

# Affordable Housing Dedicated Fund

Safehouse Committee Presentation  
August 17, 2016

- I. Brief review of sources evaluated for housing funding
- II. Overview of OED's 2017 affordable housing plans for funding and staffing
- III. Overview of updates to housing fund proposal
- IV. Review of proposed calendar
- V. Public comment period
- VI. Questions and discussion

# Major Criteria When Examining Possible Funding Sources

- **Volatility:** changes in revenue produced over time
- **Capacity:** funding source sufficient on its own
- **Tax Burden:** 1) breadth of the tax base, 2) what parties in that base pay i.e. regressivity
- **Best Practices:** are other cities successfully using this funding source to finance affordable housing?
- **Impact on Operating Budget:** if funding source currently finances City's operating budget, using it to fund housing program will draw money from other current programs
- **Effect on Denver's Regional Competitiveness:** will the tax make the city less attractive to businesses and other private investment
- **Other**
  - Permanence of funding stream
  - Feasibility

## Funding Options Reviewed in Depth Included:

### Met Funding Criteria:

- Property Tax
  - Increase in Mills\*
  - Leverage TABOR credits
- Commercial Linkage Fees
- Residential Linkage Fees

### Did not Meet Funding Criteria:

- Occupational Privilege Tax Increase\*
- Sales Tax Increase\*
- Lodgers Tax Increase\*
- MJ Tax Increase
- Real Estate Transfer Fees (prohibited by TABOR)
- Real Estate Recording Fees
- Capture Growth in GF Revenue
- Existing Bond Capacity\*

- Assuming \$10M in revenue from property tax and linkage fee for year one
- Proposed budget is responsive to Council and Stakeholder feedback on unit production, land acquisition and emergency assistance for existing residents

## Proposed Budget Overview\*:

- \$2.5M for land acquisition
- \$5.9M for unit development
- \$1M for emergency assistance
- \$600K for fund administration

## Proposed Budget Outcomes:

- ~413 units created/preserved
- ~166 households affected by emergency assistance

# Proposed 2017 Housing Budget

Investment Type	Investment	Funding Source	Amount	Impact*	AMI Limit	Mechanism
Land	Acquisition in areas of high opportunity and/or areas vulnerable to gentrification	Linkage Fee	\$2.5M	~100 units	< 100% AMI	City investment
Unit Development	Rental development (including new construction and preservation)	Property tax	\$2.9M	~193 units	< 80% AMI	Shared App. RFP
	Affordable units within market rate development	Linkage Fee	\$1M	~40 units	< 80% AMI	RFP
	For-sale development	Property Tax	\$1M	~40 units	< 100% AMI	RFP
	Flexible investment to solicit creative housing solutions	Property Tax	\$1M	~40 units	< 100% AMI	RFP
Housing Assistance	Temporary emergency assistance for existing residents	Property Tax	\$1M	~166 households	< 120% AMI	RFP
Administration	Staffing for new fund	Property Tax	\$600K	N/A	N/A	City investment
<b>SUBTOTAL</b>			Linkage Fee: \$3.5M Property Tax: \$6.5M	~413 units ~166 households		
<b>TOTAL</b>			<b>\$10M</b>			

\*Assumptions:

- Land acquisition at avg. of ~\$1M per acre, 40 dwelling units per acre
- Rental units at avg. of \$15K per unit (gap larger on 4% LIHTCs than 9% LIHTCs)
- Homeownership and other non-tax credit units at avg. of \$25K per unit
- Emergency assistance at avg. of \$6K per household based on historic federal programs

# Other Housing Investments

OED and other city agencies invest additional local and federal funds into unit development and housing assistance for thousands of individuals and families across the city.

Investment	Funding Source	Agency	Typical Amount/ Impact
Rental/homeowner counseling Home repair Down payment assistance	Community Development Block Grant	OED	~\$2.7M for programs
Rental and for sale unit creation/preservation Rental assistance	HOME Funds	OED	~\$1.8M for programs ~\$2.0M for units (~80 units)
Rental unit creation/preservation	Revolving Affordable Housing Loan Fund	OED	~\$3M for units (~200 units)
Down payment assistance	Metro Mortgage Assistance	OED/DOF	~\$2M for programs
Senior/disabled property tax rebate	Senior/Disabled Property Tax Rebate	DOF to DHS	~\$2.5M for programs
Emergency assistance to families at risk of becoming homeless	Emergency Housing Assistance	DHS	~\$280K for programs
Utility assistance	Low-Income Energy Assistance Program (LEAP)	DHS	~\$100K for programs
Home upgrades to promote energy efficiency	Energy Efficiency Program	HRCP	~\$2M for programs
		<b>SUBTOTAL</b>	~280 units
		<b>TOTAL</b>	\$16.38M

