



**CITY OF DURHAM | NORTH CAROLINA**

**Date: March 20, 2012**

**To: Thomas J. Bonfield, City Manager**  
**Through: Keith Chadwell, Deputy City Manager**  
**From: Reginald J. Johnson, Interim Director**  
**Department of Community Development**  
**Subject: Southside West Update**

Over the past several months, various revitalization components located within Southside West have moved forward. A development plan for the first 35 homeownership units has been prepared, the rehabilitation of owner-occupied homes is underway and job training and education programs have been put in place. Additionally, a temporary Section 3 coordinator has been active in the community to identify persons who might be candidates for jobs created in future development and construction activities and the interview process has been completed for the position of Southside Community Outreach Coordinator, a one-year position being funded by the City.

The Department of Community Development recommends that City Council receive a report on revitalization activities in Southside West.

### **Development Plan**

Approximately 45 homeownership units are planned for Southside concurrent with the development of two phases of mixed-income rental units. Through a contract with Self-Help, the design team of O'Brien Architecture and HadenStanziale has prepared a development plan for the first 35 homeownership units with the remaining 10 homes to be built in a second phase. (See attached Pricing Summary). The first phase of homebuilding will be on Self-Help owned properties located along Hillside Avenue, Chestnut

Street, South Street and Piedmont Avenue. The first phase is broken down into Area 1: South Street Entry, Area 2: South Street West and Area 3: The Triangle. The existing topography within all three areas presents challenges and limitations in the construction of new homes and therefore, significant cut and fill is proposed by the design team. As Areas 2 and 3 are graded to create more desirable building lots, the excess material will be used to fill Self-Help owned lots on Hillside Avenue which currently have steep slopes away from the street. Additionally, the development plan calls for minor infrastructure and streetscape improvements consisting of new or relocated sidewalks, street trees and possibly decorative street lights. (The proposed street lights will be considered in greater detail as the design work progresses.) Stormwater will be treated through a system of filterra boxes located within the public right of way.

### **Cost Estimates and Funding Plan**

Page 9 of Attachment A summarizes the estimated cost of the site preparation and infrastructure improvements. The total for “City of Durham” and “Developer”, \$1,445,235.00, represents the investment required from the City to implement the plan. The initial plans for homeownership development in Southside assumed building on existing lots with minimal required site preparation. However, with contiguous site control obtained by Self-Help, it is now possible and desirable to maximize the marketability of the home sites through substantial grading and site preparation. From previous Annual Action Plans, \$313,099.00 in CDBG funds remains available for infrastructure and gateway improvements in Southside. The balance will be drawn from FY 13 CDBG funds proposed for Southside infrastructure improvements to support homeownership development and the Section 108. If the dedicated funding for housing is approved it would represent an alternative funding source.

### **Development Plan – Next Steps**

The existing Self-Help contract with the design team includes the preparation of bid documents for the proposed improvements but does not include the preparation of a site plan that must be submitted and approved in order to proceed with the improvements. Additionally, the existing contract does not include contract administration or the design of gateway improvements at South Street and Roxboro Street. A contract amendment is being prepared for Council consideration in the next agenda cycle.

## **House Plans**

As a part of the design team's scope, O'Brien Architecture, the architect for Eastway Village developed a family of single-family detached houseplans that will be constructed in Southside. Any builder that constructs homes in Southside on lots acquired from Self-Help will be required to build one of those approved plans.

## **Home Pricing/Construction Timing**

To obtain guidance on homeownership construction and marketing efforts in Southside, the Department issued a Request for Qualifications from market research or real estate firms to provide an array of real estate advisory services. Included in the scope is advice in establishing sales prices and homebuyer incentives/assistance and the timing and scale of speculative home construction. Presentations by and interviews with the two finalists were held on March 19.

## **Homeownership Incentives and Assistance**

A fundamental Southside objective is to provide both rental and homeownership opportunities for a broad range of incomes to create a mixed-income community. A parallel objective is to attract private, long term investment to rehabilitate or redevelop deteriorated properties not owned by the City or Self-Help. Both of these objectives have been taken into consideration in structuring the proposed homeownership incentives and assistance. At Eastway Village, housing bond program income was used to write-down or subsidize construction costs and then the homes were offered for sale without income restrictions other than the federal requirement that not less than 51% of the buyers have incomes at or below 80% of the area median income (AMI). The write-down was the primary incentive offered to Eastway buyers. For eligible buyers with incomes at or below 80% AMI, assistance was made available in the form of second mortgage loans at 2% to make the homes affordable and to make first mortgage financing more easily obtainable.

