Mapping Vulnerabilities To Prevent Displacement

A program to identify and address displacement in the Westwood neighborhood
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<thead>
<tr>
<th>Number</th>
<th>Section</th>
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<tbody>
<tr>
<td>01</td>
<td>Project Overview</td>
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<tr>
<td>02</td>
<td>Defining Gentrification &amp; Involuntary Displacement</td>
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<td>03</td>
<td>Displacement in Denver</td>
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<td>04</td>
<td>Vulnerability Mapping</td>
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<td>05</td>
<td>Responding to the Data</td>
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<tr>
<td>06</td>
<td>Implementation</td>
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</tbody>
</table>
01.

Project Overview
Our Team

DR. LYDIA PRADO
Executive Director, Lifespan Local

JONATHAN CAPPELLI
Founder, Cappelli Consulting

MARY CODDINGTON
Associate, Cappelli Consulting
Housing Readiness Initiative Grant

The CHF sponsored Housing Readiness Initiative pilot program (HRI) is taking place in 6 communities across the state; each HRI program tailored to support housing resources and programs specific to resident needs in each area by pairing community groups with a variety of housing consultants.

In Denver, the HRI pilot program has partnered with Lifespan Local, a Southwest Denver based community organization working to support resident identified priorities by leveraging the underutilized capacity that exists in the neighborhood.
COVID-19 raised significant challenges to this work -- essentially stalling long term strategy implementation in favor of short-term assistance for households with critical needs. At the present time, LifeSpan Local is particularly focused on rent assistance and food access disparities while focused anti-displacement work continues at other tables, what follows in this presentation is essentially the groundwork for steps that the team is looking to take later in the HRI program when immediate needs have been stabilized.

<table>
<thead>
<tr>
<th>Last Month Rent Payment Status for CO Households</th>
<th>Households</th>
<th>Rate</th>
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<tbody>
<tr>
<td>Occupied w/out paying rent</td>
<td>81,948</td>
<td>6.65%</td>
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<tr>
<td>Paid</td>
<td>1,009,189</td>
<td>81.92%</td>
</tr>
<tr>
<td><strong>Delinquent</strong></td>
<td>127,974</td>
<td>10.39%</td>
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<tr>
<td>Rent is deferred</td>
<td>9,564</td>
<td>0.78%</td>
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<tr>
<td>Did not report</td>
<td>3,211</td>
<td>0.26%</td>
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</table>

<table>
<thead>
<tr>
<th>Last Months Payment Status - Owners, CO</th>
<th>Households</th>
<th>Rate</th>
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</thead>
<tbody>
<tr>
<td>Owned Clear</td>
<td>670,272</td>
<td>23.06%</td>
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<tr>
<td>Paid</td>
<td>1,954,023</td>
<td>67.21%</td>
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<tr>
<td><strong>Delinquent</strong></td>
<td>175,742</td>
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<tr>
<td>Deferred</td>
<td>95,597</td>
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</tr>
<tr>
<td>Did Not Report</td>
<td>11,520</td>
<td>0.40%</td>
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</tbody>
</table>

CO Census Pulse Survey - Late July
02. Defining Gentrification & Involuntary Displacement: Definitions & Differences
Gentrification vs Involuntary Displacement

Gentrification

- The process whereby a community’s socio-economic profile increases over time due to an increase of higher earners, often accompanied by demographic and racial changes.

Involuntary Displacement

- The process whereby low-income and minority populations are forced out of a historically affordable community due to rising housing costs.
- Gentrification is often an indicator.
Why it’s Important to Address Involuntary Displacement

Common Response to Conversations about Gentrification: “Gentrification/Displacement is not a new phenomenon, it is a part of a city’s natural evolution; it often makes neighborhoods nicer and results in improved safety; Neighborhoods change all the time--why is this different?”

- The country is facing widespread displacement at a national scale--clear fallout from when the Great Recession resulted in institutional investors developing the capacity to drive the market. Many low-moderate income households lost equity and/or the potential to build equity (in Westwood for instance, only 35% of residents own their homes).

- The people affected are the region’s workforce, educators, healthcare workers--people who support the economy. Additionally, displacement disrupts social fabric and prevents people from staying in neighborhoods where their family has lived for decades.
Historical Underpinnings of Racial Housing Inequities

- **(1862-1934) The Homestead Act** - awarded 270,000,000 acres in 1.6M homesteads to the ancestors of over 20% of today’s White families, but excluded Black families.

- **(1944) The G.I. Bill** - which helped establish the post-WW2 White middle class but was not discriminated heavily against returning Black servicemen.

