

Proposal to Double Denver's Affordable Housing Fund

August 2018

Agenda

- Overview of the Proposal
- Background on Process and Outreach
- Outcomes from Proposed Investments
- Mechanics of Proposal
- Public Comment Period
- Questions, Discussion and Request for Committee Approval

Guiding Principles

Provide more housing opportunity/access and sooner; and invest in a financially responsible way.





1. Align investment strategies to Affordable Housing Fund's five year housing plan and processes
2. Evaluate bonding
3. Leverage housing partnerships and tools
4. Do not increase costs on the very households we are working to serve

Housing an Inclusive Denver Overview

Five-year plan outlines investments priorities along the income continuum:

- **20-25% of housing resources** to serve residents experiencing homelessness
- **20-25% of housing resources** to serve residents earning below 30% AMI in rental housing
- **20-30% of housing resources** to serve residents earning 31% to 80% AMI in rental housing
- **20-30% of housing resources** to serve residents in homeownership housing

Investments at each income level will support the plan's key goals:

-  Create affordable housing in vulnerable areas AND in areas of opportunity
-  Preserve affordability and housing quality
-  Promote equitable and accessible housing options
-  Stabilize residents at risk of displacement



Overview of Framework

1. Increase RMJ special tax rate by 2%, dedicate proceeds to the AHF (\$8M in 2019)
2. Increase annual “PAYGO” General Fund transfer to AHF by \$7M starting in 2019

Local funding for AHF would = \$30M/year

3. Contract with the Denver Housing Authority to bond current property tax mill, generating approximately \$105M:
 - 50% to accelerate DHA unit creation/preservation
 - 50% to fund land/property acquisition, create a longer-term pipeline serving most vulnerable residents

Annual Affordable Housing Fund’s Revenues (Local)	
Existing: Linkage Fee	\$1,500,000
Existing: General Fund/DHS Transfer <i>(backfills the linkage fee during initial ramp up)</i>	\$6,800,000
Existing: 0.442 mills for 20 years	\$7,500,000
New Starting in 2019: 2% RMJ	\$8,000,000
New Starting in 2019: Annual General Fund/DHS Transfer	\$7,000,000
Total	\$30,800,000

Property Tax Pass Through to DHA for Bonding	
Existing 0.442 mills for 20 years	\$7,500,000
Potential bond proceeds over 5 years	\$105,000,000

Overview of Framework

Investment Type	CCD \$15M “Pay-as-you-go” (current housing plan)	CCD \$7M “Pay-as-you-go” (proposed starting 2019)	\$105M bonding with DHA (proposed starting 2019)	Total Over Five to Ten Years
OED Projects	~3,000 units	~750 units		3,750 units
OED Programs	30,000 households	1,000 households		31,000 households
Land/Property Acquisition			~1,200 units	1,200 units
DHA’s Accelerated Pipeline			Sun Valley Project: 932 units Westridge Project: 290 units Shoshone Project/Alternative Site: 72 units	1,294 units
Total Outcomes Across all Resources				6,244 units 31,000 households

Background on Process and Outreach

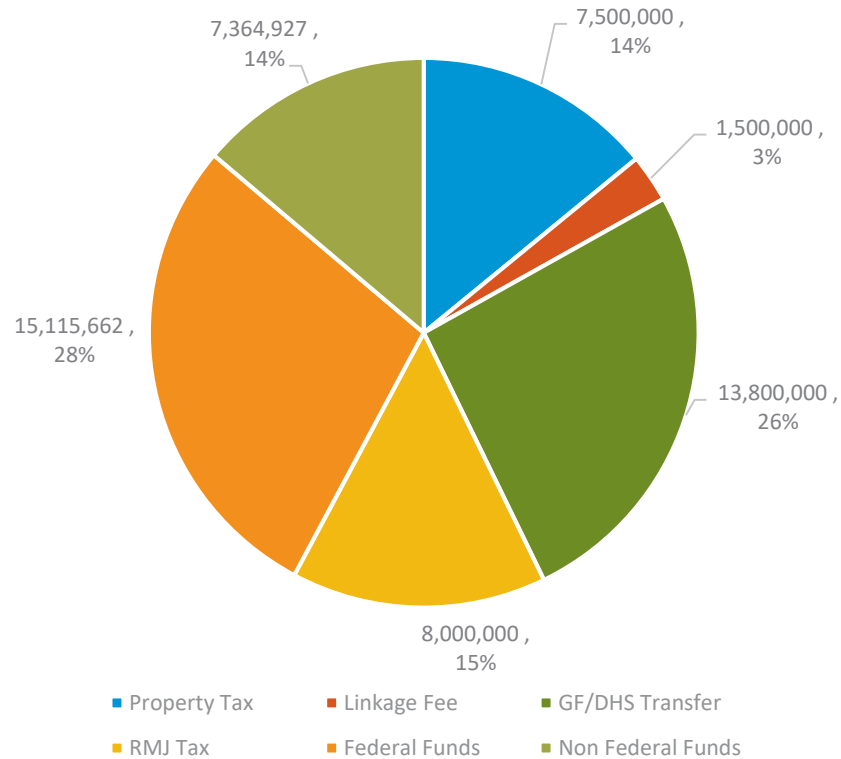
- City team announced the framework in April 2018
- Met with more than 35 stakeholder groups in April - July
- Discussed framework at full HAC and subcommittee meetings
- DHA conducted outreach on modeling of the outcomes from bond investment with experts in land acquisition, development and service providers in June - July

