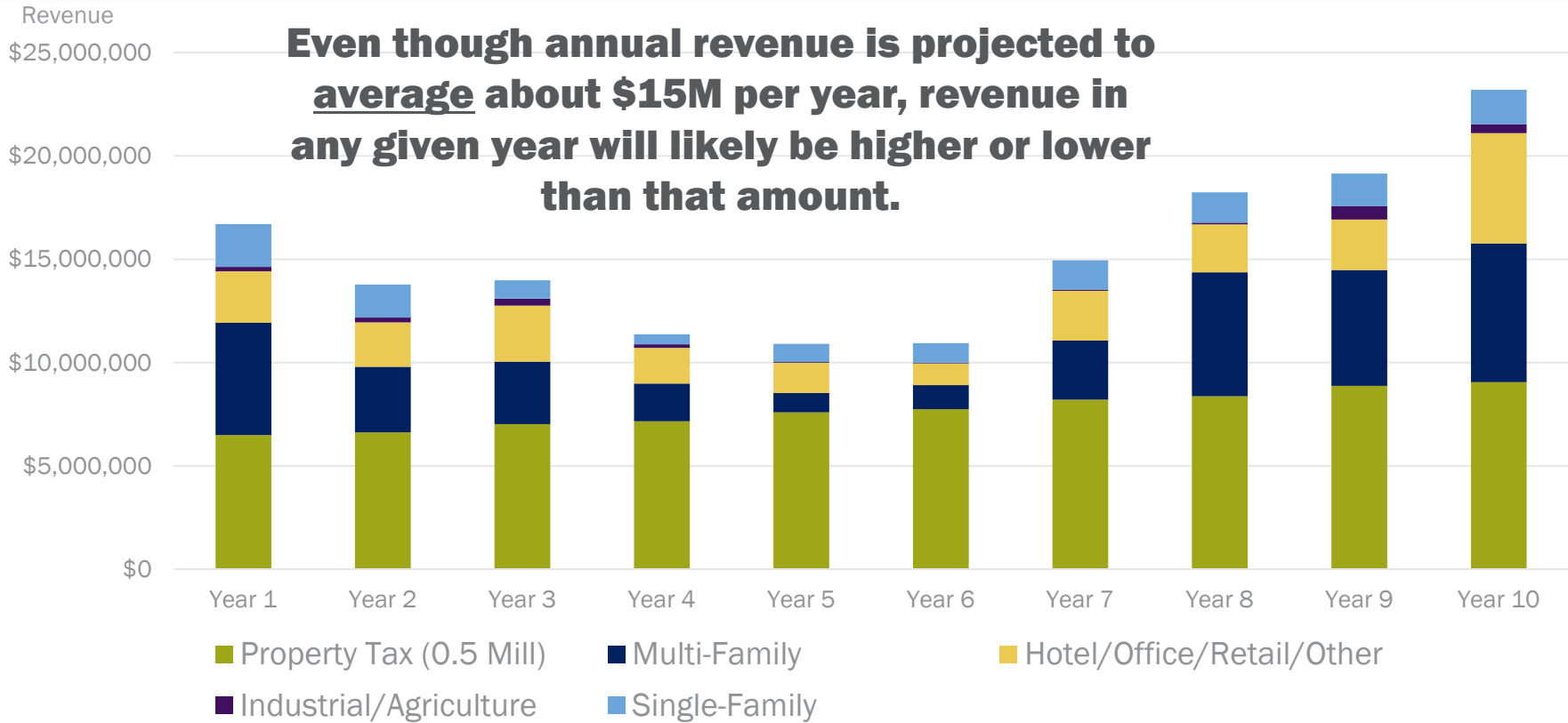
Development Fee Impact

- Cost of \$0.60/sq ft fee on new 2,500 sq ft home = **\$1,500**
- Cost of \$1.70/sq ft fee on new 25,000 sq ft commercial bldg (i.e. bank or convenience store) = **\$42,500**

Fee represents less than 1% of total development cost.



