

**Grantee: Denver, CO**

**Grant: B-11-MN-08-0003**

## January 1, 2019 thru March 31, 2019 Performance Report

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<b>Grant Number:</b> B-11-MN-08-0003	<b>Obligation Date:</b>	<b>Award Date:</b>
<b>Grantee Name:</b> Denver, CO	<b>Contract End Date:</b> 03/15/2014	<b>Review by HUD:</b> Reviewed and Approved
<b>Grant Award Amount:</b> \$2,700,279.00	<b>Grant Status:</b> Active	<b>QPR Contact:</b> Rachel King
<b>LOCCS Authorized Amount:</b> \$2,700,279.00	<b>Estimated PI/RL Funds:</b>	
<b>Total Budget:</b> \$2,700,279.00		

### Disasters:

#### Declaration Number

NSP

### Narratives

#### Summary of Distribution and Uses of NSP Funds:

The City and County of Denver has selected four neighborhoods as targets for our NSP3 activities. These neighborhoods have been identified as areas of greatest need since it is likely the program can have a high impact and affect a positive change through greater neighborhood stabilization. The four neighborhoods have been furthered divided into two tiers for NSP3 prioritization. The neighborhoods selected for targeting in NSP3 continue to face challenges from current and on-going foreclosures and the prevalence of vacant and blighted structures and land. The average Total NSP3 Need Score for these neighborhoods is 18.78.

05/10/2012 The City and County of Denver has expanded its target neighborhoods for NSP3 activities to include the Clayton neighborhood (Census Tract 36.02). This neighborhood will be included in our Tier One neighborhood designation.

The table below lists the neighborhoods by tier:

Neighborhood  
NSP3 Score  
Total Units  
Foreclosure Starts  
Vacant Units  
No. for Impact  
TIER ONE

Globeville  
20.00  
1,508  
45  
151  
9  
West Colfax  
17.03  
3,729  
69  
123



14  
Clayton  
36.02  
TIER TWO

Elyria Swansea  
20.00  
1,900  
89  
98  
18  
Villa Park  
19.57  
2,983  
120  
134  
24  
TOTAL

10,120  
323  
506  
65

Denver's plan is to prioritize projects in the Tier One neighborhoods initially and then expand into the Tier Two neighborhoods, if necessary. Each Tier Two neighborhood is directly adjacent to a Tier One neighborhood to allow for the focusing of our efforts in these submarkets. All of the NSP3 neighborhoods were included in both our NSP1 and NSP2 programs and continue to require support to stabilize them from the on-going impacts of foreclosure.

The City has chosen to focus on single-family acquisition, rehabilitation and resale rather than rental housing because we continue to experience high foreclosures and vacancies in the single-family market. Colorado remains in the top ten in state foreclosure rates. Our experiences in both NSP1 and NSP2 have demonstrated that homeownership is the most needed opportunity in our market and creates the best opportunity to stabilize these neighborhoods.

The real estate market continues to change rapidly in the City. We are now experiencing a significant lack of foreclosed multi-family/rental properties in our target neighborhoods; however, the City has allocated \$12,000,000 of its NSP2 funding to support the acquisition and rehabilitation of foreclosed multi-family rentals and the construction of new multi-family rentals on vacant and blighted land. While we

#### **Summary of Distribution and Uses of NSP Funds:**

have a strong pipeline of multi-family projects under NSP 2, we do not feel that the market for multi-family will be strong enough to dedicate NSP 3 funding to this activity. Multi-family opportunities are diminishing. This lack of available existing multi-family rental properties is the fact that the rental market in Denver is very strong. The apartment vacancy rate in the metro area fell to 5.5% in the fourth quarter 2010 dropping to the lowest fourth-quarter vacancy rate since 2000. The metro area's median rent also increased in the fourth quarter, 2010. The City explored the option of scattered-site single-family rental but the management of this model was cost prohibitive to our partners. As predominantly low-income neighborhoods with an older single-family housing stock, a concentrated effort to improve these neighborhoods is still necessary. Without that, they will continue to deteriorate and negatively impact the current residents and hamper future potential development.

Focusing our NSP 3 efforts in the Tier One and Tier Two neighborhoods allows the City to expand upon the NSP1 and NSP2 efforts and to either 'prime the pump' for future development or augment existing community development efforts currently underway in these neighborhoods. Additionally, all of the selected neighborhoods are within one-half mile of an existing or planned transit oriented development site and/or high capacity bus corridor to allow residents to access public transportation to employment and educational opportunities.

