



Date: May 7, 2013

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Merger of Next Step Housing, Inc. and Community Alternatives for Supportive Abodes (CASA)

Executive Summary

On May 11, 2004 the City of Durham entered into a Construction/Permanent Loan Agreement with Next Step Housing, Inc. for the construction of a two story apartment building containing 12 efficiency units for occupancy by persons with disabilities. Since the time of completion in 2005, the property has been managed by Community Alternatives for Supportive Abodes (CASA). At this time Next Step Housing and CASA are planning a merger of the two organizations, with CASA to be the surviving entity.

Recommendation

The Department of Community Development (DCD) recommends that City Council authorize the City Manager to execute loan modifications, amendments or assignments, as may be determined necessary by the City Attorney's Office to transfer responsibility for the property located at 1711 Liberty Street in Durham from the Next Step Housing, Inc. to Community Alternatives for Supportive Abodes (CASA).

Background

In early 2004, Next Step Housing secured financing from the City of Durham, North Carolina Housing Finance Agency and the North Carolina Mental Health Trust Fund for the construction of an apartment building containing 12 efficiency units at a cost of approximately \$910,000. All funding was in the form of either deferred or forgivable loans. In 2005, management responsibilities for the property were contracted with CASA, who has successfully managed the property ever since. The units were leased to residents with disabilities or mental illness and whose income did not exceed 30% of Area Median Income (AMI).

Next Step and CASA have now agreed to merge the two organizations, with CASA to be the surviving entity. All of the assets and liabilities of Next Step would then become the responsibility of CASA. Total assets of Next Step consist of this 12 unit property and one .7 acre parcel of vacant land that is adjacent to the 11 unit apartment project CASA will have under construction at Sedgfield Road and Guess Road in Durham. CASA's attorney is currently finalizing the Articles of Merger and the Plan of Merger to become effective on or before June 30, 2013.

CASA partners with a variety of service providers in three counties to safely and permanently house persons of low wealth with disabilities and/or with histories of homelessness. Since CASA was incorporated in 1992, it has developed more than 470 housing units, currently owns and manages 303 units in the Triangle area, is a partner or manager of 101 additional units and will break ground on 21 new units during this year.

Issues and Analysis

Next Step's original loan of \$470,000 is in first lien position with terms of 0% interest with payments deferred and the entire loan balance forgiven after 30 years. CASA will assume Next Step's obligations under the loan agreement and continue to operate it as permanent housing for persons with disabilities.

Alternatives

Not applicable to this item.

Financial Impact

No financial impact is associated with the loan modifications.

SDBE Summary

Not applicable to this item.

Attachments

Plan of Merger
Articles of Merger