August 2017

Creating Permanent Affordable Housing for Globeville, Elyria and Swansea

Feasibility Study & Business Plan for a Proposed Community Land Trust Program Serving Denver’s Globeville, Elyria and Swansea Neighborhoods

Prepared by:
Burlington Associates in Community Development LLC

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If development is to be equitable, if revitalization is to have the essential support of those living in neighborhoods targeted for assistance, if the outcomes of these investments are to benefit more than those moving into the city, decision-makers in the public and private sectors must anticipate these potentially harmful effects and take effective and timely steps to mitigate them now, and into the future.


The start of speculative investment. Between January 2013 to September 2016, 22% of all residential parcels in GES changed hands; 45% of these transferred parcels were purchased by an LLC, LLP, or another absentee owner. **Source:** Shift Research Lab, Piton Foundation, 2017 data revision and map refresh of “Globeville, Elyria Swansea Market Overview,” 2016.
Executive Summary

The three northeast neighborhoods of Globeville, Elyria, and Swansea have been identified by Denver’s Office of Economic Development (OED) as being “susceptible to gentrification.” That is a mild way of saying there is a tsunami gathering force on the near horizon, powered by speculative investment in the area’s real estate, public investment in the area’s infrastructure, and a robust regional economy attracting a thousand new households to Denver every month. Within the next five-to-ten years, a majority of the low-income and moderate-income people who presently live in Globeville, Elyria, and Swansea (GES) are likely to be gone, swept aside by a powerful wave of private market forces pushing rents and house prices beyond their reach.

This future is foreseeable, but it is not inevitable. There are ways to ensure that investment and development occur in GES without the wholesale displacement of affordably priced housing, lower-income households, and neighborhood businesses. There are ways to allow GES to absorb an influx of newcomers more affluent than the population currently residing there without the wholesale elimination of economic and social diversity. There is still time, in other words, to chart a course of equitable development in these residential neighborhoods.

But that window is closing fast. What is feasible now will not be feasible for long. If Denver’s nonprofit developers, charitable institutions, public agencies, and community activists are committed to preventing displacement and preserving diversity in Globeville, Elyria, and Swansea, they must act in concert without delay, before the price of land and housing in these neighborhoods is bid exorbitantly upward.

The kind of coordinated, cross-sector response that is called for here is a strategic intervention that rapidly results in a large portion of the existing market-rate housing in the core residential areas of GES being “converted to or replaced by income-restricted housing,” in the words of OED’s 2016 Gentrification Study. The community land trust (CLT) is such a strategy. Its particular advantage is permanency. Unlike most housing assistance programs that use public dollars and charitable donations to bring homeownership or rental housing within reach of lower-income families, the CLT does not allow the affordability of these heavily subsidized homes to lapse after 5 years, 15 years, or 30 years; it does not allow these islands of inclusion to erode. Instead, the bulwark against displacement that is put in place by a CLT is designed to last, preventing the future loss of affordably priced homes and preserving social and economic diversity, even in neighborhoods beset by a rising tide of gentrification.

Sometimes a CLT comes into being as a start-from-scratch nonprofit corporation with a membership and a board drawn mostly from the empowered community the new organization was established to serve. Other CLTs are implemented as a newly created program of a local government, an existing nonprofit, or a consortium of nonprofits, acting on behalf of one or more place-based communities. Among the nation’s 280 CLTs, there are numerous variations in the manner in which they are organized and structured, but they are similar in what they do:
• CLTs acquire multiple parcels of land that are scattered throughout a designated service area, some of which are vacant at the time of acquisition and some of which have residential or commercial buildings already affixed to the land;
• CLTs hold onto their land forever, removing it permanently from the speculative market;
• CLTs develop (or partner in developing) a portfolio of affordably priced homes, either through the rehabilitation of existing housing or the construction of new housing;
• CLTs sell off any residential (or commercial) buildings on their land, conveying title to individual homeowners, neighborhood businesses, or nonprofit or for-profit partners;
• CLTs execute a long-term ground lease with the owners of any buildings on their land, a two-party contract that protects the right of the buildings’ owners to occupy the land, while allowing the CLT to regulate uses, improvements, financing, and resale of the buildings; and
• CLTs serve as the watchful steward for affordably priced homes (and other buildings) long after they are developed, ensuring they stay affordable, they are kept in good repair, and their occupants get the support they need to “stay put” in good economic times and bad.

In 2016, the Urban Land Conservancy (ULC) made a decision to work in partnership with members of the GES Coalition and with local philanthropies to assess whether a CLT program serving the neighborhoods of Globeville, Elyria, and Swansea could be expediently created – and what it might realistically cost. ULC never intended to implement or to operate such a program by itself. Nor did ULC want to bypass the constructive conversation already underway in GES among activists and residents who are investigating the possibility of incorporating a community-led CLT of their own. ULC simply sought to determine the parameters under which a CLT program serving GES might be financially feasible and sustainable.

Burlington Associates in Community Development, a consulting cooperative with extensive experience assisting CLTs, was hired to conduct this feasibility assessment and to develop a business plan for implementing a possible CLT program. The consultants conducted stakeholder interviews with public entities (Denver’s Office of Economic Development; North Denver Cornerstone Collaborative; Denver Housing Authority; West Denver Renaissance Collaborative; and CHFA); nonprofit housing development organizations (ULC; Habitat for Humanity of Metro Denver; and the Colorado Community Land Trust); philanthropic institutions (the Piton Foundation; the Denver Foundation; Gates Family Foundation ; and the Colorado Trust) and community representatives (Globeville residents; Elyria/Swansea residents; Project Voyce; and GES Right to Livewell). The consultants also reviewed many publications documenting present conditions and future plans for GES, as well as neighborhood data compiled by the Shift Research Lab.

Drawing on these interviews and materials, the consultants were asked to assess the organizational capacity that would be needed to operate a CLT program serving GES. They were also asked to construct a set of editable spreadsheets that would then be used to analyze the financial requirements for such a program and to make recommendations addressing the following questions:
How many units of permanently affordable housing should be added each year in order to assemble a portfolio large enough to make a difference in mitigating displacement in GES, while making steady progress toward the day when this portfolio might cover most of the costs of stewardship out of its own revenues?

What mix of housing by tenure and type should a pilot program include in its portfolio?

What strategies should be employed in building this portfolio?

How much equity would a CLT program need over a five-year period to assemble this portfolio of permanently affordable housing?

How much staffing would a CLT program need in order to perform its essential functions – and what sort of operating subsidies would be required to cover the cost of performing these essential functions?

Recommended Portfolio for a CLT Pilot Program

The consultants analyzed a number of financial scenarios for a possible CLT pilot program, concluding that such a program could be made to work in the short run and could become sustainable over time. But this initiative would have to be quickly started and heavily subsidized. These conclusions are interrelated. The longer the delay in launching a CLT program, the more it will cost to acquire land, to provide affordably priced housing, and to serve a GES population whose household incomes are roughly half the average those for Denver as a whole.

With sufficient project subsidies and operating subsidies, a CLT pilot program could be readied for launch in 2018 with the goal of assembling a diverse portfolio of **150 units of permanently affordable housing by the end of 2022**. Concentrated within the core residential areas of GES and composed entirely of scattered-site, single-family houses, duplexes, and Accessory Dwelling Units, this “model” portfolio would provide a flexible balance of tenures and types of housing. Half of the portfolio would be sold as resale-restricted **owner-occupied** housing, priced to be affordable to existing GES households earning between 50% and 60% of Denver’s Area Median Income (AMI); and half would be operated as rent-restricted **tenant-occupied** housing, serving existing GES households earning between 30% and 60% of the AMI.

Alternative portfolios of similar composition but with fewer units – or with twice as many – were modeled. In the final analysis, a medium-sized pilot program of 150 units was recommended as being large enough to establish an equitable beachhead in GES, while requiring a level of subsidization that seemed attainable.

<table>
<thead>
<tr>
<th></th>
<th>Slow-Growth, Small-Scale Portfolio (50 units)</th>
<th>Steady-growth, Medium-Scale Portfolio (150 units)</th>
<th>Fast-growth, Large-Scale Portfolio (300 units)</th>
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<tr>
<td>PROJECT subsidies</td>
<td>$4,704,143</td>
<td>$13,527,014</td>
<td>$27,218,082</td>
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<tr>
<td>OPERATING subsidies</td>
<td>$720,504</td>
<td>$315,291</td>
<td>$89,501</td>
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<tr>
<td>TOTAL subsidies needed for a 5-year pilot program</td>
<td>$5,424,647</td>
<td>$13,842,305</td>
<td>$27,307,583</td>
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</table>
Recommended Strategies for Assembling a CLT Portfolio

A CLT pilot program concentrating exclusively on the core residential areas of GES would need to be flexible, varied, and opportunistic. Five different strategies should be pursued if a portfolio of 150 units of permanently affordable housing is to be assembled by the end of 2022.

Strategy #1: Acquisition, rehabilitation, and resale. The program should acquire existing single-family houses in GES and rehabilitate as needed, bringing all of them up to code while adding improvements for energy efficiency. After severing title to the land and buildings, ownership of the rehabilitated houses would be sold to a lower-income household able to qualify for a mortgage from a private lender, subject to provisions embedded in the ground lease to protect the affordability, quality, and security of these homes.

Strategy #2: Acquisition, demolition, and replacement at higher density. The program should acquire existing single-family houses in GES that are deemed, after inspection, to be too dilapidated and costly to rehabilitate. After acquiring the property, the building would be demolished and replaced by housing constructed on the same site. Depending on the size of the site, replacement housing would add a maximum of two units for every one demolished. Replacement housing would either be sold under the dual-ownership arrangement of the “classic” CLT or sold with a deed covenant under a condominium regime.

Strategy #3: Addition of accessory dwelling units. The program should add an Accessory Dwelling Unit to some of the houses being acquired, rehabilitated, and resold under Strategy #1. The program could also add an ADU to the replacement housing being constructed under Strategy #2. Another variation might be tailored to residents of GES who are already homeowners, with the CLT program providing the funds to add an ADU in exchange for a preemptive option to purchase the property for a below-market price down the road. Under all three scenarios, the main house would be owner-occupied and the ADU would be renter-occupied.

Strategy #4: Provision of scattered-site rental and lease-to-purchase housing. In addition to providing ADUs, all of which would be operated as rental housing, the program should offer for rent (or rent-to-purchase) a large percentage of the houses and duplexes that are brought into its portfolio. This recommendation recognizes the three-fold reality that a high percentage of the current residents of GES are renters, many of these households have incomes that are too low meet standard mortgage requirements for purchasing a home, and the immigration status of many households would make them ineligible for a conventional mortgage.

Strategy #5: Stewardship of resale-restricted, owner-occupied housing in multi-unit projects built by other developers. Any CLT program serving GES should be prepared to take advantage of opportunities to provide stewardship services for public agencies, for-profit developers, and nonprofit developers. Offered on a fee-for-service basis, the CLT would permanently protect the affordability, quality, and security of resale-restricted homes either financed with public subsidies or mandated by the city’s inclusionary housing ordinance.
Required Subsidies for Supporting a Five-Year CLT Pilot

A CLT pilot program serving GES would require project subsidies for the acquisition of land and the development of housing, as well as operating subsidies to ensure adequate staffing of the program during its first five years, 2018-2022. A low-end estimate of the cumulative total of project subsidies needed to subsidize a “model” portfolio of 150 units, combining homeownership and rentals in a scattered-site, low-density portfolio of single-family houses, duplexes, and ADUs, would be $13.5 million. If no fee-for-service stewardship units were added to the portfolio, however, forcing the CLT program to subsidize and develop those units itself, an additional $2 million in equity would be required. Even more would be needed if private speculation in the area’s real estate were to cause the program’s acquisition costs to soar.

A low-end estimate of the cumulative operating subsidies needed by a CLT program with a staff increasing from one to four to keep pace with the portfolio’s growth would be $315,291. The major assumption underlying this estimate, however, is that a CLT program would be able to secure outside rental assistance for all of the tenant-occupied housing in its portfolio. Should this assumption prove unrealistic at a time when vouchers are already in scarce supply and federal cutbacks are likely, a CLT program would need additional operating support to serve low-income tenants living in GES. If half of the rentals in the CLT’s portfolio are unable to receive project-based or tenant-based assistance, for example, the amount required to subsidize the program’s operations during the first five years would soar to $758,850.

Required Decisions in Launching a Five-Year CLT Pilot

The recommendation of the consultants is to jumpstart a CLT program by taking advantage of an organizational infrastructure that already exists to perform the essential functions of a CLT on an interim basis. Three nonprofit housing developers in Denver have the most relevant experience and expertise in this regard: the Colorado CLT, Habitat for Humanity of Denver Metro, and the Urban Land Conservancy. Each has expressed an interest in supporting a CLT program serving GES, should adequate funding become available to subsidize the program’s projects and operations, but many decisions remain to be made, including whether the leadership of these organizations would choose to participate in an interim CLT collaborative; whether these organizations (or others) would have the backing of leaders and residents of GES in operating a CLT program within their community; and how the essential functions of a CLT program would be allocated and coordinated among multiple nonprofits.

The consultants also recommend creating a new nonprofit, a joint ownership entity (JOE), to hold all of the program’s real estate assets, either temporarily or permanently. Representatives from GES should be included on the JOE’s governing board. If a community-led CLT is eventually established and fully staffed in GES, a partnership agreement should be negotiated between the JOE and the GES-CLT, specifying the working relationship between the entities, planning for the future disposition of land and buildings held by the JOE, and describing any professional services each entity might perform for the other.
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PART ONE
Promoting Equitable Development in Globeville
Elyria and Swansea

This Feasibility Study and Business Plan, prepared by Burlington Associates for the Urban Land Conservancy, is driven by the same commitment to equitable development that animated the Gentrification Study published by Denver’s Office of Economic Development in May 2016. That study quoted with favor an earlier publication by the Brookings Institution which defined equitable development in terms of a willingness of decision makers in the public and private sectors to take positive steps to create “economically and socially diverse communities that are stable over the long term.”

By this definition, it is not enough merely to mitigate “negative impacts” that fall disproportionately upon the poor when public and private investments in low-income communities cause real estate values to rise precipitously; decision makers must also act decisively to promote and preserve diversity as an area improves, ensuring that low-income residents share fully and fairly in the benefits of neighborhood revitalization.

What sort of action might be appropriate in this regard? The Gentrification Study had something to say about that too, offering a clear statement on what is required to ensure that equitable development is both achievable in the short run and sustainable “over the long term”:

*To achieve the goal of mixed income neighborhoods that maintain some of their traditional character, policymakers must aggressively preserve affordable housing and support neighborhood businesses in areas that are at risk for gentrification—regardless of the extent to which displacement is voluntary or involuntary. To avoid homogenized high-income neighborhoods, some portion of a neighborhood’s market rate affordable housing must be converted to or replaced by income-restricted housing. Strategies should target the preservation of affordable units in areas where the housing market will soon eliminate options for lower income households.*

**Displacement pressures**

Strategies of this kind are needed in Globeville, Elyria, and Swansea (GES) because these areas are especially “susceptible to gentrification,” according to OED. They are places where lower-income households, affordably priced housing, and neighborhood businesses are threatened with displacement, a function of both the vulnerability of the neighborhoods’ residents and the market forces pressing against them. Displacement pressures already evident in GES, which are likely to increase in the years ahead, include the following:

**Denver’s robust real estate market.** A strong economic climate, combining rapid job growth,
intense capital investment, and accelerating real estate values, is attracting a thousand new households into Denver’s metropolitan area every month. Rents and housing prices are being pushed higher. Younger, more affluent households are moving into older neighborhoods. Long-time residents with lower incomes are being pushed out.

**GES’s proximity to downtown.** Globeville, Elyria, and Swansea are located only a mile from Denver’s Central Business District. The accessibility of these neighborhoods to downtown – and to jobs, services, and transportation hubs throughout the region – is further enhanced by the presence of three light rail lines running through GES. A total of four transit stations will eventually serve these neighborhoods, putting public transportation via light rail within easy reach of a majority of GES’s residents. This makes GES an increasingly attractive place for affluent homebuyers to settle and exerts an upward pressure on property values.

**Addition of amenities; removal of disincentives.** Neighborhood plans for Globeville and for Elyria-Swansea anticipate increased public investment in parks, open spaces, recreational facilities, and commercial corridors in the years ahead. Other publicly funded projects are designed to increase vehicular and pedestrian connectivity within these neighborhoods, presently impeded by I-70 and railroad lines. The plan of the Colorado Department of Transportation for rebuilding I-70 remains a source of controversy among many GES activists and residents, as does the City’s planned redevelopment of the National Western Center (NWC). All signs point to both mega-projects going ahead, however, removing uncertainties that had previously retarded the pace of outside investment in GES. The floodgates may now be opening, as remarked upon by the City of Denver’s 2015 *Elyria & Swansea Neighborhoods Plan*:

> Properties have been in a holding pattern for investment given some of the past uncertainty related to the National Western Center redevelopment and I-70 corridor reinvestment. However, the momentum behind public projects improves the potential for new development investment in the area.

**Transformation of NWC into a year-round employer.** Globeville is located immediately west of the National Western Center; Elyria and Swansea are located immediately east. In the past, the impact of NWC on the residential neighborhoods that surround it has been minimal. The Western Stock Show draws over 680,000 people to the NWC campus every January, but this event currently lasts only a couple of weeks. That will change dramatically over the next decade. As succinctly and grandly described on page 49 of NWC’s *Master Plan*, adopted in 2015:

> Through a visionary transformation, the “National Western Center” will become a next generation must-see destination with sustainable, year-round programming. Educational opportunities, entertainment, and community amenities will be bolstered by innovative partnerships with Colorado State University, Denver Museum of Nature & Science and History Colorado and others that will join forces with the original NWC Partners in the months and years to come, making this new campus a catalytic anchor for North Denver.
It is predicted that the new development and programming planned for the NWC campus will eventually provide up to 12,000 year-round jobs. Since many of these new hires will desire to live proximate to their employment, the first place they will look to purchase or to rent housing will be the existing single-family houses in GES.