Background on Process and Outreach, con't

- Refined the framework proposal to reflect Council and stakeholder feedback, including:
 - Removing current sunset on the AHF
 - RMJ sales tax rate effective date in 2018
 - Creating an advisory group to inform DHA selection of specific sites and development partners
 - Adjusting projected outcomes from investments into land/property based on market conditions

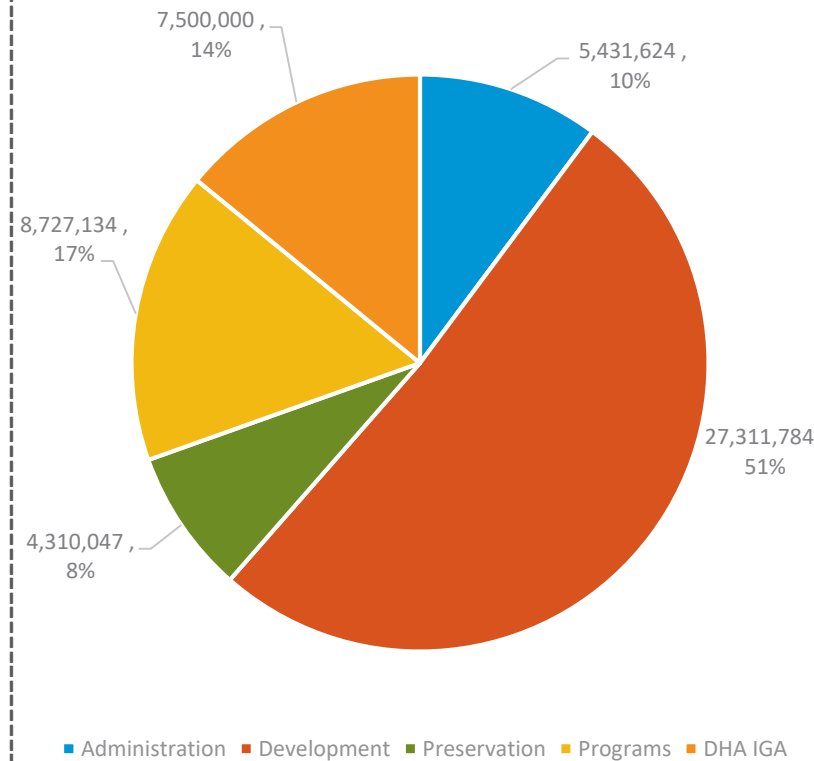
2019 Planned: OED Housing Investments

Budget by Funding Source



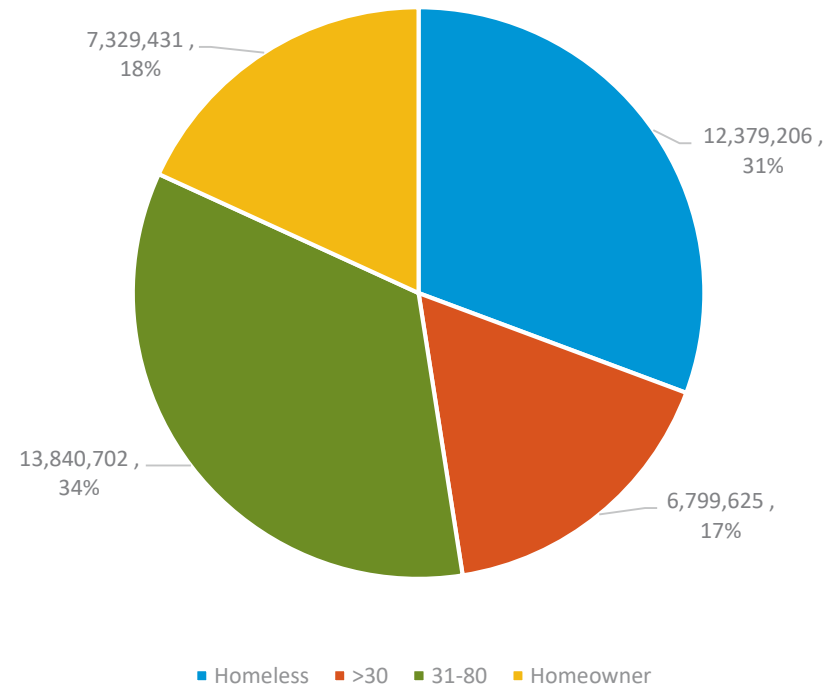
Total Budget: \$53,280,589

Budget by Investment Type



Total Budget: \$53,280,589

Spending Priorities

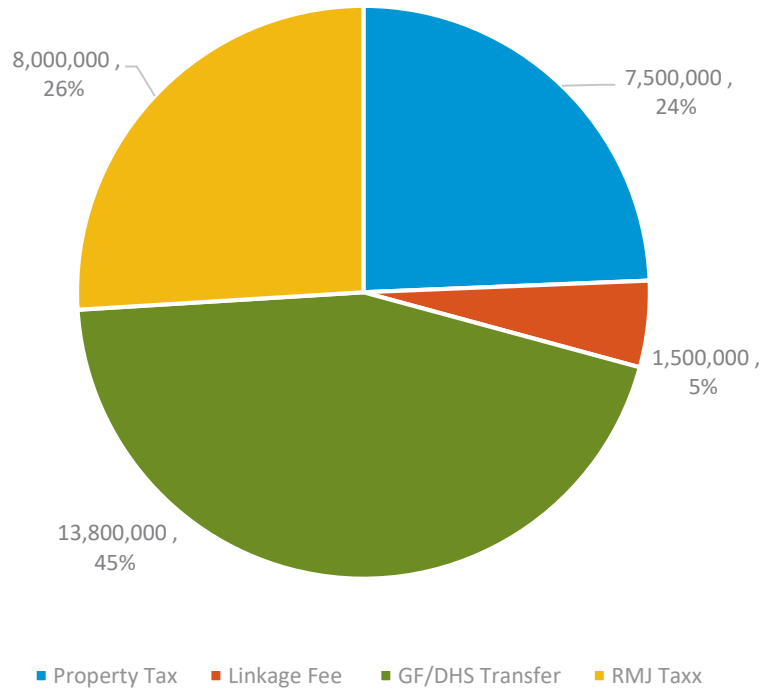


Total budget: \$40,348,965

Variance: Administration & DHA IGA not included

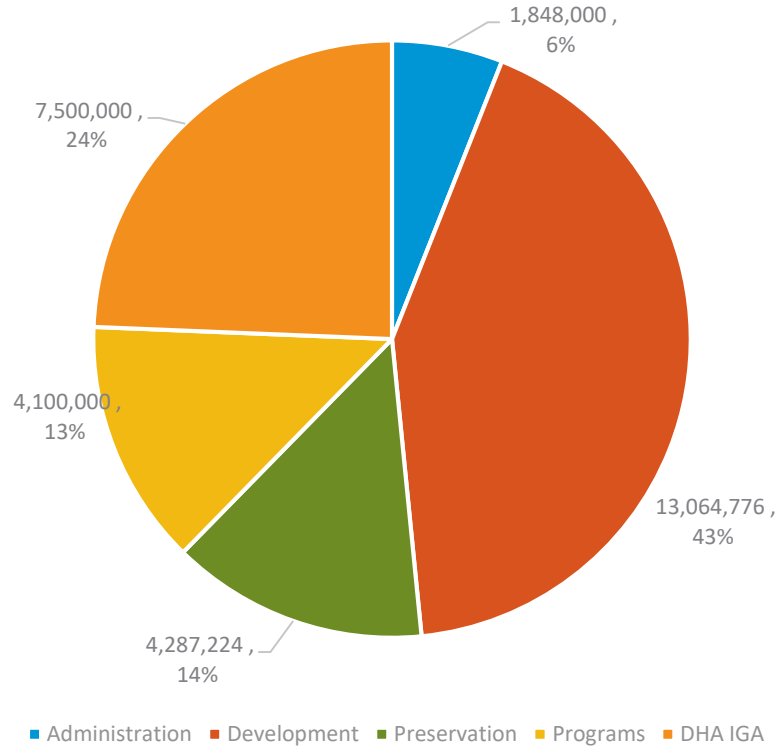
2019 Planned: Dedicated Housing Fund

Budget by Funding Source

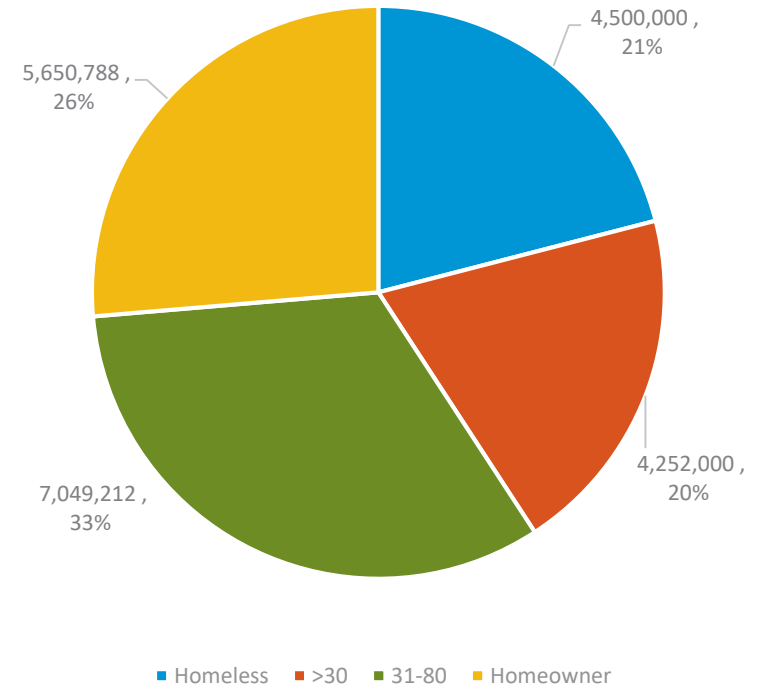


Total Budget: \$30,800,000

Budget by Investment Type



Budget by Spending Priorities



Total budget: \$21,452,000

Variance: Administration & DHA IGA not included

Projected 2019 Outcomes from Housing Investments



CREATE AFFORDABILITY

2019 Anticipated (OED investments):

765 units

2019 Anticipated (DHA partnership):

200 units

TOTAL: 965 units

Funding framework would provide surge in development pipeline:

- Add ~\$7M to OED development/preservation investments above 2018 levels
