



CITY OF DURHAM | NORTH CAROLINA

October 30, 2014

TO: Thomas J. Bonfield, City Manager
THROUGH: Keith Chadwell, Deputy City Manager
FROM: Reginald J. Johnson, Director
Community Development
SUBJECT: Comments to proposed guidelines for DFS Funded Small Project Development and Neighborhood Revitalization

City Council discussed the proposed Small Projects and Neighborhood guidelines at the October 6, 2014, City Council meeting. After the discussion, Council asked the Department to extend the opportunity for residents to comment on the proposed guidelines. To the end, on October 8, 2014, the Department shared the proposed guidelines with our listserv composed of Community Development stakeholders – nonprofits, organizations and interested residents. The deadline for comments was Friday, October 17, 2014. Five individuals responded with comments and to the extent possible the comments appear as submitted. The comments are grouped below by topic rather than exclusively by individual. The comments are followed by the Departmental response.

COMMENT #1

- A strong economic development component for residents who live in these communities and non-profit organizations that originated from, and are located in these communities;
- All contractors who propose remodeling projects on housing built before 1978 be NC certified firms and that they have an adequate number of NC certified renovators;
- This funding to include an RRP enforcement piece so that children are protected from potential lead poisoning during the Neighborhood Revitalization period.

RESPONSE:

These programs focus on the creation of affordable housing opportunities rather than focus on economic development, i.e. job creation. To the extent that a particular project has the potential for lead based paint, all appropriate regulatory procedures will be adhered. The Remodeling, Renovation, and Painting (RRP) enforcement is required under Environmental Protection Agency regulations and all contracts with sub recipients have a provision requiring the adherence to all applicable state and federal laws and regulations.

COMMENT #2

- I would encourage an adjustment to the criteria to provide additional points for an affordable housing project that is within one-half mile of a proposed transit station. I would incorporate your reasoning in your adopted resolution establishing the goal to preserve and increase the stock of affordable housing within a half-mile of each of the proposed Durham-Orange rail transit stations.

As you know, next year TTA will be submitting a request to move into the next stage of the federal grant process. FTA published guidelines recently that emphasize that transit projects that protect and provide for affordable housing with ready access to transit will score higher. Among the 6 major criteria, 3 emphasize affordable housing for transit dependent persons with increased scoring.

- There is 4 Point Bonus for projects located within a one-half mile radius of a proposed rail transit station. Can a larger bonus be considered?

RESPONSE:

Based upon the totality of the scoring matrix and the mix of criteria, 4 points is the appropriate number of bonus points for a project located within one-half mile of a proposed transit station. The focus of the criteria is the key components involve evaluating the developer as well as the project: The submission components are rated accordingly, with bonus points added exclusively upon project location. The bonus points are 4 points or 0 points, with no mid-range rating.

A total of 30 points is awarded for project design category for Small Projects Development program and 20 points for Neighborhood Revitalization program. Those points are evaluating project costs per unit, reasonableness of developer fees and project soft cost, architectural design, quality and durability of materials energy efficient and green elements and compatibility with adjacent land uses and proximity to commercial facilities and transportation. The bonus points are equal to the maximum points in rated sub-categories, in the case of Neighborhood Revitalization, and should not be more.

COMMENT #3

- With reference to the required outcome of increasing the supply of affordable rental or homeownership units through new construction or the rehabilitation of existing, vacant and deteriorated property, how about preserving “naturally affordable units” i.e. unsubsidized units that can be acquired and made affordable for the long run with assistance.

RESPONSE:

Such a project can be submitted in the application process and will be evaluated competitively against other projects based upon the criteria.

COMMENT #4

- Location of Projects located in Southwest Central Durham, Northeast Central Durham or Southeast Central Durham. Is there room for inclusion of station areas as an additional geographic area beyond these three to support local policy on TOD?

RESPONSE:

The funding allotted for both programs is limited and should be focused on the areas of most need, and the more economically disinvested areas within the City. This is consistent with areas previously adopted by the City Council for targeted revitalization – Southwest Central Durham, Northeast Central Durham, and Southeast Central Durham.

COMMENT #5

- Why limit an exemption to market study to Habitat for Humanity? If another builder can document a waiting list of buyers it seems they should have access to this exemption from a market study.

RESPONSE:

Agreed. The exemption is for entities that already have a loan- qualified (not pre-qualified) and approved buyer that is ready to execute a contract to purchase a home or have a list of such buyers. As a matter of business practice, developers/builders do not maintain such a list.

