



Stay in Place Program (SIPP):

a partnership to minimize foreclosure and displacement in Denver





Mission

Elevation Community Land Trust partners with Colorado communities to create opportunity for families through permanently affordable homeownership. Elevation makes homeownership more accessible for Colorado families through the community land trust model.



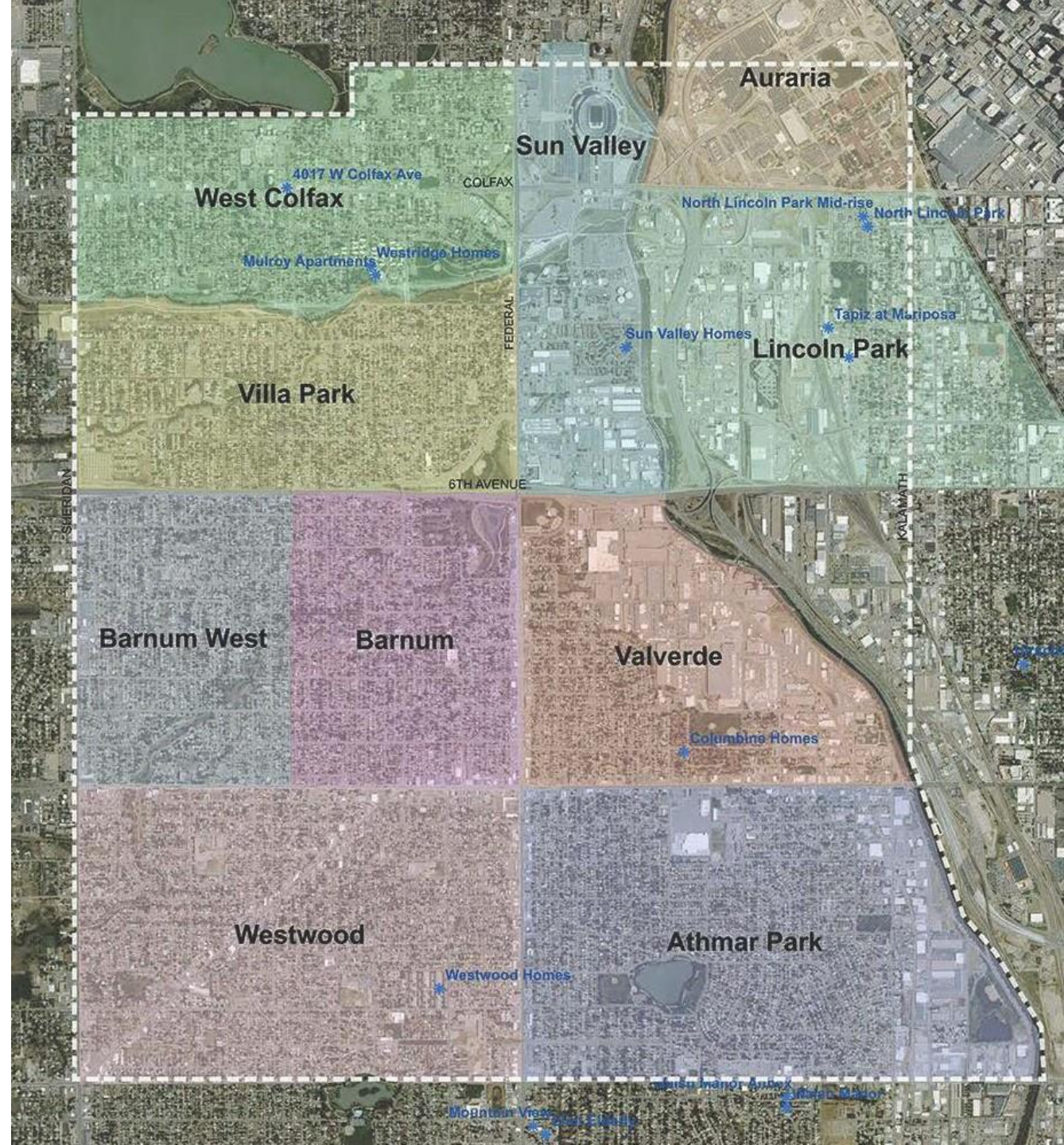
Mission

The mission of the West Denver Renaissance Collaborative (WDRRC) is to facilitate the revitalization of West Denver in an equitable fashion improving the livelihood of existing residents' and working to preserve and amplify the rich multicultural character.

