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Affordable Housing
Dedicated Fund

Safety Committee Presentation
August 2, 2016

Committee Agenda

I. Brief review of housing revenue proposal and revisions
II. Overview of ordinance language
III. Public comment period
IV. Questions and discussion

Housing Revenue Proposal

- Property Tax*
  - 0.5 mill for year one
  - Estimated $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

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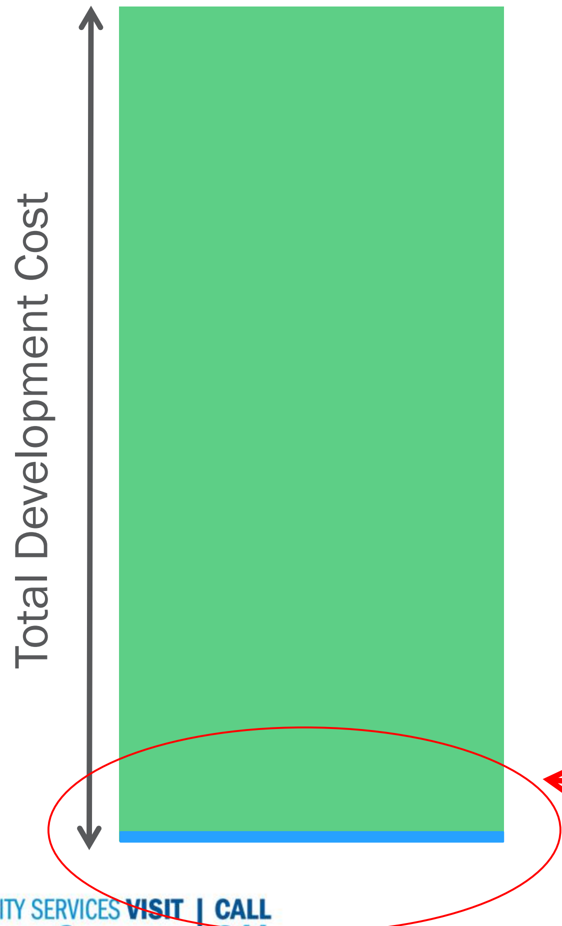
Development Fee Proposal



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**

Proposed fee is less than 1% of total development cost.

What would cost of half (0.5) mill be?

Residential impact of 0.5 mill:

~$4 for every $100,000 of home value

$300,000 home = $12/year ($1 a month)

Commercial impact of 0.5 mill:

$145 for every $1 million in business property value

Revisions to Proposal

Housing Fund Proposal Revisions Based on Council/ Stakeholder Feedback*

1) Exempting fee for *any* structure being replaced due to catastrophe (previously only residential structures)
2) Exempting fee for ADUs
3) Exempting fee for additions of less than 400 square feet on single family/duplex
4) Exempting fee for renovations that intensify usage

*Note that all the changes made to the proposal will impact the revenue estimates, so we will be revising and updating the model to share with Council and Stakeholders next week.

Revisions to Proposal

Housing Fund Proposal Revisions Based on Council/ Stakeholder Feedback (con't)

5) Adding a requirement that fees can only be increased if a new feasibility study is conducted
6) Added two new private sector representatives to the now 23 member governance body, breaking out private sector representation into three categories: Single-family, Multi-family, and Commercial
7) Indicating a 10% cap on the amount of the fund that can be used on supportive services (10% of Property Tax funds; supportive services will not be an eligible use from linkage fees)

Build Alternative Details

Proposed development fees represent small proportion of legally justified fees.

Development Fee Category	Legally Justified Fee Per GSF	Proposed Fee Per GSF	Percentage of Legally Justified Fee*
Single-Family/Duplex Residential	$9.60	$0.60	~6.2%
Multi-Family Residential	$23.66	$1.50	~6.3%
Office/Hotel/Retail/ Other	$119.29	$1.70	~1.4%
Industrial/ Agricultural	$29.57	$0.40	~1.3%

*Nexus analysis examined multiple prototypes within proposed categories, so proportion of proposed development fee to legally justified fee will vary slightly by prototype.

