



**DENVER**  
THE MILE HIGH CITY

**GROWDENVER**  
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## 2012 INCLUSIONARY HOUSING REPORT

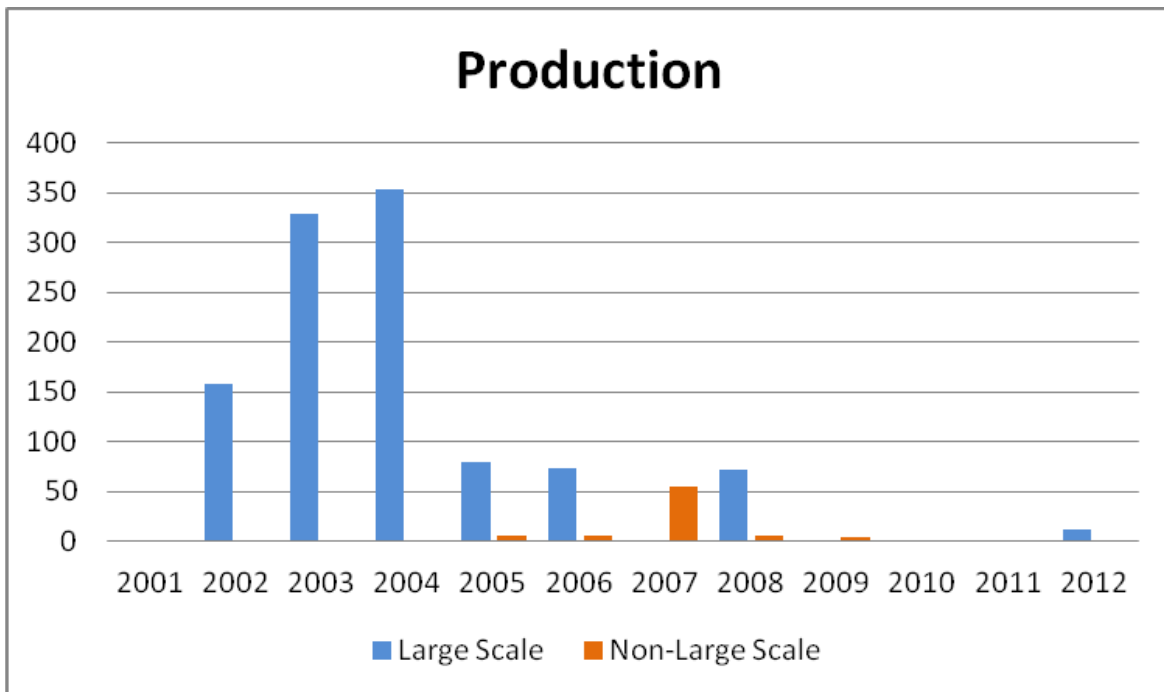
The Denver Office of Economic Development (OED) is dedicated to advancing economic prosperity for the City of Denver, its businesses, neighborhoods and residents. Working with a wide variety of community partners, the OED operates to create a local environment that stimulates balanced growth through job creation, business assistance, housing options, neighborhood redevelopment and the development of a skilled workforce

The OED facilitates the development of viable urban neighborhoods by providing quality affordable housing, an enhanced living environment, and expanded economic opportunities for low / moderate income households.

The Inclusionary Housing Ordinance (“IHO”) was enacted by Denver City Council in 2002. It is one program of many that OED administers to address a wide spectrum of community housing needs.

### PRODUCTION

Projects can be classified as “Non-Large Scale” or “Large Scale”. Large Scale developments are projects that have a contractual agreement with the City to provide at least two hundred (200) affordable housing units as part of a master planned development. They are allowed to participate in the IHO and receive incentives. Stapleton, Lowry Redevelopment and Green Valley Ranch are examples of Large Scale Developments. Non-Large Scale developments are projects that build thirty (30) or more units and provide ten percent (10%) of the units as affordable. *(Please see “Requirement” section.)*



Large Scale production remained strong from 2002 through 2006; whereas, non-large scale production peaked in 2007 with the development of Legacy at City Park South, an off-site project.