Existing Dedicated Housing Staff*	<i>Proposed Additional Dedicated Housing Staff</i>
1 Housing Director	<i>1 Housing Fund Administrator</i>
1 Housing Manager	<i>2 Community Development Representatives</i>
3 Community Development Representatives	
1 Compliance Analyst	
1 Underwriter	
<b>TOTAL: 7 FTEs</b>	<b><i>TOTAL: 3 FTEs</i></b>

With additional FTEs to help oversee investments from the proposed housing fund, OED would have a total of 10 dedicated housing staff.

A new City Attorney in CAO and Plans Review Tech in CPD would also be needed to oversee contract development and linkage fee collection.

Staff would be split between general fund and admin capacity under proposed housing fund.



## Possible Revisions to Fund Proposal Under Consideration:

- 1) Adding an index escalator for automatic fee adjustments consistent with growth in CPI
- 2) Including a multi-year freeze on discretionary fee increases with required public hearing by OED

Aug. 24, 10:30 a.m. – City Council Safehouse Committee Meeting (action item for affordable housing proposal)

Aug. 25 – Statutory deadline for Assessor to report updated assessed property valuation

Aug. 30, 9:30 a.m. – Mayor-Council Meeting (non-voting)

Sept. 12 – Tentative submittal of Mayor’s 2017 proposed budget

Sept. 12, 5:30 p.m. – City Council Meeting (1<sup>st</sup> reading for affordable housing proposal)

Sept. 19, 5:30 p.m. – City Council Meeting (2<sup>nd</sup> reading, courtesy public hearing)

Oct. 17 – Deadline for Mayor to submit finalized 2017 budget proposal

Nov. 14 – Deadline for Council to approve 2017 budget

Dec. 22 – Deadline for Council to adopt 2017 mill levies (levies must match adopted budget)

Dec. 30 – Deadline for development projects to be logged in to avoid impact fee

Jan. 1 – City’s first dedicated fund for affordable housing takes effect

# Additional Questions/ Discussion

# Appendix

1981 Senior Housing Bond: \$48.17 million

- Total Production: 1,297 units

1986 Housing Levy: \$49.975 million over 8 years

- Total Production: 1,818 units

1995 Housing Levy: \$59.211 million over 7 years

- Total Production: 2,632 units

2002 Housing Levy: \$86 million over 7 years

- Total Production: 2,459 units
- Homeless prevention: 4,735 households

2009 Housing Levy: \$145 million over 7 years

- Total Production: 1,850 units
- Homeless Prevention: 3,025 households
- Acquisition/Opportunity Loans: 175 units

**TOTAL INVESTMENT: \$388.365 million**  
**TOTAL UNITS: 10,231 units**  
**TOTAL HOMELESS PREVENTION: 7,760 households**

# Funding Sources That Meet Most Criteria

Source	Funding Capacity	Pros	Cons
New Citywide Mill Levy for Housing	1 mill = \$13 million	<ul style="list-style-type: none"> <li>• No impact on current City operating budget</li> <li>• Could generate sufficient revenue for policy goals</li> <li>• Stable revenue source over time, not subject to repeal</li> <li>• Best practice</li> <li>• Broadens base of payers citywide – residential and commercial</li> </ul>	<ul style="list-style-type: none"> <li>• Depending on the rate set, could impact Denver’s regional economic competitiveness on commercial side</li> <li>• Low revenue growth over time</li> </ul>
Existing TABOR Mill Credits	1 mill = \$13 million	<ul style="list-style-type: none"> <li>• No impact on current City operating budget</li> <li>• Could generate sufficient revenue for policy goals</li> <li>• Stable revenue source over time</li> <li>• Best practice</li> <li>• Broadens base of payers citywide</li> </ul>	<ul style="list-style-type: none"> <li>• Low revenue growth over time</li> <li>• Could be subject to repeal</li> </ul>

