

Grantee: Denver, CO

Grant: B-09-LN-CO-0043

April 1, 2010 thru June 30, 2010 Performance Report

Grant Number:

B-09-LN-CO-0043

Obligation Date:**Grantee Name:**

Denver, CO

Award Date:

02/11/2010

Grant Amount:

\$18,994,444.00

Contract End Date:

02/11/2013

Grant Status:

Active

Review by HUD:

Reviewed and Approved

QPR Contact:

No QPR Contact Found

Disasters:

Declaration Number

NSP

Narratives

Executive Summary:

The City and County of Denver received NSP2 funding for a focused, comprehensive program that has the goals of arresting the decline in home values and reducing the number of vacant and abandoned residential properties in targeted neighborhoods. The City expects that the proposed Denver NSP2 program (DNSP2) will result in increased sales of residential properties and raise median values in targeted neighborhoods. Denver will utilize a wide ranging and thorough approach to redeveloping impacted neighborhoods, including workforce training and assistance, developing small business opportunities and green job creation. Both the City of Denver and the adjacent City of Aurora (in a separate but complimentary NSP2 application) are targeting tracts where low and moderate income households will be able to purchase affordable homes near public transit lines, allowing them to reduce household transportation costs and have better access to job centers. The selected targeted areas are the focus of many of the City's multi-departmental and inter-governmental collaborative investment initiatives to stabilize the housing market, create jobs, support local business development, and provide better transit options for residents.

The Metro Denver area has a historic opportunity to place housing and jobs near our new rapid transit system, FasTracks. FasTracks is the Regional Transportation Districts (RTD) \$4.7 billion dollar 12-year comprehensive plan to build and operate high-speed rail lines and expand and improve bus service and park-n-Rides throughout the Denver region. The program consists of six new rapid transit corridors and three existing corridor extensions. FasTracks includes:

- 122 miles of new light rail and commuter rail (the West line is already under construction)
- 18 miles of bus rapid transit service
- 57 new transit stations
- 21,213 additional parking spaces at transit park-n-rides
- Enhanced bus service and FastConnects throughout the region

FasTracks provides many ways to ride a bus or train.

- Drive to a park-n-Ride and get on a bus or train
- Take a bus to a rail station
- Walk to a bus or rail station
- Ride your bike to transit stations and store your bike in lockers and racks or take it with you on buses and trains

FasTracks also includes funding for the redevelopment of Denver Union Station into a multi-modal transportation hub at the center of the FasTracks system. The West Line, running through two NSP2 targeted census tracts, is under construction and is expected to be completed within 5 years. The East Line, which will run through and near many other targeted census tracts, is expected to begin construction next, with completion within 7 to 10 years. Other lines, such as the North Line, have longer completion timelines. RTD has a record of completing rail lines on or ahead of schedule.

DNSP 2 will build on this major transportation infrastructure investment to address broad affordability and environmental challenges including: housing costs, neighborhood stabilization and transportation costs. It will increase opportunities for people to live where they work and it will reduce commuting and greenhouse gas production. The interface between DNSP 2 and FasTracks is clear to see on the map on page 39 (overlay map).

Target Geography:

Problem Statement: Denver has census tracts with high concentrations of foreclosures in areas with declining property values, great needs for rehabilitation and modernization of foreclosed properties, high percentages of foreclosure sales to real estate investors with little incentive to upgrade units or sell them, and little ability to change the problem without public investment. While sales of foreclosed units in these areas are above 50% of total units sold, units are not being sold to individuals who will invest in properties, but most often to investors who frequently turn units into blighted rentals with a lack of concern for the neighborhood.

Accordingly, the City of Denver has chosen as target areas for NSP2, 20 census tracts with high Foreclosure and Vacancy scores that will best meet the goals of the NSP2 program. This is part of a regional NSP2 strategy to focus on identifying and pursuing multi-family and single-family opportunities for redevelopment and rehabilitation along enhanced transit corridors and light rail lines. Additional key DNSP2 priorities include building and rehabbing to green standards, and creating jobs. Denver will utilize a comprehensive approach to stabilizing and redeveloping impacted neighborhoods, including workforce training and assistance, developing small business opportunities and green job creation. Both the City of Denver, and its regional partner, the adjacent City of Aurora (in a separate, but complementary, NSP 2 application), are targeting census tracts where low and moderate income households will be able to purchase affordable homes near public transit lines, allowing them to reduce household transportation costs and have better access to job centers. The targeted areas that have been selected are the focus of many City multi-departmental collaborative investment initiatives to stabilize the housing market, create jobs, support local business development, and provide better transit options for residents.

