ATTACHMENT 2
STRATEGIES FOR AFFORDABLE HOUSING DEVELOPMENT, PRESERVATION AND NEIGHBORHOOD REVITALIZATION
PREPARED FOR THE DURHAM DEPARTMENT OF COMMUNITY DEVELOPMENT

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Note: *This is intended to be a menu of strategies and tools for the City to consider and draw from in defining its five-year plan. The strategies the City selects will depend on the goals defined; not all of the suggestions below will be appropriate or feasible over the next five years.*

A list of acronyms may be found at the end of the document.

A. GENERAL

A.1) Enhance city focus on affordable housing and neighborhood revitalization

	Strategy	Description	Outputs	Outcomes	Geography
A.1.a	Set a bold vision and concrete goals	Durham is unusual in the degree of support for action on affordable housing at all levels – political leadership, city administration and the larger community. It is noteworthy that affordable housing was a top issue in recent Council elections and that all three political action committees have come together to express a shared concern about housing affordability. This concern about affordability, however, is somewhat undefined. The City has an opportunity to build on this support by laying out a big vision and concrete goals that the community can rally around. This will help engage a wider set of actors in any large-scale redevelopment efforts the City might propose, build support for the expansion of funding and, if necessary, create a counter voice from the community to any localized opposition that might arise to specific proposals to build affordable housing.	Vision and goals	Community consensus and engagement on housing goals	*NA*
A.1.b	Move forward with a partnership mindset	To move forward with a bigger housing agenda, the City will need partners, which means taking on a different role. At Southside, the City was the implementer, but going forward the	City seen as strong partner; number of	Greater impact through collective	*NA*

	and deal-making capacity	City will need to be the convener, 'setting the table' for a larger discussion and actively building consensus among multiple actors on a common agenda. On a pragmatic note, this means that there needs to be individuals and departments that are accountable and empowered to do this work and have the internal capacity to do so.	partnerships grows	effort	
A.1.c	Strengthen communication and develop shared priorities across Planning, NIS, OEWD, DCD and others as needed	A critical first step in advancing a broader agenda will be creating consensus and accountability <u>within</u> the City around a common agenda. The City has capable teams working in the Department of Community Development (DCD), Office of Economic and Workforce Development (OEWD) and Neighborhood Improvement Services (NIS), Planning and other departments. Based on onsite discussions with staff, these departments seem generally aware of what each other are doing, but there is no coordinated effort around strategy, targeting initiatives, program design, and resource leveraging or sharing of data. To increase its impact, the City needs to better coordinate and leverage the work being done across City departments responsible for various aspects of housing and community development. The City needs to rally its internal team around a common set of priorities, and ensure that they are both empowered and held accountable to deliver results. To that end, a coordinated strategy around Northeast Central Durham (NECD) could provide an opportunity to ensure consistency of programming, but also allow the City to develop the requisite processes and structure to facilitate coordination across departments.	Increased internal alignment on common goals	Greater impact through collective effort	*NA*
A.1.d	Create a stronger partnership with DHA	As noted in Section C.1.d , the Durham Housing Authority will be a critical player in any affordable housing program going forward. DHA is by far the largest owner of affordable housing in the city and many of their sites are strategically located, including several in the future light rail corridor. The city should pursue a long term strategy of closer alignment at both the leadership and staff level, as the experience in other cities (e.g. Atlanta, Denver, and Seattle) demonstrates that housing authorities can become important change agents in low-income communities. *See Strategies B.1.h, B.3.d, C.1.d, D.2.a-b.*	Increased City/DHA alignment on common goals	Greater impact through collective effort	*NA*

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A.2) Strengthen DCD

	Strategy	Description	Outputs	Outcomes	Geography
A.2.a	Position DCD as the City's lead agency on affordable housing	As the City ramps up its affordable housing effort, it will be important for there to be a visible leader within city government, and DCD is the logical candidate for this role. Going forward, DCD should take a leadership role in communicating the city's housing priorities, both internally and externally, and leading efforts to build partnerships and create consensus around a common affordable housing agenda. To that end, DCD should be seen as – and should be – the steward of all of the affordable housing in the city, whether or not properties contain city funds and the go-to partner for future housing efforts.	DCD seen as driving the vision and goals	Achievement of city priorities	*NA*
A.2.b	Data-driven decision-making	The strategies developed and proposed by Enterprise are in response to data summarized in our Durham Housing Profile, which draws on data that is readily available from HUD and on the City's Neighborhood Compass Website. The data found on the City's website is updated from local data sources annually (e.g., police, NIS, tax assessor) and from Census datasets when new data becomes available. It is summarized at both the block-group and neighborhood levels, and the City is pursuing an online platform that can better-integrate time-series information into the website. A majority of the housing data is collected from Census, County Tax Assessor, NIS, or Inspections. Currently, DCD does not contribute local data to Neighborhood Compass. The Neighborhood Compass effort is also separate from the City/County Open Data Portal, which is maintained by the City/County GIS staff. To better integrate data-driven decision making into strategies and program design, DCD needs to integrate use of data from the Neighborhood Compass portal in agency planning. In addition to providing context in targeting geographies, subpopulations and submarkets, using the portal to track and report accomplishments and outputs on a regular basis would support the performance measures developed for DCD. DCD should: • Establish linkages between long-term (15yrs+), medium-term (5-15yrs) and short-term (1-5yrs) outcomes, objectives, strategies and outputs. • Examine neighborhood and submarket data and use the data to develop place-based strategies, policy decisions and program design choices. • Develop processes that facilitate reporting of data on outputs from DCD initiatives and programs to Neighborhood Compass.	Integration of data into decision-making	Increased program targeting and greater visibility into results	