- **(1933-1968) Redlining** - which saw the FHA refusing to insure mortgages in and near Black neighborhoods while preventing Black families from purchasing homes in or near White neighborhoods, including new FHA-subsidized suburbs.

- **(2008) The Great Recession** - Latino and African American borrowers were 30% more likely to receive higher rate subprime loans. Altogether, 8% of then-recent Black and Latino homeowners lost their home to foreclosures, compared to 4.5% of White families. 56% of all foreclosures during the Great Recession happened to Black and Brown households.

- **Other historical impacts**: “Block-Busting”, Single Family Zoning, [...]

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Historical Underpinnings of Racial Housing Inequities
Disparate Racial Impacts of Displacement

- Median income of **Black** and **Latinx** households are 62% and 64% (respectively) of **White** incomes

- Homeownership rates among white people are nearly 2X that of **Black** people and 1.5X that of **Latinx** people

- The net worth of a typical **White** family ($162,770) is 10X that of **Black** families ($16,300) and 7.5X that of **Latinx** families ($21,360)

**RESULT:** Because of a long history of economic and housing disenfranchisement, Black and Brown families are:

- Disproportionately low income
- Disproportionately renters rather than homeowners
- Disproportionately concentrated in low-income neighborhoods
- Disproportionately vulnerable to displacement

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**Income Disparity by Race**

**Homeownership Disparity by Race**

**Wealth Disparity by Race**
Displacement in Denver
Assessment of Vulnerability

Vulnerability Displacement Index
From Denver’s Office of Economic Development

- Median household income
- Percent of renters
- Percent of population with less than a college degree
Property values in Westwood have increased 235% since 2012.

Across the City, property values have increased 182%.

Based on DPS data cross-referenced with addresses, the West Denver Renaissance Collaborative, discovered that the majority of families who took their kids out of local schools and moved away sold their homes to LLCs.
Westwood Context

- Identify as Hispanic/Latino: 78.9% Westwood vs. 30.3% Denver
- Percent of owner-occupied homes: 35.4% Westwood vs. 49.6% Denver
- Households with children under 18: 54.1% Westwood vs. 25.1% Denver
- Percent of homes with non-white owner-occupants: 67% Westwood vs. 28.9% Denver

- Residents paying more than 30% on housing: 48.2% Westwood vs. 33.3% Denver
**Westwood Context**

**Westwood Occupations**

24.9%
- Construction industry

18.0%
- Arts, Entertainment, and Recreation, and Accommodation and Food Services

12.8%
- Professional, Scientific, and Management, and Administrative and Waste Management Services

**Median Household Income**
(2018 Inflation Adjusted Dollars)

- Westwood: $60,000
- Denver: $70,000

**Median Gross Rent**

- Westwood: $1,200
- Denver: $1,400
04. Vulnerability Mapping
Sample of Defined Indicators

- Date of last sale - (renter & owner)
- Sold > $50k below median - (WW & Denver)
- Age of property - (renter & owner)
- Open foreclosure
- Multiple properties - (WW & Denver)
Properties sold for $50k Below the WW Median for Year of Sale

Indicator: Low Sales Prices

Properties sold for significantly less than the median value may indicate homes that are in poor condition or homeowners who were subject to predatory homebuyers.
The age of the housing stock may be an indicator that these properties need major repairs.
Of the 12 properties with open foreclosures, one has since had the foreclosure closed, 9 were open as of March 31st, and 2 were unable to be confirmed with the County Clerk's Office.
Combined Vulnerabilities:

Owners have 3 or More Properties in Denver; Sold for $50k less than WW Median for Year

- Sold 2012-2020 (176)
High-low outliers indicate high-value homes in low-value blocks; potential to push up overall prices and lead to displacement.

Low-high outliers show remaining low-value homes in higher-value blocks; homes are likely in need of repair/rehabilitation.
## Data Tables

- Tenure Status
- Tenure Length
- Property Age
- Sales Price
- Foreclosure Status
- Owner Information
- Number of Properties Owned

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>OCCUPANCY</th>
<th>SOLD &lt; 2012</th>
<th>BUILT &lt; 1960</th>
<th>SOLD 2012-2020 FOR $50K LESS THAN WW MEDIAN</th>
<th>SOLD 2012-2020 FOR $50K LESS THAN WW MEDIAN FOR EACH YEAR</th>
<th>FORECLOSURE STATUS</th>
<th>NUMBER OF PROPERTIES OWNED IN WW</th>
<th>NUMBER OF PROPERTIES OWNED IN DEN</th>
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</table>
Key Findings (single family homes)