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NSP Census Tract Selection Criteria

High Foreclosure and Vacancy Score

Located near light rail stops (existing or proposed) or high frequency bus routes

Located in Neighborhood Revitalization Strategy targeted areas

Located in Blue Print Denver areas of transition

Areas called out in Understanding Mortgage Foreclosures in Denver as highly impacted, and impacted greatest by predatory lending

Areas suitable for Denver's Neighborhood Market Place Initiative economic opportunity programs

Areas with disinvestment due to high number of investor sales of foreclosed units and declining homeownership rates

Areas with need for rehabilitation investment in foreclosed units

Areas of transition with opportunity for redevelopment, especially transit oriented, with dense, high quality, mixed income housing

Denver's foreclosure problem is due to a proliferation of non-traditional lending practices and predatory lending in low and moderate income neighborhoods. While this is the root cause of our foreclosure problem, new economic stresses are causing more foreclosures, and targeted areas continue to be negatively impacted and require intervention by the public sector, including:

- There is a growing unemployment rate in Denver, now at 8%
- Between 50% and 75% of units in targeted neighborhoods are foreclosure sales, most to investors who rent homes with minimal repairs and contribute to declining property values and homeownership rates
- Interest rate "sets" on variable rate loans declining values are spurring another wave of new foreclosures in Denver and reducing property values
- Many foreclosed units are functionally obsolete, energy inefficient, and in need of modernization and substantial rehabilitation
- Many other foreclosed homes have been stripped of fixtures, even plumbing, and need to be rehabilitated before a sale can occur
- Declining property values leave many homeowners "upside down", owing more than a home is worth and making refinance impossible and also impacting the value of houses in the neighborhood.

DNSP 2 target areas are shown below, with existing and planned light rail transit lines and stations. Denver's neighborhoods most impacted by foreclosure are adjacent to light rail transit corridors.

Denver's NSP2 plan coordinates efforts to rapidly arrest decline, ensure continued affordability and support projects that optimize economic activity and job creation by targeting and reconnecting low income neighborhoods through regional multi-modal mass transportation

access, green jobs creation, and supporting local business development. The NSP2 program focuses activities in three distinct areas of the City that are most impacted by foreclosure, and which also have or will have rapid transportation options available to residents. The DNSP2 plan has been developed in coordination with many Denver planning efforts and neighborhood plans, and using detailed data from Denver's 2008 analysis of this issue, Understanding Mortgage Foreclosures in Denver. The following are descriptions of the three target NSP2 areas. All targeted census tracts fall within one of the three geographies:

West / Southwest Denver

Two census tracts (7.01 and 7.02) have lower foreclosure scores than the other tracts. However, these tracts, or the West Colfax neighborhood, are the gateway to Denver's west side, and the location of the first Denver light rail stops on the RTD FasTracks West Line, which is under construction, and scheduled for completion in 2013. The West Line runs from Jefferson County west of Denver, along Colfax, and into downtown Denver, as shown on the map above. Villa Park (Tracts 9.04 and 9.05) lies directly south of West Colfax and is also located on the western Denver edge of RTD's FasTrack light rail line. The City has developed a West Colfax redevelopment plan, which calls for dense housing along light rail and new economic development and employment opportunities in this heavily commercial area of town. Preservation and creation of high density residential developments to benefit low, moderate, and middle income households in an area with increased employment opportunities and light rail access is a priority for DNSP2.

The Westwood neighborhood (Tracts 45.01 and 45.02), located south of Villa Park and West Colfax, is a very low income area of Denver with many substandard housing units in need of major rehabilitation. These tracts have the highest scores of any targeted by this application. The population in Westwood is poor, and heavily Latino. Three substandard mobile home parks are located in the neighborhood, one of which is vacant and could be redeveloped with NSP2 funds. Initiatives that will compliment NSP2 redevelopment activities in Westwood are the neighborhood policing effort, LiveWell Westwood healthy living initiative, and community enhancement activities at the Westwood Community Center. While it is the only NSP2 area not directly served by light rail, Westwood is surrounded on all sides by major streets served by high traffic bus lines, providing residents with access to job centers and services. Redevelopment is the priority activity in Westwood.