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A.2.c	Performance management tied to outcomes	Enterprise provided DCD staff with examples of outcome-based performance measures. In order to develop an outcome-based framework that integrates DCD programs into the City's ongoing planning efforts and processes, it is crucial to understand how the framework would fit into the landscape of plans that exist for Durham (see A.2.b). Identifying the relationships between these different plans helps to clarify how the plans set a city-wide vision, identify targeted city-wide strategies, and target interventions to specific neighborhoods. By developing a framework that is aligned with the broader planning context, the City has a greater ability to use the framework to demonstrate how DCD program activities contribute to the objectives for specific target areas and neighborhoods, as well as the broader city-wide goals. DCD should: • Complete the outcome and performance framework by incorporating the strategies outlined in this document. • Review and assess the validity of the proposed outcome measures and indicators, and refine the proposed outcome measures as needed. • Identify the various data sources, departments and external partners that will be involved in the ongoing reporting and implementation of the Outcome Measurement Framework. • Develop the necessary procedures, protocols, and processes to integrate the Outcome Measurement Framework across applicable departments in the context of the affordable housing strategy (and other plans). • Establish processes to refine the Outcome Measurement Framework and related processes over time, as necessary to address gaps and voids.	Outcome based performance measures	Increased clarity around results inside and outside of DCD	
A.2.d	Enhance monitoring of restricted units	The strategies proposed in C.1 were designed to enhance awareness of the City's portfolio of affordable units, specifically the expiring units, and establish a process for evaluating the feasibility of preserving affordability of some or all of those units. DCD has a process and schedule for monitoring its 260 HOME-assisted unit portfolio and a similar process and schedule can be established for bond and other federally-subsidized units. For projects receiving any kind of city support, the enhanced monitoring should include three components: financial monitoring to assess capital needs and understand the financial position of the property; physical inspections to assess the condition of the property and potential for rehabilitation needs; and compliance monitoring to ensure units are in compliance with affordability restrictions per program/funding requirements. For projects that the City did not fund, such as LIHTC projects developed without City involvement, the monitoring would	Uniform monitoring regime	Increased transparency and accountability	

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		consist of keeping track of the affordability period and communicating with property owners at as the end of the period approaches about their plans for their properties. Through enhanced monitoring of restricted units, the City will be in a position to: • Know when units are expiring and make decisions to preserve affordability • Evaluate the financial position and/or capital needs of the property and determine if additional investment is required/desired • Plan for expiration of existing affordable units and align "production" strategies to offset the loss of restricted units • Ensure units are being rented to the targeted population.			
A.2.e	Reorganize DCD around strategies	DCD's current organizational structure appears to be primarily **product line driven** (around Housing Production and Homelessness) with a matrix component to leverage similar functional support across product lines (Financial, Planning, Compliance, Admin, etc.). There are typically four ways housing and community development departments are structured: by function; by program; by product; and in matrix construct. • In **functional** organizations, specialists work together (inspectors, underwriters, etc.), and responsibilities tend to be limited and clear • In **program** organizations, each program group operates independently, as each program group contains all of the specialized expertise required to execute the program (HOME, CDBG, Homeless) • In a **product** driven structure, like activities are grouped (Homebuyer programs, Rental Programs, Homeowner programs, Homeless, etc.) • In a **matrixed** structure, staff are required to be responsible for more than one "box" on the organizational chart. This creates flexibility but also requires multiple layers of reporting and competing workload requirements Few departments are purely one type, but most are based on one type more clearly than others. All structures have pros and cons, however by creating and aligning the policy and procedural framework, and coordination mechanisms, the City can leverage the strengths of the selected structure and eliminate or mitigate the weaknesses. Depending on the affordable housing strategy priorities determined by DCD, changes to DCD's organizational structure may be required, in order to better align structure and strategy. The	Revised structure	Improved organizational effectiveness	

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		delineation of the strategies discussed throughout this document may provide a solution that brings purpose and focus to DCD's organizational structure, while also breaking down internal silos. A revised DCD organizational structure could be based on **strategy rather than product**, and include "Preservation", "Production", and "Neighborhood Revitalization" teams or units, supported by a matrix component including specialist planning, underwriting or financial support. Organizational structures that are designed to accomplish the desired outcomes, strategies or program requirements tend to be more successful in execution.			

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B. AFFORDABLE HOUSING PRODUCTION

B.1) Goal: Produce affordable rental housing to meet highest need populations, particularly households at or below 50% AMI

