

ADVISORY COMMITTEE SUMMARY

Videoconference Session on July 22, 2021 from 4-6pm

Meeting Highlights

This session of the Advisory Committee covered the following topics:

- Housing costs for both renters and potential homeowners has increased much faster than the growth in wages in Denver, with disproportionate impacts on households that fall at or below the 80% area median income (AMI).
- In contrast, new rental development in Denver is concentrated in units above 80% AMI and for-sale development is primarily falling above 100% AMI, creating the greatest housing needs (where demand exceeds supply) for households at and below 60% AMI.
- Root Policy provided results of the [financial feasibility](#) study evaluating different affordability requirements for new residential and fees for commercial uses. These results informed a robust discussion among Advisory Committee members on priorities that could guide the development of policy options.
- The project timeline has been updated to reflect the additional time that will be devoted to sharing and getting input on financial feasibility and possible policy options for expanding housing affordability. The project team will launch Phase 2 outreach and engagement in the fall to share preliminary policy options and understand what works best for communities and other stakeholders.
- Additional Advisory Committee meetings will likely be held in September and November 2021; and January and March 2022.

Key background information is available on the [Expanding Housing Affordability website](#), including but not limited to: List of advisory committee members (on the [Meet the Advisory Committee Link](#)); Background Report (on the [Resources and Downloads Link](#)); Presentation materials for this and prior meetings ([Get Caught Up: Project Archive: Advisory Committee](#)); and four Informational Videos: 1) Affordable Housing Basics; 2) Project Overview; 3) Denver's Housing Market; 4) Peer City Research (on the [Resources and Downloads Link](#)).

Action Items

- Advisory committee members and the public are invited to submit questions or clarifications on the financial feasibility study using the [online form](#).
- The Project Team will develop draft policy alternatives and complete the third section financial feasibility analysis focused on off-sets and incentives before the next meeting. The purpose of the meeting will be to review draft policy alternatives and provide feedback and suggested changes prior to broader outreach in the fall.
- Next Meeting of the Advisory Committee will be in September 2021.
- The staff project team will be presenting to the City Council Budget and Policy and Denver Planning Board in coming weeks. See the [project website](#) for details.
- Staff will send a survey to gauge interest by the members to meet in person in the future.
- Advisory Committee members are encouraged to provide additional feedback to Analiese Hock, Project Manager from the Denver Community Planning and Development (CPD) (analiese.hock@denvergov.org) and to share any process feedback with Catherine Morris, the facilitator (cmorris@cbi.org). Brad Weinig, Denver Dept. of Housing Stability (HOST), is the best contact for questions related to the city's approach for the full housing spectrum (Bradley.Weinig@denvergov.org).

Setting the Context

Analiese Hock, CBD, reviewed recent data on housing development and housing needs in Denver. She also provided a reminder of this project's scope and the guiding principles guiding the work. Housing demand is outstripping affordable housing availability in Denver due several factors including:

- Growth in population is outpacing growth in new housing development
- Increases in housing costs are exceeding increases in incomes, particularly at lower AMI levels
- Current public assistance and subsidies are unable to meet the needs of low-income households

This project is focused on three complementary tools to increase affordability:

- Linkage fee updates
- Inclusionary housing requirements for new development
- Incentive zoning expansion

Analiese noted that the project timeline has been updated to reflect the additional time devoted to sharing and getting input on financial feasibility and possible policy options for expanding housing affordability. The project team will continue outreach and engagement in the coming months to share preliminary policy options and understand what works best for communities and other stakeholders.

Financial Feasibility Outcomes

Mollie Fitzpatrick, Root Policy, presented an overview of the financial feasibility study, which was circulated to Advisory Committee members in advance and is posted on the project website. The purpose of the study is to understand at what levels of affordability and percent of affordable units can be required in new market-rate developments, while maintaining a reasonable level of profitability.

The financial feasibility study relied on recent data and assumptions and calibrated these based on industry feedback to evaluate varying levels of inclusionary housing requirements and linkage fees in different settings. The policy options were analyzed for both rental and ownership options; in both typical and high-cost areas of Denver; and for development prototypes including both residential and commercial.

