



City of Centennial

Staff Report

TO: Honorable Mayor Pye and Members of City Council

THROUGH: Jacque Wedding-Scott, City Manager
THROUGH; Wayne Reed, Director of Planning and Development

FROM: Gary Wilson, Long Range Planning Manager

DATE: January 28, 2008 (February 4, 2008 Council meeting)

SUBJECT: Aging Neighborhood Strategies & Housing Rehabilitation Incentives

1. Statement of Issue:

The April 6-7, 2007 City Council Workshop included a section addressing the topic of "Aging Neighborhoods." The workshop report pointed out that one of Centennial's greatest resources is its fabric of residential neighborhoods. However, the report notes that many of the City's neighborhoods were developed in the 1950-70s and are entering a phase where they are susceptible to negative trends because of their age. The workshop report concluded with a very broad set of strategies and programs that the City could consider to ensure that its neighborhoods remain healthy.

This report identifies actions that the City could pursue to begin implementing some of these broader strategies, with emphasis on measures to create incentives for housing rehabilitation. Recommendations have been formulated with recognition of the City's limited staff and financial resources to undertake such initiatives. In keeping with this approach, recommendations have focused on programs and policies that can be implemented in partnership with other agencies to leverage City resources; that bring additional funding and/or can be implemented within existing budgets; and that can be implemented in a manner that minimizes cost.

2. Discussion:

Options outlined in the April 2007 Council Workshop concerning "Aging Neighborhoods" included:

- **Smart growth policies** such as enhancements to roadways, targeted public improvements, sub-area planning and revised land development codes;
- **Healthy neighborhood initiatives** that include financial assistance for home improvements, home ownership, and supporting neighborhood events;

- **Revamping or adopting code provisions** such as rehab friendly codes, code enforcement and expansion of nuisance provisions;
- **Safe neighborhood** programs such as community policing programs; and
- **CDBG/HOME funded** low-moderate income housing programs.

Many of these programs would necessitate additional City staff time to implement and manage and/or an increased investment by the City. The challenge for Centennial is to identify programs that can be realistically implemented given the City's limited resources. An effective and realistic strategy should:

- Direct existing resources in a manner that improves aging neighborhoods without significantly altering established budget priorities;
- Include policies or programs that do not increase costs substantially, or that reallocate resources within available funding; and
- Establish partnerships that leverage existing resources and bring additional resources to the City.

3. Alternatives:

Alternatives to address aging neighborhoods are listed below.

Building Permit Fee Waivers: Fee waivers are often used as an incentive to encourage housing rehabilitation and affordable housing. Frequently, the waiver is tied to an income qualified housing program, as suggested in the next option below. One approach to offering such fee waivers could be to identify neighborhoods where there is a concentration of older housing and a need for neighborhood revitalization/stabilization. The justification for fee waivers could be tied to revitalizing targeted neighborhoods based on their condition and/or age of housing stock. Centennial has a concentration of older housing (built before 1969) in a few areas, with a strong concentration in the northwest part of the City (see attached Age of Neighborhood Map). In addition to age, there are a variety of other factors that could be analyzed to identify neighborhoods undergoing change, such as the ratio of owner occupied vs. renter occupied, ratio of the value of improvements to land value, etc.

Because fee waivers would reduce City building permit revenues, a cap or annual limit could be placed on the amount of waivers to control the impact on the City's budget. Fee waivers could be made available on a "first-come-first serve basis" up to the cap amount. Also, fee waiver could also be limited only to improvements needed to keep structures in compliance with the housing code, or certain other types of improvements. This approach would limit the impact on revenues and tie the program more closely to public health and safety concerns.

Permit fee waivers alone may not offer sufficient incentive to stimulate much investment; however, a low interest loan program as outlined below, combined with fee waivers, would create a stronger incentive and leverage greater investment than fee waivers alone.

Housing Rehab Incentives: Many communities offer rehabilitation incentives in the form of grants or low interest loans using federal Community Development Block Grant and/or HOME funds. Such programs are offered only to households earning less than 80% of the median income. Income guidelines vary by household size. To be eligible in

our area, the household income could not exceed \$57,350 for a family of four (Department of Housing and Urban Development income guidelines for 2007). Because of the time, expense and expertise needed to administer such a program, a partnership with an entity that currently administers a program would be the best approach for Centennial. The City of Littleton Housing Authority has a well established rehab program and has indicated an interest in partnering with the City to administer a rehab program in Centennial. Arapahoe County staff has also indicated strong support to start a housing rehab program in Centennial in cooperation with the Littleton Housing Authority. Under this arrangement, the County would extend federal HOME funding to offer rehab services in Centennial administered by Littleton Housing Authority staff. **This HOME funding would represent additional funding for Centennial, above our current entitlement allocation of CDBG funds.**

The Littleton program offers direct loans at six percent, simple interest, for 10 years. Homeowners must be income qualified and must earn below 80% of the median. Eligible improvements are limited to those needed to bring homes into compliance with the housing code, such as winterization, new roofs, furnace replacement, electrical, plumbing, etc. Littleton provides a "full service" program and prepares the scope of improvements, coordinates bidding and disburses funds to the contractor after securing the owner's consent. For very low income homeowners (below 50% of the median income) they offer grant assistance.

The City currently provides CDBG funding to Rebuilding Metro Denver which provides housing rehabilitation services in Centennial. This is a direct grant program offered only to low income seniors. The advantage of a rehabilitation loan program as suggested above is that it leverages greater investment and would serve a broader segment of the population. Continuing CDBG funding support for Rebuilding Metro Denver would still be possible since the rehab loan program would be supported using HOME funds.

