



Lower Income Voucher Equity (LIVE) Program

Safety, Housing, Education and Homelessness Committee

Office of Economic Development,
Denver Housing Authority, and Local Initiatives Support Corporation

May 23, 2018

OVERVIEW

Assessment: High inventory of rental units for higher income families and low inventory of rental units for middle and lower-income families/individuals, significant need for stable housing at these incomes

Goals: Create immediately affordable housing options, provide mixed-income housing options, bring affordability to higher opportunity areas, stabilize housing costs during program period and provide coaching for long-term financial success

Program: A pilot program to increase housing affordability by connecting Denver's middle to lower income households to existing rental units **at reasonable market rates**, in partnership with foundations, employers, City of Denver, Denver Housing Authority (DHA), Local Initiatives Support Corporation (LISC), Downtown Denver Partnership (DDP), Apartment Association of Metro Denver (AAMD), and property owners/managers

Outcomes:

1. Build an exchange among employers, foundations, and property owners
2. Approximately 125 Families/Individuals housed in pilot phase
3. Successfully transition participants into stable housing after program period

FRAMEWORK

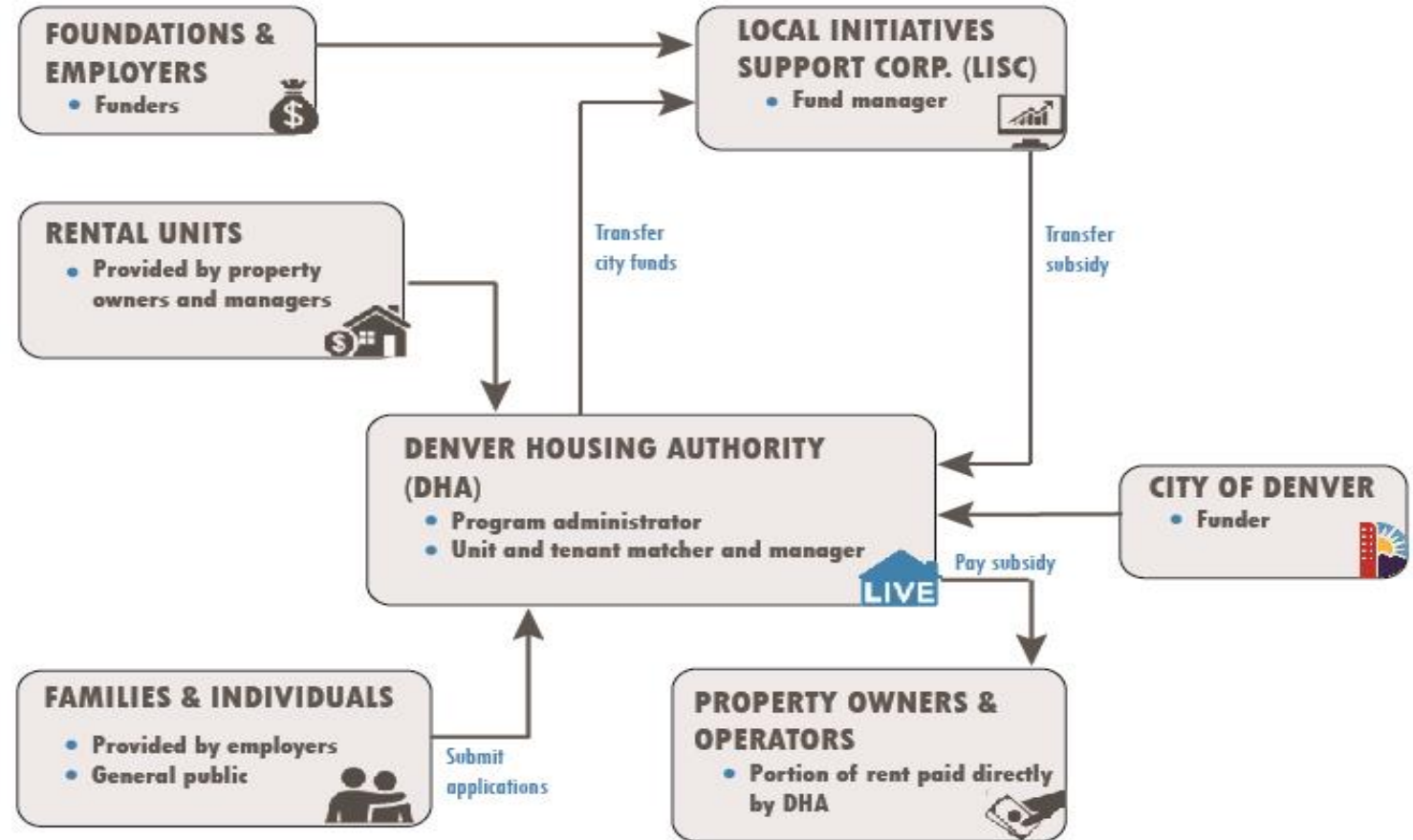
Identified in *Housing an Inclusive Denver* and 2018 Annual Action plan as priority

