Denver is experiencing rapid population growth and economic success, which has led to rising housing costs that make the city cost-prohibitive to longtime residents and newcomers alike. This is especially the case for low- and middle-income (LMI) households (i.e., families who make between 50 and 120 percent of the area median income), who make too much for subsidies and too little to pay market prices. This report examines the state of LMI housing in Denver through a data-rich analysis of the population and housing market changes from 2000 to 2015. Through a typology, we identify which neighborhoods are changing the most for LMI residents and which ones most need to create and preserve LMI housing. Finally, informed by our meetings with stakeholders, we identify policy and programmatic tools that could make a difference for LMI housing affordability in Denver.

Population and housing stock trends indicate that Denver’s population has exploded over the last 15 years. The following findings describe where Denver’s families live and how their housing has changed:

- Neighborhoods that were once LMI strongholds (e.g., Five Points and Whittier) have gentrified in the last 15 years, and longtime residents may be left out of the prosperity. Many neighborhoods in the Lower Downtown area have changed, and residents there have higher income and are more highly educated than was the case 15 years ago. Homeownership rates
have increased in the downtown areas. Consequently, LMI housing policy could focus on how to create and preserve workforce housing in these areas because of such rapid changes.

- Many LMI households in 2015 are located in southwest Denver, putting a priority on preserving naturally occurring affordable housing in these neighborhoods. This is also where many of Denver’s Latino families live. Neighborhoods such as Bear Valley, Fort Logan, Harvey Park, and Marston have remained consistently LMI and are likely to remain so.

- Rental cost burdens, households paying 30 percent or more of their income on housing costs, have increased from 2000 to 2015 for very low-income (VLI) and LMI families (60 to 82 percent among VLI households and 7 to 26 percent among LMI households). In the Belcaro neighborhood, rental cost burden for LMI families increased from 46 to 77 percent from 2000 to 2015. Renters in Denver are feeling a housing-cost squeeze.

- Historic preservation and light rail development are factors in gentrification. The creation and continued development of the Lower Downtown area has changed the composition of the population downtown, and fewer VLI and LMI families live in this area in 2015 than in 2000. Similarly, neighborhoods near light rail locations have seen rapid changes in rental and housing prices, as well as in the composition of the population, such that more high-income residents resided there in 2015 than in 2000.

- The data and stakeholder information suggest that Globeville is a neighborhood for immediate LMI housing preservation. Given its current low housing costs, large stock of naturally occurring affordable housing, existing LMI population, and considerable planned economic development and a light rail station to be opened this year, the neighborhood could be on the cusp of gentrification.

In meetings with housing stakeholders in Denver, we heard about barriers to LMI affordable housing, as well as tremendous opportunities for programmatic and policy solutions. Key points include the following:

- Denver’s extraordinary population growth is changing the city’s demographics and demand for housing in ways that intersect with equity issues. Displacement, for example, is occurring in LMI neighborhoods, such as Globeville, which have been populated by majorities of Latino families in recent decades. The population migrating into Denver is more likely to be young, white, and higher income than many of the city’s longtime residents. These demographic shifts suggest that the city should use a lens focused on equity and inclusion in future conversations, planning, and decisionmaking about housing and economic development policies.
State policy is a constraint on Denver’s abilities to address affordable housing. Colorado does not allow rent control, and even if municipalities such as Denver wanted to stabilize rising rents, the Telluride decision prohibits them from creating local laws that do so. The state’s construction defect law was enacted to protect home and condominium buyers from construction flaws, but has instead provided incentives for developing market-rate apartment units rather than condominiums. These policies have contributed to an unbalanced housing market in Denver, such that a proliferation of market-rate units contributes to rent inflation, but the city has few levers to protect affordability for renters. Land trusts and expanded tenants’ rights (e.g., preservation of affordable units through the right of first refusal) may be increasingly important strategies for Denver moving forward.

Denver has been thoughtful and forward thinking in its approach to LMI affordable housing policies and programs, but the city and other affordable housing stakeholders cannot keep pace with demand, particularly in neighborhoods slated to undertake rapid change in coming years. The recently passed Affordable Housing Trust Fund was a successful collaboration to seed a fund for the next 10 years with up to $150 million for developing affordable housing. But stakeholders suggest that the funds will not fully meet the demand for affordable housing. Private funding may provide gap financing for preserving and constructing new affordable units in Denver. For example, social impact investing—whether an accelerator fund or locally based investment fund, such as a real estate investment trust—can leverage private funding to supplement public funds.

These findings suggest that Denver, an already innovative city compared with most in approaching affordable housing, will need to think creatively about LMI affordability as it continues to experience growth and economic success. Our meetings with stakeholders will focus on knowledge, funding, and policy gaps that Denver is experiencing in its affordable housing approach to LMI households and the way forward to maintain its inclusivity and desirability for longtime and new residents alike.
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