- Support DHA development/preservation of 200 units in 2019
- Support DHA acquisition of 1-2 parcels of land in 2019 for future development



PRESERVE AFFORDABILITY

2019 Anticipated (OED investments):

125 units

Note, OED made updates to housing term sheets for 2018/2019 to increase funding levels across all multi-family projects in response to wider funding gaps, including bigger increase for projects serving vulnerable populations.

Projected 2019 Outcomes from Housing Investments



PROMOTE ACCESS

2019 Anticipated: 4,400 households

Funding framework would also increase programmatic investments:

- Add ~\$1M above 2018 levels
- Focus on programs that stabilize residents at risk of displacement (ex: TRUA)



STABILIZE RESIDENTS

2019 Anticipated: 3,700 households

Note, OED will be conducting a competitive program application in fall for 2019 program investments from both federal and local funds.

Mechanics of Proposal - Revenue

Proposed updates to Article V, Chapter 27 of the DRMC include:

- Removing sunset on the article
- Changing the title of the special revenue fund from “Affordable Housing Property Tax Revenue Fund” to “Affordable Housing Property Tax and Other Local Revenue Fund” and making the fund appropriated and non-lapsing
- Adding RMJ sales tax as a dedicated revenue source
- Converting seat on HAC from HOPE Executive Director to Chief Housing Officer