What Might Permanent Affordable Housing Fund Revenue Look Like?

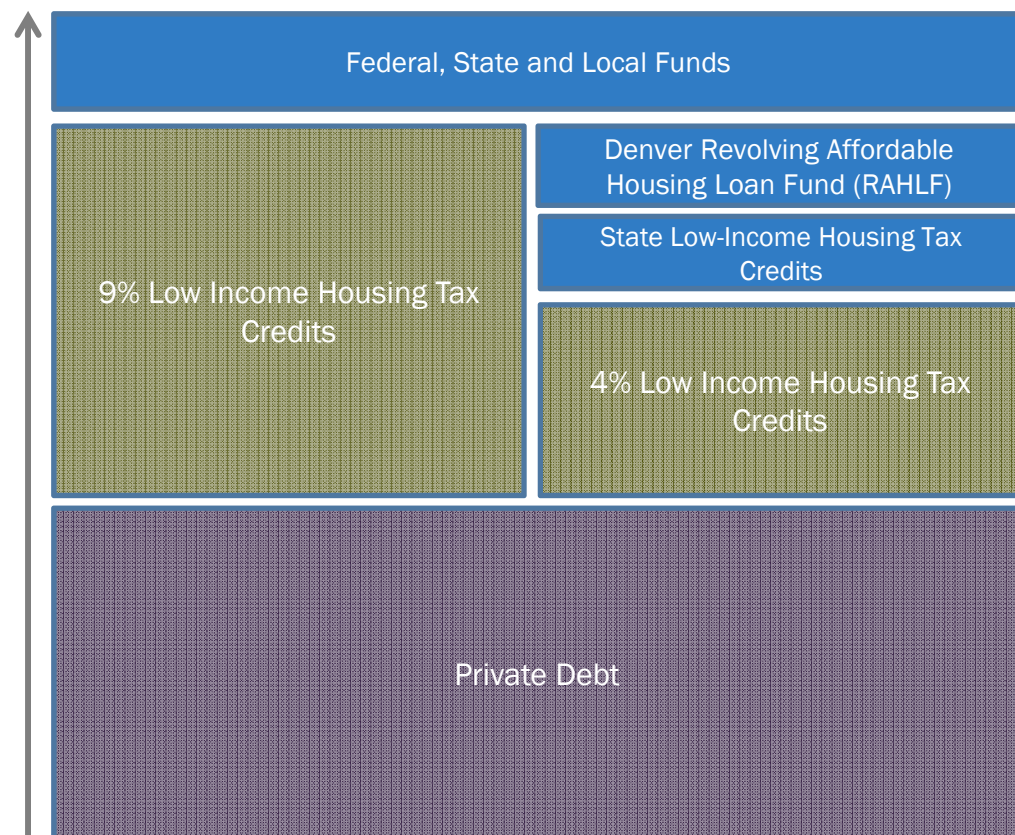


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Note: Hypothetical based on historic 2006–2015 new construction (assuming 20% of Single-Family and Multi-Family development is exempt and 10% of Hotel/Office/Retail/Other and Industrial/Agriculture development is exempt). Property tax is assumed to be \$6.5M in year 1 growing at 2% in non-reassessment years and 6% in reassessment years.

- Permanent Fund will primarily create, preserve and rehab affordable housing
- Flexible to respond to changing market conditions in rental, homeownership, and real-estate
- Income Limits
 - Rental Housing: Up to 80% AMI (\$64,100 for family of four)
 - For-Sale Housing: Up to 100% AMI (\$80,100 for family of four)
 - Homeownership: Up to 120% AMI (\$96,120 for family of four)
 - Programs like down-payment or mortgage assistance
- Other
 - 8% administrative cost cap
 - 10% cap on property tax for supportive services linked to housing (none from linkage fee)

Total project cost



In a typical affordable rental housing development, the majority of capital comes from **debt** and **federal Low-Income Housing Tax Credits (LIHTC)**.

- Non-profit and for-profit developers can raise debt from banks or other financial institutions
- LIHTC are allocated by **CHFA** for all projects in Colorado
- Tax credits can only be used for rental projects that serve families at 60% AMI or below.