No.	Strategy	Description	Outputs	Outcomes	Geography
B.1.a	Partner with, and invest in capacity of, affordable rental developers	Tax credit development and subsequent management over the compliance period is both complex and costly. Successful tax credit developers must build a portfolio of projects that justifies investing in the organizational infrastructure necessary to develop and manage LITHC properties long term. These organizations typically rely on developer fees from new projects to fund a significant portion of their operations and therefore need a pipeline of projects to be successful. In any market, the number of development opportunities is limited by state LIHTC guidelines and other subsidy availability - a city the size of Durham, for example, can't support more than a couple of development-driven organizations focused primarily on affordable multifamily housing development. DCD should proactively work to build strong partnerships with 1-2 organizations that are committed to working in the Durham community, have a demonstrated capacity to develop and manage tax credit projects, and have a demonstrated commitment to maintaining rental affordability long-term, even after the compliance period has ended. DCD can encourage these partnerships by: • Identifying interested and capable partners and engaging in regular discussions about city priorities and review of potential development opportunities. • Making a commitment to affordable housing development in the targeting of city resources, and being clear on the types and location of projects the city seeks to support. • Ensure that city underwriting guidelines support strong organization capacity. • Developing clear performance guidelines and expectations and holding partners accountable to meeting them.	1-2 partnerships	Development of affordable housing aligned with city priorities	Citywide, but with a focus on high priority geographies to be defined by the City (such as downtown, transit corridors, targeted redevelopment areas, or neighborhoods experiencing significant price appreciation)
B.1.b	Create development pipeline to maximize federal 9% Low Income Housing Tax Credits (LIHTC) for	DCD should work proactively to establish a pipeline of 9% transactions to increase the overall stock of affordable housing in Durham by: • Targeting city resources (funding, land) to support projects in high priority geographies that serve a range of income, including under 30% AMI units and units targeted to formerly homeless households.	1-2 projects per year, 60-80 affordable units per project	Improved individual and family stability (reduction in moves because of housing cost)	Citywide, but with a focus on high priority geographies to be defined by the

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	affordable housing	• Establishing a clear policy that the City will only provide subsidy to projects that have been reviewed by the City BEFORE the tax credit application is submitted. • Balancing new opportunities with the preservation needs emerging from DHA's RAD program. • Ensuring that all new development and substantial rehabilitation efforts are built to a green standard *(see Strategy E.2.d).*		Increase in household disposable income Improved resident health (due to green building)	City
B.1.c	Create development pipeline to maximize federal 4% LIHTC for affordable housing	4% credits are more challenging to use for new development because of the lower level of subsidy they provide, which is generally insufficient for new construction without substantial additional subsidy. DCD could leverage 4% credits in two different ways: • Encourage developer partners to seek out "market affordable" opportunities – i.e. purchase of existing market rental housing and use of 4% credits to finance the rehab. This ensures that these properties – which are generally already serving lower income households – will remain affordable long-term. This strategy is best suited for the acquisition of large properties (100+ units) in need of only light or moderate rehab. The City can support developer efforts by providing funding for predevelopment and additional project subsidy, and potentially by partnering with lenders to ensure that sufficient acquisition financing is available. • If feasible, make subsidy available to make up the financing gap on 4% new construction projects. The gap between the subsidy provided by a 9% transaction and a 4% transaction is on the order of $50,000 per unit. (A portion of this subsidy could come in the form of land donation, discussed below.) These projects need to be large to justify the bond financing, typically having over 100 units.	1 project every 2-3 years, 150 units/project	See B.1.b.	Citywide, but with a focus on high priority geographies to be defined by the City
B.1.d	Leverage city-owned land to support rental housing production	Affordable housing development requires subsidy, which is always in short supply. The use of city owned property, particularly property located in high priority geographies, is a way of expanding the available subsidy. Land donation could: • Reduce the amount of cash subsidy the city needs to put into a project to make it feasible • Enable the project to serve a lower income population than would otherwise be feasible • Help make up the financing gap on a 4% LIHTC new construction project.	Development of affordable rental housing	See B.1.b.	Citywide, but with a focus on high priority geographies to be defined by the City
B.1.e	Explore potential of partnerships with public, faith-based	Durham is fortunate to have a number of public and community organizations that are strongly committed to affordable housing. There is potential for DCD to partner with these institutions in a number of ways:	Development of affordable rental housing	See B.1.b.	Citywide, but with a focus on high priority

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	and other anchor institutions to produce affordable rental housing, particularly in high priority geographies	• *Land donation:* The County owns underutilized property, particularly in downtown area, that could be open to development if an alternative strategy that meets county needs could be developed (e.g. structured parking structure to reduce the need for publicly owned surface lots). Similarly, faith institutions own parking lots that are only used at capacity once a week, and might be open to a creative redevelopment ideas focused on affordable housing. Other potential partners include GoTriangle, schools, colleges and universities. • *Financing tools:* SECU, Self Help Credit Union and the Latino Community Credit Union are all financial institutions with strong community commitments. There may be opportunities to partner with these institutions to meet specific financing needs – e.g. creating a pool of funds for strategic acquisition by combining city funds with debt capital from these institutions. • *Services:* As need and opportunity arises, DCD could help foster other types of partnerships among developers and anchor institutions, ranging from the engagement of a congregation in a mentoring program located in a new development to support from medical institutions to think through how to help seniors age in place.			geographies to be defined by the City
B.1.f	Expand efforts to address housing needs of homeless households, and integrate them into affordable housing development system	DCD, in partnership with the larger Durham community, has made important strides in meeting the housing needs of homeless individuals and families in Durham, primarily through a tenant-based rental assistance approach (e.g. Rapid Rehousing). DCD could expand on this by: • Allocate more flexible resources to support rapid rehousing efforts, to allow providers more flexibility to serve clients, particularly as the rental market gets tighter. • Ensuring that City-funded rental development incorporate a percentage of units targeted to formerly homeless households. This will require ensuring that appropriate services are available to support formerly homeless households that are placed in these units. • Building the capacity and effectiveness of the homeless housing system (see B.1.g).	Households transitioning from homelessness to housing Affordable units created for homeless households	Improved physical, social and economic wellbeing of formerly homeless households	Citywide
B.1.g	Strengthen Continuum of Care (CoC)	Durham has a committed team of public, private and nonprofit partners engaged in addressing the needs of homeless households. This team, however, is under increasing strain because of HUD's growing expectations related to financial and performance management, which is particularly challenging for smaller providers with limited internal capacity. DCD should consider investing resources in a capacity-building engagement focused on the CoC, and including review and recommendations around streamlining governance, strengthening collaborations and using staff capacity effectively. In addition, DCD should examine the pros	Capacity building plan in place for CoC Improved service delivery by CoC	Improved outcomes for homeless households	Citywide