Participants will:

- Receive assistance to stabilize housing costs for a two-year period
- Be selected from a combination of employer referrals and the public
- Be supported through financial coaching and set short-term and long-term goals
- Receive an “equity savings” at the end of the program



Diagram of Program Administration and Payment



ADMINISTRATION

DENVER HOUSING AUTHORITY

- Program Administrator
- Connect people to units
- Negotiate the LIVE Denver Reasonable Market Rent
- Process payments to property owners (replicating the Housing Choice Voucher Program)

LOCAL INITIATIVES SUPPORT CORPORATION

- Fund Manager
- Receive funds from DHA (City resources would go through DHA to LISC), foundations, employers
- Distribute funds to DHA for payment to property owners
- Provide financial modeling/projections

ADVISORY BOARD

- Help inform program implementation, outreach, and evaluation
- Members: City, DHA, LISC, DDP, AAMD, representatives for employers and participating tenants
- DDP provides employer outreach
- AAMD provides property owner outreach

FUNDING

CITY

- \$1M from Affordable Housing Fund, for subsidy payments
- \$180K from Office of HOPE funds for program administration

FOUNDATIONS

- Initial foundation funding will be used for subsidy payments, with a portion for future program administration
- Anticipated partners:
 - Gary Community Investments
 - Colorado Health Foundation

EMPLOYERS

- Using the program to meet the housing needs of their employees
- Can be used as an employee recruitment or retention tool
- Employer funds will be matched with city funds
- St. Joseph Hospital:
 - (proposed) \$1 : .95
- Subsequent employers:
 - \$1 : .75

PROPOSED BUDGET

Projected Sources	Funds	Uses
City Affordable Housing Funds	\$1,000,000	Voucher Payments and 5% Equity
HOPE 2018 Budget (General Fund)	\$100,000	Program Administration for DHA
HOPE 2018 Budget (General Fund)	\$80,000	Program Administration for LISC
<i>First Anticipated Employer – St. Joseph’s Hospital</i>	\$100,000	Voucher Payments and 5% Equity
<i>Anticipated Colorado Health Foundation</i>	\$80,000	Voucher Payments and 5% Equity, Reserve for Future Administration Fees
<i>Anticipated Gary Community Investments</i>	\$75,000	Voucher Payments and 5% Equity, Reserve for Future Administration Fees
TOTAL – PROJECTED SOURCES	\$1,435,000	
<i>Additional Potential Employer Investments</i>	<i>\$154,000</i>	<i>Voucher Payments and 5% Equity</i>
TOTAL – POSSIBLE SOURCES	\$1,589,000	

TENANT PARTICIPANTS

QUALIFICATIONS

- Household Income between 40% and 80% AMI
 - Individual: \$25,200 - \$50,350
 - Household (4): \$35,960 - \$71,900
- Working full-time (at least 36 hrs/wk)
- Current Denver Resident (verified by DHA)
- General public list generated through email interest list and other outreach efforts
 - DHA selects participants through lottery process
 - Equitable distribution of AMI of selected participants
- Target employer industries: health care, service sectors, teachers, others as part of implementation of program

OBLIGATIONS

- Pay 35% of gross household income toward rent
- Complete Financial Coaching
 - Long-term goals
 - Goals for end of two-year program period
- Participate in program assessments (at end of year 1 and upon program exit at end of year 2)