LARGE SCALE		NON-LARGE SCALE	
Year	No. of Units	Year	No. of Units
2002	158	2002	0
2003	328	2003	0
2004	353	2004	0
2005	80	2005	6
2006	73	2006	6
2007	0	2007	55
2008	71	2008	6
2009	0	2009	4
2010	0	2010	0
2011	0	2011	0
2012	11	2012	0
<b>1074</b>		<b>77</b>	

**REQUIREMENT**

The IHO requires all detached, attached or multi-family for sale housing projects of thirty (30) or more units to create ten (10) percent of the units as affordable.

Standard affordable units must be affordable to households earning a minimum of 50% area median income (“AMI”) and not to exceed 80% AMI, depending on household size.

High cost structures are defined as a development which is greater than three stories, elevators are provided and over 60% of the parking is structured. High cost structure affordable units must be affordable to households earning a minimum of 50% area median income (“AMI”) and not to exceed 95% AMI, depending on household size.

AMI	Household Size					
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50%	\$27,800	\$31,750	\$35,700	\$39,650	\$42,850	\$46,000
80%	\$44,450	\$50,800	\$57,150	\$63,450	\$68,550	\$73,650
95%	\$52,820	\$60,325	\$67,830	\$75,335	\$81,415	\$87,400

*Area median incomes are provided by the Department of Housing and Urban Development.*

The OED Director has the ability to approve a compliance alternative in lieu of building the required affordable units. These alternative compliance options include:

- A. Building additional units at one or more sites in the same or an adjoining statistical neighborhood; or

- B. Building additional units at one or more sites within five-tenths (.5) miles of a light rail or commuter rail station; or
- C. Contributing to the Special Revenue Fund an amount equal to fifty percent (50%) of the price per affordable unit not provided. *(Please see "IHO Special Revenue Fund" Section.)*

## COVENANT

A restrictive Covenant is placed on each affordable unit provided. The Covenant includes, at a minimum, information that the property value, use and resale are restricted and sets forth a control period, the maximum purchase price calculation, the eligibility requirements, penalties for violation and any other restriction provided per the IHO or the IHO Rules and Regulations.

Each homeowner is provided a copy of the Covenant prior to purchase and during the income verification process. At closing, each homeowner executes a Memorandum of Agreement agreeing to the terms and conditions contained in the Covenant.

The Covenant specifically requires the affordable unit must be the buyer's primary residence. A primary residence is defined as, "the home or place in which one's habitation is fixed and to which one, whenever he/she is absent, has the present intention of returning after a departure or absence therefrom." This does not preclude the sharing of the unit - i.e. a roommate situation; but does specifically require the homeowner to be present.

## HARDSHIP EXEMPTIONS

In an effort to assist affordable homeowners, the OED created a Hardship Exemption in 2008. This exemption allows affordable homeowners the ability to rent their affordable units under certain circumstances. These circumstances include:

*A one-time rental exemption for affordable units may be granted if a hardship is declared for the following reasons:*

