



CITY OF DURHAM | NORTH CAROLINA

Date: March 18, 2014

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Award of Dedicated Housing Funds and HOME Funds to Durham Community Land Trustees, Inc. for the Renovation of Rental Housing Units in the Southside Neighborhood

Executive Summary

On December 17, 2012, the City Council approved Durham Community Land Trustees, Inc. (DCLT) as the tentative developer for the Piedmont Rentals Project. The project will consist of the renovation of nine (9) rental housing units located on E. Piedmont Avenue in the Southside neighborhood. All sources of funding are now in place and DCLT is ready to begin the renovation process.

Recommendation

The Department of Community Development recommends that City Council declare the properties surplus located at 102, 104, 110, 112, 114, 116 and 120 E. Piedmont Avenue; authorize the transfer of the property under the authority of and in compliance with NCGS 160A-267 and 160A-279; accept the proposal from Durham Community Land Trustees, Inc. (DCLT); authorize the City Manager or Mayor to deed, sell and convey the property at no cost by a non-warranty deed which includes relevant covenants that the property be used for affordable housing; authorize the expenditure of \$300,000.00 in Dedicated Housing funds and \$447,806.00 in HOME funds; and authorize the City Manager to execute a Dedicated Housing fund construction/permanent loan agreement and other related legal documents in the amount of \$300,000.00 that is forgiven over a

period of 20 years at 0% interest and a HOME construction/permanent loan agreement and other related legal documents in the amount of \$447,806.00 that is forgiven over a period of 20 years at 0% interest with Durham Community Land Trustees, Inc.

Background

DCLT is a community-based nonprofit organization with a mission to develop permanently affordable housing for low and moderate income people and to promote neighborhood revitalization. The organization's experience in acquiring and rehabilitating properties for rental and homeownership spans 25 years and encompasses a wide range of housing needs. During this time, DCLT has developed over 200 units of affordable housing in the Lyon Park, West End and Burch Avenue neighborhoods of Southwest Central Durham. Notable developments include 722 Kent Street (rental units for individuals with Sickle Cell disease), 615/617 Carroll Street (rental units for seniors 55+) and the renovation of the DCLT office building. DCLT has a full-time Project Manager on staff and has 25 years of in-house rental property management experience.

DCLT's modified proposal is for the renovation of nine (9) rental housing units located on Piedmont Avenue in the Southside neighborhood. The structures range from 1,227 to 1,894 square feet. All of the units will house persons with incomes at or below 60% of the area median. Originally, DCLT wanted to construct a housing unit on a smaller lot located at 120 E. Piedmont Avenue. It has been determined that the lot is unbuildable and the City will now convey the property to DCLT to use as open space. The City will also demolish two severely dilapidated structures (106 and 108 E. Piedmont Avenue) and later convey those properties to interested homebuilders for affordable housing development.

The total project cost is estimated at \$1,125,000.00 or \$125,000.00 per unit. This per unit cost compares favorably to DCLT's originally estimated per unit cost of \$145,454.55 at the time of its initial response to the RFP. The lower per unit cost is attributable to the elimination of new construction as a part of the development program.

The City of Durham will provide a forgivable loan in the amount of \$300,000.00 in Dedicated Housing funds and a forgivable loan of \$447,806.00 in HOME funds. The HOME funds consist of \$284,806 approved by City Council on June 17, 2013 as a part of a Substantial Amendment to the FY 12-13 Annual Action Plan, \$88,000 in FY 13-14 CHDO funds awarded to DCLT for this project and \$75,000 in FY

12-13 funding awarded to DCLT for construction financing and homebuyer assistance which DCLT requests be reallocated to this project. The remainder of the funding will be provided by a first mortgage loan from a private lender in the amount of \$318,000.00 and a grant in the amount of \$60,000.00 from NeighborWorks America.

The cost incurred by the City in acquiring the parcels to be conveyed to DCLT from Self-Help was \$408,238.24.

All nine units will serve households with incomes at or below 60% of the area median income. Four of the nine units will be subject to the Low HOME rent limits and five will be subject to High HOME rent limits. DCLT is coordinating with the Veterans Administration in housing Veterans with special needs in the four units subject to the Low HOME rent limits through the VASH voucher program.

It should be noted that DCLT submitted an application to both the North Carolina Housing Finance Agency (NCHFA) and to the Federal Home Loan Bank (FHLB) of Pittsburg to request funding for the proposed project. Neither request for funding was granted. By eliminating the new construction originally planned, the project can move forward with the funding already committed.

Issues/Analysis

The 2010-2015 Five-Year Consolidated Action Plan and the Annual Action Plan have identified as an ongoing priority need, the development of additional affordable rental housing units. The Department of Community Development is committed to the development of safe and affordable rental housing and this project will assist in providing additional rental opportunities for our citizens.

Alternatives

The City Council could elect not to provide the requested funding for this activity. If the project does not receive Dedicated Housing funds and HOME funding, it will not move forward. Approval of the project will represent another incremental step towards addressing Durham's affordable rental housing needs.

Financial Impact

Dedicated Housing funds and HOME funds are budgeted and available for this project.

Dedicated Housing Funds

\$300,000.00 3410D900-764000-QWDFB

HOME Funds

\$284,806.00	1213D013-764000-DHM13
\$ 75,000.00	1232D012-764000-DHM12
<u>\$ 88,000.00</u>	1250D014-764000-DHM14
\$447,806.00	

SDBE Summary

Goals for this project have been set by the Office of Equal Opportunity/Equity Assurance at 15% for minority SDBE participation and at 4% for women's SDBE participation.