In our second audit of the city's affordable housing program, we found that Denver Economic Development & Opportunity has not ensured it is meeting its strategic goals of preserving affordable housing and preventing involuntary displacement.

- Economic Development measures outputs but not outcomes.
- Economic Development does not enforce housing violations effectively.
- Economic Development is not effectively communicating with other City agencies to enforce compliance and share information.
- Affordable homes have been lost to foreclosure because Economic Development lacks policies and procedures for foreclosures.

### Spending priorities in 2019 housing budget

Denver plans to spend its total 2019 affordable housing budget of $44.6 million, not including administrative costs, on four priority groups.

<table>
<thead>
<tr>
<th>Priority Group</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents earning 31% to 80% of the area median income</td>
<td>$14.3 million</td>
<td>32%</td>
</tr>
<tr>
<td>Homeowners</td>
<td>$10.9 million</td>
<td>24%</td>
</tr>
<tr>
<td>Homeless</td>
<td>$11.6 million</td>
<td>26%</td>
</tr>
<tr>
<td>Residents earning 30% or less than the area median income</td>
<td>$7.8 million</td>
<td>18%</td>
</tr>
</tbody>
</table>

**Source:** “Housing an inclusive Denver” 2019 annual action plan
As a result of Economic Development’s lack of strategy and overall program design to keep homes affordable — and because it has not created policies and procedures for foreclosures — 264 out of 1,619 locally funded affordable homes were foreclosed on.

After Economic Development completed its review of foreclosures, the agency determined that 217 homes in foreclosure should be released from their affordable covenant restrictions and, therefore, lost to the city’s affordable housing supply.

This means that more than 13% of Economic Development’s locally funded homes were lost from the affordable housing program to foreclosure, as of May 2019.

We found 21 instances — totaling $24,688 — where temporary assistance for rent and utilities was provided to residents living outside Denver, violating program requirements.

Since compliance efforts began in 2018, Economic Development has not taken legal action against rental violators or attempted to recoup rents from homeowners illegally renting their affordable homes.

Economic Development’s lack of providing a complete listing of affordable homes to the Assessor’s Office resulted in owners of some affordable homes overpaying property taxes at the market rate.

The Assessor estimates 51 total affordable properties were overcharged property taxes across 2017 and 2018, which will require the office to return approximately $40,000 in property taxes to affected homeowners — averaging $300 to $550 per refund.

For a copy of this report, visit www.denverauditor.org or call the Auditor’s Office at (720) 913-5000.