- 52% Sold for $\leq$ $50k below the Denver median
- 26% Sold for $\leq$ $50k below the Westwood median
- 21% Owned by entities with multiple properties in Denver
Responding to the Data

Current and potential anti-displacement programs
Framing a Programmatic Response - Understanding Displacement Causes

The underlying cause of displacement is a lack of resources to mitigate the rising cost of land values and property taxes which drive up costs for owners. These rising costs are then reflected in:

1. Homeowner financial-instability and predatory property investors
2. Lower profit-margins for landlords, which incentivizes them to raise rents and evict low-income tenants
3. Diaspora of minority and low-income households from historically disinvested communities

Rising costs for homeowners and landlords come from the following sources:
1. An unprecedented demand for housing
2. An insufficient supply of housing at all income levels, driven by a shrinking supply of undeveloped land and the rising cost of that land
3. Insufficient access to stable housing for low-income households
4. Commercial market pressures that rapidly increase the value of homes bordering new development
5. Lack of coord. between public entities investing in large-scale infrastructure and development to mitigate the land-value raising effect of those investments in vulnerable communities
Framing a Programmatic Response - Categorizing Intervention Strategies

Upstream Approaches:

1. **Provide** tax abatement programs for landlords and low-income homeowners
2. **Mitigate** displacement-related effects of Public investments in metro-Denver plans in advance of said investments
3. **Mitigate** the projected displacement effects of large private investments (or patterns of investments) in vulnerable communities through:
   a. Proactive cost-offsetting policies (tax mitigation, etc)
   b. Developer concessions to offset the ill-effects of those investments in advance (Example: CBAs)

Downstream Approaches:

1. **Fund** efforts to preserve affordability of large rental properties when they are for-sale
2. **Provide** housing cost vouchers to help renters/owners afford rising or unexpected costs
3. **Increase** ability for low-inc residents to become homeowners (Lifespan Local’s Priorities)
4. **Provide** Housing education for homeowners AND renters to thwart predatory investors/landlords
5. **Create** legal protections for good-faith renters to prevent wrongful eviction
6. **Fund** single and multi-family rehabilitation so that owners/landlords can afford other rising costs without a repair issue driving them to sell to investors prematurely.
Anti-displacement POLICY steps have the widest effect and are essential to addressing gentrification at a systemic level. Example programs:

- Renter protections
- Preference Policies
- Tax Mitigation
- Tax Increment Financing
- Revenue Set-Aside
- Homestead Preservation
- Reinvestment Zones
- etc.

Anti-Displacement PROGRAMS are incredibly important, however, they are woefully insufficient if not accompanied by wider-reaching policy.

For the purposes of this presentation however, we are going to focus on programmatic interventions.

Feel free to reach out for more information on potential policy interventions.
Existing Anti-Displacement/Preservation Strategies

**REPAIR/REHAB**
- Local agencies assist low-income families with needed repairs; critical for an ageing housing stock

**INCOME STREAM**
- Several non-profits help owners develop an income stream through home shares or ADUs
- WDRC Leading Initiative on Displacement Data in West Denver, ADUs, and is at the intersection of a number of related efforts
**Existing Anti-Displacement/Preservation Strategies**

**LAND TRUSTS**

- Residents own their homes and lease the land underneath; residents build some equity and long term affordability is preserved
- In 2019, Denver committed $5.5M in to create 79 affordable homes w/this model, including in GES

**COST ASSISTANCE**

- Programs are available to aid residents with tax, energy, and other housing costs
- Millions invested into the TRUA Program (Temporary Rent, and Utility Assistance)
Additional Anti-displacement Strategies We are Exploring

- CHN Lease Purchase Program
- Homewise
- ONE Mortgage
- Esusu
Homewise Model

WHAT:
- Homeownership organization serving LMI residents
- Leverages 2 mortgages, selling the 1st on the secondary market to raise capital and holding onto the second riskier mortgage allowing for a low (2%) down payment and no PMI
- Integrates financial counseling, homebuyer education, RE development, RE sales, mortgage origination, loan servicing, and incentivized savings program

PROS:
- 644 new owners in 2019
- Model has a very low delinquency rate

CONS:
- Time to prepare a resident for ownership
- Requires large capacity to provide so many services
CHN Lease Purchase Model

WHAT:
- Leverages LIHTC to finance scattered site single-family rentals; after 15-year affordability requirement expires, CHN sells homes to the tenants

PROS:
- Moves people through the housing continuum with 80-100 households taking title annually
- 99% success rate for residents who have taken title
- Accessible to residents excluded by bank underwriting standards

