



# Preservation of Affordable Rental Housing

**City Council Work Session  
August 7, 2014**

*Community Development  
Department*

101 CITY HALL PLAZA  
DURHAM, NC 27701  
P 919.560.4570  
F 919.560.4090





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P 919.560.4570  
F 919.560.4090

# Background

- Durham Community Land Trustees, Inc. (DCLT) and Woodland Associates, Inc. submitted applications for FY 2014-2015 funding for the preservation of existing affordable rental housing.
- Funds would be used to make urgently needed capital and accessibility improvements to the following Low Income Housing Tax Credit (LIHTIC) projects:



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F 919.560.4090

# Background

- Rockwood Cottages Apartments
- Mutual Manor Apartments
- Mathison Apartments
- Morehead Glen
- West Park
- The Five-Year Funding Plan presented to City Council on May 5, 2014 included a recommendation to fund the projects using the Dedicated Funding Source to preserve existing rental units and keep the units affordable.



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# Background

- Funding for Rockwood Cottages Apartments, Mutual Manor Apartments and Mathison Apartments was requested by Woodland Associates, Inc.
- Funding for Morehead Glen Apartments and West Park was requested by DCLT.



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# Existing Rental Projects

- All of the existing rental developments are currently in compliance with federal tax credit program rules and requirements and City rent restrictions.
- City loans for the projects are more than 20 years old.
- Payments on all City loans have been made on time by both owners.
- No delinquencies or defaults.



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# Existing Rental Projects

- Compliance with rent restrictions has prevented projects from building sufficient replacement reserves to meet capital improvement needs.
- The owners are requesting City funds to help address immediate capital improvement needs for their projects.



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# Existing Rental Projects

- This will allow the developments to continue and to serve individuals and families whose income does not exceed 50%-60% of Area Median Income.



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# Existing Rental Projects

- During the competitive application process, DCD staff was aware that these specific older LIHTC projects did not meet the Qualified Action Plan (QAP) 24-unit minimum under the North Carolina Housing Finance Agency (NCHFA) “rehabilitation set-aside.”



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# Existing Rental Projects

- The Department saw 2014 as a one-time opportunity to provide capital improvement funding to these older projects.
- These projects were placed in service with the expectation of loan review, modification or restructure at the end of the 15 year federal compliance period.
- The compliance period has expired, investors have withdrawn from the partnerships and the projects have been unable to generate enough income to adequately fund replacement reserves.



## Operating Pro-forma (Typical Two-Bedroom Unit) For Illustrative Purposes Only

### Revenue

Rent	\$535.00
Vacancy/bad debt 8.5%	45.65
Rent Loss for Grandfathered Tenants	<u>10.71</u>
Effective Gross Income	\$478.64

### Expenses

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Administrative	59.67
Property Manager	31.90
Property Insurance	27.39
Property Taxes	37.01
Maintenance Salary	73.44
Maintenance Supplies	34.19
Lawn Service	24.43
Phone	2.24
Utilities	38.45
Marketing	3.25
Mortgage Principal & Interest	<u>98.21</u>
Total Operating Expenses	\$430.18
Net Operating Income	\$48.46
Replacement Reserves	\$31.89
Cash Flow	\$16.57



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# Existing Rental Projects

## Rockwood Cottages Apartments

- Affordable 20-unit elderly housing development (Rock Cottage Court)
- Rockwood AH-1, LP (owners) have operated the project for 18 years.
- Requested a total of \$197,838.00 in City funding for immediate capital improvement needs and replacement of aged appliances and HVAC units.

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# Rockwood Cottages Apartments





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# Exiting Rental Projects

## Mutual Manor Apartments

- Affordable 18-unit elderly housing development (Fayetteville Street).
- Mutual Manor Associates LP (owners) have operated the project for 18 years.
- Requested a total of \$142,859.00 in City funding for immediate capital improvement needs and replacement of aged appliances and HVAC units.

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# Mutual Manor Apartments





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# Existing Rental Projects

## Mathison Apartments

- Affordable 9-unit scattered-site housing development (Mathison & Fisk Street).
- Mathison Associates LP (owners) have operated the project for 20 years.
- Requested a total of \$79,528.00 in City funding for immediate capital improvement needs and replacement of aged appliances and HVAC units.

