



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 rehabilitation of twelve properties in Southwest Central Durham

Executive Summary

On May 4, 2009 City Council approved the FY 2009-2010 Annual Action Plan for the use of CDBG, HOME and ESG Funds. The FY 2009-2010 Annual Action Plan included a grant of HOME funds in the amount of \$185,000.00 to Builders of Hope, Inc., (BOH) for the acquisition and rehabilitation of ten single family properties on Rock Street in Southwest Central Durham. In addition, BOH was awarded HOME funds in the amount of \$57,146.00 for the acquisition of two vacant deteriorated houses on Rosedale Avenue. Due to the severely deteriorated condition of these properties discovered during the rehabilitation process, it is now apparent that the cost of renovating will exceed the previously estimated budget and BOH now faces a shortfall of approximately \$180,000.00. For example, two houses had to be demolished, due to extensive termite damage and wood rot that could not be identified prior to acquisition. In another instance, the deterioration was so extensive that only a partial foundation and framing could be saved. The six shotgun style houses will need to be lifted and set on new concrete block foundations prior to rehabilitation.

The total project rehab cost for all twelve units is estimated at \$1,088,000.00, including soft costs and the projected after rehab

sale price for all units is estimated at \$908,000.00, thereby creating a gap of \$180,000.00. HOME funds will be used to bridge this gap and allow BOH to keep these units affordable to purchasers whose income does not exceed 80% of Area Median Income (AMI). Construction financing will be provided by other sources.

BOH is now requesting \$180,000.00 in additional HOME funding to complete the rehabilitation of these ten homes on Rock Street and two homes on Rosedale Avenue.

Recommendation

The Department of Community Development recommends that City Council authorize the expenditure of up to \$180,000.00 in FY 09-10 HOME funds and to authorize the City Manager to execute a HOME CHDO Grant Agreement and a HOME Investment Partnership Agreement and related documents with Builders of Hope, Inc. in the amount of \$180,000.00 to rehabilitate or replace twelve properties in SWCD.

Background

The funding that BOH is requesting will be used for the rehabilitation or replacement of ten single family properties located at 1010, 1013, 1015, 1017, 1019, 1100, 1101, 1102, 1103 and 1104 Rock Street and two single family homes at 1111 and 1113 Rosedale Avenue. Existing dilapidated structures will be fully renovated to provide energy efficient homes that will complement the redevelopment efforts in the West End and Lyon Park communities and will be sold to low-mod income homebuyers. Any houses that have been demolished will be replaced with another dwelling moved to and rehabbed on-site.

Builders of Hope must renovate 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, Builders of Hope completed the acquisition of one vacant lot on Rosedale Avenue where they relocated and fully renovated a donated single family home, for a lease-to-own occupant. They also acquired and rehabbed two duplexes next door that are income and age restricted and are leased to seniors. Additionally, they have acquired three single family houses in the next block, one of which has been fully renovated and leased.

Issues/Analysis

The revitalization of Durham's central city neighborhoods was a specific priority of the Five-Year Consolidated Plan. Habitat and Durham Community Land Trustees have both acquired vacant and dilapidated properties in this neighborhood that have been razed and replaced with new single family houses for homeownership. The acquisition and rehabilitation of the ten (10) Rock Street properties will essentially complete the revitalization of this entire block.

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. If the project on Rock Street does not receive additional HOME funding, BOH may have to delay or cancel plans to rehabilitate some of these vacant and dilapidated houses. In addition, if BOH must seek private financing, it will adversely affect BOH's ability to maintain the sale prices at an affordable level.

Financial Impacts

HOME funds from the FY 10-11 allocation of \$180,000.00 are budgeted and available for this project. There will be 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.