**Speculative investment in GES real estate.** For the next few years, large sections of GES are going to be a high-impact construction zone, replete with all the noise, dust, disruption, and heavy equipment of any large-scale project. The I-70 expansion, increased transit-oriented development around the train stations in GES, the planned improvement of roads crisscrossing GES, and planned redevelopment of the National Western Center are going to have a negative impact on the quality of life in GES – and a dampening effect on the eagerness of affluent households to move into the area. Private, commercial real estate speculators, however, will not be deterred. Instead, they will take advantage of lower acquisition costs in GES, relative to other inner-city neighborhoods, positioning themselves during this period of disruption for an eventual equity windfall when construction is done, when public amenities are installed, and when real estate prices shoot steeply upward.

There is evidence this is already occurring. The Denver-based Shift Research Lab (SRL) examined the sale since 2013 of residential properties in GES. That year was chosen as SRL’s benchmark, according to a “Market Overview” published in 2016, “because that is when the environmental impact statement of the I-70 record of determination was released. Thus, 2013 potentially marks the beginning of private sector speculative investments in the market area.” According to SRL, 22% of the residential parcels in GES changed hands between January 2013 and September 2016. Nearly half of these transferred parcels (45%) were acquired by an LLC, by an LLP, or by another absentee owner.

**Population vulnerabilities**

These public projects and speculative schemes set the stage for a rise in private investment in Globeville, Elyria, and Swansea, spurring an increase in development and an influx of households more affluent than a majority of the area’s current residents. Such investments will provide opportunities and amenities that are presently lacking, a boon for the present community. Such investments can also lead to rapid gentrification, however, causing massive displacement.

The susceptibility of GES to gentrification is high, due primarily to the economic vulnerability of so many of the people who presently live there. The average household income in GES is roughly half the average in Denver Metro as a whole. Three-quarters of the households living in GES earn less than 100% of Denver’s Area Median Income (AMI). A quarter of GES families are living in poverty.

[Note: The main source of data for the demographics, incomes, and housing characteristics used in this Feasibility Study and Business Plan was the Piton Foundation’s Shift Research Lab.]
The Lab’s neighborhood-specific “Community Facts,” compiled and posted online, were consistently found to be the most reliable data available for Globeville and Elyria-Swansea. These GES data sets, nearly all from 2015, are compared by the Shift Research Lab to regional data for Denver County, not to municipal data for the City of Denver.

The ethnicity and language of many of GES families exacerbate their vulnerability, especially during a time when national leaders are prone to cast gratuitous aspersions on all immigrants, legal or otherwise. It is not known how many GES residents are foreign born, nor how many might lack either US citizenship or a green card. The Shift Research Lab does provide estimates of the number of adults living in GES who are “non-English speaking.” In Elyria-Swansea, 1,177 adults (27%) speak little or no English. In Globeville, 382 adults (14%) are non-English speaking. In Denver County, by contrast, only 7% of adults speak little or no English.

Lower-income residents in GES have fewer protections against the main cause of displacement: precipitous increases in housing costs. Over half of GES renters are already paying more than 30% of their household income for housing, a condition described by HUD as “cost burdened.” More than 62% of the renters in Globeville and over 54% of the renters in Elyria-Swansea are cost burdened, compared to 47% of all the renters in Denver County. The hold that GES renters have on the housing that is “theirs” is made even more precarious by the low incidence of adequate landlord-tenant leases protecting and extending their right of occupancy.Reportedly, many families renting houses or apartments in GES lack a lease of any kind, occupying homes on a month-to-month basis.

GES also compares unfavorably with Denver County on homeownership. A majority of GES residents neither own their homes nor have sufficient income to continue residing in GES if their rents significantly rise. The county’s homeownership rate is 49.4% for all occupied units. In GES, the homeownership rate is 36.1% in Globeville and 45.2% in Elyria-Swansea, according to data provided by the Shift Research Lab. Even owning a home may not be enough to guarantee against its loss, however. Mile High United Way recently conducted a “vulnerability analysis” of residential properties in GES where circumstances might eventually lead to the involuntary displacement of their occupants. Of 213 properties discovered to be tax delinquent, often a sign of serious financial distress, 117 of them (55%) were owner-occupied.

The vulnerability of so many GES residents is aggravated by a glaring shortage of the kind of rent-restricted and resale-restricted housing that would otherwise prevent the displacement of low-income households amidst escalating rents and prices in the market-rate housing around them. In Globeville, there are only 197 publicly subsidized rental units with lasting affordability; in Elyria-Swansea only 62. On the homeownership side, the only resale-restricted, owner-occupied housing in GES has been produced by Habitat for Humanity of Metro Denver. Habitat has done an admirable job of developing 39 new homes in GES, selling all of them to low-income families earning less than 60% of AMI. These homes were sold subject to deed restrictions designed to preserve the housing’s affordability, but the restrictions on most of these homes were designed to last only 15 years – and to lapse on the other homes after 30 years.
There are approximately 300 units of transit-accessible, permanently affordable housing currently in the pipeline in Elyria, which the Urban Land Conservancy is planning for its site at 48th & Race, partnering with a private developer and Denver’s Office of Economic Development. These units are due for completion by 2021. They will make a significant contribution to the area’s stock of rent-restricted housing, yet still fall far short of what GES needs.

### Selected Demographic Data

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<th>Globeville</th>
<th>Elyria-Swansea</th>
<th>Denver County</th>
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<tr>
<td>Population</td>
<td>3551</td>
<td>6,676</td>
<td>649,654</td>
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<tr>
<td>Households</td>
<td>1,071</td>
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<td>Persons per household</td>
<td>2.90</td>
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<tr>
<td>Families</td>
<td>585</td>
<td>1,377</td>
<td>133,549</td>
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<td>Population, White</td>
<td>2,686 (75.64%)</td>
<td>5,241 (78.51%)</td>
<td>494,262 (76.08%)</td>
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<td>Population, Latino</td>
<td>2,178 (61.33%)</td>
<td>5,534 (82.89%)</td>
<td>201,019 (30.94%)</td>
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<td>Population, African-American</td>
<td>129 (3.63%)</td>
<td>296 (4.43%)</td>
<td>63,058 (9.71%)</td>
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<td>Adults non-English speaking</td>
<td>382 (14.13%)</td>
<td>1,177 (27.38%)</td>
<td>36,831 (7.17%)</td>
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<tr>
<td>Children under 18 years of age</td>
<td>847 (23.85%)</td>
<td>2378 (35.62%)</td>
<td>135,893 (20.92%)</td>
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<td>Population over 65 years of age</td>
<td>241 (6.79%)</td>
<td>409 (6.13%)</td>
<td>69,450 (10.69%)</td>
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### Selected Income & Poverty Data

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<td>Average household income (MEAN)</td>
<td>$40,210</td>
<td>$46,844</td>
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<td>Mean household income in GES as a % of the county average</td>
<td>(50.3%)</td>
<td>58.6%</td>
<td>100%</td>
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<td>Average annual wage (Household mean)</td>
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<td>$62,789</td>
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<td>Average wage in GES as a % of the county average</td>
<td>49.9%</td>
<td>59.7%</td>
<td>100%</td>
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<td>Families in poverty</td>
<td>148 (25.30%)</td>
<td>374 (27.16%)</td>
<td>171,151 (12.84%)</td>
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<td>Households earning less than 100% of Denver’s Median</td>
<td>800 (74.70%)</td>
<td>1,327 (76.44%)</td>
<td>149,523 (54.22%)</td>
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<td>Renters spending more than 30% of income on housing</td>
<td>428 (62.57%)</td>
<td>517 (54.36%)</td>
<td>65,248 (46.77%)</td>
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**Selected Housing Data**

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<tbody>
<tr>
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<td>1,193</td>
<td>1,901</td>
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<tr>
<td>Single-family units</td>
<td>883</td>
<td>1,612</td>
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<td>(74.02%)</td>
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<td>(53.55%)</td>
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</tr>
<tr>
<td>Multi-family units</td>
<td>310</td>
<td>244</td>
<td>135,801</td>
</tr>
<tr>
<td>(25.98%)</td>
<td>(12.84%)</td>
<td>(46.2%)</td>
<td></td>
</tr>
<tr>
<td>Housing units built before 1940</td>
<td>542</td>
<td>653</td>
<td>20,720</td>
</tr>
<tr>
<td>(45.43%)</td>
<td>(34.35%)</td>
<td>(7.0%)</td>
<td></td>
</tr>
<tr>
<td>Overcrowded housing units</td>
<td>100</td>
<td>266</td>
<td>9,227</td>
</tr>
<tr>
<td>(9.34%)</td>
<td>(15.32%)</td>
<td>(3.35%)</td>
<td></td>
</tr>
<tr>
<td>Population per acre*</td>
<td>2.53</td>
<td>4.15</td>
<td>NA</td>
</tr>
<tr>
<td>Housing units per acre*</td>
<td>0.87</td>
<td>1.18</td>
<td>NA</td>
</tr>
<tr>
<td>Vacant units</td>
<td>122</td>
<td>165</td>
<td>18,396</td>
</tr>
<tr>
<td><strong>Renter-occupied units</strong></td>
<td>684</td>
<td>951</td>
<td>139,521</td>
</tr>
<tr>
<td>Rental housing as a % of all occupied units</td>
<td>63.87%</td>
<td>54.78</td>
<td>50.59%</td>
</tr>
<tr>
<td>Publicly subsidized rental units</td>
<td>197</td>
<td>62</td>
<td>20,134</td>
</tr>
<tr>
<td>Subsidized rentals as % of all renter-occupied units</td>
<td>28.8%</td>
<td>6.5%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Subsidized rentals as % of all housing units</td>
<td>16.5%</td>
<td>3.3%</td>
<td>6.8%</td>
</tr>
<tr>
<td><strong>Owner-occupied units</strong></td>
<td>387</td>
<td>785</td>
<td>136,274</td>
</tr>
<tr>
<td>Owner-occupied housing as a percentage of all occupied units</td>
<td>36.13%</td>
<td>45.22%</td>
<td>49.41%</td>
</tr>
<tr>
<td>Units occupied by Latino homeowners (as a % of all owner-occupied units)</td>
<td>174</td>
<td>480</td>
<td>23,984</td>
</tr>
<tr>
<td>(44.96%)</td>
<td>(61.15%)</td>
<td>(17.60%)</td>
<td></td>
</tr>
<tr>
<td>Units occupied by white, non-Latino homeowners (as a % of all owner-occupied units)</td>
<td>201</td>
<td>213</td>
<td>96,685</td>
</tr>
<tr>
<td>(51.94%)</td>
<td>(27.13%)</td>
<td>(70.95%)</td>
<td></td>
</tr>
<tr>
<td>Units occupied by African-American homeowners (as a % of all owner-occupied units)</td>
<td>12</td>
<td>75</td>
<td>9,430</td>
</tr>
<tr>
<td>(3.10%)</td>
<td>(9.55%)</td>
<td>(6.92%)</td>
<td></td>
</tr>
</tbody>
</table>

* Source of data for per-acre density: *OED Elyria and Swansea Housing Replacement and Viability Study* (April 2015). All other data provided by the Piton Foundation’s Shift Research Lab, almost all of it dated from 2015.

**Obstacles to equitable development**

The path to equitable development put forward by OED in its 2016 *Gentrification Study* was to implement strategies for converting or replacing “some portion” of the market-rate housing in GES with housing that is “income-restricted”; that is, renter-occupied and owner-occupied
homes that not only are made affordable to lower-income households initially but that also stay affordable in perpetuity, one lower-income occupant after another. Such is the path pursued by community land trusts and by other models of shared equity homeownership. It is the strategy for preventing displacement and preserving inclusion that is currently under consideration by activists and residents in Globeville, Elyria, and Swansea and by their potential partners.

The implementation of such a strategy faces a number of obstacles, however, that could limit the scale of a CLT program or reduce its effectiveness. The most formidable of these obstacles are density, poverty, capacity, and urgency.

**Density.** The only way for a CLT program serving GES to make a significant contribution toward creating “economically and socially diverse communities that are stable over the long term” is to assemble a sizable portfolio of housing that is priced to be initially and continuously affordable for lower-income households. Density would be the fastest and least expensive way to get there, increasing the quantity of units going into the CLT and reducing the per-unit cost for the people who rent them or purchase them. There are two big impediments to density in GES, however: the present land-use pattern and the reluctance of city planners and current residents to see it changed. Within the residential core of these neighborhoods, most of the existing housing is composed of detached, single-family houses: 74% in Globeville and 85% in Elyria-Swansea. Existing neighborhood plans for Globeville and Elyria-Swansea, published in 2014 and 2015 respectively, severely restrict the type and scale of new development within these “core residential areas,” rejecting changes in zoning that would increase density (except for the addition of Accessory Dwelling Units). Higher-density development will be pushed into the commercial streets bisecting GES and into the areas around RTD’s transit stations.

This is a rational plan, but it diminishes the prospects for a CLT program going quickly to scale. A CLT program focused on preventing displacement and preserving diversity in the “core residential areas” of GES will be relegated to low-density development, either buying and rehabilitating existing single-family houses or demolishing and replacing existing houses at a ratio of one-for-one or, perhaps, two-for-one. Such an approach would result in a relatively slow build-up of a CLT’s portfolio. It would also carry a very high per-unit cost. A faster build-up, with a lower per-unit cost, would occur if the CLT was able to develop multi-unit housing in the areas of GES where higher-density development is allowed, but a fledgling CLT program is unlikely to have the capacity or resources to tackle such projects.

**Poverty.** Household incomes in GES are, on average, roughly half that of Denver as a whole. The only way for a CLT program to provide housing with prices or rents that are affordable to a majority of the people currently residing in GES, therefore, would be to secure a large pool of *debt-free capital* to subsidize the acquisition of land and the construction (or renovation) of housing. Equity, not debt, is the only way to close the enormous affordability gap between the low incomes of GES residents and the actual cost of developing housing in these neighborhoods. How *much* equity would be required is one of the questions addressed in Part Two of the Feasibility Study and Business Plan, but it is certain to be substantial, constituting one of the
main obstacles to establishing a CLT program and to building an impactful and sustainable CLT portfolio.

**Capacity.** The only way for a CLT program serving GES to be effective both in the short run and “over the long term” would be for such a program to have sufficient organizational staffing and administrative systems to carry out the essential functions of a community land trust. How much capacity might be required and what these “essential functions” would be are addressed in Part Two, but it can be noted here that a current lack of capacity is a clear impediment. As the organizational assessment presented below will show, none of Denver’s nonprofit housing developers currently has the excess capacity that would allow that organization to take on the extra responsibilities of implementing and operating a new, large-scale CLT program.

**Urgency.** The only way for a CLT program serving GES to have any hope of preventing displacement and preserving diversity in the face of the intense market pressures gathering steam in GES is to act now and to act fast, acquiring a significant quantity of land and housing in Globeville, Elyria, and Swansea while prices are comparatively low. This must be done before prices are pushed higher by private speculation, which is happening in anticipation of substantial public investment in the area. Acting with a sense of urgency is the only way to ensure the continued existence of islands of inclusion in what is sure to be a rising sea of gentrification. The need for speed may present the most formidable obstacle of all, since it could take several years to put in place the financial resources and the organizational infrastructure to establish a CLT program and to build a sizable portfolio of land and homes that remain permanently affordable. But too long a delay will inevitably result in a situation where it is too late to “save” GES.

**Opportunities for equitable development**

There are reasons to believe, on the other hand, that these obstacles can be overcome. In other cities, where real estate prices are rising as fast as Denver’s and where low-income neighborhoods are just as susceptible to gentrification as those in Globeville, Elyria, and Swansea, community land trusts are withstanding market pressures and preventing the wholesale displacement of vulnerable populations. A recent editorial in the *Seattle Weekly* (May 31, 2017) described this succinctly, commenting on the success of their locally grown Homestead CLT:

*If the goal is to slow the squeeze of poor people out of Seattle, community land trusts are a proven strategy. Homestead’s work is one example locally. Across the country, land trusts have been shown to slow gentrification by keeping rents low and home ownership possible. One national study, for instance, found that land-trust homeowners were 10 times less likely to go into foreclosure than those that weren’t part of a land trust. But like any other developer, community land trusts need capital and land. City leaders have access to plenty of the former and some of the latter, and should aggressively leverage both to increase Seattle’s stock of com-
Part Two of this Feasibility Study and Business Plan will provide an analysis of the financial and organizational resources that might be required to create an impactful CLT program, one that could assemble a sizable portfolio of permanently affordable housing in GES within a relatively short span of time. Part Three will offer specific recommendations of what steps should be taken to get such a CLT program underway. Before turning to a consideration of these topics, however, here are four positive signs of potential support for a CLT program serving GES—four reasons for believing that equitable and inclusive development in GES is still within reach.

Municipal commitment to promoting inclusive communities. The *Gentrification Study* published by the Office of Economic Development in 2016 is not the only occasion when the City of Denver has stated a municipal priority for promoting and preserving communities that are “economically and socially diverse.” A commitment to inclusion is woven throughout Denver’s *Comprehensive Plan 2000*, *Blueprint Denver*, the neighborhood plans for Globeville and Elyria-Swansea, and even the *Master Plan* for the National Western Center. In 2002, when enacting the Inclusionary Housing Ordinance, the City Council declared it to be “the public policy of the city” to provide “a full range of housing choices, conveniently located in a suitable living environment, for all incomes, ages and family sizes” and to “assure that “moderately priced housing is dispersed throughout Denver” (Code of Ordinances, Chapter 27, Article IV, Sec. 27-102). Similarly, inclusion was a guiding rationale behind the $150 million Affordable Housing Dedicated Fund, created last year. As stated by Mayor Michael Hancock, Councilwoman Robin Kniech, and Councilman Albus Brooks in an article written for the Colorado Real Estate Journal in August 2016, “This proposal keeps Denver diverse and inclusive, enhancing our vitality.”

Charitable interest in preventing displacement. Several charitable institutions have expressed an interest in preventing displacement and promoting inclusive development in the Globeville, Elyria, and Swansea neighborhoods. These include the Piton Foundation/Gary Community Investments, the Colorado Health Foundation, the Colorado Trust, and the Denver Foundation. Having provided the funding for the current Feasibility Study and Business Plan, they are awaiting the findings with an eye toward possibly seeding and supporting a CLT pilot program capable of moving quickly to secure key sites within GES. Anticipating their potential role as “philanthropic champions,” these institutions have joined with other organizations to increase understanding of the CLT approach to community development and to raise awareness among their own staff and stakeholders of how a CLT program in GES might complement other charitable investments in community health, early childhood education, and economic development.

