



**MINUTES OF THE ARAPAHOE COUNTY
BOARD OF COUNTY COMMISSIONERS**

April 14, 2009

State of Colorado, County of Arapahoe. At a public hearing of the Board of County Commissioners for Arapahoe County, Colorado held at 5334 S Prince St. Littleton CO 80166 there were:

Susan Beckman, Chair	Present
Rod Bockenfeld, Commissioner	Present
Pat Noonan, Commissioner	Present
Jim Dyer, Commissioner	Present
Frank Weddig, Commissioner	Present
Kathryn Schroeder, County Attorney	Present
Nancy A. Doty, Clerk to the Board	Absent & Excused
Joleen Sanchez, Assistant Clerk to the Board	Present

When the following proceedings, among others, were had and done, to wit:

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ADOPTION OF THE AGENDA

The motion was made by Commissioner Dyer and duly seconded by Commissioner Noonan to adopt the Agenda as presented.

The motion passed 5-0.

ADOPTION OF THE MINUTES

The motion was made by Commissioner Dyer and duly seconded by Commissioner Weddig to adopt the minutes of the March 31, 2009 Public Hearing.

The motion passed 3-0, Commissioner Beckman and Commissioner Bockenfeld abstained.

CEREMONIES

There were no ceremonies.

CITIZEN COMMENTS

There were no citizen comments.

CONSENT AGENDA

The motion was made by Commissioner Dyer and duly seconded by Commissioner Bockenfeld to approve the Consent Agenda as presented.

The motion passed 5-0.

GENERAL BUSINESS AGENDA

Item A – Resolution No. 090330 – Public Hearing: Approval to sign “Letters of Support” for two proposals that the Count has received for the Neighborhood Stabilization Program (NSP) allocation from the Colorado Division of Housing (CHDOH).

Commissioner Beckman clarified that there is only one proposal.

Don Klemme, Community Resources, said this is a request from the City of Englewood to have a letter of support from the Board of County Commissioners for Englewood’s application to the State of Colorado for \$1,229,379 of Neighborhood Stabilization Program allocation funds. He said Englewood plans to purchase, rehabilitate, and sell foreclosed properties that are affecting neighborhoods. He introduced the Mayor of Englewood, Jim Woodward and councilmember Joe Jefferson.

Mayor Woodward, 3943 S. Pearl Street, said he is here to ask for the Board’s support with a letter to the State for neighborhood stabilization funds. He said neighborhoods are negatively impacted by foreclosed homes, as they bring down values of neighboring homes and lower tax receipts, affecting schools, local services, and the County’s tax revenue. He said homes that sit vacant cause blight and crime, further lowering property values and affecting the overall quality of life. He said the NSP seeks to prevent future foreclosures by requiring housing counseling for families receiving homebuyer assistance; in addition, HUD (Housing and Urban Development) requires that States and local grantees ensure that new homebuyers under this program obtain a loan from a lender who agrees to comply with sound lending practices. He said locally, this program has worked with and consulted at-risk families that have bought homes, placing 33 families over the last few years; none of these properties have gone into foreclosure, which is a 100% success rate. He said this is a partisan issue, but as a nonpartisan community leader, he is looking at the City of Englewood first, the County, the region, the state, and beyond from there. He said the City of Englewood is a first tier city and that is different from Centennial, Littleton and south west Aurora. He explained that Englewood’s median household income is \$40,685; 63.5% of Englewood’s families are below the \$75,000 household income level; 58% of the homes in Englewood were built in 1959 or earlier; the poverty status total is 6,543 families; the total housing units are 15,380; almost 14,100 are occupied, 7,100 are owner occupied and the rest are renter occupied. He said the City is trying to have owner occupants as stakeholders and to have people that are interested in trying to improve the schools and neighborhoods and have a stake in the community. Mayor Woodward commented that in the past year, one middle school has closed, and next year an elementary school will