# Funding Sources That Meet Most Criteria

Source	Funding Capacity	Pros	Cons
Commercial Linkage Fee (charged to developers of commercial projects)	<p>\$0.40 per sqft on industrial = \$250K on average</p> <p>\$1.70 per sqft on commercial = \$1.8M on average</p>	<ul style="list-style-type: none"> <li>• Best practice</li> <li>• Burden is on uses which generate need for housing</li> <li>• Benefits from up cycles</li> </ul>	<ul style="list-style-type: none"> <li>• Volatile—ebbs and flows with economy</li> <li>• Difficult to forecast</li> <li>• Council could repeal</li> </ul>
Residential Linkage fee (charged to developers of residential projects)	<p>\$0.60 per sqft on single family = \$1.5M on average</p> <p>\$1.50 per sqft on multi-family = \$4M on average</p>	<ul style="list-style-type: none"> <li>• Best practice</li> <li>• Burden is on uses which generate need for housing</li> <li>• Benefits from up cycles</li> </ul>	<ul style="list-style-type: none"> <li>• Volatile—ebbs and flows with economy</li> <li>• Difficult to forecast</li> <li>• Council could repeal</li> </ul>

# Funding Sources That Do Not Meet Most Criteria

Source	Funding Capacity	Pros	Cons
Increasing OPT and Dedicating New Revenues	\$1.00 increase = \$4.79 million	<ul style="list-style-type: none"> <li>No impact on current City operating budget</li> <li>Stable over time</li> </ul>	<ul style="list-style-type: none"> <li>Competitive Disadvantage for businesses (tax highly uncommon)</li> <li>May not generate enough revenue on its own (need to pair with other source), and grows slowly</li> <li>Does not broaden payer base as much as other options</li> </ul>
New Sales Tax for Housing	0.1% increase = \$15.1 million in revenue	<ul style="list-style-type: none"> <li>No impact on current City operating budget</li> <li>Rate could be set to generate funds required</li> <li>Denver has seen good sales tax growth in good economic times</li> </ul>	<ul style="list-style-type: none"> <li>Regressive: heavier burden on the population who needs housing assistance</li> <li>Competition from other uses for this tax</li> </ul>
Lodger's Tax  Current rate: 10.75% (30% goes to operating budget)	2014: \$20,831,300  2015 (projected): \$21,248,000 (2% increase)	<ul style="list-style-type: none"> <li>No impact on current City operating budget</li> <li>Tax burden felt by mostly non-Denver residents</li> <li>Rate could be set to generate funds required</li> <li>Best practice (for homeless housing/services especially)</li> </ul>	<ul style="list-style-type: none"> <li>Feasibility issues: currently dedicated to tourism uses and convention center</li> <li>Volatile—ebbs and flows with economy</li> <li>Could impact Denver's regional economic competitiveness</li> </ul>



# Funding Sources That Do Not Meet Most Criteria

Source	Funding Capacity	Pros	Cons
Capture Surplus Revenues From Economic Growth	Dependent on growth of economy outpacing city's increase in costs over time	<ul style="list-style-type: none"> <li>• No change in tax burden or structure</li> <li>• Feasibility: within purview of Mayor and Council</li> </ul>	<ul style="list-style-type: none"> <li>• Any risk will be covered by operating budget</li> <li>• Dedicates <i>estimated growth</i> rather than known revenue growth from existing/new taxes</li> <li>• Unlikely to fund goals by itself</li> <li>• Not best practice (and could hurt City's credit rating)</li> </ul>
Dedicating Existing Real Estate Recording Fees	\$4m	<ul style="list-style-type: none"> <li>• National best practice</li> <li>• No change to current tax burdens</li> <li>• Good feasibility</li> <li>• Low economic impact (used by all jurisdictions)</li> </ul>	<ul style="list-style-type: none"> <li>• Would not generate enough revenue on its own (need to pair with other source), and grows slowly</li> <li>• Would take money away from current City operating budget</li> </ul>
Increase Marijuana Special Sales Tax (after meeting regulation, enforcement, and education needs)	Approx. \$10m if special rate doubled	<ul style="list-style-type: none"> <li>• No impact on current City operating budget</li> <li>• City can set rate up to 15%</li> </ul>	<ul style="list-style-type: none"> <li>• May not generate enough revenue on its own</li> <li>• Many unknowns: economic impact, growth potential, volatility, etc.</li> <li>• Overburden the commodity, may drive back to black market</li> </ul>

# Funding Sources That Do Not Meet Most Criteria

Source	Funding Capacity	Pros	Cons
GO Bonds (with no increase in property tax rate)	\$150m issuance	<ul style="list-style-type: none"> <li>• No impact on current City operating budget</li> <li>• If use existing levy, will not change tax burdens and will have no significant economic impact</li> <li>• No volatility issues</li> </ul>	<ul style="list-style-type: none"> <li>• If use existing debt capacity, will be taking funding away from existing backlog of capital projects with no source to replace lost funds thereby eroding the capital maintenance program</li> </ul>