Nonprofit expertise in developing and stewarding resale-restricted homes. Although each of Denver’s nonprofit housing developers currently lacks the excess capacity to assume unilateral responsibility for implementing a new CLT program in GES, there is a wealth of experience and expertise among them that could be tapped in creating such a program. Together,
they have a base of knowledge in the assembly of land, the development of housing, the marketing of owner-occupied homes, and the stewardship of permanently affordable housing that are key components of a successful CLT. Two of these nonprofits, the Colorado Community Land Trust and the Urban Land Conservancy, have staff with mastery of the “model” ground lease used by CLTs around the country, as well as market-tested experience with the use of ground leasing in the local development and financing of affordable housing.

Resident interest in establishing a GES community land trust. A visioning and planning process is currently underway in Globeville, Elyria, and Swansea, where residents are attempting to reach consensus as to whether to create a community land trust of their own, what form such a community-led CLT would take, and what this CLT would do. Arising out of the grassroots organizing done by a local nonprofit, Right to Live Well, and supported by technical assistance and on-site training from a national advocacy organization, the Grounded Solutions Network, this process is building a base of understanding of the CLT model among local residents. Regardless of whether a neighborhood-based, community-controlled CLT is eventually established in GES, any CLT program serving GES must have involvement and support from the people living in these neighborhoods. The foundation being laid by Right to Live Well and by Grounded Solutions could prove to be a valuable asset in guiding the design and development of any CLT program serving GES and in helping to market permanently affordable housing on land that is community-owned.
PART TWO
Financial Feasibility and Organizational Capacity

The decision of whether or not to create a CLT program serving Globeville, Elyria, and Swansea will depend heavily on an assessment of both financial feasibility and organizational capacity. The first is aimed at evaluating the cost of building, managing, and sustaining an impactful portfolio of permanently affordable housing. The second is aimed at evaluating the adequacy and availability of the staffing and systems required to ensure that the essential functions of a community land trust are faithfully performed over a long period of time.

Assessment of Financial Feasibility

The Urban Land Conservancy (ULC) tasked Burlington Associates with creating a set of “editable spreadsheets” as part of its scope of work, a diagnostic tool that would allow ULC (or other partners committed to shared equity homeownership) to calculate project costs and operating costs for a CLT program serving GES under a variety of assumptions regarding the size, composition, phasing, and pricing of the affordable housing such a program would hope to produce. A pair of Excel workbooks have been provided to ULC, therefore, each containing a nested array of spreadsheets which may be edited and updated as needed.

The narrative that appears below is a summary of the main assumptions that went into designing this analytic tool and the patterns that emerged as the tool was applied in evaluating (1) the costs, revenues, and subsidies associated with developing a growing portfolio of permanently affordable housing and (2) the costs, revenues, and subsidies associated with operating a productive and effective CLT program.

It is important to note from the outset that this is a conceptual portfolio analysis, not a sample project analysis. While it resembles the kind of project pro forma that any housing developer would put together when weighing whether or not to construct a residential building on a particular parcel of land, the focus is somewhat different. Under consideration here is what mix of strategies, what mix of tenures, and what pace of growth should be pursued in order to assemble a portfolio of permanently affordable housing that might someday become large enough to cover most (or all) of the costs of stewardship. This portfolio analysis is a ten-thousand-foot perspective on a program intended to be ramped up quickly over the next five years and to run continuously for many years thereafter. It is based on a number of assumptions about building the portfolio and operating the program. These assumptions are summarized below, followed by a summary of the patterns revealed when the diagnostic tool containing these assumptions is applied to assessing the financial feasibility of the CLT program being considered.
Building a CLT Portfolio: ASSUMPTIONS behind the Analysis

A mix of tenures. The diagnostic tool was built on the assumption that the CLT’s portfolio will contain not only housing that is owner-occupied, but also housing that is renter-occupied. This reflects neighborhood realities that much of the existing single-family housing in GES is presently operated as rental housing and that most of the lower-income population in GES does not have the wherewithal to make the leap into homeownership. Many residents of GES, moreover, lack either US citizenship or a green card that is required to apply for a conventional mortgage. The spreadsheets allow for an analysis of the financial impact of operating some portion of the CLT’s portfolio as rental housing, therefore, a percentage that may be adjusted to reflect available funding and program priorities.

A mix of strategies. The diagnostic tool was built on the assumption that the CLT’s portfolio would be assembled through a variety of strategies, divided principally between: (1) development activities in which existing single-family houses are acquired and renovated; and (2) development activities in which existing single-family houses are acquired, demolished, and replaced with newly constructed units. This reflects the neighborhood reality that most of the housing stock in GES is composed of single-family housing – 883 in Globeville (74% of all residential units) and 1,612 in Elyria-Swansea (85% of all residential units). If GES is to be “saved” from gentrification, some portion of this existing housing stock must be placed under the protective umbrella of permanent affordability. The other reality is that a very high percentage of the housing in GES was constructed before 1940: over 45% in Globeville and over 34% in Elyria-Swansea. Many of these houses are so old, so decrepit, and so expensive to operate that it makes little sense to rehabilitate them. In these cases, it would be more cost effective to replace them with newly constructed housing of better quality. The spreadsheets allow for an analysis of the financial impact of using either a rehabilitation approach, therefore, or a replacement approach.

A higher degree of densification. The diagnostic tool was built on the assumption that demolished units might be replaced at a somewhat higher density than before, spreading development costs (especially the acquisition cost of high-priced land) across more units, thereby lowering the per-unit price for the low-income households who will ultimately rent or buy them. The spreadsheets allow for an analysis of the financial impact of adding density at a maximum ratio of two-to-one. This may be done either by replacing demolished single-family houses with a duplex or by adding a one-bedroom Accessory Dwelling Unit (ADU) to a newly built single-family house, replacing one that was demolished. The spreadsheets also allow for the addition of an ADU to an existing house that is not demolished, under the acquisition-rehabilitation scenario. Densification was limited to a maximum of two-to-one because of the size of typical lots in GES, the constraints of current zoning, and the stated opposition of many neighborhood residents to increased density at levels any higher than two-to-one.

A lower level of income. The diagnostic tool was built on the assumption that the official Area Median Income (AMI) for the City of Denver, updated regularly by Denver’s Office of Eco-
onomic Development, is a poor measure of “average” household incomes in GES. The harsh reality is that incomes in these neighborhoods are roughly half what they are in Denver as a whole. The spreadsheets produced for ULC provide a means of calculating the impact on affordability under a variety of scenarios for developing and pricing CLT homes, but they also allow the household incomes used in conducting this affordability analysis to be set at some lower percentage of Denver’s AMI. The percentage chosen for GES in the present report was 50% of the official AMI for the City of Denver, based on data gleaned from the Piton Foundation’s Shift Research Lab and the Metro Denver Economic Development Corporation. (Note: data presented in Column #3 in the following table is for Denver County, since that is the geographic area used by Shift Research Lab in its comparisons.)

### Comparison of “Average Income” in GES and Denver

<table>
<thead>
<tr>
<th></th>
<th>Globeville</th>
<th>Elyria-Swansea</th>
<th>Denver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median income (2015)</td>
<td>$37,426</td>
<td>$35,586</td>
<td>$71,146*</td>
</tr>
<tr>
<td>Median income as %</td>
<td>$52.6%</td>
<td>50.0%</td>
<td>100%</td>
</tr>
<tr>
<td>of median for Denver</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metro</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean household income</td>
<td>$40,210</td>
<td>$46,844</td>
<td>$79,958</td>
</tr>
<tr>
<td>(2015)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average household</td>
<td>50.3%</td>
<td>58.6%</td>
<td>100%</td>
</tr>
<tr>
<td>income as % of Denver</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metro</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean annual wage</td>
<td>$31,303</td>
<td>$37,467</td>
<td>$62,789</td>
</tr>
<tr>
<td>(2015)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average annual wage</td>
<td>62.57%</td>
<td>54.36%</td>
<td>100%</td>
</tr>
<tr>
<td>as % of average wage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for Denver Metro</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Source: Metro Denver Economic Development Corporation. All other data comes from the Piton Foundation’s Shift Research Lab.

**An active role in development.** The diagnostic tool was built on the assumption that any organization – or consortium of organizations – that is chosen to oversee the stewardship of permanently affordable housing will also play a major role in the development of such housing. The operating budget for the proposed CLT program has staffing levels that are sufficient for both development and stewardship, therefore. The spreadsheets also allow, however, for the opportunistic addition of owner-occupied homes to the CLT’s stewardship responsibilities (and to the CLT’s revenues) that are not developed by the CLT’s staff. These might be units produced by a for-profit developer, under the City’s Inclusionary House Ordinance, or units constructed (or rehabilitated) by another nonprofit developer of heavily subsidized houses, townhouses or condominiums. The CLT program, in such cases, would hope to collect a fee-for-service for the stewardship of any housing that is contractually placed under its care – homes for which the
CLT had borne neither the upfront cost nor the financial risk of developing.

A necessary amount of standardization. The diagnostic tool was built on the foundation of numerous assumptions about the size of lots in GES, the price of acquiring land and buildings in GES, and the cost of demolition, construction, and renovation of residential units ranging in size from ADUs to four-bedroom houses. These assumptions were based on the best figures available from a variety of reliable sources, including city reports, development pro formas for actual projects being constructed in Denver, and conversations with nonprofit developers having extensive experience constructing or renovating housing in GES or nearby. These figures are applied here, however not to analyzing a specific project for development on a specific parcel of land; they are applied, instead, to analyzing the programmed growth of a “model” portfolio of permanently affordable homes, scattered across three different neighborhoods and developed across a span of five years. This necessitated a degree of standardization in calculating development costs, anticipated revenues, and outside subsidies needed to assemble this portfolio and to make the housing initially and continuously affordable for low-income homebuyers and low-income renters.

Building a CLT Portfolio: General PATTERNS Revealed in the Analysis

Single-family homes require enormous subsidies. Low density and low incomes are a deadly combination when trying to deliver a high-cost product on high-priced land. A CLT program that relies solely on rehabilitating or replacing single-family houses, adding at best one new unit for every acquired property, would be an expensive proposition. When the households to whom those homes will be sold or rented are relatively poor, moreover, the financial shortfall becomes extremely large. This affordability gap between what low-income households can afford to pay and what a CLT program must expend to develop that housing can only be closed if substantial subsidies are contributed to the program from outside.

Our preliminary analysis examined two principal scenarios for the development of single-family housing for sale or rent to low-income households: (1) an Acquisition-Rehabilitation Strategy and (2) a Demolition-Replacement Strategy. The analysis revealed that the average per-unit subsidy needed to develop housing for low-income homebuyers earning 60% of Area Median Income (AMI) or low-income renters earning 50% of AMI would range from roughly $90,000 to $110,000 per home in 2018, depending on the strategy being used to develop the housing and the number of bedrooms in the resulting units. To serve households at incomes lower than these targets would require even higher per-unit subsidies. If the cost of acquiring property in GES were to soar, moreover, the subsidy needed under either strategy would soar as well.

Rentals require large subsidies too. The editable spreadsheets allow any percentage of the total units produced by a CLT program to be owned and operated as rental housing, instead of being sold for homeownership. Rental units would require the same sort of upfront subsidies contemplated above in order to develop the housing. Even after subsidizing and removing the cost of LAND from the Total Development Cost for a newly rehabilitated or newly constructed
home, however, additional subsidies would have to be raised to bring monthly rents down to a level that low-income households could afford, if the CLT program were unable to secure project-based or tenant-based rental assistance for this housing.

**Renovation costs more than replacement.** Our preliminary analysis revealed an unexpected pattern when comparing development scenarios. We had anticipated finding that acquiring an existing single-family house in GES, demolishing it, and replacing it with a newly constructed house or duplex would be more expensive than acquiring the same house and rehabilitating it. The reverse is true. Even when an Accessory Dwelling Unit (ADU) is added to a renovated house, increasing density by a small amount, acquisition-rehabilitation is still more expensive than demolition-replacement. The reason is rather straightforward. When adding a small one-bedroom ADU on the same lot as a fully rehabbed home, the cost of land allocated to the ADU is 30% of the land cost for the entire parcel. Alternately, when a supplemental duplex or townhouse is constructed on a lot on which a demolished house is being replaced, the lot cost is split 50-50 between the two new homes, reducing the total development cost of each.

**Density reduces the per-unit cost, but not by much.** Under both development scenarios, the maximum densification we have assumed is 2:1 – either adding a one-bedroom ADU to an existing house under the acquisition-rehabilitation strategy or doubling the number of units under the demolition-replacement strategy. By spreading the acquisition cost of the land across twice as many units, the per-unit price of each unit would be reduced, thus increasing a home’s affordability for any low-income household hoping to buy it or rent it. And, of course, twice as many households would be housed. Both would be worthy results.

This modest level of densification would not be enough, however, to make much of a difference in bringing homes within the financial reach of the low-income households presently residing in GES. Even if a CLT program were to double the number of homes constructed every time a single-family house was acquired, demolished, and replaced; and even if a CLT program were to add an Accessory Dwelling Unit to every single-family house it acquired, renovated, and resold – the reduction in price would not be significant. Not until densification reaches levels of 4:1 or higher would the per-unit price drop significantly, closing the affordability gap to the point where a much smaller subsidy is needed.

**Fee-for-service stewardship reduces project subsidies.** An analysis was done gauging the financial impact of including a small percentage (20%) of “stewardship-only” units to the CLT’s portfolio – i.e., resale-restricted, owner-occupied housing which the CLT program did not have to subsidize or develop itself. Using a medium-sized portfolio of 150 units for this analysis, the cumulative project subsidies required to assemble this portfolio would decrease by as much as $2 million if 30 of the owner-occupied units under the program’s stewardship were developed by someone else – i.e., by another for-profit or nonprofit developer. Under that scenario, the project subsidies that a CLT program would need to raise would be reduced from 15.5 million to $13.5 million.
Operating a CLT Program: ASSUMPTIONS behind the Analysis

Operations shaped by essential functions. The diagnostic tool was built on the assumption that some organization would remain in the picture long after a CLT’s homes are developed, providing on-going stewardship for that growing portfolio of permanently affordable housing. Any CLT program plays a multi-faceted role in being a “developer that doesn’t go away,” requiring the program’s sponsor to plan not only for covering the costs of developing affordable housing but also the program’s costs of maintaining the affordability, quality, and security of that housing for many years. (More on the “essential functions” required of a CLT program can found under the Organizational Assessment in the next section – and in Appendix C.)

Operations linked to the scale and pace of development. The diagnostic tool was built on the assumption that operating costs for a CLT program, including the direct cost of staffing and the indirect cost of administration, will be driven mostly by the rate of growth in the CLT’s portfolio. The spreadsheets link together the development budgets and operating budgets for the proposed program, therefore, allowing for an analysis of the subsidies needed to operate this program, especially in its early years when the portfolio is too small to cover a significant portion of the program’s costs.

Operations funded through a mix of revenues. The diagnostic tool assumes that a CLT program would derive a growing percentage of the revenue needed for its operations from five internal sources:

- development fees;
- marketing fees;
- lease initiation fees;
- monthly ground rent; and
- resale fees.

Certain working assumptions were made with regard to each of these steams of revenue. In addition, because it was assumed that some portion of the units in a CLT’s portfolio would be rented rather than sold, there would be net revenue derived from monthly rents as well (if Fair Market Rents can be collected). The working assumption in every case of rental housing, even when an Accessory Dwelling Unit was to be added to an owner-occupied house, was that all rents would accrue to the CLT, helping to defray the program’s cost of operation.

Finally, once a CLT program has in place the staff capacity and administrative systems for monitoring and enforcing affordability controls and other restrictions on the use, financing, improvement, and resale of owner-occupied housing, the CLT may possibly be hired by other nonprofit developers, governmental agencies, or for-profit developers to oversee a portion of the resale-restricted, owner-occupied housing they have developed or funded. The spreadsheets allow for the option, therefore, of a CLT program receiving fee-for-service revenues for the stewardship of owner-occupied housing that the program’s staff had no hand in creating.
Operating a CLT Program: General PATTERNS Revealed in the Analysis

An operating subsidy is needed. The editable spreadsheets allow for analyses of the surplus or deficit generated by a CLT program on an annual basis, operating at different levels of production, serving households at different levels of income, and overseeing a portfolio with different mixes of housing by tenure (rent or own) and size (one, two, three, or four bedroom units). No matter the make-up of a CLT program’s portfolio, however, our analysis shows that a CLT program would require not only project subsidies to create a growing portfolio of permanently affordable housing; it would also require operating subsidies to cover a portion of the annual cost of staffing and administering this program.

The size of the operating surplus (or deficit) generated by the CLT’s own portfolio would depend on the strategies and tenures used in assembling that portfolio and on the size and pace of development in adding units, year by year. To analyze the operating subsidies that might be needed, we constructed a “model” portfolio on the basis of the following assumptions:

1. all parcels are re-developed to a maximum 2:1 density;
2. all housing in the CLT’s portfolio is split evenly between homeownership and rentals, with a roughly equal allocation among 1-bedroom, 2-bedroom, and 3-bedroom units;
3. all rentals are subsidized by project-based or tenant-based assistance, allowing the program to collect Fair Market Rents;
4. all fees from the homeownership units and all rents from the rental units accrue directly to the CLT, covering a portion of the program’s operating costs; and
5. the same mix of strategies is employed to assemble this portfolio.