North Central Denver

Eight targeted census tracts are located along the planned North Metro Commuter Rail line, as well as high traffic bus corridors running both east/west and north/south. In two of these neighborhoods, Globeville (Tract 35.00) and ElyriaSwansea (Tract 35.00), City staff and neighbors have completed small area neighborhood plans to address public safety, disinvestment, job creation, business development, and crime. Neighbors are working with the City to locate light rail lines and create redevelopment plans focused upon the proposed mass transit corridor. Acquisition and rehabilitation of substandard units is the priority in this area. Many units are functionally obsolete and in need of substantial rehabilitation and modernization.

Northeast Denver

Denver's far eastern neighborhoods, Green Valley Ranch (Tract 83.03) and Montbello (Tracts 83.04, 83.05, 83.06, 83.11, and 83.12) have been hit hard by foreclosures, declining property values, and slow real estate sales. Many residents owe more for their homes than they are worth. These neighborhoods have the newest housing stock in all target areas, and households with incomes higher than in the other target areas. Yet, foreclosure scores in all tracts are either 19 or 20. Large numbers of inexpensive tract homes were built in these areas and sold to households using high cost and highly leveraged loan products. Green Valley Ranch and Montbello are located along the RTD proposed FasTracks East Corridor light rail line, which will link the Denver International Airport with downtown Denver. More than three stations will be built along the eastern I-70 corridor, giving residents of these neighborhoods access to jobs at the airport and in downtown Denver and is expected to reach the final design stage and begin construction in 2010. Acquisition and rehabilitation of units in targeted census block groups in this area will be completed with the goal of reducing the high percentage of foreclosure sales to investors, who rent units as is, and contribute to declining homeownership rates, substandard housing units, and disinvestment in the neighborhoods. Rehabilitation and modernization are key activities to slowing the impact of foreclosures in these areas. The following chart, based upon data from nonprofit agencies currently running purchase, rehabilitation, and resale programs in Denver, show the rehabilitation investment levels needed to bring properties to a marketable standard. DNSP2 partners will use green practices and rehabilitation standards when rehabilitating homes with NSP2 funds

Program Approach:

Through a combination of innovative yet proven strategies, Denver's NSP 2 program will address the critical needs of some of Denver's most distressed neighborhoods. The program will be part of a comprehensive approach to community health that will include economic vitality, social responsibility and environmental sustainability.

DNSP 2 will target 20 census tracts in some of Denver's most distressed neighborhoods. As a result of faulty and fraudulent lending practices and the recent economic downturn, the selected neighborhoods have experienced a high rate of foreclosures and vacancy rates. A majority of the low-income households in the target areas are cost-burdened and most are excessively cost-burdened. It is anticipated that over 4,000 foreclosed homes will not be absorbed in the market during the next 3 years. On average, the foreclosure rate for these census tracts is nearly 18%. These neighborhoods have experienced significant erosion and they are vulnerable to further decline. As previously described under Extent of Need, Denver's first priority for NSP2 funding is to acquire, rehabilitate, and either resell or rent foreclosed or abandoned properties.

All of the selected neighborhoods are currently served by frequent public transit and most will be served by Denver's FasTracks system within a decade. FasTracks is the Regional Transportation District's 12-year comprehensive plan to build and operate high-speed rail lines and expand and improve bus service throughout the region. It is a \$6 billion initiative. DNSP 2 will build on this major transportation infrastructure investment to address broad affordability and environmental challenges including: housing costs, neighborhood stabilization and transportation costs. It will increase opportunities for people to live where they work and it will reduce commuting and greenhouse gas production. The interface between DNSP 2 and FasTracks is clear to see on the map on page 39 (overlay map).

In the target census tracts, at least 325 foreclosed, abandoned and/or vacant housing units will be purchased. The program has been designed to address a broad spectrum of housing needs:

- At least 245 of the housing units are anticipated to be single-family homes—resulting in 230 homes occupied by new owners and 15 cleared house lots being land-banked during the NSP2 grant timeframe, as follows:
 - At least 165 homes will be purchased by non-profit organizations, rehabilitated and sold to income qualified homebuyers between 50%

and 120% of AMI. Second mortgage loans will be provided to homebuyers.

- In addition, up to 30 eligible homebuyers will receive mortgage purchase subsidies that will enable direct purchase of foreclosed homes.

