

# THE DENVER POST

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## Denver looks to preserve existing affordable housing with new law

**Expanded preservation ordinance would allow city first refusal to buy properties, longer notice periods when covenants expire**

Jon Murray

September 13, 2015

Efforts to forestall the loss of affordable rents in decades-old apartment buildings in Denver would get a boost from changes that are set Monday night for a final vote.

The City Council is considering changes to strengthen Denver's affordable housing preservation ordinance. With some 4,500 housing units in the city coming open for conversion to fast-rising market-rate rents in the next five years, when their affordability covenants or restrictions expire, the revisions would give the city more leverage to keep that from happening.

Among the biggest proposed changes to the 2000 ordinance is requiring landlords to give more notice to the city, a full year in advance, if they intend to convert a property to market-rate or sell it.

The city and its partners also would gain the right of first refusal to match any offer to buy a property. That could be a last-ditch option when less-costly incentives or negotiations fail.

Council members and housing advocates say the ordinance rewrite would give the city important new preservation tools as part of Mayor Michael Hancock's expanded affordable housing strategy. He has called for raising at least \$15 million a year to subsidize new projects and, potentially, help prevent the loss of older ones.

"We are losing apartment buildings in this city if they are low-income or affordable projects," at-large member Debbie Ortega said Aug. 31 before the council gave initial approval to the changes.

In Ortega's northwest Denver neighborhood, "the only ones that still exist are those protected properties" already covered by the current ordinance, she said.

New Councilman Rafael Espinoza, whose District 1 covers the same area, cautioned against thinking the ordinance changes would solve the complex problem. But he called them a step in the right direction.

City leaders and state housing finance officials acknowledge they have plenty of work to do, starting with better tracking of properties with rent covenants for income-qualified tenants that are set to expire.

"We're in the early stages of developing a housing preservation strategy," said Rick Padilla, the director of housing and neighborhood development for the city's Office of Economic Development.

Such efforts follow in the footsteps of cities such as Seattle that have attempted to tackle skyrocketing rents and housing prices with new affordable housing programs.

But some critics question the effectiveness. They say Denver's emerging strategy risks constraining developers of market-rate apartments with red tape and higher costs that will boost all rents — especially as Hancock proposes a development impact fee to help pay for the new annual funding.

"You make it harder for developers to respond to short-term changes in demand," said Randal O'Toole, a senior fellow at the Cato Institute who also works on transportation and housing issues for Denver's libertarian-oriented Independence Institute.

But city officials say recurring housing cost spikes are adding urgency to the larger housing strategy, which in the near-term also includes a new \$10 million revolving loan fund to aid developers of affordable-rent projects.

On the preservation side, Denver's current ordinance covers projects that received city subsidies or certain types of federal aid. The rewrite would expand coverage to projects that received federal tax credits to help fill financing gaps, an increasingly common form of subsidy.

Typically, covenants requiring below-market rents for income-qualified tenants expire after 20-40 years, depending on the funding programs involved.

Besides private owners, which might be more likely to seek market-rate conversion or to sell a property, some buildings are owned by nonprofit groups, community development organizations or even churches. Padilla said those types of owners are more likely to want to preserve affordability but sometimes need financial help.

"It's cheaper to upgrade and maintain existing units than to build new ones," said Brad Weing, deputy director of the Denver programs run by Enterprise Community Partners, a nonprofit affordable housing group.

Enterprise, which helped suggest preservation ordinance changes based on a national consultant's analysis of the law, is among groups working with city and state agencies to hammer out housing strategies.

Their efforts could soon extend beyond Denver. Metro-area suburbs and other cities across the state often lack preservation ordinances to combat expiring affordable housing. But they're starting to grapple with the problem, said Jaime Gomez, chief operating officer of the Colorado Housing and Finance Authority.

But the problem is most acute in Denver.

"Right now, values are high, and rents are soaring," he said. "You have a lot of capital on the sidelines that wants to buy these properties and realize the increases in rents that are out there."