



PRESERVING AFFORDABLE HOUSING

Safety, Housing, Education and Homelessness Committee

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Agenda

- **What is preservation? Why preserve?**
- **Preservation Background**
- **Our Preservation “Toolbox”**
- **Update on the Preservation Ordinance**
- **Preservation Challenges**
- **Addressing Preservation through the Five-Year Plan**
- **CHFA’s Housing Preservation Network**
- **2018 Spotlights**

What is preservation? Why preserve?

- **Preservation helps keep an existing affordable home available for low and moderate income households long-term**
 - Can include both rental and for-sale housing
 - Can include homes that are currently income-restricted and those that are unsubsidized or “market affordable”
- **The value of Preservation:**
 - Helps maintain city’s affordable housing stock
 - Can be less expensive than new construction of affordable housing
 - Entitlement process complete, no new infrastructure typically required
 - Can help maintain character of neighborhood by preserving historic structures
 - Can reduce displacement of existing residents

Example of Preservation – Kentucky Circle Village

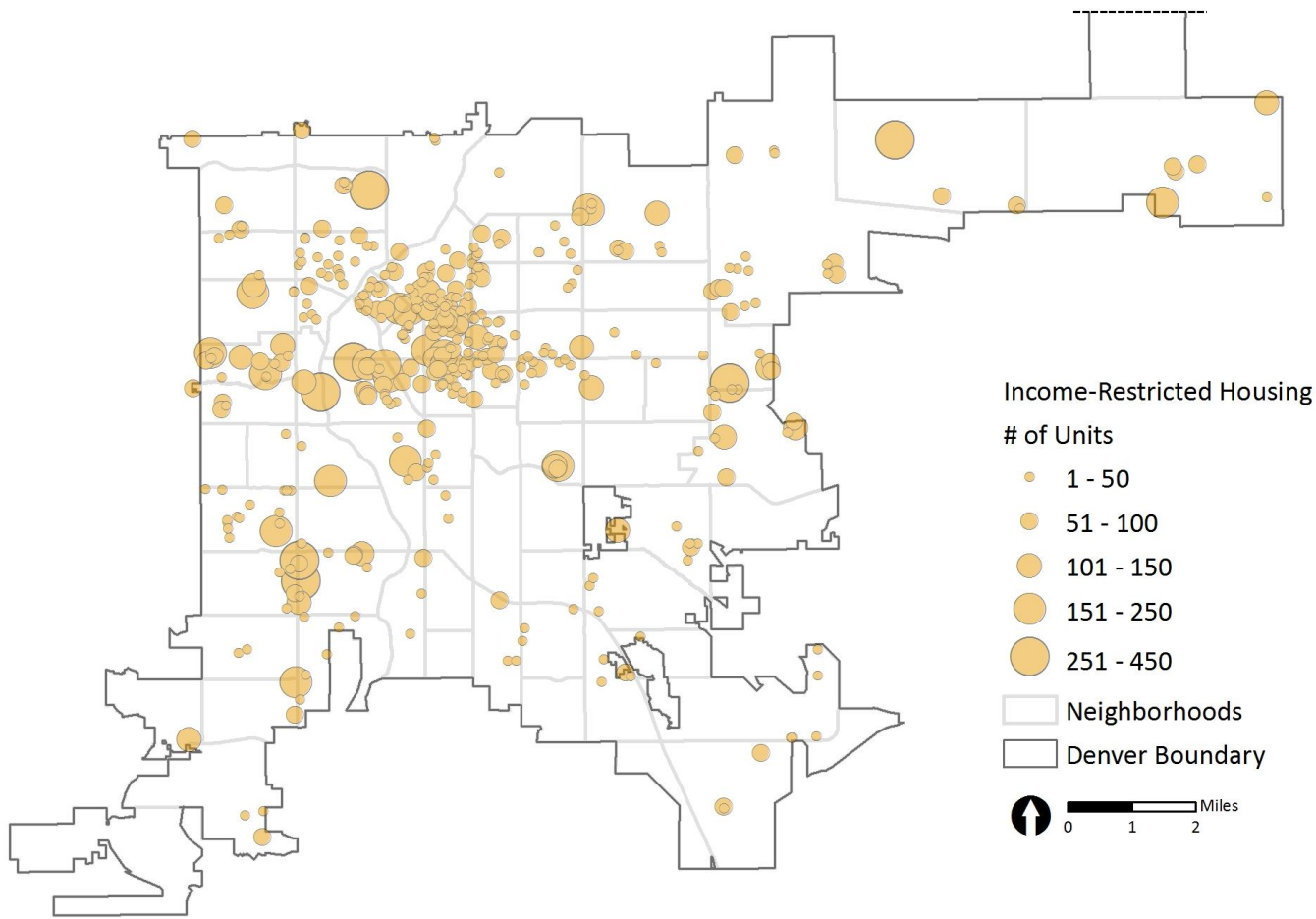