To further focus our funding and efforts, we have divided the neighborhoods into two tiers for NSP3 implementation. Tier One neighborhoods include Globeville and West Colfax (see attached maps). These neighborhoods continue to see lack of investment due to the physical problems in the neighborhood including a high number of foreclosed properties, blighted properties, and vacant in-fill sites. The Globeville and West Colfax neighborhoods were included in both NSP1 and NSP2. Unfortunately, not enough activity occurred in these neighborhoods to show concrete impact or provide the tipping point toward neighborhood stabilization. Specifically targeting these two neighborhoods will allow us to better pinpoint NSP3 activities.

The Globeville neighborhood is a target neighborhood for our local Habitat for Humanity and they will be expanding their efforts in this community over the next few years. Habitat for Humanity recently purchased 11 existing townhomes which they will rehabilitate and 16 vacant land sites on which they will build new homes. Identifying Globeville as a priority neighborhood for NSP3 funding will allow for the leveraging of funds and to support and magnify these on-going activities.

West Colfax has seen an increase in investment from the City such as the new streetscaping initiative along West Colfax Avenue and the funding of a 101 unit rental apartment under the City's NSP2 program. The 101 unit rental property will provide affordable housing and supportive services for households with income from 0% to 60% of the Area Median Income, including formerly homeless households. Investment from the private sector has been limited to date. However, the West Colfax neighborhood will see significant redevelopment in the

#### **Summary of Distribution and Uses of NSP Funds:**

next few years because of the relocation of the St. Luke's Hospital campus from the center of the neighborhood. This land will become available for redevelopment that will include a combination of residential, commercial and retail facilities. Focusing NSP3 funds in this neighborhood will allow for the purchase and rehabilitation of properties while the costs are relatively low.

An estimated total of 23 homes would need to be addressed to make an impact in our Tier One neighborhoods, which is a very attainable goal for the City's NSP3 allocation. The selection of the Tier One neighborhoods allows for the City to expand upon on-going initiatives in these neighborhoods. Tier One neighborhoods are a City priority for investment in planned and existing transit oriented development opportunities. The West Colfax and Globeville neighborhoods will benefit from significant City and community initiatives, and focused NSP3 investment, which will help the neighborhoods attain



meaningful neighborhood stabilization.

The Tier Two neighborhoods, Elyria Swansea and Villa Park, continue to require support to mitigate the effects of foreclosure and abandoned properties. Under NSP1 and NSP2 there was no activity in the Elyria Swansea neighborhood. While there were several properties assisted in Villa Park, they did not provide enough of an impetus to make a significant impact in the community. The condition of these two neighborhoods continues to be a concern to the City in that it appears that foreclosures continue to rise and vacant and abandoned properties have not been addressed. Both these neighborhoods would benefit from additional NSP3 funding. To address 20% of the REO properties in the past year, 18 homes would need to be addressed in Elyria Swansea and 24 homes would need to be addressed in Villa Park. These neighborhoods were selected as Tier Two neighborhoods to allow for the expansion of the program, if necessary, and to provide for alternate locations should insufficient opportunities be available in Tier One neighborhoods.

While the Tier Two neighborhoods have slightly higher average NSP3 Risk Scores than the Tier One neighborhoods, the City believes that we will be better able to demonstrate significant positive impact by prioritizing the Tier One neighborhoods. With the on-going initiatives of the City, as well as the new focus on the Globeville community by Habitat, we are confident that our efforts in these communities will provide the necessary stimulus to not only help stabilize these communities but provide the momentum for them to prosper. However, our plan allows us to widen our target area should market conditions warrant.

The City is committed to enhancing vicinity-hiring for NSP 3. To the maximum extent feasible, the City will work to provide for the hiring of employees who reside in the vicinity of funded projects as well as expand opportunities for small businesses that are owned and operated by individuals residing in the area of NSP 3 projects. Developers, contractors and vendors will also be required, to the maximum extent feasible, to comply with all vicinity-hiring requirements.

