



CITY OF DURHAM | NORTH CAROLINA

Date: March 25, 2013

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Information Requested at Work Session

At the City Council work session held on March 21, 2013, Councilman Moffitt asked if it would be possible for the owners of Rockwood Cottages to keep the 35% AMI level going forward in light of the fact that reducing the loan interest repayment from 1 ½% to 0% would result in a net cash flow to the project of approximately \$10,000.00 per year. It is not financially feasible to do so as outlined below. One of the primary reasons for the increase from 35% AMI to 50% AMI and the reduced interest rate is to generate enough cash flow to properly operate and maintain the property and to fund the reserve replacement account, which is currently being funded by the owners. This modest increase to the cash flow will enable some reimbursement to the owners and future funding of the reserve accounts. Even with this boost to the bottom line, it is projected that over the next several years, that benefit will disappear as the expenses escalate at a faster rate than income. It is also important to note that the requested increase from 35% AMI to 50% AMI will only affect 6 units and will not preclude those applicants whose income is below the 35% AMI level from applying for housing.

Changes were made to the Agenda Memo and the chart for Rockwood Cottages to reflect that \$3,987.00 of annual interest forgiveness represents the interest on the HOME loan that accrued during the first 5 years of operation when all interest payments were deferred. It will not reduce the loan balance that will be due at the end of the loan term.

If there are questions or if additional information is needed, please let us know.