Proposed updates to Article II, Chapter 53 of the DRMC include:

- Imposing an additional 2% sales tax on retail marijuana products effective October 1, 2018 for affordable housing

Mechanics of Proposal - IGA with DHA

- Agreement would commence on January 1, 2019 and terminate on December 31, 2038 (20 years)
- DHA to deliver 1,294 affordable units over five years through their pipeline
- DHA to partner with other developers to deliver 1,200 affordable units over ten years through land/property acquisition (50% of units would be PSH or <30% AMI) at geographically dispersed sites
- DHA to create an advisory group to inform selection of sites and development partners
- Provide regular reporting on financial investments, acquisitions and unit outcomes, and other monitoring

Mechanics of Proposal – Estimated Flow of Funds

<u>FLOW OF FUNDS</u>	2019	2020	2021	2022	2023	2024	Total	% of Total
DHA Pipeline:	\$1,650,204.80	\$13,321,210.20	\$4,278,235.00	\$18,944,011.00	\$2,597,383.00	\$9,388,107.00	\$50,179,151.00	47.80%
Land/Partnerships:	\$8,120,571.43	\$8,404,791.43	\$8,698,959.13	\$9,003,422.70	\$9,318,542.49	\$6,951,721.99	\$50,498,009.17	48.10%
Admin:	\$813,000.00	\$803,000.00	\$803,000.00	\$803,000.00	\$803,000.00	\$200,000.00	\$4,225,000.00	4.00%
Total Deployed/Yr	\$10,583,776.23	\$22,529,001.63	\$13,780,194.13	\$28,750,433.70	\$12,718,925.49	\$16,539,828.99	\$104,902,160.17	100%