INITIAL UNITS – RFQ and QUALIFICATIONS

SUBMITTED PROPERTIES

- Many rehabbed older buildings (15+ years)
- Some new construction
- Covered 22 ZIP codes in nearly all Council districts
- Approximately 40 properties submitted, representing almost 450 units

UNIT SIZE DIVERSITY

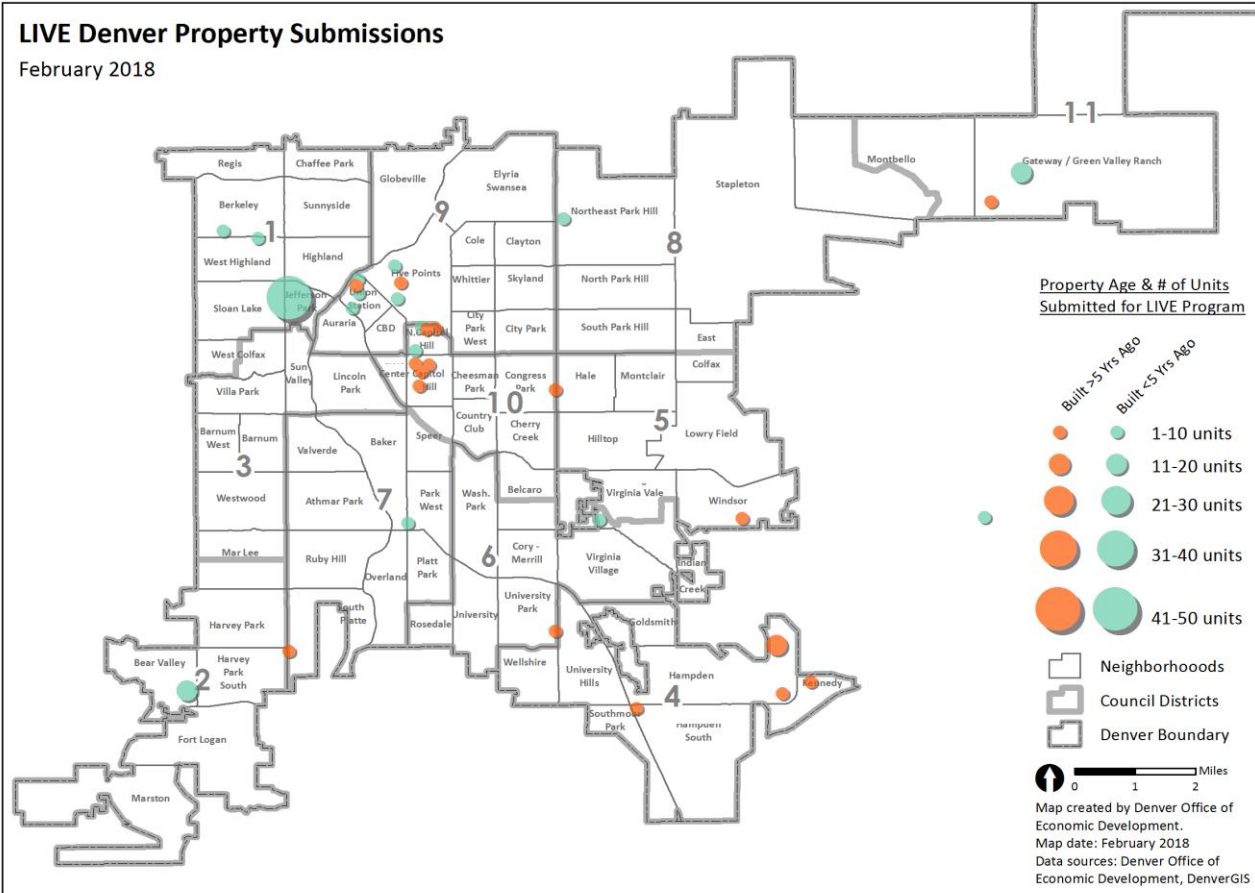
- Studios
- 1 Bedroom units
- 2 Bedroom units
- 3 bedroom units
- 4 bedroom units

UNIT QUALIFICATIONS

- Must follow all Fair Housing rules, local building and zoning laws, and be of high quality
- Within City and County of Denver
- LIVE units cannot have existing subsidized rents or rent restrictions
- An initial walkthrough ensures quality and safety, with complaint-based inspections during two-year program period