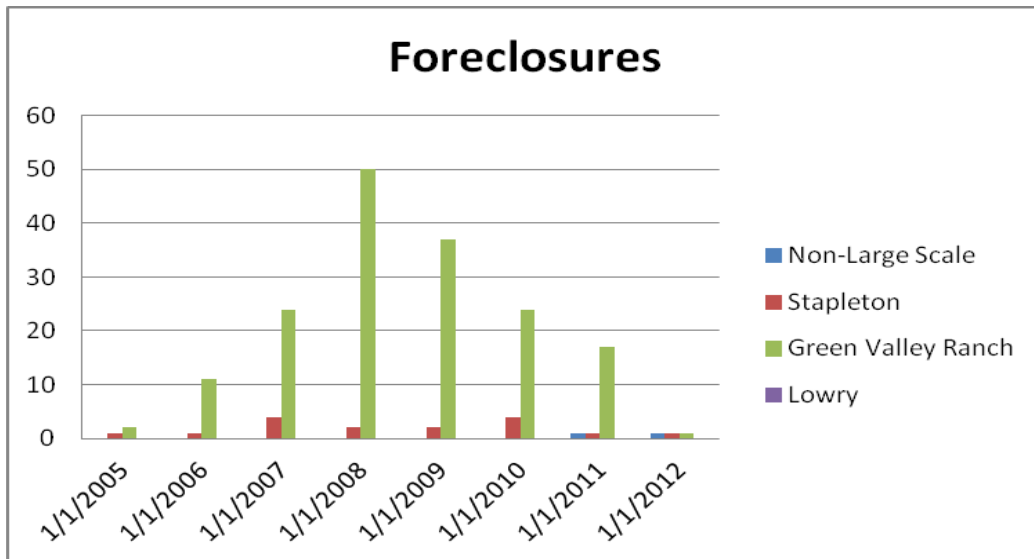
- *Temporary job transfer of more than 60 miles outside of Denver City and County limits;*
- *Major illness of immediate family member who does not reside in Colorado which requires extended out of state care by the homeowner.*
- *Divorce resulting in a temporary inability to pay mortgage;*
- *Job loss as result of firing or layoff resulting in a temporary inability to pay mortgage;*
- *Major illness or death within the household resulting in a temporary financial hardship*
- *Sabbatical of less than two years for documented educational or professional purposes.*

*All rental exemption requests must be supported by applicable documentation and is at the discretion of the OED Director.*