Rehab Friendly Building Codes: Building codes can sometimes become an impediment to housing rehabilitation. A building permit application for an improvement may trigger much more costly upgrades, beyond the resources of the homeowner. Consequently, the homeowner may postpone any investment. Nationally Applicable Recommended Rehabilitation Provisions have been developed so that communities can apply special building code provisions when renovations are proposed to older structures. The intent of this code is to ensure that requirements to meet the code beyond the scope of any improvements proposed by the homeowner are proportionate to the underlying upgrade. Centennial currently administers its code in a flexible manner that is responsive to such issues, and the City could also simply continue this approach rather than adopt new code provisions.

Capital Project Enhancements: When road projects are undertaken by the City, other funding sources can be obtained to fund enhancements such as landscaping, signage, decorative lighting and paving, entry features, etc. For example, state Energy Assistance Grants, federal highway enhancement funds, and corporate contributions can be used to fund such enhancements. These improvements enhance the appearance of neighborhoods and can help stabilize and enhance property values.

Sub-Area Planning: As the City undertakes sub-area plans, specific initiatives or measures can be identified to address the needs and conditions of individual neighborhoods. For example, the currently programmed Southglenn Sub-area Plan to be undertaken during 2008 could include recommended strategies to address neighborhood issues surrounding the Southglenn redevelopment area.

Smart Growth Code: As the City undertakes its update to the Land Development Code during 2008, updates could include infill and redevelopment provisions to increase opportunities for compatible infill development and investments in aging neighborhoods.

Neighborhood Communication: The City could expand its partnerships with neighborhood groups. For example, a recent training exercise was conducted to train CenCON regarding the City's development review process. Continuing this educational program will establish better communication with neighborhoods and a better mutual understanding of needs and programs to support neighborhoods. During 2008, Centennial has planned several workshops to inform homeowners about code requirements related to common home improvements, such as basement finishes, decks and roofs.

No Action Alternative: As with any potential policy or program, Council may consider the "no action" alternative, which in this case would be to not proactively address aging neighborhood issues outlined in this report. Council may also consider only some of the above alternatives, selecting the ones that it believes would be most beneficial and in keeping with budget constraints.

4. Recommendation:

Housing Rehab Incentives: As an immediate measure, staff recommends moving forward with a cooperative housing rehab program using HOME funds as described in this report. Littleton's staff has many years of experience with housing rehabilitation and can also advise the City on the merits of other related program measures such as permit fee waivers and rehabilitation friendly code provisions.

Other Initiatives: It is also recommended that the City implement other actions outlined above as staff time and financial resources are available. Specific actions steps are described below.

5. Fiscal Impact:

In evaluating fiscal impacts, it should be first noted that the overall strategy recommended by this report is aimed at preventing the potential decline of aging neighborhoods. Sustaining viable neighborhoods will prevent longer-term declines in City tax revenues by sustaining and increasing property values. Additionally, sustaining the economic health of neighborhoods and their residents will sustain other revenue sources for the City.

Building Permit Fee Waivers: Fee waivers will reduce building permit revenues. However, as suggested in this report, the total amount of fees waived can be capped at a level that is within budget constraints. Also, if such fee waivers are only associated with work undertaken as part of a housing rehabilitation program, the amount may not be significant compared to total permit fee revenues.

Cooperative Rehabilitation Loan Program: This program would be funded by a new grant source and would represent an increase in revenues to the City. Some administrative cost would be incurred to draft and monitor an IGA between Littleton, Arapahoe County and Centennial. Costs to administer the program can be charged to the grant fund. Consequently, the fiscal impact to the City under this option would not be substantial.

Rehab Friendly Building Codes: The primary cost associated with this alternative would be the staff time needed to review the model code, make any necessary modifications, and process it for adoption. Additional one-time training expenses may also be required to acquaint the building inspectors with the new code. The option of continuing a flexible approach to administration of the building code relative to home improvements would not necessitate any additional time or expense to draft new codes.

Capital Project Enhancements: The suggested approach would rely primarily on contributions from grants and external funding. Typically, though, not all costs can be covered by grants so the City may incur some additional capital cost and maintenance expense as individual projects are identified and undertaken. Such costs can be evaluated as specific projects are identified and brought forward.

Sub-Area Planning: Any neighborhood specific provisions or recommendations would be developed as part of the planning process and specific budgetary impacts evaluated at that time. It is likely that most neighborhood specific programs would fall under one or more of the program alternatives listed in this report.

Smart Growth Code: Smart growth updates aimed at neighborhoods can be considered as part of the City's land development code that is currently budgeted without additional cost. Substantial fiscal benefits can be realized from regulatory provisions that create incentives for infill development and redevelopment.

Neighborhood Communications: This initiative can be incorporated as part of an on-going neighborhood educational program being undertaken by the Planning and Development staff without the need for any additional funding.

No Action Alternative: In the short-term, this alternative would not require any additional program costs. Longer-term, the City may experience negative fiscal impacts if aging neighborhoods enter a cycle of decline.

6. Next Steps:

Recommended steps are listed below:

- Proceed with an initial scoping meeting with the Littleton Housing Authority staff and County staff to explore a cooperative housing rehabilitation program using federal HOME funds. A draft IGA and program outline would be brought back to Council for consideration during early 2008.
- Coordinate with the City's Public Works Department as capital projects are programmed to identify available supplemental funding for enhancements.
- Consider neighborhood preservation and enhancement measures as part of the Southglenn Sub-area Plan to be undertaken during 2008.
- Evaluate possible "smart code" amendments as part of the scheduled update to the LDC during 2008.
- Continue with CenCON educational workshops and incorporate topics related to neighborhood sustainability and sub-area planning.
- Continue with scheduled homeowner Building Code training workshops.