In 2016, OED partnered with CHFA, DOH, and Senior Homes of Colorado to preserve 172 affordable rental units for low and moderate income seniors at Kentucky Circle Village in the Washington Virginia Vale neighborhood of Denver.

The development's previous affordability covenant was set to expire in 2019, but OED's investment in the rehabilitation of the property will now preserve affordability through 2047.

Preservation Background

- **Units that have received public subsidies have a form of income restriction attached; when that restriction expires, units can be at risk of converting to market-rate housing when restrictions expire.**
 - Examples: covenant, land use restrictive agreement, rental contract
- **Denver does have units that are income-restricted but did not receive public subsidies, such as those created by rezoning agreements; when restrictions expire, units can be at risk of converting to market-rate housing.**
- **Unsubsidized or “market affordable” units do not have an income restriction attached, but may remain affordable due to age, location, or physical condition; owner may choose to increase price to a level that is no longer affordable to low or moderate-income households at any time.**



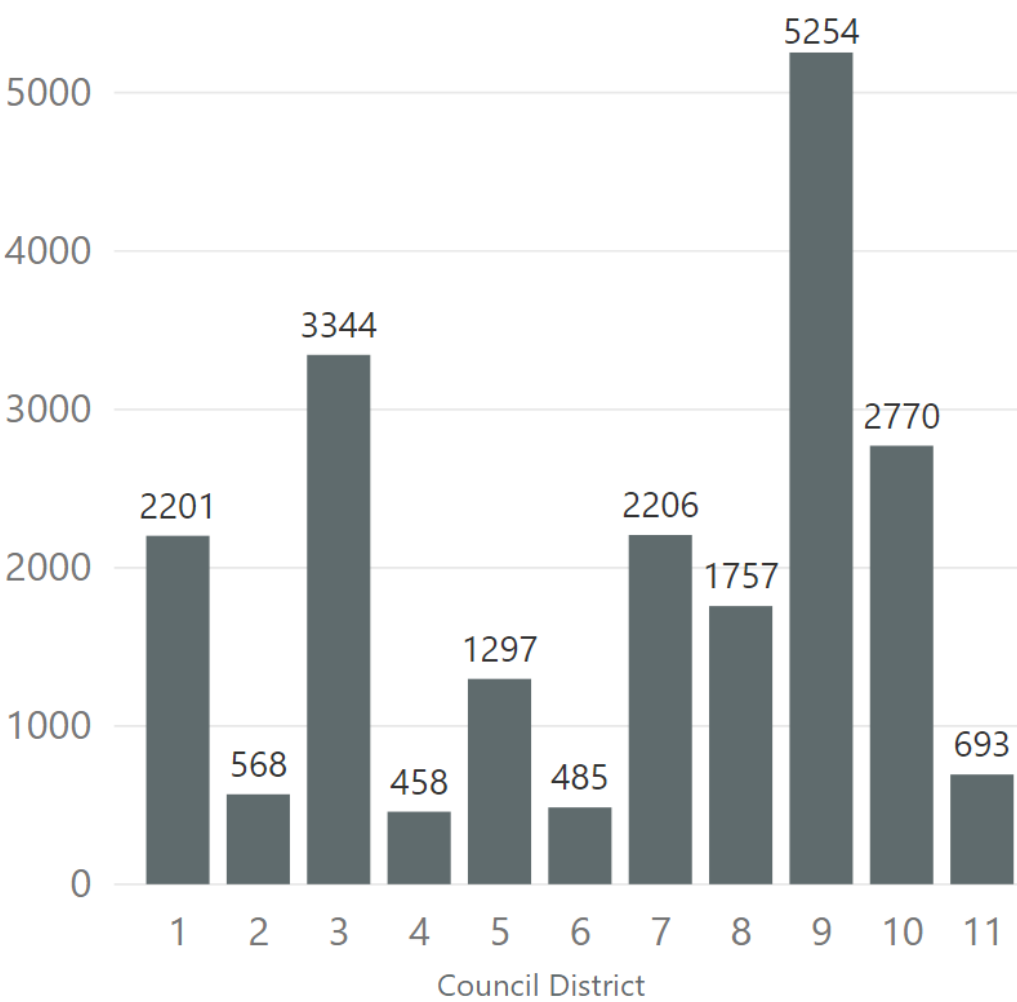
Denver's Inventory of Income-Restricted Housing:

- 21,003 total units (19,717 rental, 1,316 for-sale)

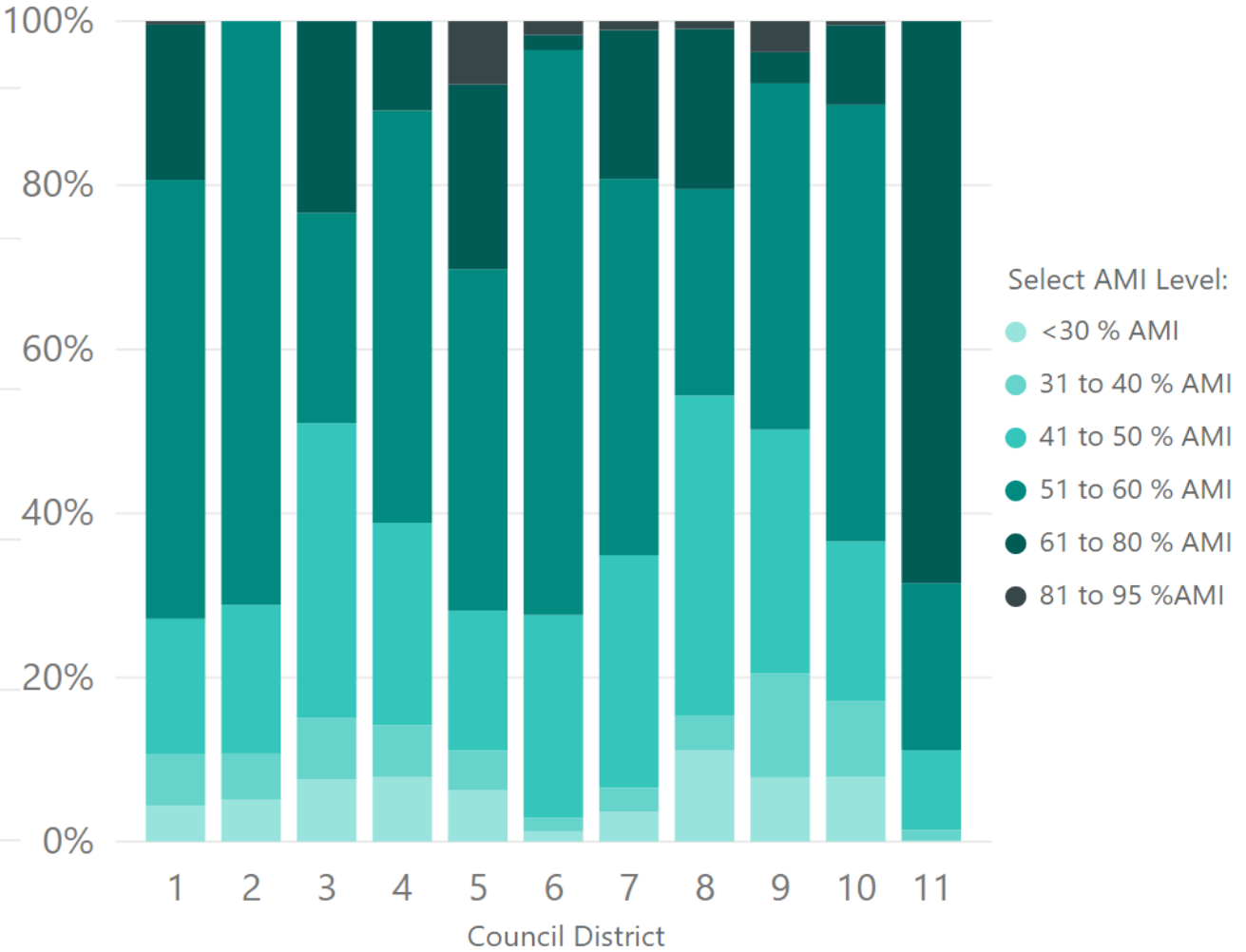
Income-Restricted Properties with Expiring Covenants Over the Next Five Years (2018-2022):