Holding all variables constant except for the cumulative size and the rate of growth, here is the pattern revealed when comparing “model” CLT portfolios of 50, 150, and 300 units:

**Slow-Growth, Small-Scale Portfolio (50 units)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>5-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL PORTFOLIO REVENUES:</td>
<td>$6,087</td>
<td>$28,353</td>
<td>$69,277</td>
<td>$134,368</td>
<td>$197,563</td>
<td>$435,646</td>
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<tr>
<td>TOTAL PORTFOLIO EXPENSES:</td>
<td>$160,450</td>
<td>$199,366</td>
<td>$224,337</td>
<td>$272,241</td>
<td>$299,756</td>
<td>$1,156,150</td>
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<tr>
<td>PORTFOLIO SURPLUS or (DEFICIT):</td>
<td>($154,363)</td>
<td>($171,103)</td>
<td>($155,061)</td>
<td>($137,874)</td>
<td>($102,193)</td>
<td>($720,504)</td>
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</table>

**Steady-growth, Medium-Scale Portfolio (150 units)**
### Total Portfolio Revenues:

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>5-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$24,812</td>
<td>$70,712</td>
<td>$174,735</td>
<td>$344,716</td>
<td>$516,991</td>
<td>$1,131,966</td>
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<tr>
<td>2019</td>
<td>$70,712</td>
<td>$174,735</td>
<td>$344,716</td>
<td>$516,991</td>
<td>$1,131,966</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$174,735</td>
<td>$344,716</td>
<td>$516,991</td>
<td>$1,131,966</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$344,716</td>
<td>$516,991</td>
<td>$1,131,966</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>$516,991</td>
<td>$1,131,966</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

### Total Portfolio Expenses:

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>5-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$178,300</td>
<td>$217,930</td>
<td>$287,084</td>
<td>$338,270</td>
<td>$425,674</td>
<td>$1,447,257</td>
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<tr>
<td>2019</td>
<td>$217,930</td>
<td>$287,084</td>
<td>$338,270</td>
<td>$425,674</td>
<td>$1,447,257</td>
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<tr>
<td>2020</td>
<td>$287,084</td>
<td>$338,270</td>
<td>$425,674</td>
<td>$1,447,257</td>
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<td></td>
</tr>
<tr>
<td>2021</td>
<td>$338,270</td>
<td>$425,674</td>
<td>$1,447,257</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>$425,674</td>
<td>$1,447,257</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### Portfolio Surplus or (Deficit):

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>5-Year Total</th>
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</thead>
<tbody>
<tr>
<td>2018</td>
<td>($153,488)</td>
<td>($147,218)</td>
<td>($112,349)</td>
<td>$6,446</td>
<td>$91,318</td>
<td>($315,291)</td>
</tr>
<tr>
<td>2019</td>
<td>($147,218)</td>
<td>($112,349)</td>
<td>$6,446</td>
<td>$91,318</td>
<td>($315,291)</td>
<td></td>
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<tr>
<td>2020</td>
<td>($112,349)</td>
<td>$6,446</td>
<td>$91,318</td>
<td>($315,291)</td>
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<tr>
<td>2021</td>
<td>$6,446</td>
<td>$91,318</td>
<td>($315,291)</td>
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<tr>
<td>2022</td>
<td>$91,318</td>
<td>($315,291)</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### Fast-growth, Large-Scale Portfolio (300 units)

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>5-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$47,774</td>
<td>$140,908</td>
<td>$345,906</td>
<td>$683,338</td>
<td>$1,025,858</td>
<td>$2,243,784</td>
</tr>
<tr>
<td>2019</td>
<td>$140,908</td>
<td>$345,906</td>
<td>$683,338</td>
<td>$1,025,858</td>
<td>$2,243,784</td>
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<tr>
<td>2020</td>
<td>$345,906</td>
<td>$683,338</td>
<td>$1,025,858</td>
<td>$2,243,784</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$683,338</td>
<td>$1,025,858</td>
<td>$2,243,784</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>$1,025,858</td>
<td>$2,243,784</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

### Rental housing helps the bottom line.

Adding rental housing into the mix would reduce the size of the operating subsidies that a new CLT program would require during its first five years – but only if the program is able to collect Fair Market Rents for all (or most) of the rental units in its portfolio. If the CLT program is unable to secure outside rental subsidies and is forced to lower its rents to a level affordable to low-income households in GES, then the addition of rental housing to the CLT’s portfolio would negatively impact the program’s operating budget, increasing the program’s annual deficit.

Our initial analyses were conducted on the assumption that 100% of the rental units produced through a CLT program would collect Fair Market Rents (FMRs). This would be possible, however, only if federally funded project-based or tenant-based assistance was forthcoming for all of the rental housing in the CLT’s portfolio. Since this seems unlikely, the editable spreadsheets allow for an analysis of the extra operating subsidies a CLT program would require if some lesser percentage of its rental housing received outside rental assistance, compelling the program to subsidize rentals out of its own budget. The pattern would look something like this:

Increase in the Cumulative Operating Subsidy Needed by a CLT Program Serving...
Low-income Tenants When Rental Assistance Is Available for a Decreasing Percentage of the Rental Housing Contained in the “Model” Portfolio

<table>
<thead>
<tr>
<th>Percentage of portfolio’s rental housing subsidized with rental assistance, allowing the program to collect Fair Market Rents</th>
<th>100%</th>
<th>80%</th>
<th>60%</th>
<th>50%</th>
<th>40%</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative subsidy needed for the program’s operation: 2018-2022</td>
<td>$315,291</td>
<td>$492,715</td>
<td>$670,138</td>
<td>$758,850</td>
<td>$847,561</td>
<td>$936,273</td>
</tr>
</tbody>
</table>

Sustainability is elusive, but not entirely out of reach. Despite the financial projections presented on the previous page, suggesting that the build-up of either a 150-unit portfolio or a 300-unit portfolio would result in an operating surplus by 2022, these estimates were based on extremely optimistic assumptions regarding (a) the assembly of an “ideal” mix of tenures and types among the homes brought into the portfolio, (b) the availability of property in GES able to be redeveloped at a density of 2:1, and (c) the availability of project-based or tenant-based rental assistance for 100% of the portfolio’s rental units. Even under these highly unlikely conditions, the CLT program would still require over $315,000 in outside operating subsidies during its first five years.

Is there a point where an expanding CLT portfolio would become large enough to generate internally most of the revenues needed to cover the program’s costs – especially the cost of long-term stewardship? The editable spreadsheets prepared by Burlington Associates automatically linked the revenues collected by the CLT in developing and managing its portfolio and the costs incurred by the CLT in staffing and administering that portfolio, allowing various scenarios to be run in search of the “right” size for a sustainable portfolio. A number of patterns emerged when running several of these scenarios:

- Any portfolio that is smaller than 100 units does not cover its operating expenses out of operating revenues, no matter how optimistic the assumptions about the portfolio’s composition and the availability of rental assistance.

- The more diverse the portfolio, the higher is the cost of staffing a CLT program because of the specialized skills required to develop, market, and manage a diverse portfolio;

- A growing portfolio moves a CLT program closer to the point of sustainability, as the percentage of expenses covered by the program’s revenues gradually increases.

- A 300-unit portfolio might be large enough to achieve break-even sustainability (at least for the program’s stewardship function), but only if outside rental assistance is continuously available for at least half of the portfolio’s rental housing.
Assessment of Organizational Capacity

A productive and effective CLT program requires the ongoing presence of an organization that has the financial, technical, and administrative capacity to carry out a variety of tasks. They may be carried out by the organization’s own staff, shared among organizational partners, or delegated to organizations or individuals serving as subcontractors under the CLT’s supervision. Regardless of the particular arrangement, a CLT program does not prosper or survive without a host of essential functions being reliably performed over a long period of time. These essential functions are the following:

**Acquisition of real property.** An organization (or consortium of organizations) operating as a community land trust must have the resources and capacity to acquire scattered parcels of land, some of which will be vacant and some of which will have buildings already in place. These acquisitions may be confined to a single neighborhood or to a cluster of adjacent neighborhoods (like GES). Alternatively, with policy support from local government and with dedicated resources from charitable institutions and public agencies, the CLT may range across an entire city or region, opportunistically acquiring developable land and repairable buildings.

**Management of land.** After acquisition, a CLT must serve as the holder and lessor of any parcels of land that have come into its possession, paying for taxes, repairing infrastructure, carrying insurance, etc. The CLT must also play the leading role in planning for the land’s use and in executing and enforcing the ground leases that make sites available for development.

**Development of housing.** A CLT must have the resources and the staffing to initiate and to oversee the construction of new housing or the rehabilitation of existing housing. (These activities might someday extend to the development of non-residential facilities, offices, or retail space as well, or to the low-density use of CLT lands for urban agriculture or recreation.)

**Marketing of homes.** Once housing units (or commercial spaces) are ready for occupancy, a CLT must be able to sell or to rent these units to income-eligible households – or to preferred organizations or enterprises. There must be resources and staffing to:

- Advertise available units;
- Line up mortgage lenders;
- Qualify buyers (or renters);
- Maintain a waiting list of income-eligible buyers (or renters);
- Review and approve mortgages, screening against predatory lending; and
- Prepare/orient prospective buyers, including disclosure of the contractual restrictions and conditions that accompany the ownership of CLT homes.

**Stewardship of assets.** A CLT’s work is not over once land has been purchased, housing has been developed, and homes have been occupied. Indeed, its real work has just begun. Stewardship is what a CLT does the longest and what a CLT must do the best if it is to fulfill its mission. Stewardship imposes on the CLT a multi-faceted set of responsibilities designed to preserve the
affordability of CLT homes; preserve the quality of those homes; and to protect security of tenure for homeowners and renters alike (see Appendix C). Responsibilities include:

**Preserving housing affordability**
- Regulate subletting and capital improvements
- Calculate the formula-determined price when a homeowner decides to resell
- Oversee the resale of homes to income-eligible buyers at affordable prices

**Preserving housing quality**
- Monitor and (occasionally) enforce compliance with ground lease requirements for adequate upkeep of building(s)
- Inspect homes periodically

**Protecting security of tenure**
- Review and approve refinancing of resale-restricted homes
- Ensure that adequate insurance coverage is carried on all homes
- Intervene to cure defaults and to prevent foreclosures

Many CLTs do other things too. It must be said again that these “essential functions” are the minimal requirements for a productive and effective CLT program. Many CLTs do more, offering a wide array of services and supports that increase the likelihood of a homeowner’s success and, in the case of CLTs administering their own maintenance and replacement funds, that reduce a homeowner’s risk of being overwhelmed by the crippling cost of unexpected repairs. Note, too, that half of all CLTs develop and manage rental housing in addition to owner-occupied houses, townhouses, and condominiums. A few CLTs operate lease-to-purchase programs, where the CLT serves as the manager of homes that are operated as rentals for up to five years until a low-income family can afford to purchase the home. And some CLTs develop and manage non-residential buildings on lands they own – or lease out lands for urban agriculture.

Most CLTs build community too. Nearly all of the activities listed above are aimed at preserving the homes and enhancing the prospects of individual homeowners (and renters). But most CLTs are just as focused on community. They commit resources and staff to improving conditions for everyone who inhabits a particular locale, not just for those individuals fortunate enough to occupy a home on a CLT’s land. CLTs must also build a base of understanding and support for the CLT’s work among everyone with a stake in the locality served by the CLT. For organizations that are dedicated to building community, therefore, keeping the “C” in CLT, the activities they consider “essential” go beyond the sticks and bricks of physical development. These community-building functions include:

- Conducting training and education among local stakeholders to increase understanding and acceptance of the CLT model;
- Offering frequent opportunities for resident engagement;
- Facilitating the participation of local residents in planning and designing proposed pro-
Objects;
- Developing leadership among the occupants of CLT housing and among residents of the surrounding community;
- Recruiting local residents into the CLT’s membership; and
- Recruiting CLT homeowners, CLT renters, and residents from the surrounding community onto the governing board of the CLT.

All CLTs strive to make homes affordable for good. There is no such thing as a self-enforcing covenant or ground lease when it comes to preserving the affordability, quality, and security of heavily subsidized housing. That is why CLTs are committed to staying in the picture for a very long time, watching over the homes that public subsidies and private donations have helped to create. A CLT must have enough staff to play this watchful role, however, and enough funding from government agencies and charitable institutions to put that staff in place, especially during the early years when a CLT’s portfolio of land and housing is small.

Assessment of existing capacity

A community land trust (CLT) does not presently exist whose primary organizational focus is serving the neighborhoods of Globeville, Elyria, and Swansea (GES). A community capacity-building process of visioning and planning is now underway. Initiated by a local organizing entity, Right to Live Well, championed by the GES Coalition, and facilitated by Grounded Solutions Network, this process may lead to the formation of such a GES-focused community land trust. But this outcome is neither imminent nor certain. Should a new resident-initiated, resident-led CLT serving GES eventually be incorporated, moreover, the experience of start-up CLTs in other cities suggests that several years would be needed to raise the funds, hire the staff, and create the administrative systems required for a new organization to develop a sizeable portfolio of permanently affordable housing. Several more years might be needed to create an effective stewardship regime, especially if the residents of GES desire more services or expect the CLT to acquire, develop, and manage land for uses that go beyond the provision of affordable housing.

GES cannot wait that long, however. There is a need for speed in gaining control of a significant quantity of developable land and existing housing before private real estate speculation pushes housing prices entirely out-of-reach for many of the low-income and moderate-income households who are living in GES today. A new, community-controlled CLT with adequate technical and administrative capacity is unlikely to be created fast enough to enable these at-risk households to remain in GES. An expedient compromise is necessary, therefore, one that recognizes (a) the accelerating pace of market pressures, (b) the operational and financial realities of managing a successful CLT program, and (c) the stated desires of residents and activists in GES who are hoping eventually to establish a community land trust of their own.

During the five years covered by this Feasibility Study and Business Plan, it is clear that the only way to jumpstart a CLT program serving GES would be to incubate it and to operate it within an existing nonprofit organization – or to allocate essential functions among a consortium of exist-
ing organizations. Eventually it might be feasible to transfer assets and responsibilities of this program to a newly established, community-controlled CLT, but that would necessarily depend on the new entity having the financial resources and technical capacity to carry out all of the functions required for a productive and effective CLT.

There are four Denver-based nonprofit housing organizations that already possess the professional expertise and administrative systems necessary to perform one or more of a CLT’s essential functions, combined with either a record of working in GES in the past or with an interest in doing so in the future: the Denver Housing Authority; Habitat for Humanity of Metro Denver; the Colorado Community Land Trust; and the Urban Land Conservancy. (There may be other nonprofits presently developing or servicing affordable housing in Denver that could be candidates for partnering in this endeavor, but the consultants decided to focus the organizational analysis on the four nonprofits having the most experience working in GES and the most expertise performing one or more of the essential functions of a CLT. In the case of the Colorado CLT and ULC, in particular, such expertise includes longtime familiarity with the CLT model itself.)

It should be pointed out, however, that none of these organizations has actually committed to hosting a new CLT program serving GES; indeed, they have not even started conversations among themselves about partnering in the operation of such a program. It is also important to note that none of these organizations could take on the extra responsibilities of a rapidly growing, scattered-site CLT program without adding staff. The cost of doing so would have to be covered by an operating subsidy from outside of their organizations.

All four of the Denver nonprofits under consideration here as possible hosts or partners in incubating a CLT program for GES are equally disadvantaged in this regard. Each would need a heavy dose of external operating support to play a significant role in a new CLT program. They are also equally disadvantaged in not being “of” GES. None of them presently has a membership base or a governing board that includes residents of GES. Were any of these organizations (or a consortium of them) to operate a CLT program within GES, even on an interim basis, a concerted effort would have to be made to engage the leadership of GES in helping to design and to guide that program.

Other disadvantages are unique to each organization. Conversely, each organization would have special advantages in hosting or supporting a CLT program. These advantages and disadvantages are summarized below. [Note: This is an outsider’s perspective, gleaned mostly from interviews with leaders of these four organizations. The consultants focused narrowly on the question of each organization’s experience, expertise, and capacity with regard to possibly performing “essential functions” that a CLT program would require.]

**Denver Housing Authority (DHA)**

The advantages of incubating a proposed GES-CLT program under the corporate umbrella of DHA would include the following:
DHA has considerable experience and extensive administrative capacity in developing and managing rent-restricted housing. DHA has 302 employees (242 FTE; 65 temporary), managing a federally assisted housing portfolio of 4,876 public housing units and 5,909 Section 8 Housing Choice vouchers.

DHA already has a significant presence in Globeville, serving over 250 low-income households through rental housing that is owned and managed by DHA or through rental housing that is heavily subsidized by DHA. (In Elyria-Swansea, DHA’s presence is limited to assisting about 40 households).

DHA operates a successful homeownership counseling program aimed at helping DHA families to transition out of tenancy. This program provides homeownership classes aimed at building financial literacy and competency and offers post purchase foreclosure counseling.

DHA’s experience in the West Denver Renaissance Collaborative, including the West Denver Leaders Project, demonstrates a high degree of sensitivity in listening to neighborhood concerns when it comes to planning and implementing a large-scale community development project.

The disadvantages of incubating a proposed GES-CLT program under the corporate umbrella of the DHA would include the following:

- DHA’s resources and energies are presently focused on West Denver, not on the neighborhoods of Globeville, Elyria, and Swansea. DHA’s $30M HUD Choice Neighborhoods grant supports implementation of a master plan for adding 2000 units of mixed-income housing in Sun Valley near light rail over next 5 – 10 years. In the northern part of the neighborhood, the Denver Broncos plan to construct a $351 million Entertainment District with retail, commercial and residential components. Over the course of six phases of development, DHA will incrementally replace 333 public housing units in its own Sun Valley Homes and Sun Valley Annex, while creating 202 moderate-income housing units and 215 market-rate units. A CLT program in GES would have little hope of competing for DHA’s attention in the face of such massive projects.
- DHA has no experience with the CLT model, nor with any other form of shared equity homeownership.
- DHA is a federally regulated entity and would have little flexibility in serving undocumented families in GES who might be hoping to rent or to buy a home.
- The marketing of owner-occupied homes on land that is owned by DHA would be made more difficult if these homes were mistakenly perceived as “public housing.”
- DHA would face significant challenges in giving GES residents a direct role in decision making in guiding or governing a new CLT program.

**Habitat for Humanity of Metro Denver (HfH)**

The advantages of incubating a proposed GES-CLT program under the corporate umbrella of Habitat for Humanity would include the following:
The Denver affiliate of HfH has a staff of 26 with experience supervising the construction of new homes, the acquisition-rehab-resale of existing homes, and the repair and rehabilitation of homes that are already owned and occupied by lower-income homeowners. The affiliate produces approximately 32 new homes per year and plans to increase production by 20%-25% each year, going forward. HfH has repaired 44 houses this Fiscal Year and plans to repair another 54 houses in the next Fiscal Year.