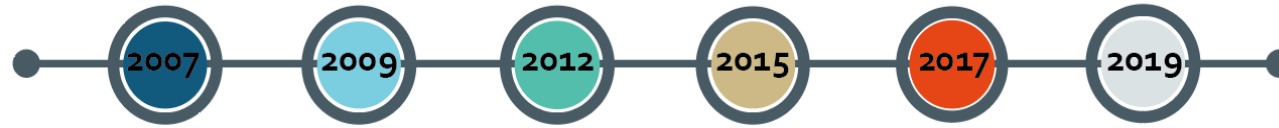


Mission

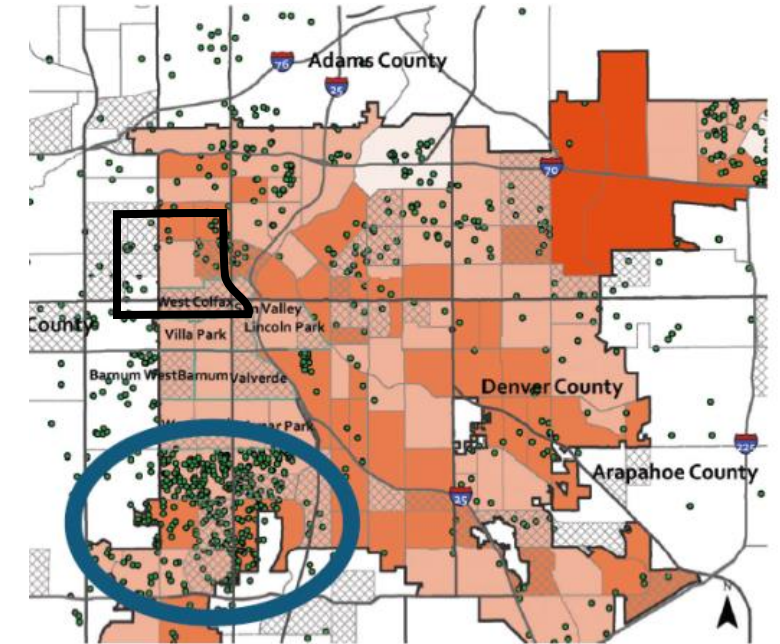
The Office of Financial Empowerment & Protection (OFEP) works to improve residents' economic mobility by identifying and bridging gaps through collaborative efforts with internal and external partners while developing solutions through programs, policies and best practices to help stabilize families, individuals and small businesses.



Displacement in west Denver (pre COVID-19)



Property Taxes	\$730		\$1,330	\$1,829
Median Sales List	\$105,000	\$280,000		\$360,000
Average Rent	\$780	\$824	\$977	\$2,600
Owners <80% MI			58%	46%



2015-2018 there were 3,900 low income households displaced, including 5,800 kids below age of 18

20K Households (83%) Vulnerable* or Experiencing Gentrification**

Where displaced families went around Denver metro?

*Tracts with the majority of households earning <60% AMI **Tracts that were vulnerable in the base year and experienced both: above average increase in educational attainment and above average increase in either median rent, or median value

Growing Needs

Foreclosure prevention – Provide an option for homeowners who are overly cost-burdened and at risk of foreclosure or displacement because of a reduction in income and inability to refinance. Land trust participation could help them to leverage home equity to refinance their home at an affordable rate, pay debt, and stay in place.

Displacement prevention – Provide an option for homeowners not at risk of foreclosure who want to stay in place and choose to invest their home equity into a mortgage for their home and/or an ADU that adds needed living space, wealth building, or the flexibility to add a secondary income stream with ADU rental.