The study looked at changes in certain metrics of profitability, including return on cash, return on equity, cash on cash return and internal rate of return, under different policy options. The criteria for feasibility required that the policy options allowed the developer to meet at least one short-term and one long-term metric.

Inclusionary Housing Requirement Findings:

- Inclusionary housing requires new residential development to include a portion of affordable housing units on-site and create mixed-income housing.
- The feasibility results for rental find that new development can support 5% of units at 50% of AMI up to 15% of units at 80% AMI in high cost submarkets.
- The feasibility results for ownership are find that new development can support 8% of units at 70% AMI up to 18% of units at 120% AMI in high cost submarkets.
- The greater the subsidy required (i.e., the lower the AMI contract rent), the fewer number of units could be required to remain within the feasibility criteria.
- The high-cost submarkets afforded a greater affordability requirement which could support a greater number of units at the same AMI levels than the typical submarkets.
- Peer city comparisons indicated that programs with higher AMI requirements also required a higher percentage of affordable units. Most peer cities also offer incentives such as density bonuses, tax abatements, expedited review, zoning variances, and direct subsidies. These elements of the program will be discussed in the upcoming meeting.

Linkage Fee Findings:

- Feasible linkage fees for commercial prototypes (office buildings, hotels, and retail space) in typical submarkets ranged from \$7-9 per gross square foot (GSF) and \$11 in high-priced submarkets.
- Linkage fees for industrial development in typical submarkets were feasible at \$6/GSF.
- Compared to peer cities with fees ranging from \$3-18/GSF, feasible linkage fees of \$7-11 for Denver's commercial development are currently below all peer cities.

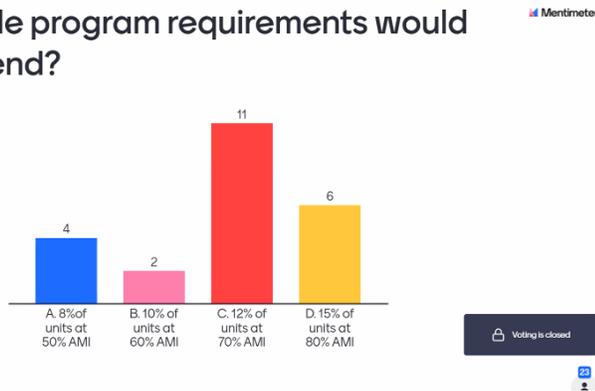
Program Priorities

With the financial feasibility study findings as the backdrop for discussion, the Advisory Committee members were asked to share their views on several design elements and tradeoffs among the policy options. The members participated in an anonymous real-time polling exercise to start the discussion, responding to the following questions.

- Should the inclusionary program focus on serving fewer households with greater housing needs, or serving more households with moderate needs or find a balance in between? *This question/discussion was focused on rental housing.*
- Should the inclusionary program vary program requirements by geography?

Initial polling prior to the discussion is as shown:

Which feasible program requirements would you recommend?



Members who were interested in seeing lower AMIs (50 – 60% AMI) addressed in inclusionary housing requirements raised several points:

- Community members would like housing to address lower AMIs to help stabilize involuntary displacement and address historical race and wage discrimination.
- The concern was raised that the policies might drive development to the areas most vulnerable to displacement (e.g., GES, East Colfax, Westwood).
- We need to focus on the most vulnerable among us by focusing on the lowest AMI housing needs where the cost burden is the highest.
- Racial disparities, equity concerns, cost burdened percentage was cited as an argument for targeting 50% and 60% AMI.
- Majority of the jobs highlighted in the background provided could not qualify for 70% if a single-person household, and the cost burden is much higher for 50-60% AMI.