The City's production estimates for NSP3 are based on historic information from our NSP1 and NSP2 programs. We anticipate that we will

### **Definition of Blighted Structure:**

Article IX, Sec. 10-138, Subsection C of the Denver Municipal Code defines neglected or derelict buildings or property as follows:

A building or property shall be considered to be neglected or derelict when there exists on the property any one or more of the following circumstances:

- 1) The property is unsafe;
- 2) The property is, for any three (3) consecutive months, not lawfully occupied, wholly or partially boarded up, and does not show evidence of substantial and ongoing construction activity conducted pursuant to a valid building permit;
- 3) The property is not lawfully occupied and has been in violation of any provision of city or state law on three (3) separate occasions within a one-year period;
- 4) The property is not lawfully occupied and the tax on such premises has been due and unpaid for a period of at least one (1) year; or
- 5) The property is a neighborhood nuisance as that term is defined below
- 6) Historic property that is not being preserved in accordance with Chapter 30 of the Revised Municipal Code.

Neighborhood nuisance means a building or property that, by reason of inadequate maintenance, dilapidation, obsolescence or other similar reason, is a danger to the public health, safety or welfare; is structurally unsafe or unsanitary; is not provided with adequate safe egress; constitutes a fire hazard; is otherwise dangerous to human life; or in relation to the existing use constitutes a danger to the public health, safety or welfare. The following factors, where applicable, shall be among those considered when determining whether a property constitutes a neighborhood nuisance:

- a. Existence of past or present code or other ordinance or statutory violations;
  - b. Whether or not the structure is vacant;
  - c. Whether or not the grounds are maintained;
  - d. Whether or not a building's or structure's interior is sound;
  - e. Vandalism or other destruction of the property;
  - f. Whether or not rents have been collected from the tenants by the owner;
  - g. The length of time any of the above conditions have existed; and
- In the case of an occupied building or structure, the failure of the owner, when so obligated by law or lease, to provide services, make repairs, purchase fuel or other needed supplies, or pay utility bills.

### **Summary of Distribution and Uses of NSP Funds:**

be able to acquire/rehabilitate/resell seven (7) homes in the Low Income Homeownership Set-Aside portion of our program and an additional ten (10) homes in the Homeownership program. Using this production level, we anticipate that we can make a significant impact in the target neighborhoods.

### **How Fund Use Addresses Market Conditions:**

The neighborhoods were selected using the NSP3 GIS information, local market information, and our past experience with the implementation of NSP1 and NSP2. Additional data was collected through the Metro Denver Apartment Vacancy Report for the fourth quarter 2010. NSP Planning Data and maps are attached for each of these neighborhoods.

### **Ensuring Continued Affordability:**

The City will ensure long-term affordability through the use of Deeds and Covenants that will be recorded against NSP3-assisted property. If a beneficiary of NSP3 funds transfers title to a property during the affordability period, the NSP3 funds will be subject to recapture or resale. For any properties assisted with NSP3 funds, the City will follow the minimum affordability requirements of the federal HOME Investment Partnership program under 24 CFR 92.252(a), (c)(e) and (f), and 92.254.

The minimum affordability period based on investment of NSP3 funds is as follows:

Amount of NSP3 Funds Invested  
Minimum Affordability Period For Rental Units  
Up to \$15,000  
5 Years  
\$15,0001 to \$40,000  
10 Years  
More than \$40,000



15 Years  
New Construction  
20 Years

To ensure that NSP3-assisted homeownership properties will remain affordable, a resale or recapture provision will apply to each transfer of NSP3-assisted property. When resale is used, the maximum resale price shall not exceed that price that will be affordable to an NSP-eligible household during the affordability period.

When recapture is used, the method of recapture will be one of the following three:

1. Recapture the entire amount of the investment, except that the NSP3 investment amount may be reduced pro rata based on the time the homeowner has owned and occupied the unit measured against the required affordability period.
2. If the net proceeds (i.e., the sales price minus loan repayment, other than NSP funds, and closing costs) are not sufficient to recapture the required NSP3 investment plus enable the homeowner to recover the amount of the homeowner's down payment and any capital improvement investment, Denver's recapture provisions may share the net proceeds. The net proceeds may be divided proportionally as provided in the HOME regulations.
3. Alternatively, Denver may allow the homebuyer to recover all the homebuyer's investment (down payment and capital improvements) first before recapturing the NSP3 investment. To prevent the loss of NSP3 investment, the City requires that it be notified promptly in the event of foreclosure. By so doing, the City will endeavor to find other income-qualified buyers or designated non-profit organization to purchase the home and keep the NSP3 investment intact.