The Denver affiliate has already made a substantial investment in GES and accumulated a wealth of experience doing construction and renovation in these neighborhoods. HfH has developed and sold 39 new homes in GES (37 in Globeville; 2 in Elyria-Swansea) and repaired 126 existing homes (88 in Globeville; 38 in Elyria-Swansea).

The Denver affiliate operates an internal mortgage pool (its “Fund for Humanity”) that allows HfH to serve very low-income homebuyers. The Denver affiliate is already imposing restrictions on resale, using deed covenants lasting from 15 – 30 years.

The affiliate’s leaders have indicated a willingness to consider doing additional construction and rehabilitation for a proposed CLT initiative in GES. HfH would do these as Habitat homes, mixing public grants and private donations with financing from HfH’s Fund for Humanity.

The Habitat “brand” would help in raising money for a CLT program serving GES, as well as be a boon in marketing the program’s resale-restricted homes. Habitat for Humanity International’s 2017 Shelter Report, Affordable for Good: Building Inclusive Communities through Homes that Last, offers a ringing endorsement of the kind of resale-restricted, owner-occupied housing that a CLT program would produce, were such a program to be implemented in GES. (Appendix C reproduces one of many charts and graphs in this Shelter Report that documents the operation and success of homes with permanent affordability.)

The disadvantages of incubating a proposed GES-CLT program under the corporate umbrella of Habitat for Humanity would include the following:

- The Denver affiliate’s willingness to consider constructing and rehabilitating houses for a proposed CLT does not extend to acquiring and holding land. Some other entity would have to play this essential role.
- HfH requires borrowers from Habitat’s mortgage pool to have a Social Security number, so undocumented families in GES would be unable to purchase Habitat houses.
- Habitat has no prior experience with many aspects of the CLT model.
- Despite imposing a 15-30-year covenant on their homes, Habitat does far less in the way of post-purchase stewardship than is typical of the “best practices” among CLTs.

Colorado Community Land Trust (CCLT)

The advantages of incubating a proposed GES-CLT program under the corporate umbrella of the CCLT would include the following:
CCLT has extensive familiarity with ground leasing and demonstrated success with long-term ground leasing and all other aspects of the CLT model.

CCLT has created the systems for the stewardship of permanently affordable housing, currently acting as the steward for 200 homes, the largest portfolio of resale-restricted, owner-occupied housing in Denver.

Although CCLT initially focused on redevelopment of the former Lowry Air Force Base and has built a portfolio of owner-occupied housing that is mostly located there, CCLT expanded its service area in 2006 to include the entire Denver metro area.

CCLT has repeatedly expressed an interest in working in GES and a willingness to expand its stewardship capacity to do so.

CCLT has expressed a willingness to amend its existing governance structure specifically to include resident representatives on its board from GES, should CCLT become deeply involved in a CLT initiative for these neighborhoods.

The disadvantages of incubating a proposed GES-CLT program under the corporate umbrella of the CCLT would include the following:

- CCLT is the smallest of the four nonprofits under consideration here, with a current staff of only three (although all of its staff, unlike the other nonprofits, specialize in CLT operations and stewardship).
- CCLT has limited experience in the acquisition and financing of parcels of land that are being assembled and held for future development.
- CCLT has limited experience in initiating and overseeing the construction or rehabilitation of affordable housing.

Urban Land Conservancy (ULC)

The advantages of incubating a proposed GES-CLT program under the corporate umbrella of ULC would include the following:

- ULC has a skilled professional staff of 14 and an established administrative capacity.
- ULC has extensive experience financing, assembling, and banking land – and serving as the long-term lessor of land.
- ULC has successfully sponsored and facilitated partnerships for the development of permanently affordable rental housing, non-residential facilities, and mixed-use projects that combine residential units and commercial space in transit-oriented developments.
- ULC is already committed to working in GES. On a six-acre industrial site owned by ULC at 48th and Race, some 300 affordably priced housing units are planned to be constructed over the next 5-6 years. All of them will all be kept permanently affordable via ULC’s continued ownership and long-term leasing of the land.
- ULC has two senior staff with extensive familiarity with long-term ground leasing and all other aspects of the CLT model. Indeed, both of these ULC staffers have national reputations as “CLT experts” and are often called upon by practitioners and policymakers in
other cities to offer advice on establishing CLT programs in their own localities.

- ULC has experience aggregating funds and financing resources for large-scale, mixed-use projects and coordinating the work of multiple partners.

The **disadvantages** of incubating a proposed GES-CLT program under the corporate umbrella of ULC would include the following:

- ULC as an organization has no experience in developing, rehabilitating, and stewarding scattered-site, single-family housing that is **owner-occupied**.
- ULC has no interest in building the in-house capacity to provide stewardship services for owner-occupied, scattered-site, single-family housing (– although ULC *would* be open to serving as the nonprofit landowner and lessor if a high-capacity partner were willing to manage rehabilitation/construction and marketing of the houses, education and selection of homebuyers, and essential functions of stewardship).
- ULC does not have a membership or a governance structure that includes neighborhood residents on its board, nor does it have any plan or desire to revise its existing structure.

**Assessment of alternative structures**

No existing Denver-based housing development organization is currently able (or willing) by itself to fulfill all of the functions of a GES-focused community land trust, even on a temporary basis. What then, might be some alternative scenarios for implementing such a CLT program, while incorporating participation by GES residents in making critical program decisions? Here are three organizational options that seem worthy of consideration, either separately or in combination.

**Interim CLT Collaborative (ICC)**

Instead of asking one nonprofit organization to do all of a CLT program’s essential functions, these functions could be **divided** among multiple organizations, each organization concentrating on what it already does best. The most logical division of labor in the case of GES would be to divide these functions by:

- Acquisition and management of land;
- Development and marketing of housing; and
- Stewardship of assets.

This division of labor would have the **advantage** of drawing on the particular experience and expertise of each player, without requiring any one of them to shoulder all of the responsibilities of a CLT program. Outside financial assistance would still be needed to subsidize each organization’s costs of adding capacity to play a part in carrying out its individual contribution to this CLT program, but the lag time in getting such a program underway would be relatively short. Indeed, this would probably be the fastest way to launch a CLT initiative serving GES.
The biggest disadvantage of dividing functions among multiple organizations would be that nobody would be in charge. One of the partners would have to be assigned responsibility for overall coordination and management of the CLT program. And that organizational coordinator would have to have a plan for engaging and involving GES residents in the program’s design and delivery.

Joint Ownership Entity (JOE)

Instead of having an existing nonprofit serve as the holder of land (and other real estate) in the GES neighborhoods, either temporarily or permanently, a new nonprofit corporation and/or limited liability company could be established. The members of the governing board of this joint ownership entity (JOE) might initially include three representatives of the nonprofit(s) that are assigned responsibility for developing, rehabilitating, and stewarding housing in GES, joined by three board members from GES, representing the Globeville, Elyria, and Swansea neighborhoods, and three board members drawn from local philanthropic institutions. Each JOE member would have a vote in making key decisions such as which acquisitions to prioritize in GES and what kinds of development to undertake. (The resulting three-part board would mimic the traditional tripartite structure of governance found in most CLTs.)

The advantages of establishing a JOE would include the following:

- A joint ownership entity could be created rather swiftly as long as the founding members were willing to buy into its purpose and program.
- Funds specifically targeted for the acquisition of GES property could be directed to the JOE from private foundations and public entities.
- Parcels of land and existing single-family houses in GES could be acquired quickly before speculative pressures push prices higher, with the JOE “banking” that property for gradual development.
- The individual organizations that were the JOE’s founding members would have no legal liability for holding and managing buildings in GES, many of which may initially be in poor repair. The JOE would contract separately with existing nonprofits to provide specific services on behalf of the JOE, but the liability of each organization would be limited to their performance in meeting their individual contractual obligations.
- A JOE could be combined with the division of labor described above (under the Interim CLT Collaborative), with each of the nonprofits performing those tasks for which it was best suited. Coordination would be the joint responsibility of the JOE’s board.
- Additional seats on the governing board might be awarded initially or eventually expanded to include other organizations that own or lease real estate in GES such as Clínica Tepeyac.
- Should a GES community land trust be legally incorporated and adequately staffed down the road, a JOE would have the flexibility of holding buildings on lands owned by the new CLT, transferring land to the new CLT, or acting as the CLT itself by virtue of having the nucleus of a traditional tripartite CLT board.
The disadvantages of establishing a JOE would include the following:

- The JOE would depend on cooperation and commitment from organizational and community representatives on its board who have limited experience in communicating and working together. They may be unable to reach consensus on what the JOE should do and how it should operate.
- Someone must staff the JOE, either an employee of one of the nonprofit housing developers on the founding board or a direct employee of the JOE. The former runs the risk of elevating one of the nonprofit members to being the “first among equals,” potentially undermining the cooperation that must exist among members of the entire board. The latter imposes the burden of adding administrative overhead to the JOE, requiring it to raise not only acquisition funds but operating funds as well.
- GES neighborhood residents would have to agree upon a process for selecting their three Board representatives. A significant commitment of volunteer time would be required of these neighborhood representatives, as well as some level of basic familiarity with the CLT model and a board member’s responsibilities in nonprofit governance.
- The JOE is a relatively untested model. There is only one joint ownership entity with significant experience and holdings, the one in New York City (www.joenyc.org). JOE NYC is still somewhat in pilot mode, although it expects to have at least 3,000 units of affordable housing in its portfolio by the end of next year.

Regional Stewardship Provider (RSP)

If the portfolio of permanently affordable housing is to grow to a significant degree over the next five years in GES and, perhaps, in other Denver neighborhoods as well, more attention must be paid to protecting and preserving this portfolio after it is developed. The stewardship of even a small portfolio of scattered-site single-family houses in GES would require significant time and effort. The stewardship of resale-restricted, owner-occupied houses, townhouses, and condominiums is still evolving in Denver; no single organization yet possesses the staff and systems to do an effective job of managing a large portfolio of such housing over a long period of time. Now might be the time to begin putting the organizational and administrative pieces in place for a specialized nonprofit entity capable of operating region-wide, to provide consistent, high-quality, long-term stewardship services for all of the resale-restricted, owner-occupied housing being developed by nonprofit organizations – as well as such housing being produced by for-profit developers because of mandates or incentives from city government.

The advantages of establishing a regional stewardship provider would include the following:

- Economies of scale in maximizing revenue and controlling costs could be realized by having a specialized stewardship entity overseeing all of the resale-restricted, owner-occupied housing in Metro Denver. In time, that same entity might be given responsibility for backstopping the affordability of permanently rental housing as well.
- The quality of stewardship could be standardized and improved, not only for the homes developed by multiple nonprofits but also for resale-restricted, owner-occupied housing produced as a result of municipal mandates or incentives.

- A deeper pool of mortgage-ready buyers for shared equity homes could be created by a regional stewardship entity that consolidates waiting lists, coordinates homebuyer training, and works with conventional and unconventional lenders to offer mortgage products for low-income households interested in buying a shared equity home.

The disadvantages of establishing such a regional stewardship provider would include the following:

- The financially sustainability of an RSP would depend on having a portfolio of sufficient size to generate internally a large percentage of the RSP’s operating costs. It may be a number of years before a sustainable portfolio exists in GES in particular and in Denver Metro in general.

- It would take time – and a dependable stream of operating grants – to establish a RSP with a large enough staff to manage an expanding portfolio of resale-restricted, owner-occupied housing.

- Nonprofit organizations and/or city agencies that are already providing administrative oversight and (basic) stewardship services for a small portfolio of resale-restricted housing might be reluctant to surrender their responsibilities – and their funding – to a regional stewardship provider.

- Like the JOE, the sort of “central server” envisioned here is untested. This is a model that has been widely discussed and previously attempted on a limited scale in several other cities and regions, but with mixed success.
PART THREE
Recommendations for Creating and Sustaining a CLT Program

A community land trust is distinguished by the innovative way in which land and buildings are owned, the innovative way in which CLT’s real estate portfolio is operated, and the innovative way in which CLT itself is organized. The recommendations offered by Burlington Associates in Community Development for designing a CLT program serving Globeville, Elyria, and Swansea are arranged, accordingly, by:

- OWNERSHIP (What sort of portfolio should be assembled – and how?);
- OPERATION (What sort of staffing should be put in place to build and to manage that portfolio?); and
- ORGANIZATION (How should the CLT program be structured to gain and retain the support of public funders, private donors, and local residents of the GES neighborhoods?).

Beyond these three sets of threshold recommendations, the most pressing issue for neighborhoods threatened with gentrification is timing; that is, whether the essential elements of a CLT program serving GES can be put in place quickly enough to make a difference. Additional recommendations are offered, therefore, on IMPLEMENTATION: how best to design a CLT pilot program that could start work right away and assemble an impactful portfolio of permanently affordable housing by the end of 2022. Since the rapid growth and long-term sustainability of a CLT program serving GES must necessarily depend on the ongoing support of public agencies, in addition to private philanthropy, consideration is also given at the end of this section as to how best to amend municipal policies and plans to create a favorable environment for the permanently affordable housing such a program would produce and preserve.

OWNERSHIP: Building a CLT portfolio

The interrelated, dual-purpose rationale for creating a CLT program is preservation and inclusion. The main ownership goal in building a CLT portfolio, therefore, may be stated as follows:

Create homes that last on land that remains in the hands of a nonprofit organization acting on behalf of a place-based community. More specifically, create enough decent housing in GES that is made affordable initially and remains affordable continuously to enable a significant portion of the lower-income households who presently reside in these neighborhoods to stay there, even as prices of the market-rate homes around them keep rising.

The recommendations from Burlington Associates for achieving this goal are directed at questions of quantity, beneficiary, and strategy; that is, how much housing with lasting affordability might achieve the desired effect; who should be served as the program’s highest priority in de-
developing and pricing this housing; and how should a CLT proceed programmatically in building this portfolio of permanently affordable housing?

**Quantity**

The consultants’ recommendations regarding the desired number of units of resale-restricted and rent-restricted housing a CLT program should plan to produce in the Globeville, Elyria, and Swansea neighborhoods were guided (and constrained) by three concerns: the long-term and short-term impact the program hopes to have in promoting inclusion and preventing displacement; the sustainability the program hopes eventually to achieve in covering a majority of its stewardship costs from the program’s own revenues; and the feasibility of finding enough capital to build this portfolio in the first place. At the intersection of these competing concerns is to be found the “right” level of production at any point in time.

**LONG-TERM IMPACT:** Burlington Associates recommends adopting an ambitious, aspirational goal of making 50% of all the rental housing in GES permanently affordable and making 30% of all the owner-occupied housing in GES permanently affordable within a period of ten (10) years, accomplished through a combination of new construction of affordably priced housing and the conversion of existing market-rate homes to resale-restricted or rent-restricted homes.

The higher target for rental housing reflects the demographic reality of a residential area where more than half of all households are renters and more than half of all renters are cost-burdened; that is, they are currently spending more than 30% of their monthly income on housing. These are the households who are the most vulnerable to displacement in a gentrifying neighborhood. Any intervention that is aimed at preventing displacement and preserving diversity in GES, therefore, must address the plight of this population. Hence the higher goal recommended by Burlington Associates for creating permanently affordable rental housing.

This would be something of a moving target, of course, since units are going to be added and removed from the GES inventory on a regular basis. But a baseline can be established by looking at the inventory of residential units that presently exists in GES and calculating the shortfall...
in units with lasting affordability, both rental units with long-term restrictions on rents and homeowner units with long-term restrictions on resale. This is merely a snapshot, illustrating what an ambitious, aggressive, ten-year commitment to GES would look like, if aimed at having the maximum impact on preventing displacement and preserving social and economic diversity.

Based on the Shift Research Lab’s estimate of the current number of housing units in GES, the present shortfall in the amount of rental housing that would need to be added to the portfolio of permanently affordable housing over the next ten years to hit a target of 50% would be 342 units. [Note: this total is over and above the 300 affordably priced, multi-unit rentals that are already in the development pipeline for the site at 48th & Race, housing that will remain permanently affordable by virtue of being constructed on land that will continue to be owned and leased from the Urban Land Conservancy.]

<table>
<thead>
<tr>
<th>TEN-YEAR TARGET FOR ADDING PRICE-RESTRICTED RENTAL UNITS</th>
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<tbody>
<tr>
<td>[((\text{Column A} + \text{Column B}) \times .50) - \text{Column C}] \text{=} \text{Column D}</td>
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<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
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<tbody>
<tr>
<td>Occupied units that are rentals</td>
<td>Estimated number of vacant units that were renter-occupied*</td>
<td>Existing rent-restricted units**</td>
<td>Added units needed to achieve 50% GES goal</td>
</tr>
<tr>
<td>Globeville</td>
<td>684</td>
<td>78</td>
<td>197</td>
</tr>
<tr>
<td>Elyria-Swansea</td>
<td>951</td>
<td>90</td>
<td>362</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1635</td>
<td>168</td>
<td>559</td>
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* Shift reported a total of 287 vacant housing units in GES for 2015. Rentals made up 63.87% of the occupied housing in Globeville that year and 54.78% of the occupied housing in Elyria-Swansea. By applying these percentages to the reported number of vacant units, an estimate was made of the number of vacant units that might be counted as rental housing.

** Includes 62 units with project-based rental assistance that already exist, plus another 300 units of permanently affordable, multi-unit rental housing in the ULC pipeline, planned for the site at 48th & Race in Elyria-Swansea.

This shortfall in rentals with permanent affordability is matched by a somewhat higher shortfall in the number of owner-occupied homes with permanent affordability, since the only resale-restricted homeownership that presently exists in GES has affordability controls that lapse within 15 to 30 years. Achieving a ten-year target of 30% of all owner-occupied housing in GES being made permanently affordable would require the addition of 387 units, achieved through some combination of constructing new housing and converting existing market-rate housing to resale-restricted housing with affordability controls that last forever.