close. He said the population of children is decreasing and the rental population is increasing. He said there are high square footage rates in Englewood and the reason for that are the smaller homes, which were built before 1959. He said many of these homes are 800 square feet or less sitting on 50-foot lots. He said instead of looking at those square foot rates, the Board should look at the home values in the County in evaluating the prices. He said the Board would find that Littleton and Sheridan are probably on the lower end as opposed to other parts of the County. He stated that all but three of the 13 census tracts meet the requirements for at-risk scores in the HUD foreclosure risk score. He said on a 1-10 scale, seven and above is considered "at risk". He said there is one property that is a 10, three properties that are 9's, two that are 8's and four that are 7's. He said one property that is not at risk is in an area that is a large apartment complex. He pointed out an article from the Saturday Denver Post regarding "fixer-uppers" that fuel the recovery. He said some Aurora properties were among the first to use a Federal funding program. He submitted the article to the Board for its review, along with a letter that he signed, that states that the Englewood City Council has unanimously supported the Letter of Support to the State for this rehabilitation program.

Mayor Woodward went on to say that some of the issues are different at the County level than at the local level; at the local level, the City is looking at what is best for the community and ultimately that means what is best for the County. He said Englewood is looking for home ownership and this is one of the ways that strongly supports that.

Joe Jefferson, Council Member of Englewood, District 1, urged the Board to approve a Letter of Support for the City of Englewood for the Neighborhood Stabilization Program application for \$1.2 million up to the remaining balance of the County's allocation for the State of Colorado. He said in 2008, Congress passed the Housing and Economic Recovery Act, which appropriated almost \$3 billion to the NSP to support the acquisition, rehabilitation, or demolition of foreclosed and abandoned properties. He said the Colorado Division of Housing will award those funds for the purposes intended to promote neighborhood stabilization in the areas experiencing high foreclosures and high rates of value depreciation. He stated that eligible areas are defined by the Department of Housing as income eligible census tracts with foreclosure risks of seven to ten; of the thirteen census tract areas in Englewood, ten of them have risk scores between 7 and 10. He said in District 1, which is in the northwestern part of Englewood, most of that area has a rating of nine or ten. He said this type of program helps with the policy goals of the city such as providing affordable housing to its citizens and increasing home values through increasing home ownership rates. He said there are many policy arguments on both sides of this issue, but the time for those types of policy arguments has passed; the Federal government has set the policy and direction, and it comes down to grasping value for the tax payers in the community. Mr. Jefferson said people here pay their taxes and there is some benefit to these dollars coming into the community and he would like to see the Englewood constituents see some value, rather than passing these funds along and allowing other communities to take advantage.

Commissioner Beckman commented that much of this program is going to be directed to Mr. Jefferson's district, which has neighborhoods that have blight; there is concern about the houses that have been left alone and empty.

Mr. Jefferson agreed. He stated that the northwestern side of town had a rating of 10, which is the highest on the risk scale.

Commissioner Beckman said that mirrors some of the areas in Sheridan.

Commissioner Weddig said Mr. Jefferson's area seems to be the focus for some of these dollars. He said there are six homes that would benefit.

Mr. Jefferson said that depends on how the dollars are leveraged. He said there could be up to 12 homes that would be rehabbed and sold and that would be the end of the program.

Commissioner Weddig said he wants to contrast this program with the investors that are in the community that buy homes and rehab them. He asked if this program does a much more thorough job.

Mr. Jefferson agreed that the private market helps fill that function and there are a fair amount of investors in the community who buy homes, fix them up and resell them, but a lot of those tend to be rental properties; an additional

policy goal with this program is to increase home ownership rates which in turn increase home values. He said it would not be a more thorough rehabilitation, but it would provide more opportunities for people who meet the income requirements to have an opportunity at home ownership.

Commissioner Weddig said the additional advantage is the requirement that the home be owner occupied; there is no such requirement with the private sector.

Mr. Jefferson stated that about 50% of the homes in Englewood are rental properties.

Janet Gremmit was introduced.

Commissioner Beckman said in the first study session, there was discussion regarding a down payment requirement. She asked if Englewood would have a down payment requirement for their first time homeowners program.