**Vicinity Hiring:**

N/A

**Definition of Affordable Rents:**

The City's definition of "affordable rents" will be based on the fair market rents (FMR) published annually by HUD. If the renter is to pay for utilities and services, net rents will be determined based on the currently published utility allowance schedule of the Denver Housing Authority. For 2010, the HUD published FMR for the City and County of Denver are as follows:

Efficiency  
1 Bedroom  
2 Bedrooms  
3 Bedrooms  
4 Bedrooms  
\$638  
\$728  
\$921  
\$1,308  
\$1,524

**Housing Rehabilitation/New Construction Standards:**

Housing rehabilitation standards that will apply to NSP3 activities will comprise the removal or correction of conditions deemed to constitute a violation of the City's derelict and neglected building code, or the making of improvements needed to effect a rehabilitation of the property consistent with maintaining safe and habitable conditions.

The rehabilitation standard will be based on a written plan that includes a list of items to be rehabilitated together with projected costs and performance deadlines for completing the work. All rehabilitated housing must be free from defects that pose a danger to the health or safety of occupants. Within two years of property transfer to the buyer, the property must meet all Denver codes, rehabilitation standards and ordinances, or at a minimum meet Housing Quality Standards at the time of inspection. A permit for work to be done issued by the Community Planning and Development department will be required to attest for work to be done. Upon completion, a Certificate of Occupancy will be required as proof that the rehabilitation is done according to building codes.

Additionally, the City's NSP3 program will encourage rehabilitation that increases energy efficiency, including the used of Energy Star-rated appliances. All rehabilitated units built prior to 1978 will be tested for lead paint and follow established HUD/EPA guidelines for renovation.

**Procedures for Preferences for Affordable Rental Dev.:**

N/A

**Grantee Contact Information:**

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<b>Overall</b>	<b>This Report Period</b>	<b>To Date</b>
<b>Total Projected Budget from All Sources</b>	N/A	\$2,700,279.00
<b>Total Budget</b>	\$0.00	\$2,700,279.00
<b>Total Obligated</b>	\$0.00	\$2,700,279.00



<b>Total Funds Drawdown</b>	\$0.00	\$2,685,586.80
<b>Program Funds Drawdown</b>	\$0.00	\$2,685,586.80
<b>Program Income Drawdown</b>	\$0.00	\$0.00
<b>Program Income Received</b>	\$0.00	\$0.00
<b>Total Funds Expended</b>	\$0.00	\$2,831,300.58
<b>Most Impacted and Distressed Expended</b>	\$0.00	\$0.00
<b>Match Contributed</b>	\$0.00	\$0.00

## Progress Toward Required Numeric Targets

<b>Requirement</b>	<b>Target</b>	<b>Actual</b>
<b>Overall Benefit Percentage (Projected)</b>		0.00%
<b>Overall Benefit Percentage (Actual)</b>		0.00%
<b>Minimum Non-Federal Match</b>	\$0.00	\$0.00
<b>Limit on Public Services</b>	\$405,041.85	\$0.00
<b>Limit on Admin/Planning</b>	\$270,027.90	\$255,337.04
<b>Limit on Admin</b>	\$0.00	\$255,337.04
<b>Most Impacted and Distressed Threshold (Projected)</b>	\$0.00	\$0.00
<b>Progress towards LH25 Requirement</b>	\$675,069.75	\$675,069.75

## Overall Progress Narrative:

The last QPR submitted was for the period ending 1/1/2017 to 3/31/2017. Denver is working to rectify data records and close out the NSP3 grant. A corrective QPR will be filed once complete, which may be ready for the QPR submitted for period 7/1/2019 to 9/30/2019, however may be delayed if data is not fully rectified with developer partners prior to this date.

## Project Summary

<b>Project #, Project Title</b>	<b>This Report</b>	<b>To Date</b>	
	<b>Program Funds Drawdown</b>	<b>Project Funds Budgeted</b>	<b>Program Funds Drawdown</b>
1, Admin/Planning	\$0.00	\$270,027.90	\$255,337.04
2, Low Income Homeownership Set-Aside	\$0.00	\$675,069.75	\$675,069.75
3, Homeownership	\$0.00	\$1,755,181.35	\$1,755,180.01