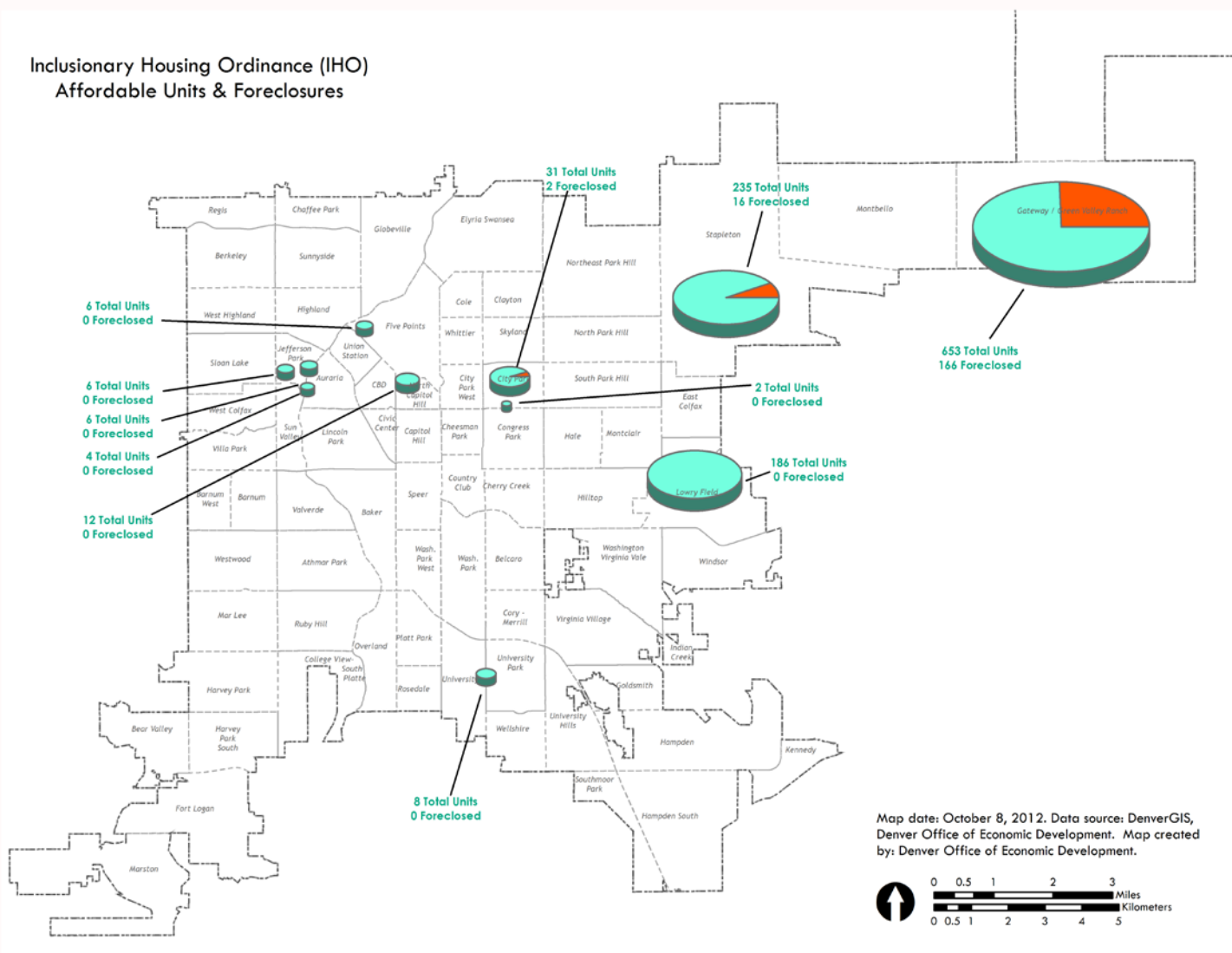
## FORECLOSURE

The overall foreclosure rate for Non-Large Scale units is 2.60%; the overall foreclosure rate for Large Scale units is 16.95%.

PROGRAM	Units Produced	Foreclosures	Foreclosure Rate
Non-Large Scale IHO	77	2	2.60%
Large Scale IHO	1074	182	16.95%

