

CASE STUDY

Denver: Supporting Residents in Need of Safe, Healthy, and Affordable Housing

An Affordable Housing Trust is a fund that uses public revenue in a variety of ways to create and sustain affordable housing. Affordable Housing Trusts are a proven equitable policy solution that can help residents access high-quality, affordable homes and can reduce exposure to unhealthy living environments, lessen the cost burden of housing, and enhance housing and neighborhood stability.

BACKGROUND

Denver's rapid population growth has come with rising housing costs. Since 2010, rents have increased by 79% and the median home value has grown by 78% (HOST, 2021b). Managing these costs has become increasingly challenging for lower-income residents. In fact, nearly half of Denver's renters spend more than 30% of their income on housing and 21% of renter households spend more than 50% on housing costs (HOST, 2020).

Recognizing the need to face this challenge, community leaders and city officials, led by Councilwoman Robin Kneich, sought to establish a local funding source dedicated to supporting affordable housing and related programs. Prior to this, Denver had relied on federal funds to finance affordable housing. In 2008, working groups were established to identify housing needs and priorities, and to evaluate possible funding sources. These working groups were comprised of a wide swath of stakeholders, including representatives from the Denver Housing Authority (DHA), housing advocates, and the development community, among others. Most importantly, they included renters who made less than 30% of the area median income (AMI)

as they were the most likely to be impacted by the Affordable Housing Trust. These residents and their input would prove to be invaluable.

POLICY

After nearly a decade of work, Denver's Affordable Housing Fund was established in January 2017. The fund's initial goal was to generate an average of \$15 million annually and \$150 million over the course of 10 years, with a commitment from the City to utilize general funds to fill gaps in the early years while the fund's sources ramped up collection. Two revenue sources were dedicated to funding the Affordable Housing Fund — a property tax and a development impact fee, also known as a "linkage fee," on new developments.

Today, the property tax portion of Denver's fund dedicates nearly half a "mill" (or just under 50 cents collected on every \$1,000 of assessed property value) to support affordable housing in Denver. Property tax is considered a more consistent and reliable source of revenue. It also symbolizes a shared responsibility among all of Denver's residents to help support affordable housing and those who need

“Denver’s Affordable Housing Fund has impacted thousands of the city’s residents by helping them find a quality home they can afford. Securing stable housing is crucial for an individual’s health and well-being, which became even more apparent during the COVID-19 pandemic. The Affordable Housing Fund has proven time and again to be an essential and reliable tool for the city and its residents in need.”

Britta Fisher, Chief Housing Officer and Executive Director for the Denver Department of Housing Stability

it. While the revenue generated from linkage fees is prone to more volatility based on market conditions, it provides an excellent opportunity for the city to leverage new development’s impact on housing need when economic growth and development are strong. Additional sources have been added to the Affordable Housing Fund since it was first adopted, including transfers from the city’s general fund and an additional 2% sales tax on recreational marijuana in Denver.

The fund’s resources can be used for a wide range of services and programs that support both renters and homeowners — all designed to promote housing stability. For instance, the Affordable Housing Fund prioritizes developing and preserving rental units for residents making up to 80% AMI while also allowing down payment assistance for those making up to 120% AMI as an eligible use. The funds can also go towards emergency home repairs, displacement mitigation, rental assistance, and utility bill assistance.

During the creation of the Affordable Housing Fund, an advisory committee was formed to help provide strategic input on the uses and goals of the Affordable Housing Fund and other funding sources, as well as to review and inform regular reports and planning documents. The body, now called

the Housing Stability Strategic Advisors, provides regular opportunities for public engagement and is comprised of those with lived and professional expertise in housing and homelessness (HOST, n.d.).

OUTCOMES

After just two years of operation, the Affordable Housing Fund’s budget was doubled to approximately \$30 million annually. Between 2017 and 2022, over \$124 million was allocated for the fund with 60-70% going towards affordable housing creation and preservation, 20-30% going towards housing stability programs, and 5-6% used for fund administration. Between 2017 and 2022, the fund supported the development and preservation of 4,000 homes.¹

The original plan for investment of the Affordable Housing Fund identified four priority areas and set goals for how funds should be allocated between them (HOST, 2021a). The city achieved the majority of the goals of its original five-year plan, *Housing an Inclusive Denver*, between 2018 and 2022, including to prioritize resources for the lowest income levels. The Affordable Housing Fund is now managed by the Department of Housing Stability (HOST) to fully leverage the city’s resources to support housing and homelessness.

¹ Information retrieved from interview with Department of Housing Stability (HOST)

Housing an Inclusive Denver's spending goals included:

Priority Area	5-Year Allocation Goal	2018-2020 Funding Allocation (Actuals)	2018-2021 Funding Allocation (Actuals)
Homeownership	20-30% of funds	21% (\$26,024,968)	11% (\$29,365,153)
31-80% AMI Rentals	20-30% of funds	25% (\$30,894,218)	21% (\$58,428,304)
At or below 30% Rentals	20-25% of funds	12% (\$15,013,057)	7% (\$19,502,960)
Homelessness	20-25% of funds	41% (\$50,461,413)	62% (\$172,274,106)

Source: 2018-2020 Funding Allocation (Actuals) is from HOST 2021a; 2018-2021 Funding Allocation (Actuals) is from HOST 2022.

Recognizing how challenging it is to provide housing for those making 30% or less AMI, city officials devised a strategy to leverage their funds for greater gain. In 2018, the city and DHA came to an intergovernmental agreement that would transfer the fund's property tax revenue to the housing authority to make possible the housing authority's issuance of nearly \$130M in bond revenue for affordable housing. The goal of this agreement is to create or preserve at least 2,500 homes and leveraging at least 300 project-based vouchers from the housing authority, between 2019 and 2029.

Denver's Affordable Housing Fund has generated tens of millions of dollars to support its residents in need of safe, healthy, and affordable housing. The program has been successful in large part because it involved the input of lower-income residents, it had dedicated multiple avenues for financing, and city officials creatively leveraged their resources.

REFERENCES

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