Ms. Gremmit said as the project was initially proposed, it was as broad as possible with any policies that were in the legislation, which did allow for down payment assistance. She said in the initial budget, there was some money set aside to provide down payment assistance if needed.

Commissioner Dyer said this mess was created because people that were not able buyers bought houses with no down payments and people couldn't afford to make the payments, now the government is taking subsidized taxpayer money, all of which is a claim on future income for every tax payer in the country and is about to go out and do the same thing all over again. He asked if that is a good policy.

Ms. Gremmit said yes, as this has been a very successful program in working with the County on the first time home buyer program and providing down payment assistance for Englewood and the rest of the community. She said with proper education and proper first mortgage financing, the down payment assistance has been a benefit. She stated that these families can afford a mortgage and are not being put into first lender products where their income is understated or not stated at all. She said the families are placed in a 30-year mortgage based on their current income and can show that they can afford future payments. She said this program allows them to pay some of the up-front costs. She said the proposed program mirrors the County's own program; this would not be a grant, but is a loan and the payment would begin to be repaid in year six.

Commissioner Dyer said all the foreclosed houses out there were loans and buying a house is a function of debt to income ratio. He said the government decided that they could reinvent the laws of economics by ignoring that and now there are abandoned houses all over Englewood and there are all kinds of problems in a city that was higher per square foot than just about any place in the area. He said these were not big houses but they were expensive per square foot and was a very nice place to live for a lot of people. He said now we're going to take more borrowed money and subsidize and put a thumb on supply and demand once more and allow people that we know can't make a down payment; we know if they are loaned the down payment, it will simply be another burden on them later down the road. He said in Englewood's desire to do good, why does a first time home buyer gets special treatment compared to a second or third time home buyer.

Ms. Gremmit said she cannot answer that directly, but a first time homebuyer, as defined, is an individual who has not owned a home in the last three years, per the HUD definition.

Commissioner Dyer said by the time the government gets done with that, everyone will have some kind of claim on someone else's money. He said the reason he does not support this is the fact that it simply tries to reinvent good economics where people who cannot afford the loans will have subsidized properties and Englewood would give them a loan on a down payment that would have to be replaced. He guessed that there would be the same failure that there is now in the housing market, only the taxpayers are going to get stuck with the bill once again. He said this is terrible policy and is delusional for the Federal government to get involved with this kind of undertaking, and it is unacceptable.

Ms. Gremmit said one option is that the program can re-evaluate the loan should the family get into any financial trouble; typically when that occurs, the program may defer the payment and ask for the repayment upon sale of the property or death of the owner. She said like any other lender, there is an option to work out a plan with the homeowner.

Commissioner Dyer said they would get into difficulty because they are not able buyers; if they can't afford a down payment, they can't afford that property, and most of the people in this room don't want to admit the fact that its bad economics to sell homes to people that have no stake in it themselves. He said that makes it very easy for them to pack up and walk away and stick the taxpayers, once more, with another burden.

Commissioner Weddig asked about veterans' loans and their renewed popularity. He said with a veteran's loan, a first time home buyer and subsequent loans have no down payment requirement. He said from his own experience in 1971, he got a vet's loan and paid no money down. He said that allowed him to do some other improvements on a brand new home, and his realtor told him it does make sense to put more money down than necessary. He asked about any statistics on VA loans as opposed to other loans where there is a lower down payment as having a higher failure rate. He said the key is how people qualify. He said there was a period where there were "liars' loans" where stated incomes were acceptable. He said this program actually gets hard facts with check stubs and history. He said the fears are due to the relaxation of standards in the past. He said a program like this actually counsels people and gives them a good sound understanding of what they're stepping into.

Ms. Gremmit said she is not aware of any statistics from the Veterans Administration, but after searching the VA websites for foreclosures, there are very few. She said she doesn't know if that is indicative of the current market or not but there were far fewer foreclosures in the VA than there were in the FHA (Federal Housing Administration).

Commissioner Weddig said it is interesting that FHA, which requires insurance, would have more foreclosures.

Commissioner Noonan said it was stated that the families that receive these loans have to fulfill certain guidelines and show that they can afford the home.