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		and cons of becoming a HUD Unified Funding Agency. This work should be supported by a consultant with extensive experience working with HUD-funded CoCs.			
B.1.h	Support DHA revitalization efforts	As part of its RAD conversion program, DHA is considering the redevelopment of some of its sites, which could include the demolition of existing dilapidated units and replacement with higher quality, mixed-income housing. Such redevelopment programs could result in an increased number of affordable homes on these sites. In addition to maintaining the existing public housing units, which serve extremely low-income households, redevelopment could produce a wider range of affordable homes serving households up to 60% AMI (rental) and 80% AMI (for sale), along with market rate units. *See also strategies A.1.d, B.3.d, C.1.d, and D.2.a-b.*	Preservation of existing very affordable units Additional affordable rental and for sale housing units	See B.1.b.	Current DHA public housing sites
B.1.i	Support market rate developers interested in utilizing city incentives to provide affordable housing	The City has recently strengthened incentives to encourage market rate developers to produce housing affordable to households at or below 60% AMI as part of a larger market-rate development. The City should consider reaching out to sympathetic developers to determine if there are any other incentives that could be offered to encourage market rate developers to participate. To the extent that developers appear interested in using these incentives, DCD should develop policies and procedures to guide the creation of rental units. These policies should address the expected affordability levels, period of affordability, and process by which tenants will be income-certified both initially and on an ongoing basis, as well as how the units will be monitored over the affordability period. Should the volume of units being produced justify the investment, DCD could consider centralizing certain processes, such as tenant recruitment and screening, to increase overall program efficiency. *See also E.2.b.*	Additional units of affordable rental housing	See B.1.b.	Citywide, where demand from market rate developers exists

B.2) Goal: Support homeownership for low-income households (60-80% AMI)

	Strategy	Description	Outputs	Outcomes	Geography
B.2.a	Define goal of homeownership subsidy programs in different	DCD needs to determine the overall goal of homeownership for its program. Is it asset building, preservation of ongoing affordability, or dependent on targeted neighborhood? In high cost, rapidly escalating markets, subsidy retention programs are more common. In these programs, the subsidy remains with the unit when it is resold to support continuing	Internal clarity on goal of homeownership program	Production of homeownership opportunities aligned with City priorities	TBD

	geographies	affordability. However, subsidy recapture programs may be more marketable and could also promote homeownership throughout the city. In a subsidy recapture model, all or part of subsidy is repaid upon resale, to be reused for the same or other purposes.
		
		Well-designed subsidy programs can protect the value of public resources even in the face of rapidly rising housing prices while still offering assisted homebuyers the benefits of homeownership, including the opportunity to build significant wealth. The City should consider tailoring its affordability restriction policies to preserve homeownership opportunities in targeted transitioning neighborhoods, and promote asset building on a city-wide basis. DCD should also consider combining rehabilitation with down payment assistance to preserve long-term viability of existing properties. Examples of subsidy recapture and retention programs include:
		
		Subsidy Recapture Program Design Components:
		• For use in a city-wide program targeting existing properties
		• Recapture policy could include:
		  ○ Recapture entire amount of subsidy
		  ○ Share appreciation (50/50, 60/40, etc.)
		  ○ Forgivable loan over affordability period (10%/yr.)
		  ○ Combination of the above
		
		Subsidy Retention Program Design Components:
		• Target existing properties in transitioning neighborhoods for acquisition and rehabilitation – combine rehabilitation/energy efficiency with downpayment assistance subsidy
		• Can use community land trust model with resale
		• Apply resale with subsidy retention - fair return to seller could be based on:
		  ○ Appraisal-based resale model
		  ○ Area median income index resale model
		  ○ Affordable housing cost resale model			

B.2.b	Create homeownership incentive (down payment assistance,	The rental supply gap indicates that higher income households could be occupying rental housing affordable to lower income households. DCD could design a homeownership program targeting these households and incentivize them to become homeowners, which would build on and streamline the structure used in Southside. A new homeownership program could be	Homeownership opportunities for low-income households	Contribution to housing diversity and neighborhood stabilization (if part of	High priority geographies to be defined by the City and/or

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	development subsidy, etc.) program to ensure long-term affordability in targeted neighborhoods	marketed to key employment sectors (e.g. recent graduates, medical personnel, first responders, and teachers) or be combined with workforce development programs administered by OEWD. DCD could also target dilapidated single family rental housing for purchase, and combine with energy efficiency improvements and lead-based paint abatement activities to convert to homeownership, or incorporate into an infill housing strategy in conjunction with non-profit owned lots.
		