Proposed Timeline

August 8: Safety Committee meeting for action

August 14: Mayor Council

August 20: First Reading at City Council

August 27: Second Reading at City Council

September: Release Proposed 2019 Budget

October: Effective date for RMJ sales tax

November: 2019 Budget approved

January 2019: Increased funding available for investment

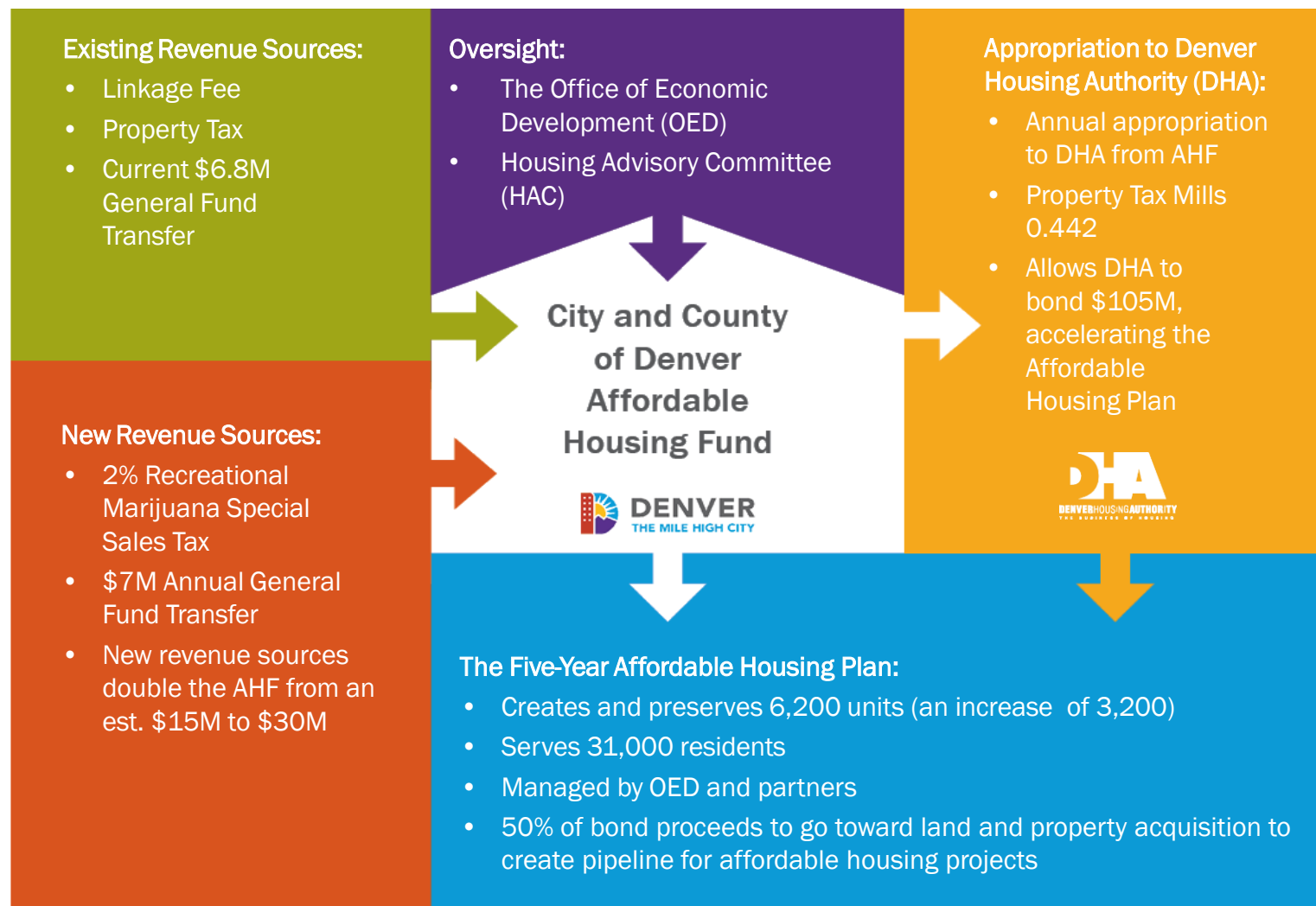
Requested Action:

Approval for BR18-0863 and BR18 – 0864 to accelerate funding toward housing development, preservation and programs to serve low and moderate-income residents.