Ms. Gremmit said that is correct. She explained that they must attend a minimum of eight hours of home buyer counseling, which is done through a professional counseling agency, the same agency that the County uses for its first time home buyer program. She said this agency will provide the necessary review of their application, qualify them, help them get into a standard 30-year mortgage, and will also review the eligibility if needed or any other down payment assistance. She said this is a much more rigorous program. She said a family is not just sent to a lender to try to pre-qualify because there would be a number of stipulations that they must abide by. She said there is also a proposal to work with the Denver Urban Renewal Authority that will provide a few hours of home maintenance reviews so the families will be able to enter into home ownership with an understanding of what that means.

The motion was made by Commissioner Weddig to authorize the Chair to sign the Letter of Support.

Seconded by Commissioner Noonan.

Commissioner Bockenfeld said he would be opposing the Letter of Support. He said he does not believe that this proposal will accomplish what it believes it will accomplish. He said Commission Dyer is accurate in stating that this market has been over inflated by subprime lending. He said this program would continue to prop up that market that is trying to find its true bottom. He said our foreclosure impacts will require a market solution and this program interferes with the free market. He said it will prop up the residential real estate market from finding its true bottom and will undercut the residential rehab market by selling fixed up homes below market, creating unfair competition with private investors who have put their personal money into rehabilitating these neighborhoods. He said cities already have tools to deal with blight and it's in their ordinances, and if they effectively enforce the ordinances, they shouldn't need this program to control the blight. He said this is nothing but a political solution

and is symbolic. He said the six properties that Englewood wants to invest in, and hopefully get into twelve properties, won't even put a dent into the current market and how it's going to address this particular issues. He said it would delay this market solution, which is going to be a free market solution, and history holds that out. He further commented that Commissioner Dyer is correct in how this program is going to work; it's going to extend the subprime problem, which is what created the current financial crisis. He said if you truly want to address the issues in the City of Englewood on foreclosures, what you need is an economic incentive program for the free market to come in and address these issues for you. He said they have the necessary capital and there are enough of free market people out there willing, especially with the unemployed people, willing to go out and spend their sweat equity and capital in keeping these markets and communities stabilized. He said for those reasons he would vote against this letter of support.

The motion passed 3-2, Commissioners Bockenfeld and Dyer opposed.

Commissioner Beckman said the resolution passed and Englewood would receive a letter. She said Englewood is working with private sector realtors and private sector bankers and private sector contractors, and that is very important. She said she sent a questionnaire to the South Metro Chamber of Commerce to ask private businesses in the community what they thought of this program; she heard that this is not quite enough. She said Aurora is doing 90 homes and Colorado Springs is receiving \$4 million and are moving into some blighted areas. She further stated that the City and County of Denver is getting \$6 million and Adams County is getting \$5 million. She said the problem was not created by the private sector; the number of homes foreclosures in Sheridan and Englewood wasn't a private sector, it was some predatory lending and waived requirements. She stated that the private sector isn't going to take care of some of this because these homes are in such bad shape. She wished Englewood good luck in helping some of the neighborhoods stabilize.

COMMISSIONER COMMENTS

Commissioner Bockenfeld commented that the Board authorized him to go to a press conference in regards to a bill sponsored by Congressman Coffman, which is the Water Accountability Efficiency Reinvestment Act. He said he wants it on the record that he did go to the Capital and supported and gave Representative Coffman the Board's endorsement of this bill. He said the bill is also supported by Representative Markey and Representative Lamborn. He said it is a water conservation bill and he wished Congressman Coffman the most success in hopefully getting this bill passed. He said the bill was also supported by the Douglas County Board of County Commissioners and the South Metro Water Authority and several other entities in Congressman Coffman's district.

There being no other business before the Board, the Chair adjourned the hearing at 10:05 a.m.

ARAPAHOE COUNTY BOARD OF COUNTY COMMISSIONERS

**NANCY A. DOTY, CLERK TO THE BOARD
BY JOLEEN SANCHEZ, ASSISTANT CLERK TO THE BOARD**