		Program Design Components
		• *Target Properties* – Vacant lots, single family rental properties in targeted neighborhoods identified by NIS for code violations, non-profit properties, dilapidated properties in transitioning neighborhoods.
		• *Target Population* – Current renters at 60-80%AMI, key employment sectors, existing housing counselors could be an intake source.
		• *Funding/Subsidy Mechanisms*:
		  ○ Development subsidy (if new construction) – write down development cost so that sales price is affordable.
		  ○ Owner subsidy – Provide down payment/closing cost assistance.
		  ○ Credit enhancement component – for non-mortgage able buyers under conventional 1st mortgages.
		• *Housing Counseling* – Coordinate with housing counseling agencies.
		• *Affordability Restrictions* – Apply a resale provision: The homebuyer must sell to another low-income homebuyer with an income not to exceed 80% of the area median income (as defined by HUD), with the new home being affordable to the new buyer. The new homebuyer may not pay more than 35 percent (example) of gross income for Principal, Interest, Taxes and Insurance (PITI). The homebuyer for whom a resale restriction is enforced will be allowed a fair return when selling to another income eligible buyer. Fair Return could be based on an indexed formula or appreciation formula. This mirrors the CLT model for homeownership.
				place based effort)
				
				Wealth building for homeowners
					citywide

B.2.c	Lease-to-purchase program to ensure long-term affordability in targeted	DCD could target 60-80%AMI renter households to become homeowners through a lease-to-purchase (LTP) program that prepares renters for homeownership. The program could help existing renters of single-family housing to purchase those units or attract existing renters to targeted neighborhoods for homeownership opportunities. This program could leverage nonprofit owned property or for sale development/rehab projects. The LTP program would	Homeownership opportunities for low-income households	See B.2.b.	High priority geographies to be defined by the City

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	neighborhoods	provide a rental subsidy to subsidize the lease and require the homebuyer to save for the down payment during the lease period, and DCD could provide a match (similar to IDA). During the lease period the homebuyer would receive the requisite counseling and credit clean up to be eligible for a mortgage at the end of the lease.
		
		Program Design Components
		• *Target Properties* – Vacant lots, single family rental properties in targeted neighborhoods identified by NIS for code violations, non-profit properties, dilapidated properties in transitioning neighborhoods.
		• *Target Population* – Current renters at 60-80%AMI, key employment sectors, existing housing counselors could be an intake source.
		• *Funding/Subsidy Mechanisms*:
		  ○ Development subsidy (if new construction) – write down development cost so that sales price is affordable
		  ○ Owner subsidy – Provide down payment/closing cost assistance
		  ○ Credit enhancement component – for non-mortgage able buyers under conventional 1st mortgages
		• *Housing Counseling* – Coordinate with housing counseling agencies.
		• *Affordability Restrictions* – Apply a resale provision: The homebuyer must sell to another low-income homebuyer with an income not to exceed 80% of the area median income (as defined by HUD), with the new home being affordable to the new buyer. The new homebuyer may not pay more than 35 percent (example) of gross income for Principal, Interest, Taxes and Insurance (PITI). The homebuyer for whom a resale restriction is enforced will be allowed a fair return when selling to another income eligible buyer. Fair Return could be based on an indexed formula or appreciation formula. This mirrors the CLT model for homeownership.			

B.2.d	Support the creation and preservation of permanently affordable homeownership using a community land trust model	Community land trusts (CLTs) are effective models for ensuring long term or permanent affordability of for sale housing, particularly in rapidly appreciating markets. Durham is one of approximately 250 communities nationwide with an operating land trust, the Durham Community Land Trust (DCLT). Under the CLT model, the CLT maintains a long term lease on the land associated with a home, while the buyer purchases the structure at an affordable price. Affordability is achieved by removing the land cost from the purchase price and, in many cases, by the use of additional subsidy to lower the price of the actual building. In return	Permanently affordable for sale housing	See B.2.b.	High priority geographies to be defined by the City

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		for these subsidies, the homeowner agrees to sell the home at resale-restricted and affordable price to another lower income homebuyer in the future. It is important to note that CLT homeowners still build equity in their original purchase and benefit from a share of the appreciation, with the shared-appreciation model being integral to ensuring that the home remains affordable long-term. DCD has made a significant investment in DCLT over the years and will be a critical partner to the organization's future success. Specifically, DCD could: • Partner with DCLT on any future development that includes an affordable homeownership component, incorporating these units into the land trust's portfolio. • Make available vacant lots or small scale properties (1-9 units) that the city owns to DCLT (and other nonprofit developers). • Ensure that homeownership financing programs support, rather than undermine, the land trust's affordability mission. For example, if homeowners have to repay a subsidy to the city when they sell the property, the next buyer won't benefit from that additional layer of subsidy and will therefore have to borrow more. A better strategy is for the City to provide the subsidy through the land trust so it remains with the unit long-term. • If relevant, explore possibility of incorporating units generated through the incentive program for market rate developers into the land trust.			