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# Mathison Apartments



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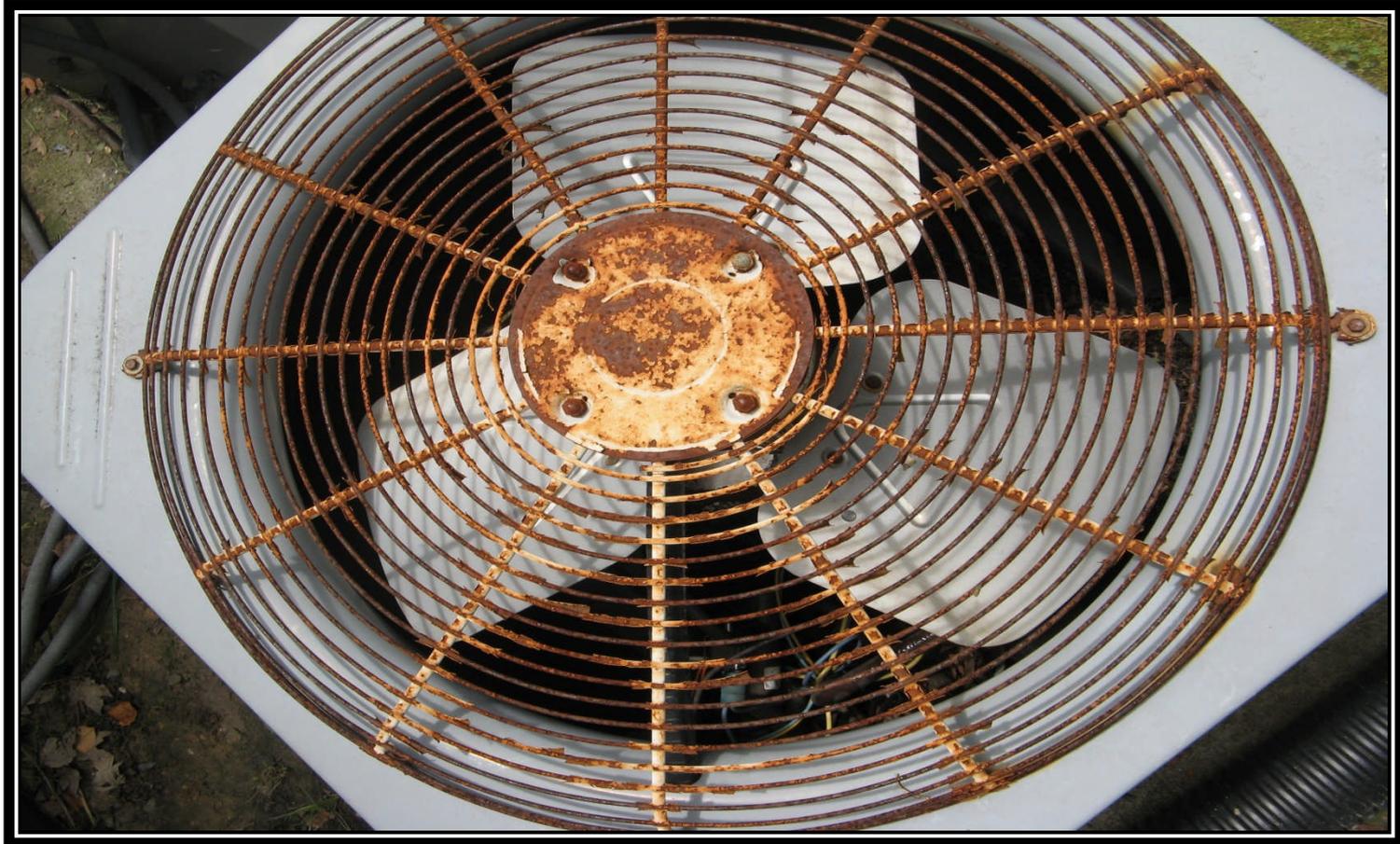


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# Needed Repairs



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# Existing Rental Projects

## Morehead Glen

- Affordable 20 unit townhouse style development (Rock Street).
- DCLT (owner) has operated the project for 20 years.
- Requested a total of \$200,000.00 for immediate capital improvement needs.

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# Morehead Glen





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# Existing Rental Projects

## West Park

- Affordable 10-unit townhouse style development (Carroll, Exum and Cornell Street).
- DCLT (owner) has operated the project for 21 years.
- Requested a total of \$100,000.00 for immediate capital improvement needs.

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# West Park



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