Several individuals spoke in support of the middle AMI range (70% AMI), citing the following issues:

- We need to serve all levels of need and AMI households.
- The work of this committee is to bend the market and this effort is designed to meet something other “in-between,” noting the wide range of housing needs.
- It was noted by staff that vouchers and other programs could be layered on the inclusionary housing requirements enabling for someone with a lower income to access 70% AMI housing.
- The feasibility analysis indicates that the market is providing 80% AMI¹, so we should be hitting below market in most places.
- This should benefit missing middle that doesn’t get as much help as the lower AMI.
- Broader market needs gap is large and therefore we need to focus on the middle (60% AMI)

Those who supported the higher range noted:

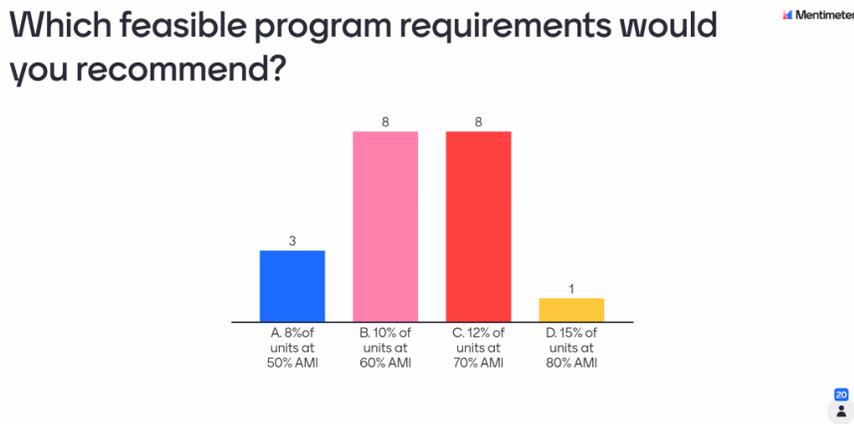
- Because the need is so large, several members said they preferred options that allowed for more units to be built, which is feasible at higher AMI levels.
- A higher AMI might be more successful in getting as many affordable units built as possible.
- Other tools are better for the lower AMI households’ needs, so these approaches (inclusionary housing) should focus on the higher end.

¹ Note: The private market provides the vast majority of housing to Denver’s renters. Market data from 2015 – 2019 shows new rentals were serving moderate to high income earners with 47% of new development serving 81 – 100% AMI and 47% serving renters from 101%AMI+. Only 6% of new rentals per serving households 70-80% AMI and these were only studio apartments.

Other overall comments raised around inclusionary housing tradeoffs included:

- Some members felt that they were forced into a single option when they would prefer to see a program that provides a greater mix of incomes². Others wanted to see lower AMIs and greater percentages even if they weren't shown to be feasible.
- The policy would benefit from layering on racial justice and equity criteria in addition to AMI.
- A number of members suggested that it would be wise to offer developers options or a "sliding scale." This would allow developers to be responsive to the communities' needs.
- Molly clarified that setting the requirement at 70% would allow developers to include units that qualify for 70% AMI **or below**, but experience shows that most developers will choose to target units to the highest allowable AMI.
- A member suggested that if you offer options, the city should be cautious as developers will find the most economically advantageous option.
- Staff also raised the point that more optionality could reduce transparency and cause more confusion in the market and minimize clarity to the community. Additional complexity can lead to administration and compliance challenges in the long-term.
- This drew a response from a few members that transparency and predictability is important and should take precedence over optionality, while others argued that providing options has been applied in the past successfully.
- Rental units typically need to target lower AMI, while homeownership can tolerate higher AMI requirements, which also calls for flexibility.
- There seemed to be agreement that the program should not target households above 80% AMI.