B.3) Goal: Expand housing options for low and moderate income households in downtown Durham ("Downtown for All")

	Strategy	Description	Outputs	Outcomes	Geography
B.3.a	Develop a rental subsidy program serving 60-80% AMI households	See *Durham Downtown Rental Housing Subsidy Program Draft Program Guidelines.*			Downtown
B.3.b	'Buy' affordability of existing rental used to create mixed-income housing	Similar to rental subsidy except that city negotiates up front with property owners to secure best pricing and longest term affordability (5 to 10 years), and tenants live in the units the City has identified for the program rather than going anywhere downtown. Program continues as long as there are owners willing to participate (likely contingent on vacancies). The advantages of this option include:	Secure affordable rental housing units for low-income households	Create a mixed-income live, work and play identity downtown near key transit stations	Downtown

		• Similar to the use of a HOME subsidy, the city could require a longer-term affordability commitment from the owner than with a traditional rental subsidy program. • Could design options where subsidy increases depending on length of affordability restrictions (owner could select preferred option – recommend 5 years as minimum). • Can shop the program to several owners and secure affordable units at multiple sites for the most competitive price.			
B.3.c	Leverage property owned by city (and if possible, property belonging county and other anchor institutions) to develop affordable rental housing with a 60-80% AMI component	Durham is fortunate to have a number of public and community organizations that are strongly committed to affordable housing. There is potential for DCD to partner to partner with these institutions in a number of ways: • *Land donation:* The County owns underutilized property, particularly in downtown area, that could be open to development if an alternative strategy that meets county needs could be developed (e.g. structured parking structure to reduce the need for publicly owned surface lots). Similarly, faith institutions own parking lots that are only used at capacity once a week, and might be open to a creative redevelopment ideas focused on affordable housing. Other potential partners include GoTriangle, schools, colleges and universities. • *Financing tools:* SECU, the Latino Community Credit Union and Self-Help are all financial institutions with a strong community commitment. There may be opportunities to partner with these institutions to meet specific financing needs – e.g. creating a pool of funds for strategic acquisition by combining city funds with debt capital from these institutions. • *Services:* As need and opportunity arose, DCD could help foster other types of partnerships among developers and anchor institutions, ranging from the engagement of a congregation in a mentoring program located in a new development to support from medical institutions to think through how to help seniors age in place.	Support the development of 4% or 9% LIHTC projects		Downtown – could be extended to other high priority geographies
B.3.d	Partner with DHA to redevelop Liberty Street and surrounding parcels as mixed-income developments that include a range of housing options	While growth has brought new luxury housing and new population to parts of downtown, other parts of downtown, primarily to the east dominated, are dominated by public institutions and public housing. In terms of footprint, Liberty Street is the largest of the public housing developments, containing 108 low rise family units. As part of its RAD conversion process, the Durham Housing Authority has indicated the willingness to consider a major redevelopment of Liberty Street, which could be the starting point of a larger redevelopment that incorporates other publicly and community owned properties in the surround areas (including multiple city and county parcels, church properties and nonprofit organizations). To take advantage of this opportunity, the City could:	350+ affordable homes < 60% AMI created and preserved (including replacement of all Liberty Street units) Additional 60-80% AMI units, plus	Creation of a truly inclusive downtown	Downtown

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		• Work with DHA to support the conversion of Liberty Street without any restrictions on redevelopment. • Partner with key players such as DHA, DDI, the County and significant property owners to develop a master plan for the eastern part of downtown, with a focus on leveraging public-owned property to support mixed-income housing development and commercial revitalization. • Work with DHA and other key players to execute the master plan.	market rate housing New office and retail opportunities		

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C. AFFORDABLE HOUSING PRESERVATION

C.1) Goal: Preserve existing affordable rental housing, including income-restricted and market-rate affordable

	Strategy	Description	Outputs	Outcomes	Geography
C.1.a	Assess remaining affordable portfolio to determine need/opportunity to preserve affordability	DCD should identify the properties in its bond, HOME and/or LIHTC-financed portfolio that are set to expire, and identify those properties with strategic locations for further strategy development, including: • If city subsidies are involved, requesting a capital needs assessment to determine investment needed to keep property affordable long term. • Assisting current owner to refinance and/or request additional funding for capital improvements and extend period of affordability. This could entail the use of LIHTC, private financing as well as city sources. • Disposing of properties owned by for profits through sale to non-profit entity to ensure property remains affordable.	Preservation strategy	Preservation of affordable housing options for Durham residents	TBD
C.1.b	Develop systems to track existing affordable housing inventory – "early warning" system – and focus intervention on strategic at risk properties	DCD may need to invest in an "early warning" asset management software that provides real time reporting of its portfolio of assisted units across its programs (local, federal and bond), and mine the data to tailor its strategies to address expiring properties and the various capital needs, etc. After an analysis is completed of the City's current portfolio of bond, LIHTC, and HUD-funded expiring units, the City will be positioned to either make that investment or determine that the portfolio size does not necessitate such investment.	Support for preservation strategy	Preservation of affordable housing options for Durham residents	Citywide
C.1.c	Develop rental rehab program targeting single family rental housing stock, predicated on reducing utility costs through	DCD and NIS could combine efforts, similar to the model used for Southside, whereby NIS targets code enforcement efforts in a select neighborhoods identified by DCD and works with DCD to align cited owners/landlords who lack the resources to address violations with DCD funding resources to improve single family rental housing stock. This program could specifically target 3-9 unit properties which make up 24% of the city's rental housing stock. This unit range is likely too small for larger preservation efforts but working in conjunction with NIS's code enforcement program, funding could be used to make energy efficiency improvements and reduce costs of existing or future tenants. Funding would come with affordability restrictions	Units rehabbed and maintained as affordable	Reduce cost burden of existing low-income renters Preserve smaller rental housing stock	High priority geographies to be defined by the City