SIPP Program Objectives

- **Provide two unique choices** to homeowners at risk of displacement or foreclosure where they realize 100% of current equity and provides flexibility to reduce overall debt, increase income, and/or build in home repairs and /or expansion
- Help **respond to the short-term crisis (COVID, economic downturn) with long-term solutions** by building permanent affordability and keeping residents in place
- **Stabilize at-risk neighborhoods and build community resilience** by intervening to build housing security, slow the pace of displacement and provide alternatives to foreclosure



Community Land Trust + ADU Program

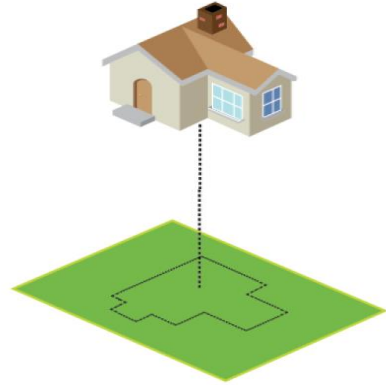
1

Public and private capital is used by the CLT to acquire properties in geographic focus areas. Homeowner realizes 100% of their home equity.



2

Land is decoupled from and owned by the Community Land Trust. The improvements (home and structures) are owned by the homeowner who pays a discounted price (either 70% AMI, or 75% of Lease Hold Appraised value) for the structures + a nominal ground lease fee.



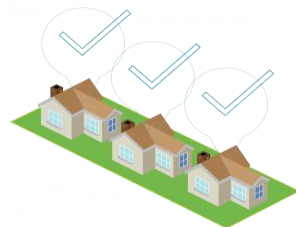
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CLTs are governed by a nonprofit board, with representation from CLT home owners. A 99-year ground lease between the CLT and owner outlines owner occupancy, responsible use and fees paid to the CLT.



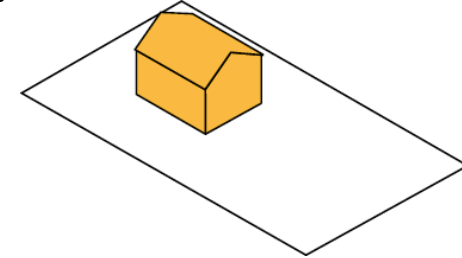
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A resale formula built into the ground lease keeps homes affordable for the next home buyers. If sold, Owner realizes 25% appreciation of property.



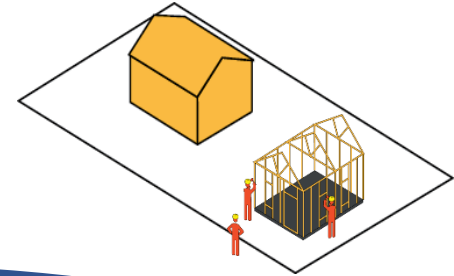
1

Existing property qualifies for the WDRC ADU program and has the correct zoning, lot size, and site requirements to build an ADU.



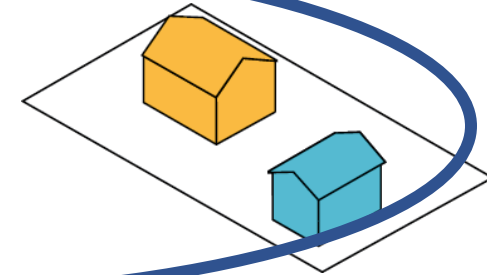
2

Owner's realized equity from the Land Trust transaction can be used to build an ADU and add a second improvement to the property.



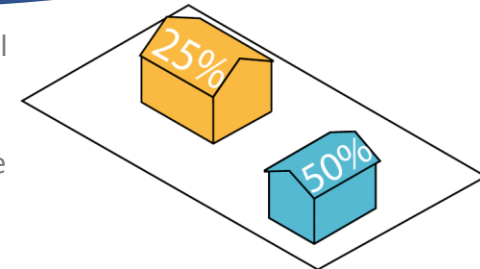
3

The Homeowner is able to rent the ADU or use it to house family and have full use of both structures on the property.



4

At time of sale, the homeowner still realizes the Land Trust appreciation amount of 25%, but in addition receives 50% of the appraised value of ADU as a Qualified Capital Improvement.



What is SIPP?