- Up to 50 homes will be demolished. It is anticipated that no more than 15 of the demolished home property will be land-banked for future development within ten years. And 35 demolished homes will be redeveloped within the NSP 2 grant timeframe.

- Approximately 80 of the homes, representing an expenditure of 25% of the grant amount, will be purchased and rehabilitated as rental housing affordable to households below 50% of AMI. The rental units are expected to come mainly from rehab or redevelopment of multi-family housing, but some may be single-family homes that are rented to very low-income households.

While there will be some variations, depending on the activity and the property, the table below illustrates the typical process that will be implemented for property acquisition, rehabilitation and sales under DNSP2:

- Establish and implement outreach/marketing plan
- Identify and analyze property; URA notification
- Secure purchase contracts
- Develop rehabilitation work write-ups and estimates
- Perform environmental review and secure clearance, including lead based paint (LBP) analysis
- Close on acquisition
- Bid out rehabilitation work & implement procurement procedures
- Complete rehabilitation & follow Fair Labor Standards and Remediation of LBP
- Provide homeownership workshops and counseling; Income verification
- Sign contracts with qualified buyers and close
- Monitor for current and on-going compliance with local, state and federal laws and requirements.

Within the targeted census tracts, NSP 2 will focus on even more targeted “micro markets” where possible in order to further concentrate the impact of the program and increase the catalytic effects on surrounding areas. For example, investments will concentrate on areas that border complementary initiatives including Denver’s TOD Strategy and the Neighborhood Revitalization Plan. A review of current market conditions will help to identify sub-areas to target and will optimize the opportunity to “turn” the neighborhoods most affected by the foreclosure crisis.

It is anticipated that this strategic investment of NSP 2 funds will substantially stabilize property values in these distressed neighborhoods by the fourth quarter of 2012. The program will address a history of disinvestment due to predatory lending and foreclosed unit investor landlords in the target census tracts. The outcomes of DNSP 2 will include: greatly improved quality of housing, enhanced energy efficiency and an increased rate of homeownership. Buyers of DNSP 2 homes will be required to obtain only sound financing—conventional or FHA fixed rate, long term mortgages only—rather than ARMS or subprime loans. The neighborhoods, which will all be part of Denver’s mass transit backbone, will become a greatly enhanced environment for private investment and continued revitalization

Consortium Members:

NA to the City and County of Denver

How to Get Additional Information:

Please contact Beth Truby, Program Manager for NSP II from the City and County @ 720-913-1543 or Beth.Truby@denvergov.org

Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$3,186,665.00
Total CDBG Program Funds Budgeted	N/A	\$3,186,665.00
Program Funds Drawdown	\$0.00	\$0.00
Obligated CDBG DR Funds	\$0.00	\$0.00
Expended CDBG DR Funds	\$0.00	\$0.00
Match Contributed	\$0.00	\$0.00
Program Income Received	\$0.00	\$0.00
Program Income Drawdown	\$0.00	\$0.00

Progress Toward Required Numeric Targets

Requirement	Required	To Date
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$0.00	\$0.00
Limit on Admin/Planning	\$1,899,444.40	\$0.00
Limit on State Admin	\$0.00	\$0.00

Progress Toward Activity Type Targets

Activity Type	Target	Actual
Administration	\$1,899,444.40	\$1,899,444.00

Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	\$4,748,611.00	\$1,145,662.00

Overall Progress Narrative:

The Denver NSP 2 program issued a Request for Proposals in early June soliciting proposals for the redevelopment of foreclosed multi-family properties. The response to the RFP has been very strong and we anticipate formal applications shortly. We are in the process of executing two contracts with our NSP1 partners for the acquisition, rehabilitation and resale of foreclosed single-family properties for NSP 2 activities. A request has been submitted to HUD to increase our eligible neighborhoods from 12 to 25 to mirror the neighborhoods included in our NSP 1 program. The City will be able to take advantage of the Take Root Denver website developed under our NSP 1 program. The purpose of the site is to market the NSP homes, encourage homeownership counseling, and provide information on owning a home and on foreclosure prevention. The web address is www.takerootdenver.org.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
1, Administration	\$0.00	\$0.00	\$0.00
2, Low Income Set Aside	\$0.00	\$0.00	\$0.00
3, Single Family Homeownership	\$0.00	\$0.00	\$0.00
4, Multifamily Rental	\$0.00	\$0.00	\$0.00
9999, Restricted Balance	\$0.00	\$0.00	\$0.00

