



CITY OF DURHAM | NORTH CAROLINA

Date: May 25, 2011

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Mike Barros, Director
Department of Community Development

Subject: HOME Investment Partnership Agreement and HOME CHDO Grant Agreement between the City of Durham and Builders of Hope, Inc. for the acquisition and renovation of four properties in Southside

Executive Summary

On May 3, 2010, City Council approved the FY 2010-2011 Annual Action Plan for the use of CDBG, HOME and ESG Funds. The FY 2010-2011 Annual Action Plan included a grant of HOME funds in the amount of \$211,000.00 to Builders of Hope, Inc., (BOH) for the acquisition and rehabilitation for five properties near the Southside Revitalization area.

Subsequent to City Council approval of the Annual Action Plan, the properties that were to be acquired by BOH were destroyed by fire. BOH has now identified several properties in Southside that are currently owned by Self-Help and are located in close proximity to where new construction of single family homes is scheduled to commence in the fall of 2011. BOH will acquire a minimum of four single family properties and fully rehabilitate them. The average cost of acquisition will be approximately \$35,000.00 per unit and the average rehab cost, including soft costs is approximately \$120,000.00 per unit. It is projected that the after rehab value will be in the \$105,000.00 to \$115,000.00 range. HOME funds will allow BOH to acquire four or five properties and provide the gap financing necessary to keep these units affordable to low-mod families.

Recommendation

The Department of Community Development recommends that City Council authorize the expenditure of up to \$211,000.00 in FY 10-11 HOME funds and to authorize the City Manager to execute a HOME CHDO Grant Agreement, a HOME Investment Partnership Agreement and related documents with Builders of Hope, Inc. in the amount of \$211,000.00 for acquisition and renovation of affordable housing in Southside.

Background

The funding that BOH is requesting will be used for the acquisition and rehabilitation of two single family properties in the Southside neighborhood. Existing dilapidated structures will be fully rehabilitated to provide energy efficient homes that will complement the revitalization efforts that will begin in the fall of 2011. The average acquisition cost for each property will be approximately \$35,000.00 and the rehabilitation cost will be approximately \$120,000.00. It is anticipated that BOH will sell these homes to low-mod purchasers whose individual or family income is at or below 80% of the Area Median Income (AMI).

BOH must rehabilitate all homes to meet System Vision specifications and upon completion each house must be certified by Advanced Energy that the energy required to heat and cool the building will not exceed the guaranteed usage.

In 2009, BOH completed the acquisition of one vacant lot on Rosedale Avenue on which they relocated and fully renovated a donated single family home, for a lease-to-own occupant and acquired and rehabbed two duplexes next door that are now leased to seniors.

Additionally, they have acquired three single family houses in the next block, one of which has been fully renovated and leased. The FY 2009-2010 Annual Action Plan, approved by City Council included a grant of HOME funds to BOH in the amount of \$185,000.00 that was awarded for the purchase of ten single family properties on Rock Street in SWCD, to be rehabilitated by BOH.

Issues/Analysis

The revitalization of Durham's central city neighborhoods was a specific priority of the Five-Year Consolidated Plan. Self-Help has acquired approximately 100 parcels in Southside, 40 of which are slated for redevelopment by Self-Help and other non-profits beginning at the end of this year. BOH's rehabilitation of these properties will complement the new construction that is anticipated in

Southside and will positively impact the revitalization of the neighborhood.

Alternatives

The City Council may elect to not provide funding for this project. It should be noted however, that there are no alternative funding sources.

Financial Impacts

HOME funds from the FY 10-11 allocation of \$211,000.00 are budgeted and available for this project. There is no impact on the General Fund.

SDBE Summary

BOH shall comply with all applicable provisions of Chapter 26 of the Durham City Code (Equal Business Opportunities Ordinance), as amended from time to time, as they apply. The failure of BOH to comply with that chapter shall be a material breach of contract which may result in the rescission or termination of this contract and/or other appropriate remedies in accordance with the provisions of that chapter, this contract, and State law.