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Build Alternative Details

Build alternative calculated per 1,000 gross square feet of new development in proportion similar between legally justified fee and proposed fee.

Development Fee Category	Legally Justified Build Alternative Per 1,000 GSF	Proposed Build Alternative Per 1,000 GSF	Percentage of Legally Justified Build Alternative*
Multi-Family Residential	2.48 units	0.0168 units	~6.7%
Office/Hotel/Retail/ Other	18.67 units	0.0228 units	~1.2%
Industrial/ Agricultural	4.49 units	0.0054 units	~1.2%

*Nexus analysis examined multiple prototypes within proposed categories, so proportion of proposed build alternative to legally justified build alternative will vary slightly by prototype.

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Build Alternative Details

- Rental and for-sale units affordable to 80% AMI
- Calculation per 1,000 GSF allows build alternative in mixed-use building
- Large scale single-family/duplex developments will have build option at 2%

Examples:

12 Story Residential
304,063 GSF
232 units

$456,094.50 fee

OR

5 units* (2% of total units)

5 Story Office
75,000 GSF

$127,500 fee

OR

2 units*

*Unit fractions above 0.5 will be rounded to the next whole unit.

Property Tax Details

- Ordinance will establish initial tax *rate* of .5 mill for collections in 2017.
- Mill levy rate will vary from year-to-year thereafter, as the City's overall assessed valuation changes.
- Since assessed valuation tends to increase over time, net mill levy rates tend to actually decline while still generating as much or more revenue than they did in year-one.
- Ordinance says the city will decide on a year-to-year basis how or whether to adjust the dedicated mill rate to generate more revenue for affordable housing—same as we adjust all of our other levies each year to reach a revenue target in our annual budget.

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Property Tax Capacity

Q: Could Denver activate more than one mill in 2016?

No. Finance currently anticipates that Denver will be able to activate about 1 mill in 2017 within our 6% cap (without regard to purpose) to be finalized based on data from the County Assessor on August 25. But more could not be activated due to the 6% cap on growth.

Q: Do we anticipate having the capacity to grow our overall mill rate in 2018?

No. History has shown that Denver is typically unable to grow its mill rate in reassessment years. 2018 will be a reassessment year.

Property Tax Timing

Q: Why do we have a deadline around dedicating property tax for 2017?

State statute and City Charter provide requirements for budgeting/setting mill levies. Important dates:

August 25: Statutory deadline for Assessor to report “total valuation for assessment of all taxable property” within city

October 17: Charter deadline for DOF to submit formal 2017 budget to Council

November 14: Charter deadline for Council adoption of the 2017 budget

December 22: Statutory deadline for adopting resolution that will certify city’s 2016 mill levies for collection in 2017 (per charter, must match adopted budget)

Development Fee Timing

- Housing linkage fee goes into effect January 1, 2017
- Fees paid at time of building permit issuance

- Fees will not apply to any applicant for a building permit who has submitted, been officially logged-in and paid any applicable fees by close of business on December 30, 2016 for one of the following:
  - A site development concept plan
  - A building permit application with associated permit drawings

Updated Revenue Model

- Model is based on past 15 year new construction average for each property type. The next 10 years will look different.
- Conservative, model, NOT a projection or prediction.
- Will continue to refine with updated data.
- Updated modeling: **$144.2M in revenue over 10 years**
  - 56% from property tax revenues
  - 44% from linkage fee revenues

Updated Revenue Model

- Revisions to the revenue model for development fee include:
  - Entry level townhomes subject to single-family fee ($0.60)
  - Exemptions for ADUs and additions less than 400 square feet
  - Updated exemption estimates for new construction in areas with an affordable housing plan in place

- Revisions to the revenue model for property tax include:
  - Alternating 6% and 2% growth in reassessment and non-reassessment years, respectively
  - TIFs rolling off (exempt from 2A anti-spiking provision)