CONS:
- Long-term strategy
- Unclear if CHFA would support scattered site sf rentals
- Ambiguity around affordability requirement in the tax code
ONE Mortgage Model

WHAT:
- Mortgage lending program for LMI residents
- Provides loans with low fixed interest rates, low down payments, and no cost for Private Mortgage Insurance (PMI)

PROS:
- >21,000 loans since 1990
- Hundreds of dollars in monthly savings
- Financing for sf, 2- and 3-unit properties
- Households below 80% AMI eligible for additional subsidy

CONS:
- Only available to first-time buyers with a credit score of 640+
- Requires public loan loss reserve fund to mitigate risk
Esusu Model

WHAT:
- App designed to help renters improve access to credit
- Esusu contracts with landlords to report rent payments to the major credit reporting agencies

PROS:
- Less than 1% of rental payment data contributes to improving credit scores; potential to help renters access/build credit

CONS:
- Could contribute to higher rents if landlords pass-through the cost of reporting
A large percentage of the cost of any given home is represented in transaction fees on the buyer and seller side:

- Realtor (6%)
- Buyer side closing Costs (2%)
- Seller side closing costs (2%)

Homebuyer Matchmaking Model

While there are a number of homebuyer programs out there, they are not always well coordinated:

- CHFA First-Time Homebuyer Downpayment Assistance Grant (4% of value)
- Denver Affordable Homeownership Typical Subsidy ($25k)
- Value of Other Reasonable Philanthropic Contributions & Homeowner Programs ($10k)

Many homeowners who are trying to leave Westwood would prefer to sell their home to a local resident rather than an investor if their profit from the sale was comparable. Question: how to we pair community-minded sellers with prospective homeowners in Westwood, and incentivize them monetarily to make a community-minded sale?

Combined potential value of savings & incentives for a $300k Home = $91,000
Combined potential value of savings & incentives for a $400k Home = $107,000
Community Connectors

- Hired from local community members, trained to help households navigate housing and other social programs, and hear from the residents what their needs are.
- Eventual goal is to work with Community Connectors to outreach to households identified in the vulnerability analysis, while simultaneously using 1 or more or a combination of anti-displacement programs researched over the course of the project.
- COVID-19 has stalled this for now—chief focus is on connecting households in Westwood where displacement is imminent with resources.
## HOUSING & RESIDENT SERVICE RESOURCES

### Homeownership Assistance

<table>
<thead>
<tr>
<th>Organization</th>
<th>Contact Information</th>
<th>Languages</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado Housing Assistance Corporation</td>
<td>Michelle 303-572-9645 ext.16</td>
<td>English/Spanish</td>
<td>Homebuyer education, Pre- and post-purchase counseling, Down payment assistance, Mortgage delinquency, Foreclosure prevention</td>
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<tr>
<td>Del Norte Neighborhood Development Corporation</td>
<td>Cecilia Cervantes 303-357-0840</td>
<td>English/Spanish</td>
<td>Homeownership counseling, Down payment assistance, Post-purchase counseling, Mortgage delinquency counseling</td>
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<tr>
<td>Denver Housing Authority (DHA)</td>
<td>720-956-38010</td>
<td>English/Spanish</td>
<td>CHFA approved homebuyer education, Pre- and post-purchase counseling, Mortgage default housing counseling</td>
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<tr>
<td>Habitat For Humanity Metro Denver</td>
<td>Natalia Carvajal 720-622-6501</td>
<td>English/Spanish</td>
<td>Homeownership program</td>
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<tr>
<td>NEWSD CDC</td>
<td>303-534-8342</td>
<td>English/Spanish</td>
<td>First-time homebuyer education, Down payment assistance, Pre-purchase, foreclosure &amp; credit/budget counseling</td>
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<tr>
<td>West Denver Renaissance Collaborative</td>
<td>newwwrc.org</td>
<td>English</td>
<td>Housing resource forum with information on housing maintenance and rehabilitation, housing counseling, mortgage refinancing, current housing market</td>
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### Home Repair/Home Modification

<table>
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<tr>
<td>Denver Urban Renewal Authority (DURA)</td>
<td>Ramon Bonilla 303-534-1872</td>
<td>English/Spanish</td>
<td>Zero-interest emergency home repair loans, Zero- and low-interest home rehabilitation loans</td>
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<tr>
<td>NEWSD CDC</td>
<td>303-534-8342</td>
<td>English/Spanish</td>
<td>Home repairs, Home maintenance, Home improvement, Home energy</td>
</tr>
</tbody>
</table>
THANK YOU

For questions, contact:
jonathan@cappelliconsulting.com
970 948 4614
CappelliConsulting.com