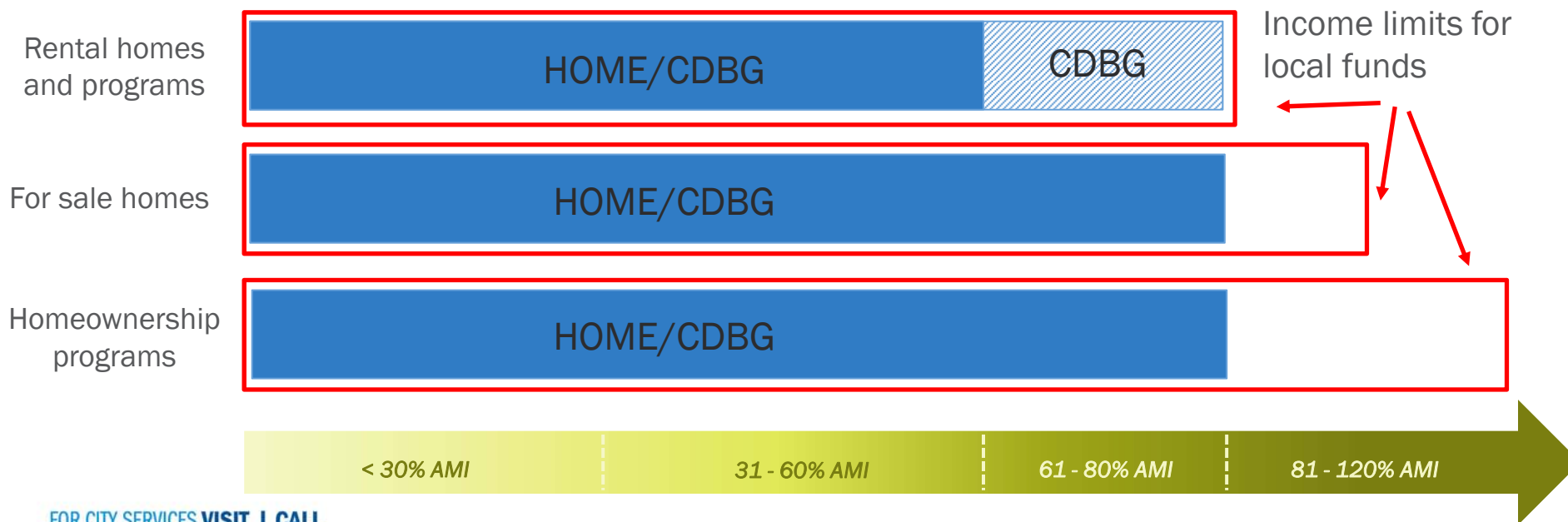
9% LIHTC provide equity for about **70% of project costs**, and are allocated once per year in a competitive process.

4% LIHTC provide equity for only about **30%-40% of project costs**, but they have a rolling application and are non-competitive.

Affordable projects that receive either type of LIHTC still need additional “gap financing” to have enough capital to build affordable units.



OED’s federal resources have more restrictions on how investments can be made and what income levels can be served. For example, CDBG funds cannot be used for new construction and HOME funds cannot be used for tenant or homeownership counseling. New local funds are more flexible in the type of project or program that can be funded.



Housing Advisory Committee

- 23 people, diverse, representative (inc. private)
- Recommend goals, policies and strategic plans, including:
 - Income ranges for new/rehabbed housing
 - Rental and homeownership goals
 - Land banking
 - Homeowner assistance
- Review semi-annual and annual performance

- **OED Implementation:** Action items to effectively and efficiently invest funds into projects and programs
- **CPD Implementation:** Action items to collect and administer linkage fee program
- **Comprehensive Planning:** long-term strategic planning and production goals for local, state and federal resources across homeless to housing spectrum
 - Housing Advisory Committee
 - 3-5 year Comprehensive Housing Plan
 - Supplemental annual action plan and reports



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