- 84 properties (78 rental, 6 for-sale)
 - 33 properties serving special populations
- 1,967 units (1,889 rental, 78 for-sale)

Total Restricted Units



Restricted Units by Affordability



Our Preservation “Toolbox”

The city currently has these primary tools to support the preservation of Denver’s income-restricted and unsubsidized housing stock:

- 1. Preservation Ordinance (only for income-restricted rentals)**
 - Notification requirements
 - Right of first refusal
- 2. Gap Financing:**
 - Loan products for acquisition and renovation
 - Accompanied by a new income-restriction
- 3. Robust Tracking:**
 - Strong coordination with CHFA, DOH and HUD to update inventory of income-restricted units
- 4. Outreach to Managers and Owners of Income-Restricted Properties:**
 - Phone and mail outreach to owners of properties with restrictions expiring in under five years
 - Provide information on preservation ordinance requirements and financing products
- 5. Right of First Refusal on For-Sale:**
 - City has ROFR on the sale of for-sale housing restricted through the IHO

Preservation Ordinance - Federal vs. Local Projects

The Preservation Ordinance includes requirements that vary depending on whether the property has received federal or local subsidies.

Federal preservation projects

- Rental properties that currently receive project-based rental assistance (Section 8 or rental assistance contracts).
- Properties with 10 or more units funded by federal loans and/or insurance that was accompanied by an income-restriction.

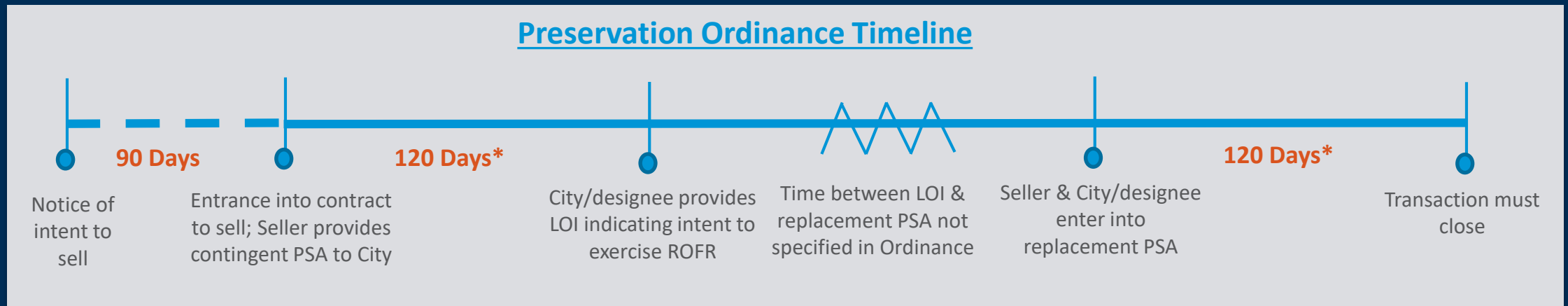
Local preservation projects

- Properties with 10 or more rental units that have received subsidy or financing from the City and County of Denver, Denver Urban Renewal Authority, the State of Colorado, or CHFA that was accompanied by an income-restriction.