Updated Revenue Model Inputs and Outputs

Assumptions

Property Tax Mill	0.5

Property Type	Linkage Fee	Percent Exempt
Single-Family	$0.60	12%
Multi-Family	$1.50	28%
Hotel/Office/Retail/Other	$1.70	29%
Industrial/Agriculture	$0.40	23%

Out-Years	Fee Growth	Property Tax	
2018	0.0%	7.4%	***1.4% additional from TIFs rolling off (Lowenstein, Downtown, South Broadway)*
2019	0.0%	3.4%	***1.4% additional from TIFs rolling off (Boston Lofts, Highlands Gardens, Lowry)*
2020	0.0%	6.0%	
2021	0.0%	2.0%	
2022	0.0%	6.0%	
2023	0.0%	2.0%	
2024	0.0%	6.0%	
2025	0.0%	2.0%	
2026	0.0%	9.1%	***3.1% additional from TIFs rolling off (Stapleton)*

Revenue Projection (accounts for revenue loss from exemptions for ADUs and additions of 400 sq ft or less)

$144,193,874	**using 15 year average new construction for each property type**

Revenue Breakdown

$64,245,220	**44.3%**	**from Linkage Fee (over 10 years)**
$80,887,767	**55.7%**	**from Property Tax (over 10 years)**

Note:
[1] "Percent Exempt" reduces the average annual new construction by property type based on an estimate of how much new construction of each property type will not be subject to the linkage fee due to pre-existing housing agreements or other adjustments to past trends.

Revised – Tentative Schedule

- **Aug. 17** – 1:30 to 3 pm: *Tentative*–More Discussion New Council Committee
- **Aug. 24** – 1:30 to 3 pm: *Tentative*–Action New Council Committee
- **August 31**: *Tentative* – Mayor-Council (non-voting meeting)
- **September 12** – 5:30 pm: (1st reading)
- **September 19** – 5:30 pm: Council mtg (Final reading, 1 hour courtesy public hearing)

Additional Questions/ Discussion

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What do we know about Public Opinion?

Polling from Enterprise Community Partners

April 2016, 283 Denver Respondents

- 83% support increased action from state/local government to create affordable homes
- 61-69% Favor Development Fees to help fund affordable housing

Denver Foundation Polling in Early 2015

Weighted sample of 171

- 58% believe lack of affordable housing serious problem (higher than crime, economy/jobs, schools)
- 76% would support increasing taxes to develop more affordable housing

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Public Meeting Responses*

April 26 – East High School

- 179 Participants in Polling
- 44% stable/comfortable, 32% at risk, 12% homeless
- 26% south, 16% North and West, 33% Northeast/East. 26% central)

Based on overview of two sources of property tax/fees with no specific amounts:

- 60% supportive of the overall proposal
- 86% agreed it was important for the City to dedicate NEW, LOCAL $
- 79% thought we should be doing more than $150 million

* Percentages may exceed 100 due to rounding, if less than 100 remainder didn't respond/didn't know

Public Meeting Responses

July 21– North High School

- 225 Participants in Polling, 77% had NOT attended prior meeting
- 52% stable/comfortable, 35% at risk, 7% homeless
- 47% owners, 37% renters, remainder homeless/doubled/shelter etc.
- 31% North and West, 22% Northeast/East. 27% Central, 13% South