"Stay in Place Program"

One Program – Two Options

SIPP: Maintain

Restructure homeownership with Elevation through CLT model

Purchase home improvements back at affordable price
(lower of 70% AMI/ 75% market comparable value)

Contribute to community resilience by creating permanently
affordable housing

Use proceeds to reduce home mortgage balance

Pay off consumer debt/ pay for capital improvements

Increase savings for retirement

Maintain

SIPP: Build

Leverage existing home equity (market appraised value)

Homeowner realizes proceeds from sale

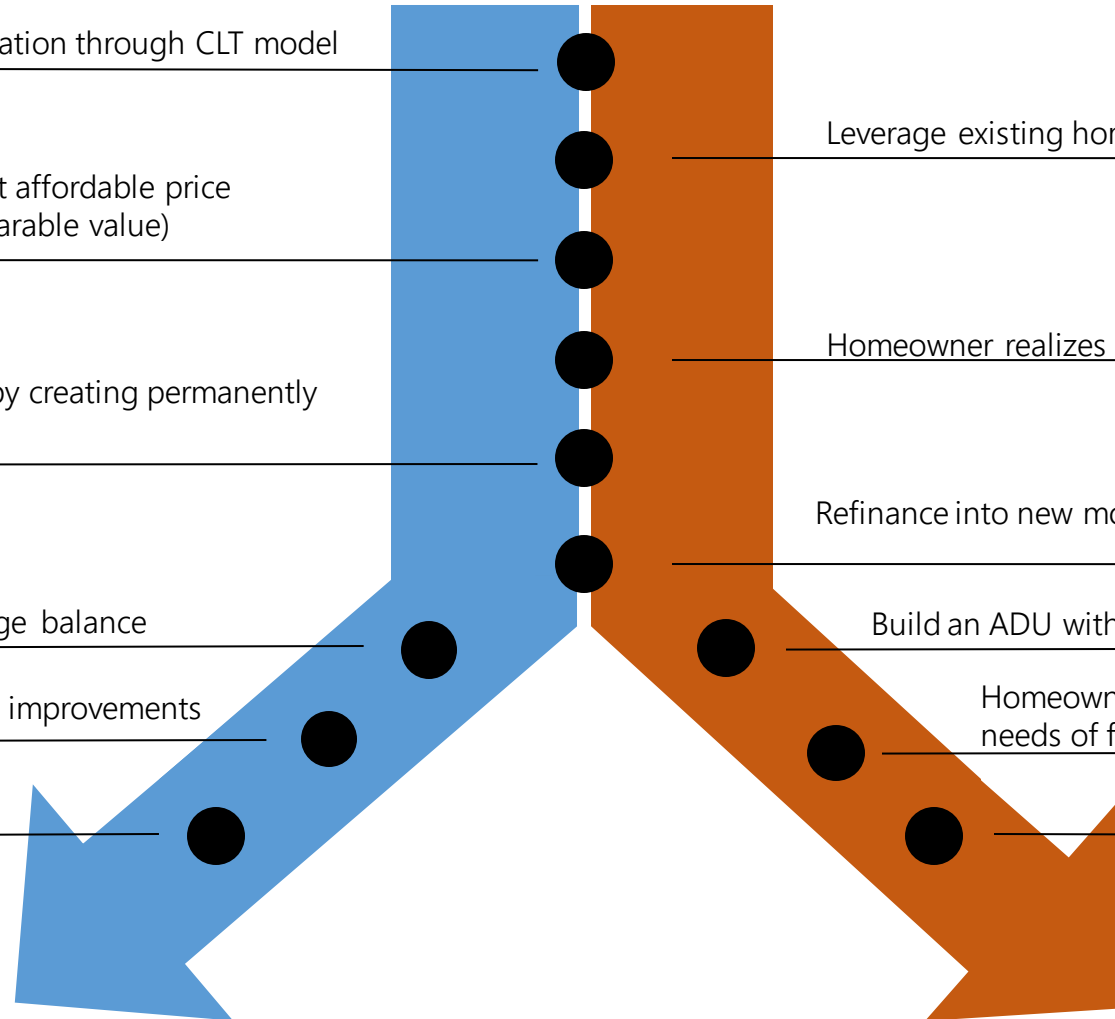
Refinance into new mortgage and enter long term land lease with ECLT

Build an ADU with WDRC

Homeowner choice on how to balance rental income,
needs of family/ friends, community affordability

Create an income source as a Landlord

Build



When SIPP may be a good option

Homeowners (<80% AMI) with or without mortgage debt at risk of displacement due to:

1. Escalating housing costs due to
 - property tax increases
 - critical home repair needs
2. Income limitations such as fixed incomes or COVID- related reductions in income
 - fixed income but wants to house extended family or wants revenue from rent
 - needs to pay off debt or refinance mortgage
3. Households that have explored the WDRC ADU program, but would benefit from additional equity available to maximize the program benefits.