Public Comment

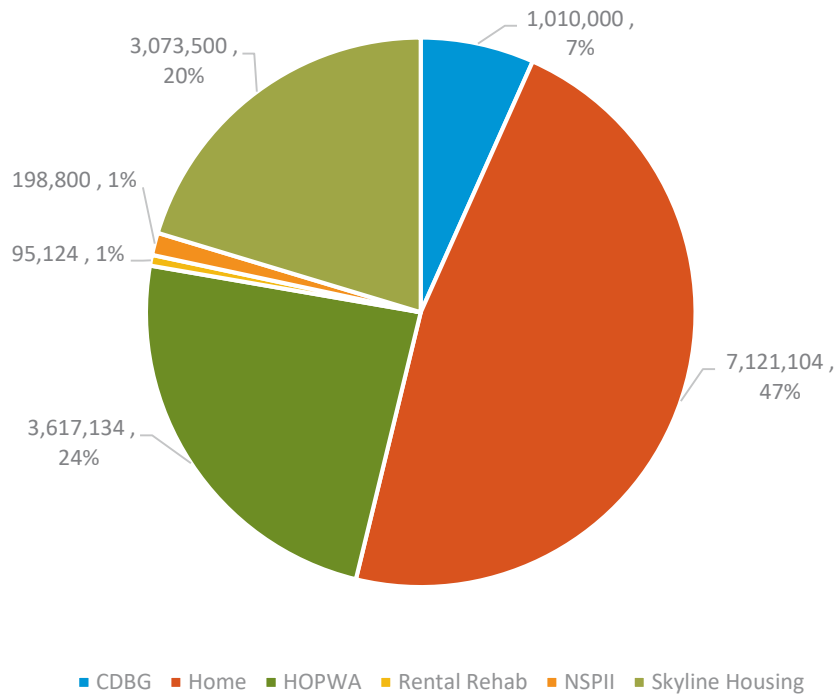
Questions/Discussion

Appendix



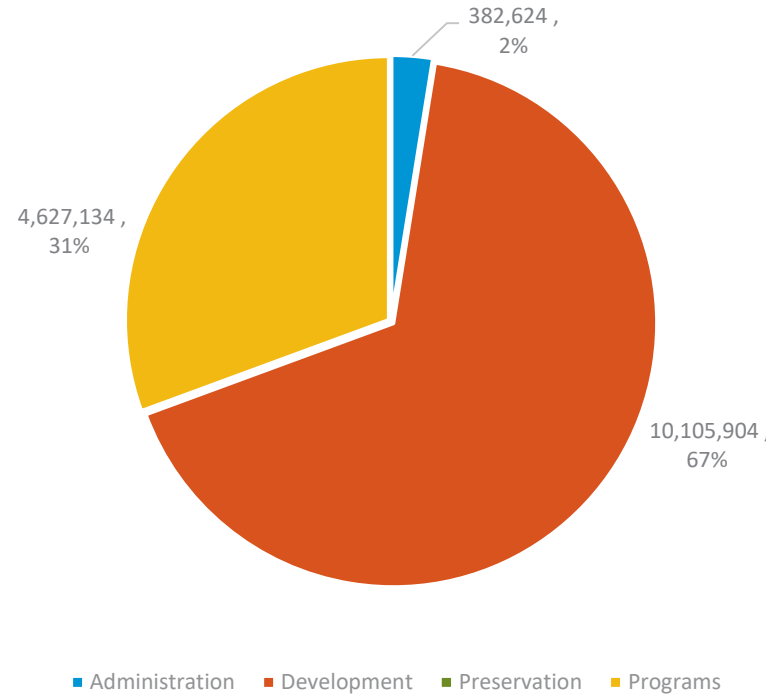
2019 Planned: Federal Housing Funds

Budget by Funding Source

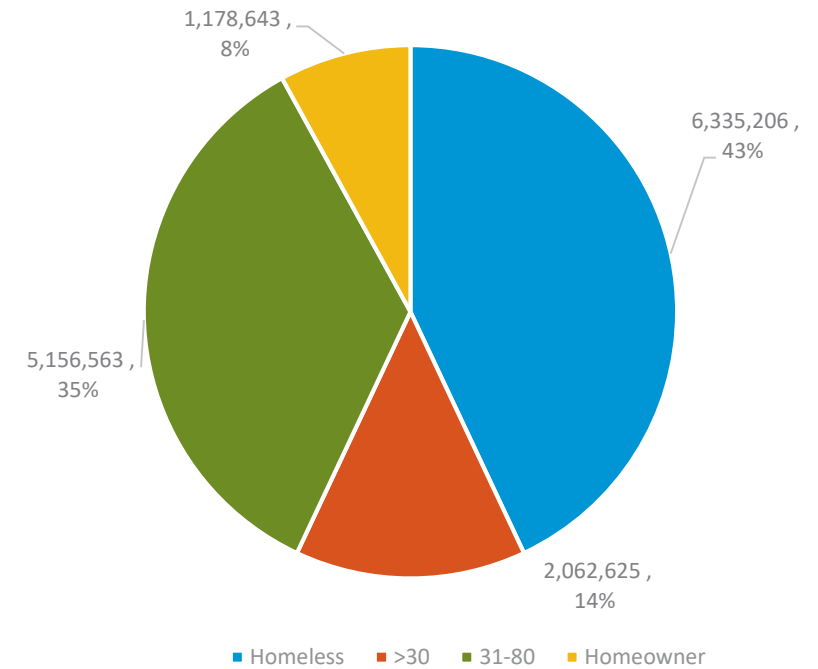


Total Budget: \$15,115,662