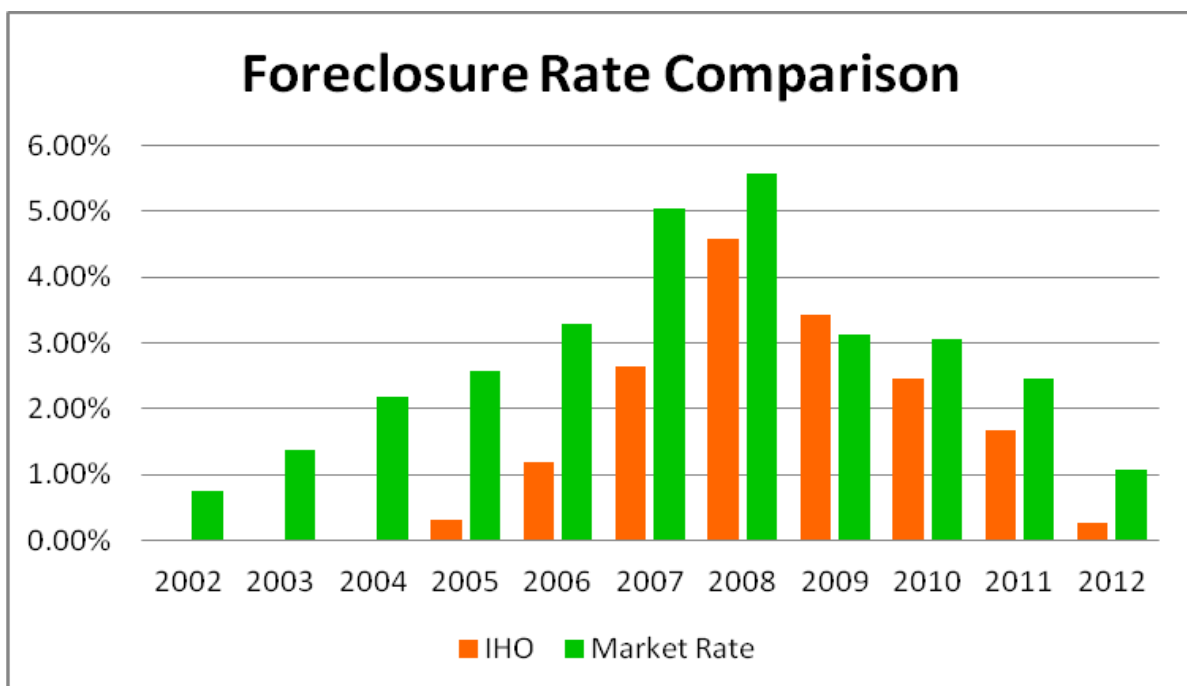


### Inclusionary Housing Ordinance (IHO) Affordable Units & Foreclosures



It should be noted that IHO foreclosure rates have been comparatively similar market rate units and has not exceeded a 1% difference in the history of the program. (NOTE: Previous reports have shown Total Denver Residential Units - including Rental Units.)

Year	Total # of IHO Units (Cumulative)	Total # of IHO Foreclosures	IHO Foreclosure Rate	Total Denver Residential Units (Cumulative - Excluding Rentals)	Total Denver Foreclosures	Denver Foreclosure Rate	Comparison to IHO Foreclosure Rate	Difference
2002	158	0	0.00%	170,831	1280	0.75%	Lower than Market Rate	0.0075
2003	486	0	0.00%	173,762	2384	1.37%	Lower than Market Rate	0.0137
2004	839	0	0.00%	175,904	3841	2.18%	Lower than Market Rate	0.0218
2005	925	3	0.32%	179,661	4635	2.58%	Lower than Market Rate	0.0226
2006	1004	12	1.20%	182,951	6013	3.29%	Lower than Market Rate	0.0209
2007	1059	28	2.64%	184,819	9305	5.03%	Lower than Market Rate	0.0239
2008	1136	52	4.58%	186,171	10389	5.58%	Lower than Market Rate	0.0100
2009	1140	39	3.42%	187,264	5880	3.14%	Higher than Market Rate	0.0028
2010	1140	28	2.46%	188,123	5759	3.06%	Lower than Market Rate	0.0061
2011	1140	19	1.67%	188,878	4655	2.46%	Lower than Market Rate	0.0080
2012	1151	3	0.26%	188,888	2027	1.07%	Lower than Market Rate	0.0081



## FORECLOSURE PREVENTION

The OED has historically provided Department of Housing and Urban Development Community Development Block Grants to various non-profit agencies to provide housing and foreclosure counseling to homeowners. These partners are:

- Brothers Redevelopment, Inc.
- Colorado Housing Assistance Corporation
- Del Norte Neighborhood Development Corporation
- NEWSED Community Development Corporation
- Northeast Denver Housing Center

## IHO SPECIAL REVENUE FUND

Funding for the IHO comes from the Housing Incentive Program Fund (“Fund”) administered by the OED. The Fund was capitalized with \$2,150,000 in City General funds between 2003 and 2005. It collects revenue in the form of cash in lieu fees, penalties, investment income and transfers.

The Fund pays incentive rebates and administrative expenses associated with the IHO. Incentive rebates are paid to developers who produce affordable units in accordance with the IHO. The rebates are in the amount of \$5,500 per affordable unit provided, with a maximum of \$250,000 per development, per year. The City is not obligated to pay rebates if the Fund is ever insolvent.

### IHO Cash in Lieu:

Project Name	Amount	Date
Museum Residences	\$434,471.00	5/24/2005
Benjamin Moore Lofts	\$160,000.00	7/25/2005
Zi Lofts and Town Homes	\$309,510.00	4/12/07 - 3/10/08
Manor Homes @ Platte Park	\$271,380.00	5/1/2007
Watermark Phase I	\$590,773.00	1/10/2008
Ajax Lofts	\$62,306.00	3/24/2008
Spire	\$100,000.00	4/14/10
Four Seasons	\$942,445.00	6/16/2011
Montrechez	\$311,634.60	8/1/11
One Lincoln Park	\$300,000.00	4/31/12
<b>Total Cash In Lieu:</b>	<b>\$3,482,519.60</b>	

IHO Rebates, Loans & Grants:

Development	Amount	Date
Stapleton	\$845,500.00	12/31/2003 - 9/10/10
Green Valley Ranch	\$750,000.00	12/31/03 - 11/10/05
Lowry Redevelopment	\$838,000.00	12/30/05 - 7/17/12
Glenarm Residences*	\$920,000.00	5/23/06 - 12/11/08
Jack Kerouac Lofts	\$30,000.00	8/10/2006
Zocalo Condominiums	\$66,000.00	5/1/07 - 1/14/09
Wonderland Homes	\$27,500.00	8/28/07 - 12/7/2007
Observatory Place	\$44,000.00	11/27/2007
Legacy @ City Park South**	\$312,000.00	12/21/2007
Grant Park	\$60,500.00	6/15/2009
<b>Total Payments, Loans &amp; Grants:</b>	<b>\$3,893,500.00</b>	

\* \$920,000 to Glenarm Residences is an interest bearing loan

\*\* \$312,000 to Mercy Housing is a grant

IHO Fund Balance Detail

<b>REVENUES:</b>	
Cash in Lieu Fees	\$3,482,519.60
Fund Transfers	\$2,150,000.00
Investment Income	\$278,999.33
IHO Penalties & Fees	\$3,951.00
	<b>\$5,915,469.93</b>
<b>EXPENSES &amp; PAYMENTS:</b>	
Payments	\$3,893,500.00
Administrative Expenses	\$305,041.06
	<b>\$4,198,541.06</b>
<b>TOTAL BALANCE REMAINING</b>	<b>\$1,716,928.87</b>

IHO Expected Revenues

As of October 1, 2012, the anticipated revenue from opt-outs is projected at approximately \$4.3 million dollars.

**2012 MAYOR'S HOUSING TASK FORCE**

The Mayor requested the OED convene a Housing Task Force. The Mayor's Housing Task Force was comprised of various public and private housing professionals, who met bi-weekly from February to June, 2012. They were charged with developing recommendations to the Mayor to guide the establishment of a new comprehensive housing policy for the City.

Information on the following topics was provided:

- Current Policy/Goals/Objectives and Housing Priorities
- Financial Resources
- Rental: Preservation and Development
- For Sale: Foreclosures, Neighborhood Stabilization and Development
- Inclusionary Housing Ordinance (IHO)
- Denver's Road Home
- Special Needs

The Mayor's Housing Task Force submitted the following recommendations to the Mayor in June, 2012.

1. The City should create a dedicated local revenue stream to support affordable housing.
2. The City should establish a committee to give input into the revision of the Inclusionary Housing Ordinance (IHO). This committee would address near term solutions to help improve the IHO, and longer term solutions that would consider the fundamental implementation and organization of an affordable homeownership program.
3. The City's housing policy should have a strong focus on creation and preservation of affordable housing. The Mayor's Housing Task Force recommends that the city focus on creating and preserving affordable housing, as well as the provision of supportive services for special needs and low-income residents, with a particular focus on 30% AMI populations.
4. The City should look at affordable housing as a regional challenge and work with strategic partners to achieve a more balanced approach.. This necessarily means greater alignment and coordination with the Colorado Housing and Finance Authority (CHFA) and the State Division of Housing in conjunction with other municipalities.
5. Transit Oriented Development should include a high percentage of new or renovated affordable rental housing. The Mayor's Housing Task Force stressed that TOD should include affordable housing to ensure that all citizens of Denver have access to jobs, services and amenities.
6. The City should adopt a formal housing plan which incorporates the core values of the Mayor's Housing Mayor's Housing Task Force but is flexible enough to respond to changing market conditions.
7. The Mayor's Housing Task Force suggests the creation of an advisory committee that assists in an annual review and goal setting of the housing plan.

The final Mayor's Housing Task Force Report, including direction from the Mayor, is scheduled to be published in November 2012. *(A copy of the Summary and Task Force Recommendations can be found at:*

<http://www.denvergov.org/oed/DenverOfficeofEconomicDevelopment/HousingAssistance/HousingTaskForce>)