In Southside, there are strategic reasons why providing the incentive to the buyer versus a cost write-down to the homebuilder is preferable. The following example illustrates the difference: A newly constructed home costs \$155,000.00 inclusive of builder overhead and profit. With a cost write-down, the sales price would be \$125,000.00 if the builder received a \$30,000.00 cost write-down. Alternatively, a sales price of \$155,000.00 and a \$30,000.00 incentive to the buyer (perhaps in the form of a 30 year forgivable

loan) would make first mortgage financing easier to obtain by reducing the loan to value ratio while also establishing a substantially higher comparable value which will attract private investment more quickly. An additional benefit is that a cost-write down is essentially a grant while a forgivable loan provides a mechanism for recapturing some portion of the public investment if the buyer sells the home before the 30 year forgiveness period. This proposed incentive would not be income restricted. However, low interest amortizing second mortgage loans and other forms of assistance would only be available to buyers with incomes at or below 80% AMI.

### **Programming**

As was initially proposed, the residential building program for Southside remains mixed-income rental development by McCormack Baron Salazar and the construction of homeownership units on sites owned by Self-Help. While there have been discussions about other rental development in Southside, including supportive housing for persons with special needs, the Department strongly believes that rental housing developed through the LIHTC model is the most cost effective production method and has the added benefit of rent levels affordable to a broad range of incomes. With respect to supportive housing, three future projects elsewhere in the City are already in the production pipeline. Additionally, the Department supports the development of supportive housing outside areas of LMI concentration.

### **Homeowner Rehabilitation**

To date, one owner-occupied rehab has been completed and two are under construction. Bids have been received on two additional units. Since July 2011, rehabilitation efforts have been limited to Southside. A citywide repair program however remains available.

### **Southside Neighborhood Association**

Staff from the Department serves on the Board of the Southside Neighborhood Association and provides updates at the monthly meetings. Additionally, a member of the Association attends regularly scheduled Southside coordination meetings in the Department. A major revitalization objective in Southside is to strengthen the association and possibly help to obtain a formal non-profit status.

## **Services**

Through many meeting with the Association came the consensus that service priorities in the neighborhoods should be job training and education. In turn, the Department funded the culinary arts program and conducted a competitive process for other job training and education offerings. Courses offered by Durham Tech include health, GED and construction classes. The funding recommendations for FY 13 propose continued public service activities in Southside.

## **Public Safety**

In order to adequately address safety and crime perception issues in the Southside neighborhood, the Police Department has increased regular patrolling and its visibility within the neighborhood. It is very important that Southside residents continue to assist current Police efforts by reporting crime and alerting the department of unusual behavior and suspicious activities. Although the Police Department indicates that official designation of a “Bulls Eye” target area or the construction of a police substation/work station is not feasible at this time, other efforts to help deter crime are being considered (i.e. installation of protective shields on street lights). A five year incidence report is attached.

## **Southside Community Outreach Coordinator**

A one-year position has been created by the City to serve as the Southside Community Outreach Coordinator. Over 100 applications were received and 15 candidates were interviewed. Major duties of the Coordinator include ensuring coordinated delivery of human services and capacity building for the Neighborhood Association. Outreach to the most vulnerable residents by coordinating asset and wealth building, job readiness, rental and homeownership readiness will be a priority for the Coordinator to ensure those residents receive maximum benefit from the revitalization efforts. Additionally, the Department has established a partnership to offer free comprehensive housing counseling services to Southside residents over a specified timeframe.

## **Initial Homeownership Funding Plan**

The attached initial funding plan depicts the sources and uses associated with the site preparation/infrastructure improvements and incentives and assistance for the 35 lots in the Haden Stanziale Development Plan. As noted previously, if the dedicated funding source for housing and neighborhood revitalization is approved, that

could be an alternative funding source for a portion of the site preparation and infrastructure costs. Housing bond program income and HOME funds are the funding sources for homebuyer incentives. Bond program is one of the funding sources for the second phase of mixed-income rental development by McCormack Baron Salazar (MBS) and therefore, using bond program for a substantial percentage of the incentive funding needed could delay the timing of the second phase. However, should Council choose to approve dedicated general funds for affordable housing and neighborhood revitalization, a portion of that additional funding could be used for MBS's subordinate financing needs.

Attachments

Southside Revitalization Pricing Summary  
Homeownership Development Map  
Southside Rehab and Culinary Arts Photos  
Southside Homeownership – Initial Funding Plan  
Incidence Report