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	energy efficiency improvements	placed on the units depending on subsidy level required to bring property into compliance with code, and feasible energy efficiency improvements recommended.			
C.1.d	Support DHA conversion of its public housing portfolio through the Rental Assistance Demonstration (RAD) Program[1]	The Durham Housing Authority has recognized the opportunity presented by the RAD program to recapitalize and revitalize its public housing portfolio and has chosen to convert its entire public housing portfolio - consisting of 17 properties totaling 1,700 units – through the RAD program. This is an ambitious undertaking as the RAD program is complex and comes with tight timelines. As part of the process, PHAs must be able to address the urgent capital needs on their properties at the time of conversion, which can entail securing additional funding through tools such as the federal Low-income Housing Tax Credit Program, which is in and of itself a complex and time-consuming process. The City has a vested interest in ensuring that DHA successfully converts its properties. DHA's portfolio represents the vast majority of very affordable housing in the City. Moreover, many DHA properties are located in strategic locations, including several near future light rail stations. Once properties are on the Section 8 platform, there is the opportunity to engage in more substantial revitalization, including redevelopment as mixed-income communities (so long as all of the original very affordable units are replaced), which could spur broader neighborhood revitalization. Moreover, assuming DHA is successful, it should emerge from the RAD process with a strong internal development capacity backed up by a strong balance sheet, and will be well-positioned to take on new efforts to expand affordable housing in Durham. The City should help to ensure that DHA is positioned to succeed. This could include: (1) Ensuring that DHA has enough internal capacity to carry out the RAD conversion, particularly in light of the upcoming leadership transition at DHA. Currently, DHA has a very small development team handling a very large portfolio because of its constrained operating budget, which is being further strained by predevelopment costs associated	Successful conversion of DHA portfolio Increase in number of affordable units serving a wider range of incomes as part of mixed-income redevelopment of DHA sites	Preserve and/or expand affordable housing in transitioning neighborhoods with access to transit Revitalization of neighborhoods surrounding DHA sites	DHA public housing sites and surrounding neighborhoods

[1] Historically, public housing authorities (PHAs) have been funded by HUD in two ways: operating funds to support the overall PHA organization, and capital improvement funds to address capital needs of existing public housing units. For many years, though, the funding HUD has received through the annual federal budget process has been insufficient to meet either operating or capital needs. As a result, housing authorities across the county have struggled to maintain adequate staffing and the current backlog in public housing capital improvements is estimated at $26 billion. HUD created the RAD program to allow housing authorities to leverage the private capital markets to finance improvements, which by law may not be leveraged on public housing units. Through the RAD program, public housing agencies are allowed to shift properties from the PHA designation to project-based Section 8 platform with a long-term contract that, by law, must be renewed. This ensures that the units remain permanently affordable to low-income households. With this new status, PHAs are able to leverage public and private debt and equity in order to reinvest in the public housing stock.

		with converting multiple properties in the same time frame. Once DHA begins to receive developer fees from the rehabilitation and refinancing of properties, its operating position will improve. These developer fees may not be realized, however, if the RAD conversion stalls due to lack of capacity. Even if it moves forward, DHA staff will be entirely focused on meeting RAD deadlines, without the bandwidth to consider opportunities to use their work to achieve broader neighborhood revitalization goals. As a first step, though, the City could work with DHA to ensure that it is on the right path by bringing in external support – with an expertise in RAD conversions – to review DHA's plans and to assess the capacity needed to execute them, and make recommendations on how to move forward. Going forward, the City could help to address this capacity gap by providing funding, either in the form of operating subsidy or potentially as a working capital loan to support the RAD work to be repaid out of future developer fees. If feasible and necessary, the City could consider partnering with a local financial institution to expand the scale of the working capital to be provided. (2) Aligning DHA portfolio conversion with broader city goals. As a starting point, the City, likely through DCD, should dedicate staff time coordinating closely with the DHA team, to bring the City perspective to DHA's work and to coordinate necessary city actions to advance DHA redevelopment efforts. The City and DHA should also explore ways of more closely aligning their organizations at both the leadership and staff levels. As noted in strategies B.3.d and D.2.a-b, the City should pursue opportunities to leverage the redevelopment of public housing properties to support broader neighborhood revitalization efforts.			

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C.2) Goal: Preserve affordable homeownership opportunities in rapidly appreciating communities

	Strategy	Description	Outputs	Outcomes	Geography
C.2.a	Preserve homeownership opportunities in targeted neighborhoods	Use the strategies outlined in B.2 to preserve affordable homeownership opportunities in targeted neighborhoods	Units affordable long-term	Economically diverse neighborhoods Secure availability of affordable housing in transitioning neighborhoods	High priority geographies to be defined by the City
C.2.b	Expand use of property tax abatement programs	N.C. statute provides opportunities for property tax relief for senior and/or disabled owners with incomes below a maximum threshold ($44,250 in 2015), with the most significant relief available for seniors with incomes below $29,500. In Durham, these programs are administered by Durham County Department of Tax Administration. While it is difficult to determine with accuracy the number of eligible owners, available data suggests that a significant number of eligible owners, perhaps more than 50%, are not taking advantage of the property tax relieve programs available to them. DCD could target eligible homeowners for outreach and education concerning the tax relief programs and partner with service providers for elderly and disabled to assist homeowners in completing the necessary paperwork. The focus of such an effort could be citywide, if resources allow, or targeted to neighborhoods experiencing rapid appreciation.	Increase in % of eligible households receiving property tax relief	Improved residential stability Increase in household disposable income	High priority geographies to be defined by the City, or citywide
C.2.c	Create energy efficiency (EE) program to reduce cost-burden of existing owners to help prevent displacement	This strategy could be combined with OEWD workforce development or training initiatives to train Section 3 contractors or applicable MBE/WBE businesses in energy efficiency rehabilitation and improvements. Funds could be provided for supplies, materials and labor for workforce training participants to practice their trade. Interested owners could receive loans which would be due upon sale of the property. Funds repaid would go into a revolving fund to continue the activity in other targeted neighborhoods. This program could leverage PACE funding as described in strategy E.1.d. **Program Design Components:** • Workforce development and training managed by OEWD • Intake through DCD/Housing Repair Team	Houses receiving EE improvements	Reduced # of cost burdened homeowners	High priority geographies to be defined by the City

