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Denver's Dedicated Affordable Housing Fund: Taxes and Fees Take Effect January 1

December 2016 • [Cory Rutz](#)

Denver's first-ever permanent affordable housing fund, as well as the impact fees and tax increases that will fund it, will go into effect on January 1st. The new ordinance, which City Council approved by a 9-4 vote on September 19, is based on a plan proposed by Mayor Michael Hancock and Councilwoman Robin Kniech earlier this year. According to City estimates, the program is expected to generate over \$150 million in the first ten years—at which point a sunset provision added to the bill just before its passage will require a review and renewed approval by City Council to avoid an automatic repeal.

Revenue for the program comes from two sources: a one-time impact fee on new development (including redevelopment that expands the existing building footprint) and a dedicated property tax of 0.5 mills on both residential and commercial property owners. The property tax will result in an additional \$12 per year for a home priced at \$300,000, and an additional \$145 per year per \$1 million in value for commercial properties. The rates of the impact fees, which will be adjusted annually to reflect inflation, depend on the type of development proposed:

- Single-Family and Duplex Residential: **\$0.60 per square foot**
- Multi-Family Residential: **\$1.50 per square foot**
- Commercial, Retail, Office and Institutional: **\$1.70 per square foot**
- Industrial and Agricultural: **\$0.40 per square foot**

Impact fees must be paid prior to issuance of a building permit unless the project qualifies as an exception under the ordinance. Exceptions apply to certain types of affordable housing projects, government projects used for governmental or educational purposes, reconstruction due to involuntary demolition or destruction, small (400 square feet or less) additions to single-family or duplex residences, and accessory dwelling units.

The ordinance also provides developers the option to forego paying the impact fee by building affordable housing units themselves under Denver's pre-existing affordable housing program. The ordinance also grants discretion to the executive director of the office of economic development to reduce or waive impact fees if the applicant can demonstrate that amount of the fee exceeds the amount needed to mitigate the actual demand for affordable housing created by the proposed development.

Revenue in the affordable housing fund may generally be used to increase or preserve the supply of affordable rental and for-sale housing, including renter and homebuyer assistance programs. Rental housing and related programming funded by the program is available to qualified households earning up to 80% of area median income, with for-sale housing and homeownership programs permitted to serve households earning up to 100% and 120% of area median income, respectively. The 2016 area median income for Denver is \$80,100 for a family of four.

Revenue collected from the property tax portion of the fund may additionally be used for the development of permanent housing and supportive services for homeless persons and programs supporting low-income, at-risk individuals for mitigation of involuntary displacement caused by escalating housing costs and homeowner emergency repairs. Costs of administering the program will be capped at eight percent of revenue received in a given year. The ordinance also created a 23-member Housing Advisory Committee to provide strategic oversight of the use of and programming for the affordable housing fund.

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