The SIPP program is best-suited for homeowners who want to stay in their home and to have an opportunity to build multi-generational housing stability in their community.

Example Homeowner Financials



- Appraised Value: \$380,000
- Mortgage Balance: \$110,000
- Homeowner Proceeds in CLT: \$270,000

- CLT Affordable Repurchase Price: \$289,530
- \$15,000 Consumer Debt
- \$15,000 in Outstanding critical home repairs

Example Scenarios

SIPP: Maintain

Net Homeowner Proceeds: \$280,000

\$15,000 used to lower consumer debt; \$15,000 used for critical home repairs; remaining proceeds used to lower mortgage

SIPP: Build

Net Homeowner Proceeds: \$280,000

\$15,000 used to lower consumer debt; \$15,000 used for critical home repairs; remaining proceeds used to help Build ADU

ADU Pilot Program Alone

ADU Total Development Cost: \$178,250

Homeowner cash may be required to pay off \$15,000 consumer debt, \$15,000 of critical home repairs, or for ADU construction costs above what can be financed based on their income



Financial Summary Comparison

Financial Summary Comparison		Current	SIPP: Maintain	SIPP: Build	ADU Program
COMPARE:		No ADU	Join CLT, no ADU	Join CLT and ADU	ADU Only
Overall financials	ADU Model	None	None	3 Bedroom ADU	3 Bedroom ADU
	Primary home appraised value	\$380,000	\$380,000	\$380,000	\$380,000
	Primary home affordable re-purchase price	-	\$289,530	\$289,530	-
	Homeowner Cash Required (consumer debt payoff, home repairs, ADU down payment)	\$30,000	\$0	\$0	\$41,000
	Mortgage Debt after Transaction	\$110,000	\$52,710	\$237,780	\$285,000
Monthly Financials	Monthly Total Housing Payment	\$1,628	\$577	\$1,476	\$1,599
	Monthly ADU Rental Income (40% AMI)			\$1,040	\$1,040
	Net Monthly ADU Income (less rental costs)			\$668	\$668
	Monthly Total Housing Payment Less Net ADU Rental Income	\$1,628	\$577	\$807	\$1,094

If a homeowner has \$30-\$50k available for critical repairs or ADU development, SIPP is not the best option for them

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Future Financial Projections

COMPARE:	Current	SIPP: Maintain	SIPP: Build	ADU Program
	No ADU	Join CLT, no ADU	Join CLT and ADU	ADU Only
Net paid over 10 years with ADU Rent	\$195,360	\$69,183	\$96,894	\$131,262
Plus Homeowner Cash Required at year 0	\$30,000	\$0	\$0	\$41,000
Total paid over 10 years	\$225,360	\$69,183	\$96,894	\$172,262
Homeowner Equity at 10 year Sale	\$339,309	\$330,844	\$154,063	\$257,870
HO share of appreciation at 10 years (based on 2.25% appreciation per year)	\$94,697	\$23,674	\$42,404	\$114,634
WDRC Depreciating Fee	\$0	\$0	-\$50,517	-\$50,517
Commissions	-\$28,482	\$0	\$0	-\$22,985
Cash Property Value at Sale	\$405,524	\$354,518	\$145,950	\$299,000
Cash Return on Investment (Cash value - Total Paid)	\$180,164	\$285,336	\$49,055	\$126,738
FV of net proceeds from Land Trust Transaction	\$0	\$94,278	\$94,278	\$0
Grand Total Gained at Year 10	\$180,164	\$379,613	\$143,333	\$126,738
Net paid over 25 years with ADU Rent	\$329,040	\$139,774	\$242,236	\$328,155
Plus Homeowner Cash Required at year 0	\$30,000	\$0	\$0	\$41,000
Total paid over 25 years	\$359,040	\$139,774	\$242,236	\$369,155
Homeowner Equity at 25 year Sale	\$380,000	\$380,000	\$268,992	\$395,518
HO share of appreciation at 25 years (based on 2.25% appreciation per year)	\$283,425	\$53,370	\$83,665	\$283,425
WDRC Depreciating Fee	\$0	\$0	\$0	\$0
Commissions	-\$35,609	\$0	\$0	-\$28,737
Cash Property Value at Sale	\$627,816	\$433,370	\$352,657	\$650,207
Cash Return on Investment (Cash value - Total Paid)	\$268,776	\$293,597	\$110,421	\$281,051
FV of net proceeds from Land Trust Transaction	\$0	\$131,631	\$131,631	\$0
Grand Total Gained at Year 25	\$268,776	\$425,228	\$242,053	\$281,051