Budget by Investment Type



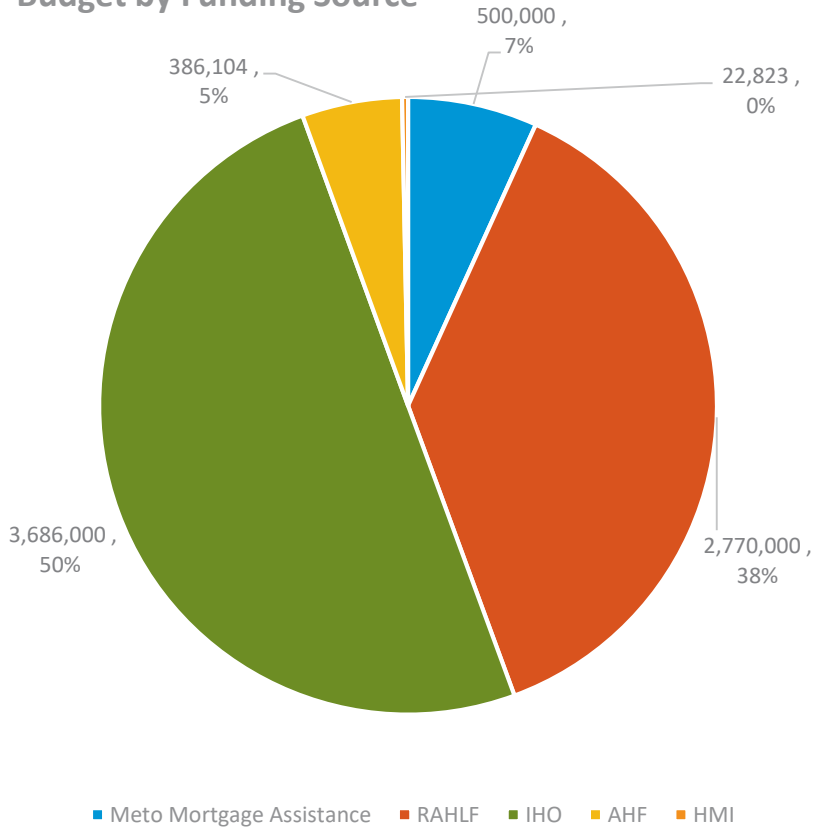
Budget by Spending Priorities



Total Projects: \$14,733,038
Variance: Administration not included

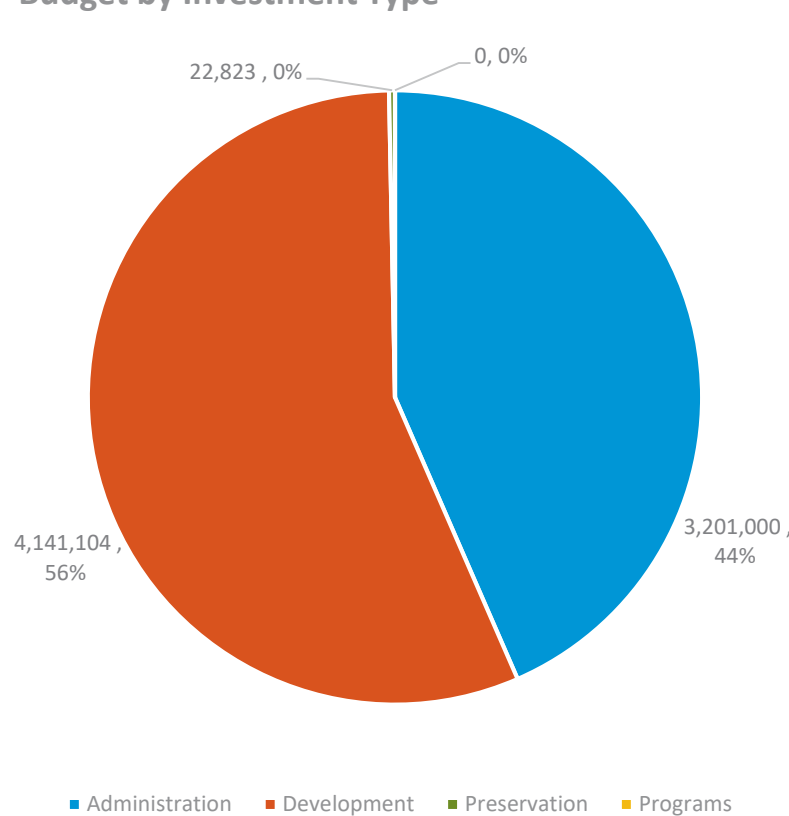
2019 Planned: Other Non-Federal Housing Funds

