

# Inclusionary Housing Ordinance: Current Policy vs. Revised Policy

Draft Based on Agreements as of 5/13

Items with an \* affect existing home owners

Issue Area	Current Policy	Revised Policy	Rationale for Change
<b>1. Home Ownership Counseling</b>	Recommended, not required.	Prospective home owners must provide a certificate of completion from an OED- approved homeownership counseling course and complete a brief orientation on the IHO rights and responsibilities with OED staff.	<ol style="list-style-type: none"> <li>1. There is strong evidence that pre-purchase homebuyer education can prevent foreclosures and other financial problems for first time homebuyers.</li> <li>2. Creates consistency with other homeownership assistance program requirements in Denver, such as the Mortgage Credit Certificate (Increasing mortgage tax deductibility) and new Mortgage Assistance Plus (Down Payment Assistance) Programs.</li> </ol>
<b>2. Enhance Notice to City of Pending Foreclosures</b>	City typically not informed.	A renamed covenant should prompt bank notice to City of foreclosure filings.	<ol style="list-style-type: none"> <li>1. Early notice of foreclosure can allow the City an opportunity to intervene with home owners and evaluate solutions with them.</li> <li>2. Or, where efforts to aid existing owners are unsuccessful, early notice could provide an opportunity for a non-profit purchaser to preserve affordability and prevent foreclosure.</li> </ol>
<b>3. Broaden the Hardship Exemption for Renting a Home After a Good Faith Marketing Effort*</b>	Rental allowed only in a small number of hardship cases. Time limits and documentation requirements exist.	<ol style="list-style-type: none"> <li>A) Change the limitation on rental from having to fall within an exclusive list of "hardship" reasons to instead allow owners to rent homes to others for a "necessity" approved by the OED Housing Director, including but not limited to all the hardships listed previously.</li> <li>B) Existing limits on the length of time an owner can rent, and a prohibition on renting the unit for a profit, will remain in place in the revised language.</li> </ol>	<ol style="list-style-type: none"> <li>1. Realtors and owners of IHO homes have reported legitimate circumstances not included in our list of exemptions that require owners to leave their homes. The IHO is intended to provide a home for families with a fixed income. To achieve this purpose, owners have been limited to renting their units to others except when they have a temporary need to relocate, because when they are allowed to rent it is too onerous to require them to income-qualify renters.</li> <li>2. Others have reported an inability to sell homes after long marketing periods during a down economy, which may be leading to strategic defaults where renting is not allowed as an interim measure until housing markets can recover.</li> </ol>

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<p><b>4. Allow Voluntary Sale of Home to an Approved Non-Profit Entity*</b></p>	<p>Current law allows housing authorities or the city to purchase units, but does allow a non-profit to purchase homes.</p>	<p>If an owner is unable to sell to a qualified buyers after an Active Marketing Period and rental of unit is permitted by applicable rules or agreements, allow sale of a home to a City-approved 501(c)(3) non-profit, governmental, or quasi-governmental housing authority, exclusively for use as affordable rental, at or below 65% of AMI for a designated number of years to be determined by financing. Owners are not required to sell to these entities, and the entities are not required to buy-purely optional.</p>	<p>1. Helps IHO homeowners seeking to sell their units avoid foreclosure or the burdens of operating a rental involuntarily in a down economy.</p> <p>2. Fulfills the underlying purposes of the ordinance by helping address some of the City's unmet housing needs. For example, the Housing Task Force documented an acute need for more than 27,000 affordable rental homes to serve current residents of Denver, not including homeless families or future growth.</p>
<p><b>5. Raising the Income Thresholds for Subsequent Buyers (but keeping the same limit on sale price)*</b></p>	<p>Sellers may only sell to families at 80% AMI</p>	<p>Reward owners with longer tenure by gradually increasing the AMI limits they may sell to.</p>	<p>Expanding the maximum income eligibility for buyers upon resale will expand the buyer pool and increase homeowner's ability to compete with newer rate units.</p>
<p><b>6. Eliminate Restrictions on the Use of the IHO Buyout Funds</b></p>	<p>IHO Special Revenue Funds can only be expended for incentive payments in neighborhoods or census tracts where a majority of residents earn 80% AMI or less.</p>	<p>1. Eliminate restrictions on where buyout funds can be redeployed allowing the City to more nimbly respond to current market demographic opportunities to create high quality mixed-income housing.</p> <p>2. Require report on how funds are used to new Standing Housing Advisory body and Council to increase transparency.</p>	<p>Currently, the ordinance permits the City to use buyout funds only in specific neighborhoods. Eliminating this restriction would allow investment in high quality mixed-income housing within neighborhoods that may vary in demographics and needs from one block to another within the statistical neighborhood.</p>