Preservation Ordinance Overview

The Preservation Ordinance provides the City with notice when sale of an income-restricted property is planned and offers the City or its designee the right of first refusal when income-restricted properties are sold.

However, the right of first refusal **is only applicable when income-restricted properties are sold**; it does not apply after the expiration of an income restriction.



Preservation Ordinance Requirements

	1-Yr Notice to City	1-Yr Notice to Tenants	90-Day Notice to City	90-Day Notice to Tenants	City Right to Inspect	Owner Prohibited from Sale*	City Right of First Refusal
FEDERAL	"Opt Out" of Section 8 Contract	✓	✓			✓	✓
	Expiration of Section 8 Contract	✓	✓			✓	
	Sale of Property			✓	✓	✓	✓
LOCAL	Action that Makes the Property Unaffordable			✓	✓	✓	
	Expiration of Covenant or LURA						
	Sale of Property						✓

* Prohibition on sales by owner is only applicable during the one-year or 90-day notice period to City.

Preservation Ordinance Overview

Sales under Preservation Ordinance since updates in 2016

15 sales, 14 unique properties:

- 7 properties extended affordability period
- 5 properties had more than 10 years remaining on restriction
- 2 properties did not extend affordability

Challenges of Preservation

Challenge	Description of Challenge	Potential Solution
<i>Cost of Properties</i>	In the current market, the market price of properties may be unaffordable to a preservation-oriented buyer.	City can <u>provide additional gap financing</u> to support the preservation of affordable properties. City can work with partners to <u>develop a bridge financing tool</u> to acquire properties at risk of converting to market rate.
<i>Ordinance Applicability</i>	The Preservation Ordinance does not give the city a right to purchase when income-restrictions expire.	City can <u>increase its outreach efforts</u> to coordinate with property owners as their income-restrictions near expiration.
<i>Awareness of Nonsubsidized Property Sales</i>	Owners of income-restricted properties are required to inform OED at sale; however, OED is often unaware of the sale of unsubsidized properties.	City can <u>analyze multifamily properties as they are listed on the market</u> and work with preservation partners to facilitate purchases.
<i>Clarity of Preservation Ordinance</i>	The Preservation Ordinance contains some inconsistencies that create administrative and enforcement challenges.	To clarify ambiguities in the Ordinance, the city is currently <u>drafting minor changes to the ordinance language in addition to rules and regulations.</u>

Housing an Inclusive Denver - FOUR KEY GOALS

The plan also outlines four 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 involuntary displacement

Sample of *Housing an Inclusive Denver* Strategies

Strategy	 Create	 Preserve	 Access	 Stabilize
<i>5-Year Goal</i>	Create 2,000 Units (1,800 Rental/200 Sale)	Preserve 1,000 Units (900 Rental/100 Sale)	Serve 20,000 Households	Serve 10,000 Households
<i>Projects & Programs</i> <i>(Items in bold have been implemented)</i>	<ul style="list-style-type: none"> • New Construction • Land Acquisition 	<ul style="list-style-type: none"> • Rehabilitation • Covenant Extension • Property Acquisition <ul style="list-style-type: none"> ○ Income-Restricted ○ Market Rate • Community Land Trust 	<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> <i>(Items in bold have been implemented)</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)

Housing an Inclusive Denver Actions on Preservation

- **Strengthen** the City's Preservation Ordinance
- **Review** proposed tools to promote long-term affordability of housing, such as land trusts, throughout Denver communities
- **Preserve** existing income-restricted affordable rental housing in vulnerable neighborhoods and near transit, through the establishment of a Preservation Fund in collaboration with partners
- **Explore** opportunities to expand existing resources for housing investments
- **Explore** extending the minimum affordability for projects receiving city subsidies

Colorado Housing Preservation Network

- Formed in 2016 and comprised of federal, state, and local governments, local housing authorities, and nonprofits.
- Focused on preserving Colorado's affordable rental housing stock by supporting property improvements, and extending rental assistance and affordability contracts.
- Honored in 2017 with a National Council of State Housing Agencies Annual Award for Program Excellence

