

MEMO

Date: January 15, 2016
To: Mr. Reginald Johnson, City of Durham
From: Karen Lado
Re: Draft Guidelines for Downtown Rental Subsidy Program

Note: This is an update to the transmittal memo we originally submitted on December 30, 2015, incorporating new data concerning the downtown rental market.

Per the terms of our contract with the City of Durham, attached please find draft program guidelines for a Downtown Durham Rental Subsidy Program. These guidelines reflect the comments of the DCD team during our discussion earlier this month.

In addition to the program guidelines, we have also provided two other documents. The first is a PowerPoint deck containing demographic information about low income (51-80% AMI) households in Durham, as well as information about the downtown rental market. These slides were also included as an attachment to my presentation to City Council on December 10th.

As this data indicates:

- There are about 16,500 households in the City of Durham with incomes between 51-80% AMI. (Note: Census data is only available for 51-80% as a group, so we cannot look just at the subset of 60-80%). The number of black and white-headed households is roughly equal, about 40%, with Hispanics, Asians and other racial groups making up the balance.
- With the exception of Hispanics, household sizes tend to be small – primarily one or two persons. One in four households in this income group has children under the age of 18, but the percentages vary significantly by race and ethnicity. Only 1 in 10 white-headed households contains children, versus 1 in 3 black-headed households and half of all Hispanic-headed households.
- The downtown rental market currently contains 880 units with almost 400 more under construction. These units are primarily one and two-bedrooms, and rents are substantially above average rents for comparable sized properties in the city.
- Average vacancy rate downtown is around 16%, but these vacancies are concentrated in two properties (Whetstone and the Moore) with other downtown properties being at or near full occupancy (as of November 2015, the most recent data available.)

The second document, entitled “Downtown Scenarios,” contains some other ideas for the City to consider in support of the goal of expanding the range of housing options in the downtown market. These ideas emerged from the research, discussions and strategy development we are doing as part of the larger Durham engagement.

As you review the draft program guidelines, please note that there are two areas where guidance from city leadership is needed. The first concerns the target population. For the time being, we’ve indicated that the target group is households earning between 60-80% of area median income. In addition, in accordance with the Mayor’s earlier suggestions, we’ve also indicated a five-year residency requirement. The City may wish to modify this, and/or to add more specific requirements, such as a focus on key employment groups (e.g. downtown workers, teachers, first responders etc.).

The second point where guidance is needed is on the payment standard to be used for the program. We’ve laid out four possible standards, although we would note that the Fair Market Rent is included more for the sake of comparison to existing rental subsidy programs rather than a belief that it would be acceptable to downtown property owners.

Once these key parameters are decided, we anticipate that it would take 7-9 months to get a program up and running. During this time period, the City would need to complete the following tasks:

- Draft all the documents required for the program, from the application to the legal agreement between the property owner and the city;
- Ensure that downtown property owners are willing to participate in the program as structured (with the payment standard likely being the key decision factor);
- Develop marketing materials and market the program to targeted demographic groups in order to recruit prospective tenants.

The costs associated with program startup (primarily for staff time) are not reflected in our budget estimates.

We are happy to answer any questions about the attached materials and look forward to hearing from you about next steps.