<table>
<thead>
<tr>
<th>TEN-YEAR TARGET FOR ADDING PRICE-RESTRICTED HOMEOWNERSHIP UNITS</th>
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<tr>
<td>[((\text{Column A} + \text{Column B}) \times .30) - \text{Column C}] \text{=} \text{Column D}</td>
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### Short-Term Impact

**SHORT-TERM IMPACT:** Simply cutting in half the 10-year production goals for permanently affordable rental housing (342 units) and permanently affordable homeownership housing (387 units) would yield a 5-year production target of 365 units during the period 2018 – 2022, including 171 units of rental housing and 194 units of homeownership housing.

**A newly established CLT program would not be expected to produce all of the housing needed to hit these targets.** Other developers of affordable housing are already at work in GES and would continue working in parallel or in partnership with any CLT program that was established. A new CLT program would have special constraints, moreover: the start-up time needed to establish such a program; the lack of capacity that presently exists to produce and to steward a large portfolio of resale-restricted housing and rent-restricted housing; and the amount of equity investment and debt financing that would be needed to create such a large portfolio.

It is recommended, therefore, that a CLT pilot program should plan on assembling a portfolio of permanently affordable housing that would account for roughly **half** of the five-year target. The mix of tenures and strategies required to produce such a portfolio is described in detail under IMPLEMENTATION, but the consultants’ general recommendation can be summarized as follows: **A newly established CLT program, focused on the rehabilitation and redevelopment of existing single-family housing in the core residential areas of GES, should assemble a portfolio of 150 units of permanently affordable housing by the end of 2022, divided equally between homes that are owner-occupied and homes that are renter-occupied.**

**Beneficiaries**

The average household income in Globeville, Elyria, and Swansea is roughly **half** the average household income in Denver as a whole, a conclusion based on the comparison of average household incomes in GES with average household incomes for the City of Denver, presented earlier (on page 13). Using Denver’s AMI in designing an affordable housing program for GES, therefore, would run the risk of offering rentals or homeownership opportunities that few of the low-income people who **presently** live in the area could actually afford.
It is recommended, therefore, that the portfolio of permanently affordable housing being contemplated for GES should be planned and priced to serve beneficiaries earning much less than Denver’s AMI. In calculating “affordable” prices for the households to be served by a CLT program in GES, Burlington Associates started with the 2017 Area Median Income figures provided by Denver’s Office of Economic Development, but then **discounted those figures by 50%**. (The editable spreadsheets prepared by the consultants allow for a different adjustment factor to be entered, however, if average incomes in GES relative to those in Denver as a whole are later deemed to be lower than 50% – or higher.)

<table>
<thead>
<tr>
<th>2017 Globeville, Elyria &amp; Swansea Imputed Household Income</th>
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<tr>
<td><strong>% AMI</strong></td>
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<tr>
<td>30%</td>
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<td>50%</td>
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<td>60%</td>
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<td>80%</td>
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<td>90%</td>
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<tr>
<td>95%</td>
</tr>
<tr>
<td>100%</td>
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<tr>
<td>120%</td>
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</table>

Given the high percentage of renters that live in GES – accounting for 63.9% of the occupied units in Globeville and 54.8% of the occupied units in Elyria-Swansea, according to the Shift Research Lab – and recognizing that many of these households have incomes that are too low to meet standard mortgage requirements for purchasing a home, some of the housing brought into the portfolio of any CLT program for GES should either be operated permanently as rental housing or offered for eventual sale through a lease-to-purchase program.

**Priority beneficiaries among prospective renters of CLT housing.** Any rental housing provided by a CLT program should target households in GES earning between 30% and 50% of the Area Median Income for the City of Denver, consistent with average incomes of the people presently living in GES. For a four-person household, this would mean setting a price for the program’s rental housing that would be affordable, initially and continuously, for targeted households earning below **$20,975/year**. The maximum “affordable” rent could not exceed $524/month.

Note, however, that a CLT program’s **actual** cost of developing and operating rental housing would be fully covered only if the program were able to receive rental revenues that are equal to Denver’s much higher “Fair Market Rents” (FMRs). Since the average resident of GES cannot afford to pay such market rents, a CLT program hoping to serve GES households earning below 50% of AMI would have to obtain a monthly subsidy for every rental unit in the CLT’s portfolio,
either project-based or tenant-based rental assistance – or would have to subsidize these units out of its own operating revenues.

Priority beneficiaries among prospective buyers of CLT housing. Any owner-occupied housing provided by a CLT program should target households in GES earning between 50% and 60% of Denver’s Area Median Income, consistent with average incomes of the people presently living in GES. For a four-person household this would mean setting a price for the program’s homeownership units that would be affordable, initially and continuously, for targeted households earning between $20,975/year and $25,170/year. Households within this range would be able to spend between $524 and $629/month for PITI (principal, interest, taxes, and insurance).

A CLT homeownership program hoping to serve GES residents earning between 50% and 60% of Denver’s AMI, would have to obtain subsidies equivalent to the cost of acquiring the land, but would also need an extra subsidy to cover a portion of the cost of renovating or constructing the house. That is to say, even if the program succeeded in bringing enough equity to the deal to remove the cost of the underlying land, a key ingredient in a successful and sustainable CLT program, an affordability gap would remain. Equity, not debt, would be needed to close that gap, if the program were to reach households with incomes as low as they mostly are in GES.

Strategies

There are five assumptions underlying the recommendations offered by Burlington Associates for building a portfolio of permanently affordable housing in the neighborhoods of Glenville-Elyria, and Swansea from the beginning of 2018 until the end of 2022:

1. **All of the housing added to the stock of permanently affordable housing would not be put under the control of the proposed CLT program.** The Denver Housing Authority, the Urban Land Conservancy, and Habitat for Humanity of Metro Denver are already actively involved in providing rental and homeownership housing in GES. These are units with lasting affordability. Actors other than a new CLT program, therefore, will play a continuing role in GES, helping to meet the five-year and ten-year production targets described above.

2. **New construction and stewardship of multi-unit rental housing would not be undertaken by the proposed CLT program.** These are very big projects, requiring very large parcels of land and taking a long time to build. Over the five-year period covered by the present business plan, a CLT program serving GES should concentrate on the preservation and selective replacement of the single-family houses that constitutes 74% of the existing housing stock in Globeville and nearly 85% of the existing housing stock in Elyria-Swansea.

3. **The portfolio of permanently affordable housing developed by the proposed CLT program would not be limited to single-family, detached houses.** Even though most of existing housing stock in the GES neighborhoods is composed of single-family units, some
is too decrepit to save. The CLT should do selective demolition, rebuilding at a ratio of two-to-one, wherever lot size and current zoning might allow more density. Even when existing single-family units are sound enough to be inexpensively acquired and renovated, moreover, the CLT should consider adding Accessory Dwelling Units as part of the renovation.

4. **The portfolio of permanently affordable housing developed by the proposed CLT program would not be confined to homeownership.** Even though it is assumed that a new CLT would not undertake the development of large-scale multi-family rental projects, some rental housing should be included in the CLT’s portfolio of single-family units and duplexes on sites scattered throughout GES.

5. **The CLT program’s portfolio of permanently affordable housing would not be sited within the highway impact mitigation areas.** The Colorado Department of Transportation’s 2016 Final Environmental Impact Statement (FEIS) for the expanded I-70 project has stated that the area of noise and air quality impact will extend from 500 feet to 1,000 feet on either side of the highway corridor passing through GES. Accordingly, the 2015 *Elyria and Swansea Housing Replacement and Viability Study*, commissioned by Denver’s Office of Economic Development, recommended avoiding those impact areas in creating replacement housing due to the cost of mitigation and unknown long-term health implications from exposure to environmental hazards.

Working from these assumptions, Burlington Associates recommends the following menu of strategies for building a portfolio of 150 units of permanently affordable housing in GES by the end of 2022. Low-income households who are presently living in GES would be given priority in occupying these homes, once completed. Since part of the rationale for launching a CLT program is to mitigate displacement in GES, this portfolio would provide a mix of rental options and homeownership options. The following strategies contemplate, therefore, that half of the units brought into the program’s portfolio of permanently affordable housing would be occupied by renters, either temporarily or permanently.

**Priority strategy #1: Acquisition, rehabilitation, and resale.** The CLT program would acquire existing single-family houses in GES and rehabilitate them as needed, bringing each up to code while adding improvements for energy efficiency. After separating title to the land and any buildings, ownership of the rehabilitated houses would be sold to a low-income or moderate-income household able to qualify for a mortgage from a private lender. Ownership of the land underneath these homes would be retained by the CLT. The underlying land would be leased to these new homebuyers, with provisions embedded in the 99-year ground lease to protect affordability, quality, and security, while allowing homeowners who later resell to share in the equity build-up in their homes and to realize a fair return on their investment.

**Priority strategy #2: Acquisition, demolition, and replacement at higher density.** The CLT program would acquire existing single-family houses in GES that are deemed, after inspection, to be too dilapidated and too costly to rehabilitate. After acquiring the property, the build-
ing would be demolished and replaced by new housing constructed on the same site. Depending on the size of the site, replacement housing would add two units for every one demolished. Wherever practical and feasible, the CLT program would attempt to use a block-by-block strategy, acquiring continuous parcels of property for demolition, replacement, and densification. Depending on the density and configuration of the resulting rebuild, the replacement housing would either be (a) sold under the dual-ownership scenario described above under Strategy #1, (b) sold with a deed covenant under a condominium regime, or (c) rented to a low-income family under a lease-to-purchase arrangement.

**Priority strategy #3: Addition of accessory dwelling units.** The CLT program would either add an accessory dwelling unit (ADU) to some of the houses being acquired, rehabilitated, and resold under Strategy #1, or the program would add an ADU to the replacement housing being constructed under Strategy #2. Another variation would be tailored to residents of GES who are already homeowners, with the program providing the funds to add an ADU in exchange for a preemptive option to purchase the entire property for a below-market price down the road. Under all three scenarios, the main house would be owner-occupied and the ADU would be renter-occupied.

**Priority strategy #4: Provision of scattered-site rental and lease-to-purchase housing.** All three of the previous strategies would result in houses, duplexes, and ADUs that could be made available for rental housing rather than for homeownership. Alternatively, many of these units could be made available to low-income households through a lease-to-purchase program.

**Priority strategy #5: Stewardship of resale-restricted owner-occupied units in multi-unit projects built by other developers.** The true forte of community land trusts is not development, but stewardship. It is after housing is built when a CLT adds the most value to a residential project. Any CLT program serving GES should be prepared to take advantage of opportunities to provide stewardship services for public agencies, for-profit developers, and nonprofit developers. Offered on a fee-for-service basis, the CLT would be hired to protect the affordability, quality, and security of resale-restricted, owner-occupied townhouses and condominiums that were either subsidized with public dollars or mandated through the City of Denver’s new $150 Affordable Housing Fund. Not only would this be a low-risk, low-cost method of adding units to the CLT portfolio; the revenues received from the agencies and developers purchasing stewardship services from the CLT would also help to subsidize the program’s operations.

* * * * *

Should a CLT program with significant resources and sufficient capacity be established, there are two additional strategies that should be considered over the coming years, but as a lower priority. Both could present significant opportunities in the future to expand the CLT’s portfolio.

**Supplemental strategy #1: Stewardship services for commercial projects.** In a gentrifying neighborhood, lower-value land uses of every kind are susceptible to displacement, not just low-cost housing. A CLT program serving GES should look for opportunities to acquire strategic commercial parcels along the main east-west corridors running between the residential cores.
of GES and the National Western Center. Permanently affordable *retail space* for existing merchants, permanently affordable *office space/service facilities* for nonprofit organizations, and permanently protected *open space* for community gardeners and urban farmers should eventually be included in the portfolio of a robust CLT program. In some cases, nonresidential development on the ground floor might be combined with affordably priced rental housing or permanently affordable condominiums on the upper stories.

**Supplemental strategy #2: Land banking for job creation.** Non-residential land uses presently existing within Globeville, Elyria, and Swansea the GES are predominantly industrial. Many of the businesses that occupy these sites are likely to transition to locations outside of GES over the next ten years. At the same time, the proposed Agribusiness Innovation District for food-linked manufacturing is targeted for development on private land adjacent to the National Western Center’s core 250-acre campus, spurred by the City of Denver’s NexGen Economic Development Initiative. Any CLT program serving GES should look for opportunities to acquire land in transitioning industrial sites and within the new Agribusiness Innovation District area, using long-term ground leasing as a vehicle for partnering with private enterprises in providing community benefits for GES residents like job training, preferred hiring, and livable wages. By leasing land for commercial development and sustainable agribusiness technology, the CLT program could diversify its portfolio of real estate holdings and diversify its stream of revenues, helping to sustain its operations.

**OPERATION: Staffing a CLT program**

The working assumption behind any CLT program is that some nonprofit entity will remain in the picture for many years, serving as the long-term steward for the CLT’s portfolio of land and housing. Aside from the previously stated ownership goal of building a large enough portfolio of permanently affordable housing in Globeville, Elyria, and Swansea to prevent displacement and preserve diversity, the main operational goal for that CLT program should be the following:

> In the short run and long-run, maintain sufficient capacity within any organization that is assigned responsibility for stewardship to ensure that (1) the housing remains continuously affordable, (2) the housing remains in good repair, and (3) the occupants, whether renters or homeowners, succeed in retaining their homes in good economic times and in bad.

The recommendations from Burlington Associates for achieving this goal are aimed at capacity and sustainability; that is, identifying the cost of carrying out the essential functions that must be staffed in order to operate a productive and effective CLT program; and calculating the size of the internal revenues and external subsidies needed to cover these operating costs. Over the long run, the aspiration would be for the CLT’s portfolio to grow to the point where the CLT program could pay for all (or most) of its stewardship responsibilities without depending on outside sources of financial support. Operational sustainability of this sort, however, lies several years in the future.
As previously stated in the organizational assessment, no existing nonprofit housing organization in Denver presently possesses the capacity that would allow it to take on one or more of the essential functions of a new, scattered-site CLT program without adding staff. Launching such a program would need not only equity investment and debt financing for the acquisition of land and the development of housing; it would also need dedicated grant funding for the addition of staff for any organization(s) assigned responsibility for implementing this program.

The number and type of the staff to be added will be determined by the size and make-up of the CLT’s real estate portfolio, as it steadily grows year by year. The program’s staffing will be affected, too, by the mix of tenures and strategies pursued by the program in assembling that portfolio. Some possible strategies, like operating a lease-to-purchase program, would be very labor-intensive. Other strategies, like providing fee-for-service stewardship for homes developed by other organizations, would be less demanding.

Our recommendation for the capacity needed to carry out a CLT’s essential functions assumes the addition of staff on the following schedule, tied to the accumulation of housing that would result in a “model” portfolio of 150 resale-restricted and rent-restricted units by the end of 2022. This is the minimum level of staffing that a CLT program of this scale would require, when pursuing a complicated mix of strategies and tenures to assemble this portfolio:

<table>
<thead>
<tr>
<th>New units added/year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative units to date</td>
<td>10</td>
<td>18</td>
<td>24</td>
<td>42</td>
<td>56</td>
</tr>
<tr>
<td>Staffing required:</td>
<td>1.0 FTE</td>
<td>1.5 FTE</td>
<td>2.5 FTE</td>
<td>3.0 FTE</td>
<td>4.0 FTE</td>
</tr>
</tbody>
</table>

The eventual goal of any CLT program serving GES, aside from the equitable impact it hopes to have in preventing displacement and preserving diversity, must be to assemble a portfolio of land and housing that someday becomes large enough to sustain the cost of stewardship out of revenues that are generated internally. In the first five years of a fledgling CLT, however, that goal will remain stubbornly out of reach – assuming the creation of a pilot program designed to yield a residential portfolio of “only” 150 permanently homes by the end of 2022.

Despite the financial projections presented previously (pages 17-18), suggesting that the build-up of either a 150-unit portfolio or a 300-unit portfolio would result in an operating surplus by the end of 2021, these estimates were based on standardized models that were built upon optimistic assumptions with regard to achieving an “ideal” mix of tenures and types among the homes brought into the portfolio, redeveloping property at a density of 2:1, and securing project-based or tenant-based rental assistance for 100% of the portfolio’s rental units. Even under these extremely favorable conditions, however, the CLT program would still require over $315,000 in outside operating subsidies during its first five years. Under conditions less favorable – and more realistic – a fledgling CLT program would require double that amount.
ORGANIZATION: Involving the community

Organizationally, community land trusts come in many different forms, tailoring their structure to fit a variety of purposes, programs, constituencies, and realities. In every case, however, regardless of their organizational form, they endeavor to “keep the C” in CLT, involving residents of the community they serve in the CLT’s activities. There are practical reasons for doing so. It makes it easier for a CLT to market resale-restricted homes on leased land when there is a broad understanding and ready acceptance of this unusual model of homeownership. It makes for better projects when the people who would live in and around a new development are consulted on its design, density, and use. It makes for a more responsive and accountable organization when members of the community are directly involved in shaping the organization’s programs and in setting its priorities.

Just as all CLTs are not alike, neither are the strategies they use in engaging the people and places they serve. Community involvement has been organized and conducted in many different ways among the country’s 280 CLTs, ranging from strategies marked by the passive receipt of information by a community’s residents at one end of the continuum to the active election of a majority of a CLT’s governing board at the other.

Community Involvement in CLT Programs

Community land trusts that adopt the structure and arrangement for membership and governance of the “classic CLT” have an organizational bias toward the latter, tilting in the direction of including the occupants of the CLT’s housing and residents of the surrounding community in the membership and governance of the CLT itself. Other CLTs adopt one of many organizational variations on the theme of CLT classic, while still endeavoring to involve leaseholders and residents in their activities.

Organization of the “classic” CLT

CLTs that are organized along lines of the “classic” CLT have a corporate membership that elects a majority of seats on a board that is composed of three equal parts. Members are drawn from the CLT’s service area, a geography that can be as small as a single neighborhood or as large as a multi-county metropolitan region. This membership is made up of two voting blocks. Every person living on the CLT’s land or living in a home under the CLT’s stewardship (or leasing a commercial space or garden plot from the CLT) is automatically made a leaseholder member of
the CLT. These members elect a third of the seats on the CLT’s governing board. By contrast, any resident of the surrounding community may become a **general member** by subscribing to the CLT’s purposes and by paying a small annual membership fee. These members elect a third of the CLT’s board. The remaining seats are filled by individuals who bring special skills to the board or who represent governmental entities or nonprofit partners. This final third of the CLT board is appointed by the two-thirds who have been elected by the CLT’s membership.