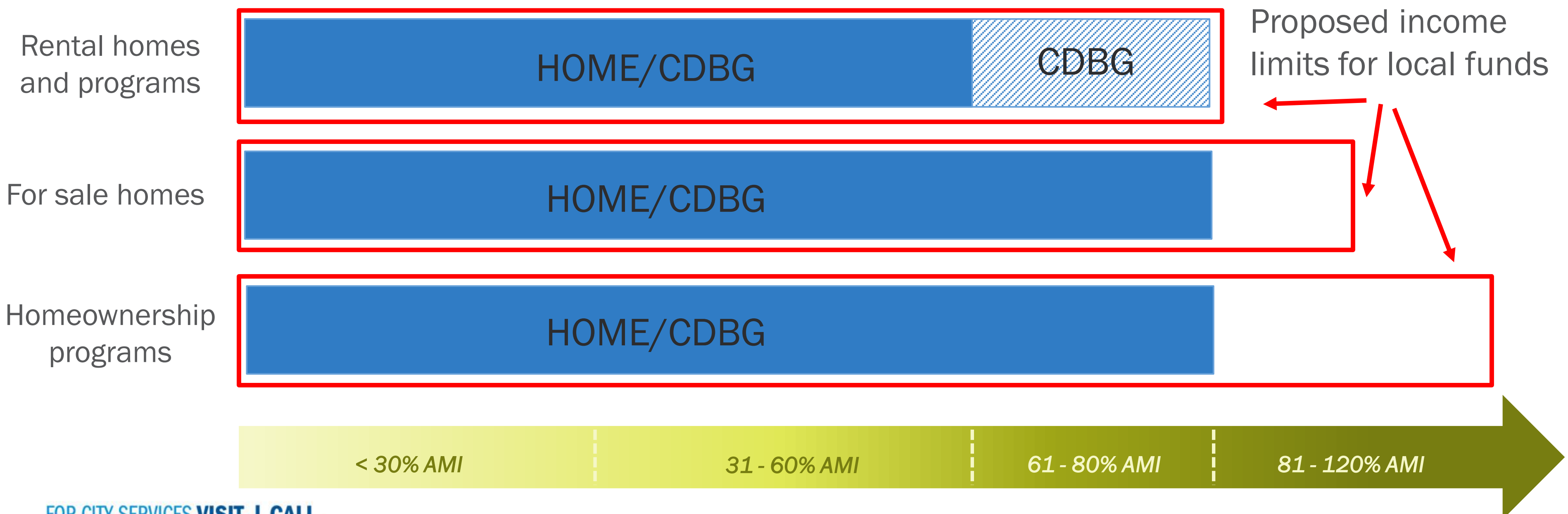
Based on overview of two sources of property tax/fees with no specific amounts:

- 92% agreed it was important for the City to dedicate NEW, LOCAL $
- 46% supportive of the balance between sources, 17% neutral
- 81% thought we should be doing more than $150 million
- 81% opposed to doubling mil to 1 mill and eliminating development fee

* Percentages may exceed 100 due to rounding, if less than 100 the remainder didn't respond/didn't know, other.

Income/Program Restrictions

Current 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.



Uses for Local Funds

Proposed local resources would be more flexible to serve a wider income band and be used for more innovative housing solutions.

Local resources could be used for **direct investment in affordable units***:*

- Gap financing for **new** affordable rental and for-sale housing
- Gap financing for **new** affordable rental or for-sale homes within mixed-income developments that includes market rate
- **Land acquisition** for future development of rental and for-sale housing
- Gap financing for **preservation** of affordable rental and for-sale housing
- *Multi-family **rehabilitation** program**
- ***Project based vouchers** to make units within existing mixed-income building affordable**
- *Multi-family **property tax rebate** program**

Programs that are not currently available through OED or partners that local funds **could be used for. Note that this does not represent an exhaustive list of possible programs.*

Uses for Local Funds

Local resources could be used for programs that help a family **access or maintain affordable housing***:*

- Tenant based rental vouchers
- Tenant-landlord counseling
- Single Family Rehabilitation, Emergency Home Repair, Rental/Homeowner Access Modification Program
- Homebuyer counseling
- Down payment assistance/Metro Mortgage Assistance Plus
- Mortgage Credit Certificate Program
- Supportive services such as case management for vulnerable populations
- *Homeowner property tax rebate program**
- *Emergency mortgage assistance program**
- *Emergency rental assistance program**
- *Development of Community Land Trusts**

Programs that are not currently available through OED or partners that local funds* ***could* *be used for. Note that this does not represent an exhaustive list of possible programs.*