10 Year snapshot

25 Year snapshot

Future Value (FV) is a representation of the number of dollars 10 years from now that you need to be equivalent to an amount in today's dollars.






Net Paid in the future (10, 25) illustrates the reduced housing burden over time enabled through the SIPP program.

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Intangible Benefits of SIPP

- ✓ Ability to stay in home, neighborhood, community
- ✓ Allows homeowners to invest in their property and build inter-generational wealth (SIPP: Build homeowners will own two homes)
- ✓ Flexibility to have family occupant (stability and cost-savings) or renter (income)
- ✓ Income generating asset if SIPP: Build - if laid off they can rent the house or the ADU (live in the other)
- ✓ Long-term stability and ability to afford monthly payments, can save for retirement or other goals
- ✓ Realize equity and don't take on additional debt without having to sell the home

Income and Asset Limits (2020)

Household Size	Maximum Income 80% of AMI *	Maximum Assets **
	\$ 54,950	\$ 55,000
	\$ 62,800	\$ 70,000
	\$ 70,650	\$ 85,000
	\$ 78,500	\$ 100,000
	\$ 84,800	\$ 115,000
	\$ 91,100	\$ 130,000

* Source: HUD Denver Metro Area Median Income Limits

** In addition to income, each adult per household may have assets valuing at or below this limit. These do not include designated retirement account assets. A down payment of up to 20% of purchase price will not be counted against the asset limit.

Homeowner Resources + Requirements

Homeowner Education/Resources:	Eligibility Requirements Include:
ECLT Orientation	Income qualify at or < 80% AMI
HUD Certified Homebuying Class	Asset qualify through ECLT
Connection to OFEP Financial Coach and HUD Housing Counselor	Qualification for a new conventional mortgage through FirstBank
Program review and options proposal prepared by ECLT and WDRC (SIPP: Build)	Meet front-end and back-end ratio requirements (33/43, with exceptions)
Pro bono attorney CLT document review	SIPP: Build requires a \$1,500 deposit upon program contract with WDRC
WDRC Landlord Training	SIPP: Maintain does not require earnest money assuming the homeowner will receive proceeds upon land trust transaction

Referral Checklist for Housing Counselors

	✓	Required for SIPP: Build	Required for SIPP: Maintain
Is homeowner under 80% AMI (HUD Denver Metro Area Median Income Limits)?		Yes	Yes
Has homeowner missed a mortgage or tax payment or are they anxious about the possibility of a missed payment?		No	No
Is homeowner's credit/debt sufficient for them to qualify for a new conventional mortgage?		Yes	Yes
Is homeowner's current housing burden (by percentage of gross income) more than 33%?		No	No
Does homeowner have a fixed income, or have they experienced a COVID-related reduction in income?		No	No
Does homeowner prioritize staying in their home/neighborhood?		Yes	Yes
Is securing their home as an asset for multiple generations a priority for the homeowner?		No	No
Is household doubled up?		No	No
In addition to a stabilized/lower housing payment, could homeowner benefit from a reduction of consumer debt or availability of capital to invest in education or retirement?		No	No
Does the homeowner's current home have a need for capital improvements to address fire and life safety, ADA accessibility and/or energy efficiency, that homeowner has not had cash to invest in the maintenance of their home?		No	No
Is the homeowner interested in building an ADU either to house family friends, or as an additional income source?		Yes	No

If homeowner meets a majority of the criteria, they may be a good candidate for SIPP:

- Provide the client with SIPP brochure and FAQ
- Schedule an informational meeting with WDRC if they are interested in an ADU, or with ECLT if they are interested in learning about the SIPP program but do not wish to build an ADU.

*SIPP may not be the right program for homeowners already in foreclosure or too far in arrears