**Organizational variations**

There are many organizations that *call* themselves a CLT or that *act* like a CLT in their management of long-term leaseholds and in their stewardship of permanently affordable housing that do *not* have memberships. There are also many CLTs that structure the composition and selection of their governing board quite differently than prescribed by the “classic” CLT.

Most of these organizations are just as committed to community involvement as their “classic” CLT counterparts. They provide information about the CLT’s unique form of homeownership. They disclose their plans for future development. They ask questions of local residents and hold meetings to hear what the community’s needs and priorities might be. They invite community participation in designing the organization’s projects and programs.

**Organizational evolution**

A process of visioning and planning is currently underway in Globeville, Elyria, and Swansea that may eventually lead to the formation of a new, community-based organization closely resembling the “classic” CLT. Or it may take a different form altogether. It is too soon to say how that CLT might be structured or what tack it might take in involving GES residents in its guidance and governance.

The only recommendations appropriate for Burlington Associates to offer at this point pertain solely to the CLT program being considered in the current Feasibility Study and Business Plan, a program aimed at rapidly assembling a portfolio of land and housing in GES over the next five years. Under none of the scenarios in the organizational analysis presented previously in Part Two was it assumed that such a program would be carried out by a newly formed community-based CLT, acting by itself. Just the opposite. Our organizational assessment proceeded on the assumption that an existing nonprofit organization (or a consortium of nonprofits) with a capacity and a commitment to supporting permanently affordable housing would be called upon to launch this program and to assemble this portfolio.

This CLT program would carry out the essential functions of a community land trust, but would not have the organizational structure of the “classic” CLT. Nevertheless, [*for this program to be successful in serving GES, there should be a commitment to involving residents of GES in significant ways.*] Our recommendations for ensuring such community involvement are as follows:
**Education & outreach.** A CLT program serving GES would need to cultivate a base of understanding and support for its unique approach to homeownership among the residents of GES. It would need to do the same among bankers, realtors, lawyers, and public officials to whom prospective buyers of CLT homes would need to turn for assistance.

Education and outreach are especially important in light of Denver’s limited experience with the development, financing, and marketing of scattered-site, permanently affordable, owner-occupied homes on leased land. Only at the former Lowry Air Force Base, where a number of newly constructed, affordably priced townhouses and condominiums were placed under the stewardship of the Colorado Community Land Trust upon completion and sale, is there a significant number of resale-restricted, owner-occupied homes with affordability controls lasting longer than 30 years.

**Institutional affiliation.** One of the best ways for a fledgling CLT program to build a base of support in GES would be to formally affiliate with one or more well-established, well-trusted, community-based organizations that serve a clientele that is similar to the population to whom a CLT program would be selling or renting its homes. *Clinica Tepeyac* would seem an ideal candidate in this regard, given its intimate knowledge of the GES community and its exceptional track record of providing family health services to GES residents. Undoubtedly there are others.

**Community representation.** If sponsored by an existing nonprofit housing development organization (or by a consortium of nonprofits), a CLT program serving GES would lack both a voting membership and a community-controlled board, two hallmarks of the “classic” CLT. Nevertheless, residents of GES should have representation on the governing board of whatever organization or consortium is assigned overall responsibility for coordinating this program. Especially important would be representatives selected by current residents of GES from among the ranks of households who are renting or buying CLT homes, once the program is up and running.

**Organizational transition.** Planning for a proposed CLT program and planning for a possible community-led CLT in GES are proceeding on parallel tracks. During the next six months, there should be ongoing communication between the leaders of these initiatives with an eye toward (a) standardizing the ways in which essential functions of a CLT are described to local residents, local lenders, charitable foundations, and public officials, (b) standardizing the ground lease that is presented to private lenders for review, (c) coordinating education and outreach to residents of GES, and (d) avoiding direct competition for financial resources.

If both initiatives get launched by the start of 2018, a conversation should commence to build a bridge for mutual cooperation and support between them and, possibly, to craft a formal blueprint for their eventual convergence. With regard to the latter, consideration should be given to three organizational and operational options:

**Option #1: Conversion.** Whatever organization or consortium of organizations is assigned responsibility for initially operating the CLT program and stewarding its portfolio over the next five years, it might be possible to convert that entity into a “classic” CLT down the
road, with Globeville, Elyria, and Swansea serving as the “zone of priority” for the CLT’s activities and CLT leaseholders and GES residents occupying a majority of seats on the governing board. (Alternatively, the board of a Joint Ownership Entity, if one is created to hold land and buildings in GES, could be initially structured or eventually converted along lines of the “classic” CLT.)

**Option #2: Conveyance.** Whatever functions a CLT program performs and whatever assets it eventually owns, these might be transferred to a community-led GES-CLT at some point, either partially or entirely. The precondition for such a transfer, however, would necessarily be for the community-led CLT in GES to have both the organizational capacity and professional expertise to carry out the essential functions of a CLT, as well as having the financial resources to meet the obligations and to manage the risks of any assets commended into its care.

**Option #3: Collaboration.** The organization or consortium that launched and administered the CLT program during its early years, might continue to carry out some of the essential functions of a CLT later on, but defer to a community-led GES-CLT in carrying out others. For example, the former might continue to play a development and stewardship role for CLT homes located in GES, as the latter gradually plays a greater and greater role in planning how lands should be used, how projects should be designed, how homes should be marketed, and how occupants should be selected.

**IMPLEMENTATION: Launching a Pilot CLT Program for GES**

There are three assumptions underlying the various options and recommendations considered by Burlington Associates for creating a CLT program serving Globeville, Elyria, and Swansea:

1. **Timeliness: go fast or go home.** There exists something of a consensus among planners at the North Denver Cornerstone Collaborative and among staff at the Office of Economic Development that gentrification in GES will be hampered and slowed during the reconstruction of I-70 and the ten-year build-out of the National Western Center. Similarly, among many of the neighborhood activists who are presently organizing to stop the I-70 “ditch” there seems to be a consensus that the most pressing threat facing low-income residents in GES is the Department of Transportation’s planned removal of houses and businesses along the expanded I-70 corridor.

   The experience of other cities suggests that both assumptions are wrong. Affluent home-buyers and trendy entrepreneurs will be daunted by the construction-related noise, dust, and heavy truck traffic, delaying investment in GES until construction is close to being done. But private, high-net-worth real estate speculators will not. Indeed, there is already evidence of increased activity by LLCs, LLPs, and other absentee owners eagerly buying up residential parcels in GES as they become available.
What GES does not have is what the Urban Land Institute Colorado called in a recent report (*Six Principles of Equitable Revitalization*) “the gift of time.” Unless an initiative is launched now, securing key sites for the community’s benefit and reserving them for the development, rehabilitation, and construction of many units of permanently affordable housing, the opportunity to prevent the displacement of socially and economically vulnerable residents of GES will be lost.

2. **Impact: go big or go home.** The dual goal of any CLT program, including the five-year pilot proposed below, must be to build a portfolio that is large enough (a) to have an impact on preventing displacement and preserving diversity in GES and (b) to sustain the cost of long-term stewardship. Without a commitment of external capital to build an impactful and sustainable portfolio, combined with a commitment of external funds to subsidize the CLT’s operations as this portfolio is being built, it makes very little sense to move forward.

3. **Infrastructure: go now with what you’ve got.** A started-from-scratch, community-led CLT, acting on its own, is unlikely to develop necessary professional and administrative capacity fast enough to make much of a difference in the face of market-driven displacement pressures that are already mounting in GES. That is not to discourage or disparage the ongoing efforts to create such a community-led CLT. It is to suggest that expertise and capacity within existing nonprofit housing development organizations should be enlisted in getting a CLT program quickly under way – in consultation with GES residents who are presently being trained to understand the CLT model.

Working from these three assumptions and drawing upon the financial analyses and organizational assessments conducted in the previous section, Burlington Associates in Community Development recommends launching a CLT pilot program that is designed (and funded) to produce a “model” portfolio of 150 units of permanently affordable housing in GES by the end of 2022.

**Production milestones for the “model” portfolio:**

The rate of growth and the cumulative size of a portfolio of permanently affordable housing for a CLT pilot program serving the GES would be as follows:

<table>
<thead>
<tr>
<th>Portfolio build-up for a CLT pilot:</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units developed each year by the CLT program</td>
<td>10</td>
<td>18</td>
<td>20</td>
<td>34</td>
<td>38</td>
</tr>
<tr>
<td>Units developed by others, placed under stewardship of the CLT program on a fee-for-service basis</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>8</td>
<td>18</td>
</tr>
<tr>
<td><strong>Annual total</strong></td>
<td>10</td>
<td>18</td>
<td>24</td>
<td>42</td>
<td>56</td>
</tr>
</tbody>
</table>
To allow the CLT program maximum flexibility, it is recommended that a **mix of strategies** be employed, producing a **mix of tenures**. The balanced and diverse composition of a “model” 150-unit portfolio would ideally unfold along the following lines:

- The portfolio would be assembled using an Acquisition-Rehabilitation Strategy and a Demolition-Replacement Strategy to an equal extent, with **half** of the units produced by the CLT program being added through the rehabilitation of existing single-family houses and **half** being added through the demolition of existing houses and their replacement on-site through new construction.

- The addition of renter-occupied Accessory Dwelling Units (ADUs) would be a key component of the Acquisition-Rehabilitation Strategy, with an attached or detached ADU being constructed as an add-on to a **third** of the houses undergoing rehabilitation.

- The addition of density would be a key component of the Demolition-Replacement Strategy, with **two units constructed for every one unit demolished**.

- All of the ADUs would be one-bedroom units. Across the rest of the CLT’s portfolio, the size of the housing produced under either an Acquisition-Rehabilitation Strategy or a Demolition-Replacement Strategy would be distributed somewhat equally among one-bedroom units, two-bedroom units, and three-bedroom units.

- Twenty percent (20%) of all the housing brought into the CLT’s portfolio would be fee-for-service **stewardship units**: resale-restricted, owner-occupied houses, townhouses, or condominiums for which the CLT program is paid a fee by a for-profit developer, a nonprofit developer, or a municipal agency to provide ongoing stewardship services.

- **Half** of the housing units in the CLT’s portfolio at the end of five years would be owner-occupied (75) and **half** would be renter-occupied (75).

Proceeding from these general recommendations, the composition of this “model” CLT portfolio would look like this:

### Proposed 5-Year CLT Pilot Program for GES

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>5-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acquire/rehabilitate:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner-occupied houses</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Renter-occupied houses</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>8</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>ADUs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Rehabilitation total:</td>
<td>4</td>
<td>8</td>
<td>8</td>
<td>18</td>
<td>22</td>
<td>60</td>
</tr>
<tr>
<td>----------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>----</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Demolish/replace:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner-occupied houses</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>30</td>
</tr>
<tr>
<td>Renter-occupied houses</td>
<td>2</td>
<td>6</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>30</td>
</tr>
<tr>
<td>ADUs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Replacement total:</td>
<td>6</td>
<td>10</td>
<td>12</td>
<td>16</td>
<td>16</td>
<td>60</td>
</tr>
<tr>
<td>Fee-for-service stewardship:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner-occupied houses</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>8</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Renter-occupied houses</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ADUs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Stewardship total:</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>8</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Annual production, ALL HOUSING:</td>
<td>10</td>
<td>18</td>
<td>24</td>
<td>42</td>
<td>56</td>
<td>150</td>
</tr>
<tr>
<td>Cumulative total, ALL HOUSING:</td>
<td>10</td>
<td>28</td>
<td>52</td>
<td>94</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Annual production, HOME-OWNERSHIP only:</td>
<td>6</td>
<td>6</td>
<td>11</td>
<td>20</td>
<td>32</td>
<td>75</td>
</tr>
<tr>
<td>Cumulative total, HOME-OWNERSHIP only:</td>
<td>6</td>
<td>12</td>
<td>23</td>
<td>43</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Annual production, RENTALS only:</td>
<td>4</td>
<td>12</td>
<td>13</td>
<td>22</td>
<td>24</td>
<td>75</td>
</tr>
<tr>
<td>Cumulative total, RENTALS only:</td>
<td>4</td>
<td>16</td>
<td>29</td>
<td>51</td>
<td>75</td>
<td>75</td>
</tr>
</tbody>
</table>

Project subsidies for the CLT pilot program:

The proposed pilot program would require a substantial equity investment to bring (debt-free) land into the CLT’s portfolio. Because the average cost of acquiring real estate in GES is high and because the average income of the people residing in GES is low, removing land from the deal would not do enough to make housing affordable. Additional equity would be required, therefore, to close the affordability gap between the cost of developing permanently affordable housing and the price being charged to low-income households to buy or to rent this housing.

The total equity that a CLT pilot program would require to subsidize both the production and affordable pricing of 150 units of permanently affordable housing in the “model” portfolio described above would range from $13.5 million to $15.5 million.

The lower estimate assumes that 30 (i.e., 20%) of the program’s 150 units are delivered into the “model” portfolio by for-profit or nonprofit developers that contract with the CLT program to
provide stewardship services for units which the CLT program had no hand in developing, units for which the CLT program did not have to raise project subsidies. If no stewardship units are brought into the CLT’s portfolio during the first five years, the CLT program would need to develop and to subsidize those units itself, requiring an additional $2 million in equity.

Until a new CLT program has become firmly established and has demonstrated its effectiveness as a steward of resale-restricted, owner-occupied housing, it is less likely that other organizations will be prepared to entrust the stewardship of their units to the CLT – and to pay a fee for those services. In estimating the total project subsidies required for a 150-unit pilot program, the most prudent course of action would be to assume that no “stewardship units” are brought into the CLT’s portfolio during the first five years. The fundraising goal for assembling that portfolio, therefore, should be aimed at securing an initial equity investment of $15.5 million.

The best use of these funds, moreover, should they become available to the program right off the bat, would be to move quickly in 2018 to gain site control of all the properties in GES that might be gradually developed into 150 units of permanently affordable housing during the five-year pilot. These properties should be acquired and “banked” before private, speculative investment in GES drives real estate prices even higher. Otherwise, even $15.5 million is unlikely to be sufficient to create 150 units over a period of five years.

Operating subsidies for the CLT pilot program:

Development and stewardship of the CLT portfolio of permanently affordable housing proposed above would require both project subsidies to assemble this portfolio and operating subsidies to ensure adequate staffing for the program during its first five years, 2018-2022. The cost of the CLT’s operations, especially the ongoing cost of stewardship, would be covered in part by revenues collected from revenues generated internally, including:

- development fees;
- marketing fees;
- lease initiation fees;
- monthly ground rent;
- resale fees; and
- rental income.

This internally generated stream of revenue for a “model” portfolio of 150 units, assembled and administered by a CLT pilot program, would fall short of covering the program’s operating costs by a cumulative total ranging from $315,291 to $758,850.

The lower estimate is based on a major assumption about the stream of revenue derived from the portfolio’s rental housing, namely that a CLT program serving GES would be able to collect Fair Market Rents (FMRs) for 100% of its rental units. Since very few of the current residents of GES could afford to pay FMRs for their housing, a CLT program would be forced either to obtain project-based rental assistance for the rental housing in its portfolio or to find renters who could bring tenant-based rental assistance with them.
This is an unrealistic assumption, however, given the limited availability of both kinds of rental assistance— a shortage likely to grow worse under the current administration in Washington. Therefore, Burlington Associates added a stress test to the financial model in estimating the project subsidies needed for this “model” portfolio. Instead of assuming that the portfolio’s entire stock of rental housing would have the benefit of federally funded rental assistance, allowing the program to collect Fair Market Rents for all of these units, the financial model was adjusted to assume that only 50% of these rentals (30 units) would receive federal assistance. This would more than double the amount of operating subsidies a CLT program would have to raise, bringing the cumulative five-year total to $758,850. Were the percentage of units with rental assistance to slip even lower, an adjustment allowed by the financial model, the total subsidies that a CLT program would need would increase even more (a pattern described on page 19, above).

Organizational decisions in launching a CLT pilot program:

**Interim CLT collaborative.** The most expeditious strategy for jumpstarting a CLT program would be to take advantage of the organizational infrastructure that already exists in Denver, asking one (or more) nonprofit housing developers to perform the essential functions of a CLT on an interim basis. Three nonprofit housing developers in Denver have the most relevant experience and expertise in this regard: the Colorado CLT, Habitat for Humanity of Denver Metro, and the Urban Land Conservancy. Each has expressed an interest in possibly supporting a CLT program serving GES, should adequate funding become available to subsidize the program’s projects and operations, but many decisions remain to be made, including whether the leadership of these organizations would choose to participate in an interim CLT collaborative; whether these organizations (or others) would have the backing of the leaders and residents of GES in operating a CLT program within their community; and how the essential functions of a CLT program would be allocated and coordinated among multiple nonprofits.

**Joint ownership entity.** The consultants recommend establishing a new nonprofit within the first year after the launch a CLT pilot program: a joint ownership entity (JOE). This nonprofit organization would hold all of the program’s real estate assets, temporarily or permanently. Representatives from GES should be included on the JOE’s governing board. If a community-led CLT is eventually established and fully staffed in GES, a partnership agreement should be negotiated between the JOE and the GES-CLT, specifying the working relationship between the entities, planning for the future disposition of land and buildings held by the JOE, and describing any professional services each entity might perform for the other.

**Regional stewardship entity.** Should a CLT program serving GES succeed in assembling the 150-unit portfolio envisioned here and should its financial prospects for further expanding that portfolio look good once the five-year pilot has run its course, consideration should be given to creating a regional stewardship entity serving all of Denver Metro. This might be accomplished by broadening the organizational capacity and geographic focus of an existing nonprofit with demonstrated experience and expertise in preserving the affordability, condition, and security
of resale-restricted housing. Alternatively, a new nonprofit organization might be created, specializing in the long-term stewardship of resale-restricted housing. Either way, an RSE would only be successful if it were established and supported as a cooperative venture among many (or all) of the region’s organizations and programs that happen to have a mission similar to that of a community land trust; that is, a commitment to the permanent affordability of the housing they produce.