The group registered their perspectives on AMI levels and number of units at the end of the discussion as shown below:



In response to the question regarding variation by geography, specifically variations between high cost markets and more typical cost markets, the following issues were raised:

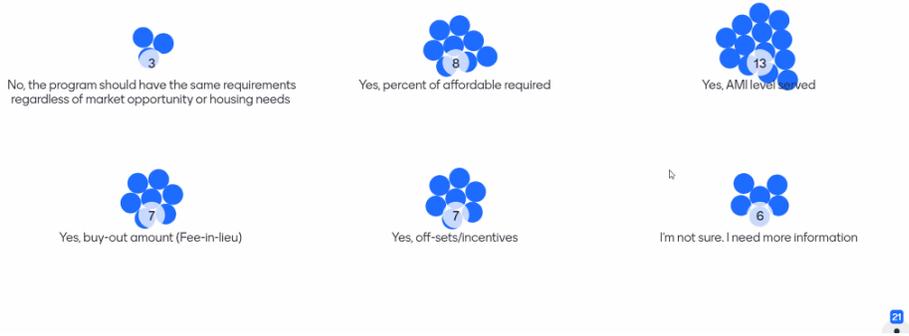
- Several members favored consistency across the city, noting that the policy should encourage a range of lower AMI households to locate in every neighborhood, and avoid segregating affordable housing in only a few neighborhoods.
- The concern was raised that it is not feasible to negotiate different aspects of the program in each neighborhood and that argues for simplicity. That would make the outcome of the program more predictability.
- Setting a consistent AMI could be accompanied by differences in incentives by neighborhoods.
- Land costs vary in different neighborhoods, some neighborhoods have suffered more harm in the past, and some neighborhoods are more vulnerable to displacement, which argues for providing variation to meet the needs of each neighborhood.
- Allowing variations in program design would likely offer more incentives to include affordability in higher cost neighborhoods where a higher number of units can be accommodated at the higher AMI level.
- Other members noted that flexibility is important to address different needs in different parts of the city. If done well, flexibility across geographies should not be at odds with transparency.

² Note: Inclusionary housing that results in on-site unit generation creates mixed-income housing as the market rate provides housing a different AMI levels than the income restricted units.

- Analiese clarified that HB 11-117 requires that an option must be offered for building units on site, and therefore cash payment in lieu of building onsite is one option to address that, but can be designed to create more incentives to build rather than take the buy-out option.

The results of the poll taken in advance of the discussion are below:

Should the inclusionary program vary program requirements by geography? (Check all that apply) Mentimeter



Public Comment Period

There were no public comments.

Participants

Advisory Committee Members

- Councilwoman Amanda Sandoval - District 1
- Candace Kristensson - University Park Community Council (current president)
- Darion Mayhorn, East Colfax Neighborhood Association (member); East Colfax Community Collective (member); The Fax Partnership (board member)
- Dominique Acevedo - Northeast Denver Housing Center
- Dorit Fisher- Shames-Makovsky, Downtown Denver Partnership (board member)
- Ean Tafoya - Denver Inter-Neighborhood Cooperation, Colorado Latino Coalition
- Erin Clark - Denver Planning Board, Urban Land Conservancy
- Jeffery Bader - DURA
- Jennie Rogers - Enterprise Community Partners, Colorado Division of Housing Strategic Housing Working Group
- Jessie Adkins - Shears Adkins Rockmore
- Kirsty Greer, McWhinney; RiNo General Improvement District (board member); Denver Metro Commercial Association of Realtors (board member)
- Molly Urbina - Urbina Strategies, Urban Land Conservancy (board member)
- Nola Miguel - Globeville, Elyria-Swansea Coalition Organizing for Health and Housing Justice
- Paul Vranas - Lowry United Neighbors RNO (board member)
- Rhys Duggan - Revesco Properties
- Councilwoman Robin Kniech At-large
- Ryan Keeney - YIMBY Denver (co-founder and board secretary), Capitol Hill United Neighborhoods (board delegate)
- Sarah White for Paul Brooks - Palisade Partners, Urban Land Institute, Five Points Business Improvement District
- Shane Sutherland – Greater Park Hill Community RNO (Vice-Chair)
- Susan Powers, Urban Ventures, Mothers of Housing Advocates, All in Denver (board member), Elevation Community Land Trust (board member)
- Tony Hernandez, Southwest Advisory Council

City Staff

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Sarah Showalter, CPD
Brad Weinig, HOST

Consultant Team

Consensus Building Institute: Catherine Morris
Root Policy: Mollie Fitzpatrick
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Joel Noble
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Erik Carlson
Kristen Link