INITIAL RESPONSES - RFQ

LIVE Denver Property Submissions
February 2018



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“Reasonable Market Rent” (RMR)

DHA calculates RMR for units submitted:

- Property owner provides Response Rental Rate as the best price for unit for two-year period (offered rent, concessions, etc.)
- DHA generates average of three comparable units within ½ mile
- Property manager is offered the lesser of the two rates, or the RMR

SUBSIDY CALCULATION

- Tenant pays 35% of gross household income to rent
 - Tenants will not be able to view any units priced at more than 50% of their gross income
- Tenant and landlord will have traditional relationship, tenant executes standard lease and pays landlord his/her portion directly
- LIVE Denver pays the balance directly to landlord
- Example: One person household, 60% AMI, income at \$37,800

(Household will not see unit over \$1,575)

<u>Negotiated RMR</u>	<u>Tenant Payment</u>	<u>LIVE Denver</u>
\$1,500	\$1,102.50	\$397.50

Denver County Rents				
	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>
40% AMI	\$671	\$755	\$839	\$906
50% AMI	\$838	\$943	\$1,048	\$1,132
60% AMI	\$1,006	\$1,132	\$1,258	\$1,359
80% AMI	\$1,342	\$1,510	\$1,678	\$1,812
<i>Reasonable Rent*</i>	\$1,549	\$2,244	\$2,667	\$2,300
<i>FMR</i>	\$1,127	\$1,418	\$2,031	\$2,351
<i>FMR (120%)</i>	\$1,352	\$1,702	\$2,437	\$2,821
<i>FMR (140%)</i>	\$1,578	\$1,985	\$2,843	\$3,291

← An actual RMR would be determined based on the location of the property as part of the LIVE Denver program. The listed RMR for this example is based on higher cost neighborhoods such as downtown.

SUSTAINABLE HOUSING

CAP AT 50% of HOUSEHOLD INCOME

- Tenants can only view units where rent is less than 50% of gross household income
- Formula factors in some growth in income as well as overall rise in market rents

EQUITY SAVINGS

- Tenants receive Equity Savings equal to 5% of total rent paid
- Collection of savings dependent on completion of financial coaching and exit survey
- Must be used for housing or workforce development

FINANCIAL COACHING

- Within 90 days of move in, complete initial financial assessment and set financial goals through Financial Empowerment Centers (FEC)
- Option to continue meeting with FEC, but not required

+ HOMEOWNERSHIP:

For eligible families, offer housing counseling and down payment and/or realtor assistance programs

FREQUENTLY ASKED QUESTIONS

Will this program connect working households with “luxury” rental units they cannot afford?

No. Tenants will not be able to view or access units as part of the program that cost more than 50% of their income. This will limit the pool of participating units and exclude very high cost rental units.

Will this program reinforce high market rents?

The RMR is based on comparable properties within ½ mile, providing a check on proposed rents as part of the program. The two year time-period is intended to provide partners with the ability to respond to changing market conditions and evaluate the impact of the program on tenants and landlords.

Why would the city support a shorter-term program compared to a unit with long-term affordability?

The LIVE Denver pilot program is intended to pilot a new tool in the city’s housing toolbox to address immediate affordability, create mixed-income housing, and bring diverse housing options to higher opportunity areas. While construction of affordable units is critical, it can take several years between land acquisition, construction and occupancy and we need a combination of short-term and long-term solutions to address the city’s housing challenges.

NEXT STEPS

- May – June:** Council process
- July:** DHA to issue a Request for Proposals to finalize RMR with interested property owners
- August:** Anticipated first tenants move in

Program assessments will be conducted throughout pilot period, including at the one-year mark and upon anticipated exit from program.

DHA/LISC will provide regular reporting to City during the pilot period, and updates can be provided to Council and other stakeholders as requested.

TODAY'S REQUESTED ACTION

18-0592

LIVE Affordable Housing gap financing

**To partner with the Denver Housing Authority and
Local Initiatives Support Corporation (LISC)
to pilot the LIVE Denver Program**



QUESTIONS / DISCUSSION