COMMENT #6

- For rental projects, at least two-thirds of the units must be occupied by households with incomes at or below 60% AMI. Does this imply that local dollars can subsidize units above 60% AMI? It should be clear that subsidy is only tied to rental units of under 60% AMI, though projects can include other units to mix incomes and help internally subsidize lower income units.

RESPONSE:

Local dollars can be used to subsidize units from 60% AMI to 80% AMI, and the income mix as well as having mixed income is important. However, the 60% AMI threshold is also important for projects involving Low Income Housing Tax Credits (LIHTCs). LIHTC funding maximizes leverage as part of the funding for a tax credit projects where at least two-thirds of the units are occupied by households with incomes at or below 60% AMI.

COMMENT #7

- How does the City determine the creditability of a market study? What is a creditable market study and who can present such a study? Who makes that determination?

RESPONSE:

The U.S. Department of Housing and Urban Development (HUD) rules governing the HOME Program require documentation of market demand for the proposed rental or homeownership units within the specific geographical location, a market study. The Community Development Department is extending the same market study requirements to locally-funded affordable housing developments. In short, there must be an examination of neighborhood market conditions to ensure adequate need for each project. A prospective developer/sub recipient is expected to submit the following information as part of a bona fide market study:

1. Identify the market area for new rental units;

2. Provide any waiting lists or client lists, to determine needs for additional units, they may have themselves or other organizations as well;
3. Current occupancy and rent levels of developers own projects and those in the market area;
4. A comparable analysis of the occupancy and rent levels, including projected absorption rate of new units; and
5. The plan for marketing these new units.

A good market study will have analysis addressing the listed components. With the aforementioned information, DCD staff members, some of who have real estate experience and/or have attended HUD trainings on market study analysis, as part of review teams, will evaluate the following:

1. General market area demographics, including housing trends and jobs (availability and/or creation);
2. Analyze the rent structure to ensure affordability to under 60% AMI tenants and compare to market rate units;
3. Verify sufficient demand for additional units;
4. Review the developer's marketing plan to ensure it targets appropriate households;
5. Determine that additional affordable units will not adversely affect the market for existing housing and that the market will support these additional units; and
6. Conclude that market will support the proposed additional units, that rents are competitive, the absorption rate is reasonable and the marketing plan is appropriate.

COMMENT #8

1. I can't speak about the needs in SWCD or SECD but as it relates to Northeast Central Durham the leadership here is more interested in help for people in our neighborhoods who are at 40% or less than the AMI. While we do support the work that Habitat for Humanity is doing in NECD. Until Habitat start identifying people who lives in NECD now for homeownership I just don't see me supporting this part of it.
2. I can support the revitalization effects in NECD if it includes monies to help homeowners who are on fixed income to bring their homes up to code. We have a growing elderly home ownership that just can't afford to fix up their homes.
3. What are the city's priorities and do they match up with the needs in these areas?
4. How much community input was there in this process?
5. I think we as a community should decide what are our needs then priorities them before we start making funding recommendations. I do think that the process should be more inclusive of neighborhood input and that it be an open process that includes more than just developers and city staff.
6. I also think that we should think about Mrs. Mack comments about the tax credit properties that we have now that can convert to market rate properties now that their agreements are almost up.

7. I think there should be a public hearing on the needs and allocations of the Dedicated Funds.

RESPONSE:

For Fiscal Year 2014-15, two public hearings were held where residents had the opportunity to comment on federal entitlement funds and the dedicated housing funds. The first public hearing was held January 6, 2014, and the second public hearing was held on May 5, 2014. Some residents also took the opportunity to offer their comments at the Coffees with Council.

For Fiscal Year 2015-16, the first public hearing on the Five Year Consolidated Plan and the 2015-16 Annual Action Plan was held on October 6, 2014. The second public hearing will be held in spring 2015 on a date yet to be determined.

In addition, in 2015 a new Five Year Consolidated Plan is required by HUD, and as part of the process the City is engaging a firm to assist with the process required to develop the new Five Year Consolidated Plan. This includes significant community stakeholder input process. In developing the plan, letters will be mailed to all stakeholders to comment on the City's community development priorities and subsequent meetings will be held with stakeholders. The City will post a resident survey on its website and share with the Partners Against Crime (PACs). There will also be roundtable discussions with housing providers, social service agencies and other stakeholders in addition to interviews with advocacy organizations.

This winter, the Community Development Department will also begin developing a departmental strategic plan as has other city departments. A major component of the strategic planning process is a survey of community development stakeholders asking what should be the department's priorities.

Residents will have the opportunity to provide input and comment on the Department's priorities through the aforementioned processes as well as the annual budget process.