**Policy goals:**

Although beyond Burlington Associates’ original scope of work, a few recommendations are warranted with regard to the role of local government in creating a favorable – or unfavorable – environment for the flourishing of community land trusts. Charitable institutions can play a significant role in seeding and supporting a CLT program, especially during its formative years. But as CLTs have discovered in Albuquerque, Boston, Chicago, and a dozen other cities, the short-term expansion and long-term success of any CLT program will depend as well on the availability of dedicated financial resources and political support from local government, working in concert with a variety of partners.

A recent report from the Urban Land Institute Colorado (*Six Principles for Equitable Revitalization*) called attention to this essential ingredient, noting that:

> The rate of displacement has outpaced current policies. Too often, local governments intervene only after whirlwind gentrification forces families and individuals to find homes elsewhere. As Progressive Urban Management Associates (P.U.M.A.) President Brad Segal said, “If you don’t create bold policies to shape your city, the market will completely figure that out for you.”

The same would apply to a CLT program serving Globeville, Elyria, and Swansea. Without “bold policies” in support of a program aimed at preventing displacement and preserving diversity, a CLT’s attempt to create a bulwark against market forces will be outpaced and overwhelmed.

Current investments, ordinances, priorities, and plans of the City of Denver create, in some cases, a favorable environment for establishing and sustaining such a program. In other cases, the opposite is true. Any effort to implement a new CLT program serving GES must devote some attention to taking advantage of municipal resources that already exist, while striving to amend municipal policy where it impedes CLT development.

**Establish a municipal priority for supporting homes that are permanently affordable.**

Denver’s $150 million Dedicated Affordable Housing Fund, created in September 2016 and to be administered by the City and County of Denver, will make available $15M per year. Burlington Associates would recommend that guidelines for the use of these monies should be crafted to give priority in all disbursements to projects with affordability controls lasting a minimum of 99 years. The same recommendation applies to the $2M provided by the Colorado Depart-
ment of Transportation (CDOT) to mitigate the impact of 56 homes and 17 businesses that will be eliminated as part of CDOT’s reconstruction of I-70. Although these are not technically “municipal” funds, the City of Denver should use its influence to insist that all of the mitigation money for the I-70 reconstruction be dedicated to creating a stock of housing in GES that would remain permanently affordable under the stewardship of a CLT. Furthermore, in light of OED’s own assessment, which acknowledges that $2M is not nearly enough to replace the 56 homes being impacted/removed (Elyria and Swansea Housing Replacement and Viability Study, April 2015), the City of Denver should pursue additional funds from the State of Colorado and the Denver Urban Renewal Authority to mitigate the I-70 impact, monies that should only be used for permanently affordable housing.

Make it easier to add ADUs, duplexes, and tandem houses in GES. Compared to Denver’s other neighborhoods, the density of Globeville, Elyria, and Swansea is rather low. It is hard to see how a CLT program for GES could become impactful and sustainable, however, if it is limited to acquiring, renovating, and reselling (or renting) existing single-family houses or if it is limited to only a one-for-one replacement when houses are demolished. The CLT pilot program proposed above assumes a modicum of densification, therefore, via the addition of Accessory Dwelling Units (ADUs) to renovated houses and two-for-one replacement of any demolished houses. A variation on this strategy contemplates working with existing homeowners in GES to add an ADU. But current zoning in the core residential areas of GES and the City’s current process of reviewing and approving proposed residential projects would make even this modest increase in density difficult. Both the neighborhood plan for Globeville and the neighborhood plan for Elyria-Swansea contain recommendations for adding ADUs. The plan for Elyria-Swansea recommends adding duplexes and tandem homes as well. But these recommendations are not close to being implemented by city government. For densification to happen in GES, as Lily Lizarraga Ruelas pointed out in her 2016 report for the North Denver Cornerstone Collaborative (“Detached Accessory Dwelling Unit & Tandem Assessment”) there must be a degree of rezoning, acceptance by GES residents and activists of (slightly) higher density, and an effort by regulatory agencies to streamline the process of approving ADUs, duplexes, and tandem homes.

Create inter-departmental collaboration to minimize displacement. In the 2016 Gentrification Study, Denver’s Office of Economic Development was urged to collaborate internally with Denver’s Department of Community Planning and Development (CPD) “to ensure that neighborhood plans consider the potential for displacement . . . and include strategies to minimize involuntary displacement” (Recommendation 2). The lack of previous OED-CPD collaboration is especially apparent in the planning for GES. Neither the neighborhood plan for Globeville and nor the plan for Elyria-Swansea, both of which were completed prior to the Gentrification Study, anticipated the “potential for displacement” in these areas; nor did either plan propose any “strategies to minimize displacement.”

Establish a neighborhood preference for selling/renting subsidized homes. Current residents of GES should be given a preference in buying or renting any residential units that are
created through a CLT program in GES that make use of public funds or charitable donations. The city governments of Portland OR and San Francisco CA have demonstrated that such a “neighborhood preference” can be crafted in compliance with federal fair housing law and can be effective in helping to stabilize low-income communities threatened with gentrification.

Add a housing component to plans for the Agribusiness Innovation District at the NWC. In the Master Plan for the National Western Center, there is a vision for creating a campus that is “welcoming and open” to the adjacent communities of GES and for ensuring “multicultural access for local residents to participate in the design and programming of the site.” This welcoming, inclusionary impulse is focused almost entirely, however, on transportation, providing “critical multi-modal connections and access points to the adjacent communities.” There is no mention of where 12,000 employees are going to live as the NWC is gradually transformed from the site of an annual two-week stock show to a year-round campus for agribusiness, research, and education. Nor does the Master Plan address what the impact of NWC’s transformation might be on the residential neighborhoods that surround it. The City of Denver is already acquiring land on the periphery of the 250-acre NWC campus. A portion of this land should be dedicated to the development of high-density housing that combines permanently affordable condominiums and rentals with market-rate rentals and market-rate homeownership, creating mixed-income housing for long-time residents of GES, who are trained and hired for jobs within the district, and for a portion of the new residents who are drawn into the area as employees of enterprises, facilities, and activities on the NWC campus.

Ease displacement pressures fueled by rising property taxes in gentrifying neighborhoods. The recent report from ULI Colorado made several “bold” policy recommendations for stemming the tide of gentrification, including the following: “As land values rise, rents don’t have to. Local governments could give owners a tax break or other incentives for renting to low-income families and individuals in gentrifying neighborhoods.” This recommendation has merit, except for being focused too narrowly on rental property. In a neighborhood undergoing gentrification, tax abatements can mean the difference between staying and leaving for lower-income homeowners too.

Whether offered to properties that are renter-occupied or offered to properties that are owner-occupied, however, tax abatements should be conditioned on both the income of the housing’s occupants and the duration of the housing’s affordability. Providing tax abatements in a gentrifying neighborhood either for market-rate properties that house affluent people or for heavily subsidized properties with affordability controls that expire within 5, 15, or 30 years would not reduce the market pressures that cause displacement. Tax abatements would make them worse.

FAST FORWARD: Concluding Thoughts on Speed, Cost, and Scale

It is customary to place a “forward” at the front of a publication, instead of at the end. A rever-
sal seemed warranted in the present case, however, because all of the recommendations in this Feasibility and Business Plan point toward the future. More specifically, they point toward the near future, warning that the **financial and organizational foundation for a CLT program serving GES must be hammered into place within the next six months**. The acquisition of land and the production of homes to be placed under a stewardship regime of permanent affordability should get underway soon after. Any delay in designing and implementing this program would make it much harder and more expensive to do.

The price tag for bringing even 150 affordably priced homes into a CLT’s portfolio would be extremely high, requiring an equity investment projected to range from $13.5 million to $15.5 million to acquire land and to develop housing that low-income residents of GES could afford to purchase or to rent. This financial projection of the project subsidies a pilot program would need is based upon a major assumption: the CLT program will commence buying property within the coming year while prices in GES are still somewhat lower than those in the rest of Denver. Once the dampening effect of reconstructing I-70 is removed, however, and once the inflationary effect of other infrastructure investments in GES are added – reinforced eventually by the planned transformation of the National Western Center into a large-scale, year-round employer – the price of land and housing in GES is going to soar. A CLT program already projected to cost a lot, if launched right away and ramped up quickly, may become prohibitively expensive if the program’s implementation is pushed back by a year or two.

Getting a CLT pilot program up and running fast is a way of preventing it from becoming more expensive, but are there possible ways to make it less expensive? Are there changes that could be made in the pilot program being proposed here that would reduce the quantity of project subsidies and operating subsidies that would be needed? The simple answer is “yes.” Any one of the following would have a major impact on the amount of money that would have to be raised for a CLT pilot program to get underway.

**Increase density.** Increasing the density of development in GES would decrease the per-unit cost of the homes being brought under the CLT’s care and reduce the cumulative amount of project subsidies needed to produce a portfolio of 150 permanently affordable homes.

**Expand geography.** Allowing a CLT program to acquire property outside of the core residential areas of GES, would (possibly) provide access to lands and buildings costing less to buy and to redevelop than the small parcels and single-family houses that predominate in the residential core of GES. The program’s geographic focus could be expanded either to include sites on the periphery of the residential core that still lie within GES or, even further afield, to include sites on the periphery of GES, acquiring parcels of land and developing permanently affordable housing in neighborhoods that are proximate to GES.

**Change beneficiaries.** Pricing homes and setting rents to serve households earning more than 60% of Area Median Income, the maximum assumed in the present pilot program, would shrink the affordability gap that a CLT program would need to close, especially for units sold for
homeownership. That would in turn reduce the amount of project subsidies that would have to be raised.

**Decrease staffing.** Reducing the number of staff who are charged with managing and supporting the CLT program, accompanied by a reduction in administrative overhead, would reduce the amount of operating subsidies the program would need to raise.

**Decrease scale.** Cutting the number of homes proposed for the pilot by half or by two-thirds, significantly decreasing the five-year total from 150 units, would result in a substantial reduction in both the project subsidies and operating subsidies that a CLT pilot program would need.

All five of these options for saving money were considered by the consultants, once it became apparent that any CLT program serving GES was going to be very expensive. All were rejected, for a variety of reasons. **Adding density** would require a change in zoning in the core residential areas and a shift in attitude among the neighborhoods’ residents who tend to voice passionate opposition to densification. **Expanding the targeted geography** or **changing the targeted beneficiaries** would dilute the pilot’s programmatic focus on preventing the displacement of low-income residents who presently reside in GES. **Decreasing staffing** below the minimum needed for the development, management, and stewardship of 75 units of rental housing and 75 units of homeownership housing would be warranted only if an existing nonprofit organization already possessed the excess capacity to assume responsibility for this portfolio. Since that is not the case, it would be inadvisable to attempt to operate a 150-unit pilot program with fewer staff than the consultants have recommended.

Finally, there is the question of **scale**. Decreasing the number of parcels that a CLT pilot program would plan to acquire by the end of 2022 and reducing the number of homes that such a program would plan to provide would do more to reduce the program’s cost than anything else. This option should probably remain on the table, especially if the funds for subsidizing the full 150-unit pilot cannot be raised, but **any reduction runs the risk of compromising the program’s primary purpose and long-term sustainability**. The following are key considerations:

- A CLT pilot program must be large enough to have a significant impact in GES, an area that is “susceptible to gentrification,” creating islands of inclusion that cannot be easily washed away.

- A CLT pilot program must be large enough to win acceptance among current residents of GES, helping a significant number of low-income families to “stay put” even as prices of the market-rate homes around them climb higher.

- A CLT pilot program must be large enough to create a diversity of types and tenures of permanently affordable housing, allowing the program’s sponsors to evaluate what the “right” mix of housing might be for a CLT program serving GES.
A CLT pilot program must be large enough to test the market for resale-restricted, owner-occupied housing among prospective homebuyers within GES.

A CLT pilot program must be large enough to support the organizational capacity to watch over the affordability, quality, and security of any homes brought into the program’s portfolio during the five-year pilot – and to continue doing so long after the pilot has run its course. The program’s long-term operational goal is to generate sufficient revenues from a growing portfolio of permanently affordable housing to eventually cover the CLT’s costs of stewardship. Although a portfolio of 150 units would fall short of this operational prize, it would move the program much closer to sustainability than a portfolio of smaller size. Homes can be made to last, but only if the stewardship of those homes is staffed and funded to last as well.

One final point should be made about scale, repeating a declaration made earlier: a CLT pilot program should not be expected to produce all of the permanently affordable housing that must exist in GES to prevent displacement and to preserve diversity. A newly established CLT, for example, should not attempt to develop large-scale, multi-family rental housing in GES, despite the community’s pressing need for such housing. Other nonprofit organizations with deeper pockets, greater capacity, and longer experience are better equipped to undertake this particular task. These organizations (hopefully) would continue doing what they do well, even if a CLT program were to begin converting a portion of the existing single-family houses within the core residential areas of GES from market-rate housing into income-restricted housing.

A CLT pilot program doesn’t have to do it all, but it does need to make a difference that is both immediate and impactful, while also building a foundation for further growth. It must demonstrate that a stewardship regime focused resolutely on the permanent affordability of heavily subsidized housing is capable of promoting the sort of equitable and sustainable development envisioned in OED’s Gentrification Study: creating “economically and socially diverse communities that are stable over the long term.” A 150-unit portfolio would fall short of reaching that ultimate destination, but it would be a positive step in that direction.
APPENDIX A
Organizations and Individuals Consulted by Burlington Associates

Colorado Community Land Trust (Jane Harrington)

Colorado Trust (Deb DeMuth)

Denver Foundation (Christine Marquez-Hudson)

Denver Housing Authority (Ismael Guerrero)

Denver Office of Economic Development (Rick Padilla, Seneca Holmes, Laura Brudzynski, Julie Stern)

Elyria-Swansea community meeting (Candi CdeBaca, Robin Reichhardt, Maria Campos, and additional residents and activists)

Gary Community Investment/Piton Foundation (Tracey Stewart)

Gates Family Foundation (Tom Gougeon)

Globeville community meeting (Nola Miguel, Rey Gee, and additional residents and activists)

Habitat for Humanity Metro Denver (Mike Criner, Kate Hilberg, and Katie McKenna)

Mile High Connects (Dace West)

North Denver Cornerstone Collaborative (Anna Jones and Barbara Frommell)

Urban Land Conservancy (Staff members: Aaron Miripol, Tony Pickett, and board members Rus Heise and Anne Garcia)

West Denver Renaissance Collaborative (Renee Martinez Stone and Ismael Guerrero)
APPENDIX B
Reports, Plans, and Data Reviewed by Burlington Associates


- 2016, “Globeville & Elyria Swansea Market Overview,” Shift Research Lab, Piton Foundation

- 2016 *Gentrification Study*. Denver Office of Economic Development

- 2016 National Western Center Economic Study Project Findings, Denver Office of Economic Development

- 2016 “Detached Accessory Dwelling Unit & Tandem Assessment,” North Denver Cornerstone Collaborative (Prepared by Lily Lizarraga Ruelas)

- 2015 *Elyria & Swansea Neighborhood Plan*


- 2015 *National Western Center Master Plan*

- 2014 *Globeville Neighborhood Plan*

- 2014 *Denver Affordable Housing Nexus Study*. Denver Office of Economic Development (Prepared by David Paul Rosen and Associates)

**APPENDIX C**

**Stewardship Responsibilities in the “Typical” CLT Program**
(Source: Habitat for Humanity International, 2017 Shelter Report: Affordable for Good)

<table>
<thead>
<tr>
<th>Goals of Stewardship</th>
<th>Duties of Stewardship During Different Phases of the Homeownership Cycle</th>
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<tbody>
<tr>
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<td>Pre-purchase Preparing Homes &amp; Homeowners</td>
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<td>Occupancy Supporting Homes &amp; Homeowners</td>
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<td></td>
<td>Resale Transferring Homes to New Owners</td>
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<tr>
<td><strong>Affordability</strong></td>
<td>• Maintain a waiting list of income-eligible buyers for the purchase of homes that are offered for sale</td>
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<td>• Inform prospective buyers of resale restrictions and other conditions encumbering the home they are about to buy</td>
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<td>• Secure equitable taxation of resale-restricted homes</td>
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<td>• Regulate the renting/subletting of homes (if permitted at all). Set the maximum time a homeowner may be temporarily absent and the maximum rent a homeowner may charge</td>
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<td></td>
<td>• Calculate the maximum resale price/transfer value of the ownership interest when homeowner wants to resell</td>
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<td>• Manage process of transferring ownership of the home, either repurchasing it or overseeing its resale to an income-eligible buyer at the formula-determined price</td>
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<tr>
<td><strong>Quality</strong></td>
<td>• Install durable materials and energy efficient systems as a home is being constructed or renovated</td>
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<td>• Prepare homebuyers for the maintenance responsibilities that will come with homeownership</td>
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<td>• Review/approve post-purchase capital improvements proposed by homeowner</td>
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<td>• Inspect the condition and repair of homes</td>
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<td>• Sanction poor maintenance; reward good maintenance</td>
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<td></td>
<td>• Maintain a “stewardship fund” for helping homeowners with major repairs and system replacements</td>
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<td></td>
<td>• Calculate the value of post-purchase capital improvements credited to seller’s equity</td>
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<td></td>
<td>• Inspect home at time of resale, overseeing any necessary repairs or rehabilitation</td>
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<tr>
<td><strong>Security</strong></td>
<td>• Review and approve all mortgages, preventing predatory lending</td>
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<td>• Match the cost of buying and operating a particular home to the prospective buyer’s ability to carry this financial burden</td>
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<td>• Verify occupancy as homeowner’s primary residence, preventing absentee ownership</td>
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<td>• Approve refinancing</td>
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<td>• Ensure owners have adequate insurance coverage</td>
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<td>• Monitor the homeowner’s payment of taxes, utilities, and insurance</td>
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<td>• Correct any violations in covenants, ground leases, etc. before they linger too long or loom too large</td>
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<tr>
<td></td>
<td>• Intervene to cure mortgage defaults and to prevent foreclosures</td>
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<tr>
<td></td>
<td>• Assist in marketing homes that are offered for resale so that sellers can collect their equity and move on to their next home</td>
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