CHFA strategic plan highlights

Collaboration and Engagement

- **Partner** with owners and housing stakeholders on preservation efforts
- **Provide** technical assistance to owners, potential owners and managers of at-risk properties
- **Create** owner toolkit

Policy Development

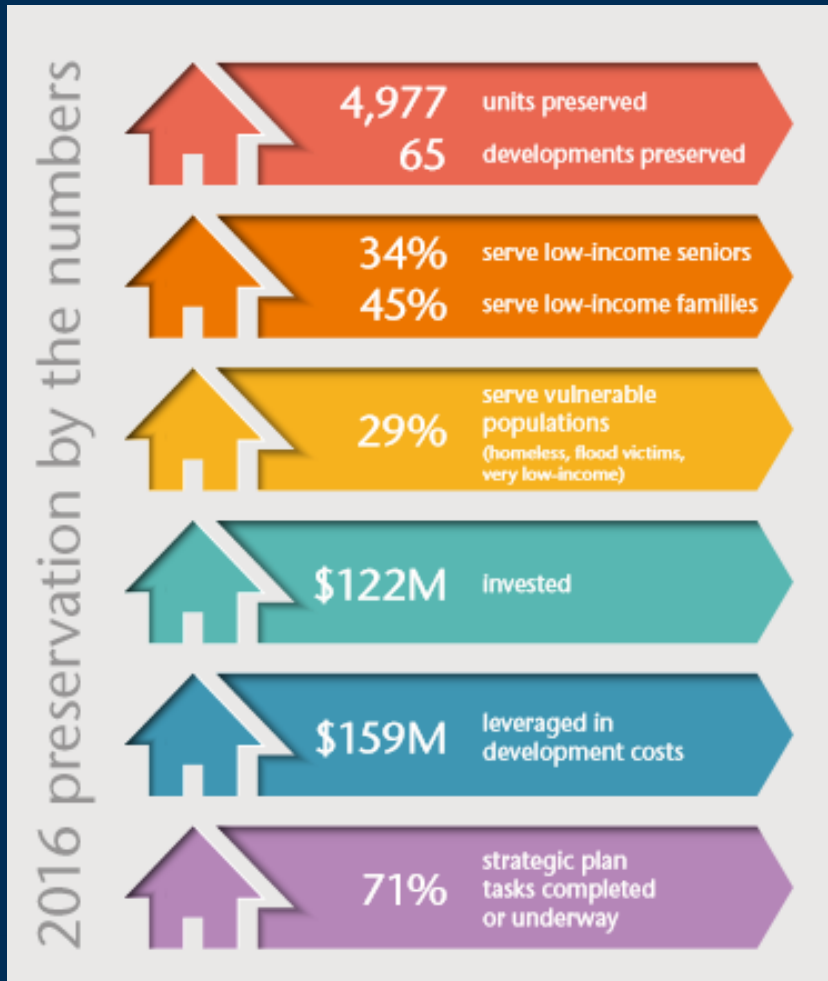
- **Identify** best practices, emerging trends - **adapt** as appropriate for implementation at the local level
- **Create** jurisdiction toolkit

CHFA strategic plan highlights

Resources

- **Work** with core group to identify, structure and close preservation transactions
- **Maximize** use of existing financing products for affordable housing preservation
- **Support** mission-driven purchasers in opportunity areas, distressed areas and for priority properties
- **Access** loans or grants available for increasing energy efficiency
- **Increase** resources available for preservation

2016 successes



2017 successes

4,114 units preserved

1,788 from acquisition/rehab and extended affordability periods

2,326 from affordability period extensions only

2018 Spotlights

Preservation Partners RFQ

- On February 6, the city released its second Request for Qualifications for Preservation Partners. The RFQ will establish a pool of organizations with which the City can partner to purchase and/or rehab properties for preservation.
- This year, the city included a focus on nonsubsidized properties, as well as those with income restrictions.

2018 Housing Summit

- On May 24, the city will host its fourth annual Housing Summit.
- As in past years, the Summit will be focused around action-oriented breakout sessions.
- The city issued a survey to learn topics attendees would like to focus on; 66% of respondents expressed an interest in a breakout on preservation.



QUESTIONS / DISCUSSION