Budget by Funding Source

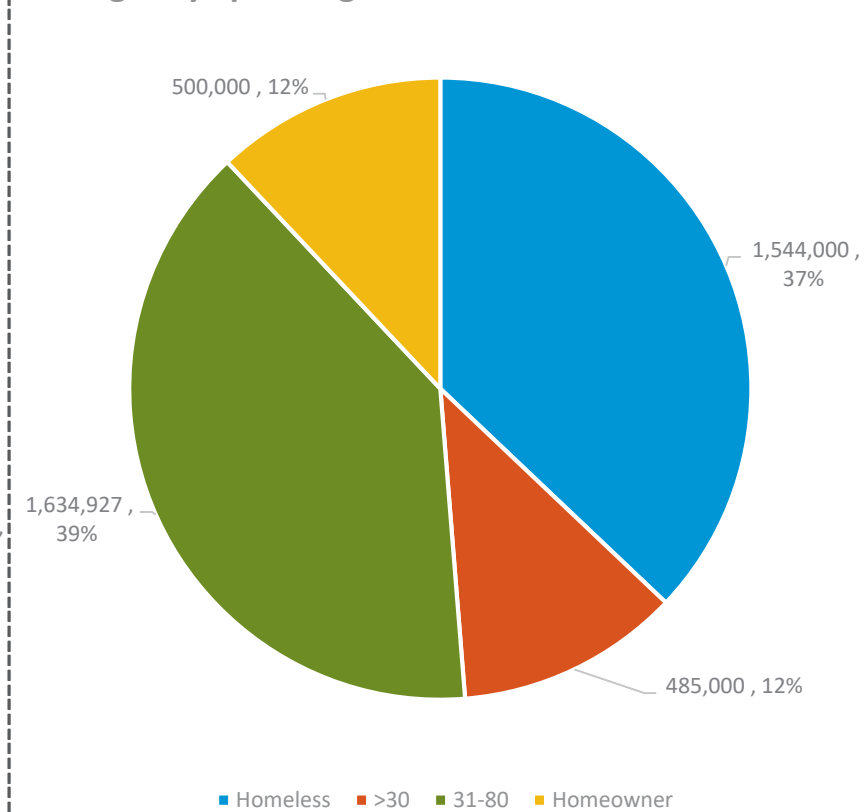


Total Budget: \$7,364,927

Budget by Investment Type







Budget by Spending Priorities



Total Projects: \$4,163,927
 Variance: Administration & Rebates not included

Sample of *Housing an Inclusive Denver* Strategies

Strategy	 Create	 Preserve	 Access	 Stabilize
<i>Projects & Programs</i>	<ul style="list-style-type: none"> • New Construction • Land Acquisition • Community Land Trusts 	<ul style="list-style-type: none"> • Rehabilitation • Covenant Extension • Property Acquisition <ul style="list-style-type: none"> ○ Income-Restricted ○ Market Rate • Community Land Trusts 	<ul style="list-style-type: none"> • Housing Counseling • Down Payment Assistance • Mortgage Credit • Tenant-Based Rental Assistance • HOPWA Services • LIVE Denver • Supportive Services 	<ul style="list-style-type: none"> • Emergency Home Repair • Rental & Utility Assistance • Tenant Landlord Services • Single Family Rehab • Rental Housing Access & Modification • Eviction Assistance
<i>Policies & Regulations</i>	<ul style="list-style-type: none"> • Linkage fee build alternative • Height Incentive Overlay • ADUs (units for tenants) 	<ul style="list-style-type: none"> • Preservation Ordinance • Rental Registry (ensure quality of housing) 	<ul style="list-style-type: none"> • Coordinated Entry System • Rental Registry (more standard lease practices) 	<ul style="list-style-type: none"> • Property Tax Relief <ul style="list-style-type: none"> ○ Seniors & Disabled ○ Low Income Households/Long Term Owner Occupants • ADUs (income for owner)

Proposed Terms of DHA IGA - Timeline

- Agreement would commence on January 1, 2019 and terminate on December 31, 2038 (20 years)
 - Units will be developed, rehabilitated or preserved at DHA sites by December 31, 2024 (5 years)
 - “Developable Properties” including land and existing buildings will be acquired by December 31, 2024 (5 years)
 - Units will be developed, rehabilitated or preserved at Developable Properties by December 31, 2029 (10 years)

Proposed Terms of DHA IGA – Payment

- City will provide to DHA the mill levy tax revenues from the Affordable Housing Fund pursuant to Article V of the DRMC
- Payments to DHA will be subject to annual appropriations from City Council and will be made in annual installments starting January 31, 2019
- In the event that City Council does not appropriate the property tax in a particular fiscal year, the succeeding year's appropriation may include the prior fiscal year's appropriation

Proposed Terms of DHA IGA – Developable Properties

- “Developable Properties” including land and buildings will be acquired to primarily serve Very Low Income Populations (below 30% AMI) and/or Permanent Supportive Housing
 - Properties will be reasonably distributed throughout the City with no more than 15% of acquisition funds in any one City Council district
 - Land parcels will be between 0.5 – 3 acres unless approved by Director of OED
 - DHA shall not be the primary developer for units in Developable Properties
 - At least 50% of the units will be affordable to Very Low Income Populations and/or Permanent Supportive Housing
 - DHA will leverage at least 300 Project Based Vouchers to support unit affordability
- No less than 50% of net property tax proceeds shall be used for Developable Properties

Proposed Terms of DHA IGA – Developable Properties cont.

- Advisory Group made up of housing partners and funders will advise DHA on:
 - Program guidelines for development and overall program evaluation
 - Acquisition criteria for Developable Properties consistent with the Housing Plan
 - Development and evaluation of RFQ/Ps for Development Partners for vertical construction and rehab
- At least 1,200 total units will be developed at scattered sites (projected across 10-15 individual sites)
- Projects will be reasonably phased throughout the performance period with goal of 1-2 projects developed per year
- DHA and OED will work collaboratively to support projects through land/property, gap financing and supportive services

Proposed Terms of DHA IGA – Other

- Administrative capacity capped at 4% of overall bond proceeds
- All units developed, rehabilitated or preserved under the Agreement will be affordable in perpetuity
- DHA will provide quarterly reports on the progress of construction and acquisition of buildings and parcels under the Agreement. Reports will include:
 - Financial summaries of funds invested to support outcomes of the agreement
 - Construction progress updates
- DHA will provide annual reports describing:
 - Actual units developed, rehabilitated and preserved against goals of the agreement including affordability of units
 - Cost of units and assistance provided including leverage of other funds where appropriate
 - Description of properties acquired and Development Partners selected through competitive process, including status of projects in development pipeline

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