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		• Rehabilitation through trained workforce targeting elderly and/or family households • Due on sale lien placed on property, or forgivable over a 10 year period			
C.2.d	Provide rehabilitation funds for low-income owners	DCD currently provides funding for minor repairs on homes occupied by low-income owners (mostly seniors) and has in the past provided funding for more substantial rehabilitation efforts. DCD could consider creating a new substantial rehab program, perhaps in conjunction with the energy efficiency program described in C.2.c. Under such a program, a low-income homeowner would receive funding from the City, in the form of a low or no-interest loan, to complete agreed upon rehabilitation work. Payment of this loan would be deferred so long as the owner remained in the home, and/or the loan could potentially be forgiven over time. A substantial rehab program would have the greatest impact on preserving affordability if it were targeted to specific geographies where prices are rising.	Houses receive necessary improvements	Low-income owners are able to remain in their homes	High priority geographies (substantial rehab) or citywide (minor repair)

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D. NEIGHBORHOOD REVITALIZATION

D.1) Goal: Complete Southside Development

	Strategy	Description	Outputs	Outcomes	Geography
D.1.a	Ensure long-term affordability of next phase of homeownership units	The first phase of Southside development (rental and for sale) has transformed the market in large parts of the Southside neighborhood. Market rate developers have moved in and begun to rehabilitate and resell single family homes at prices (in the $250k-$320k range) significantly higher than the price of the City's homes (in the $$160k- $200k range), bolstered both by the City's initial investment and the growing number of market rate buyers interested in living in central Durham. This trend is likely to continue, leading to housing in Southside becoming increasingly unaffordable. This creates the possibility that buyers of the original Southside units will be able to resell their units at market, repay any subsidy that is due and still make a profit, which would be good for them but would result in the loss of the affordable unit. In the interest of preserving the long-term affordability of the Southside neighborhood, the City should ensure that subsequent phases of for sale housing have long term affordability restrictions using one of the strategies outlined in Section B.2. The City should also work with Self Help Credit Union to explore options for requiring long-term affordability on the units they are planning to develop in the neighborhood, particularly if City subsidy will be required for these units.	Units of long-term affordable for sale housing	Economically diverse neighborhood	Southside
D.1.b	Prioritize Southside residents in future phases of Southside rental development	The majority of Southside residents are renters, with many renting single family homes. As prices of single family homes rise in the area, this will create incentive for property owners to increase rents or improve and sell units for homeownership – a trend which is already visible in parts of the neighborhood closest to the City investments. Going forward, the City should ask the property manager to track the number of applicants from the Southside neighborhood. In addition, to address the potential for displacement, DCD could proactively work to create a pipeline of current Southside residents who are interested and qualified to live in the next phases of Southside rental development as well as in the Whitted School redevelopment, which will be targeted to seniors. This will require outreach,	Increase in percentage of renters in Southside Phase 2 and 3 and Whitted School previously lived in the Southside neighborhood	Existing Southside residents directly benefit from Southside development as a result of living in high quality, affordable housing Reduction in	Southside

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		education and other efforts to address existing barriers (such as credit history, deposit) households may phase, and will necessitate close coordination with the property manager for the Southside development.		displacement of existing Southside residents	

D.2) Goal: Leverage other large scale redevelopment efforts to increase neighborhood level impact

	Strategy	Description	Outputs	Outcomes	Geography
D.2.a	Develop a redevelopment strategy for NECD that leverages existing investments and/or future light rail	The City has identified Northeast Central Durham as a high priority geography for city investment. Already, a number of public and private investments are underway, and new opportunities are under consideration. These include: • East Durham Children's Initiative, which targets an approximately 120 block area bounded by Alston (west), Holloway Street (north), Miami and Hoover (east) and the Durham Freeway (south). • OEWD streetscape program investments focused on Angier and Driver, and Main and Alston. • Mayor's Poverty Reduction Initiative, targeting the lowest income census blocks in NECD. • DHA option to repurchase and redevelop Fayette Place, just east of the intersection of Alston and the Durham Freeway. • HOPE VI (96-block area) initiative. • Existing high frequency bus service on Holloway Street and planned light rail end of line station (which will include a parking deck) on Pettigrew just west of Alston. A deeper investment in NECD would likely entail focusing on a subarea where existing work is underway, and could include multiple components, including a number of strategies suggested in other parts of this document, including: • Community outreach and dialogue to engage current residents in defining priorities for their community. • Preserving/improving existing multifamily rental. • Preserving/improving existing homeownership, including expanding the number of affordable homes with long-term/permanent income restrictions. • Engagement of NIS for both community engagement and stepped up code enforcement. • Continued and/or expanded engagement by OEWD, including both business support and	Affordable housing units created and preserved Commercial investment/ activity Jobs created for neighborhood residents	Improved economic, physical and social well-being for residents of target area	Specific target area TBD in NECD

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		development and workforce development. • Engagement with Durham Public Schools on school improvement efforts. • Focus on health and access to healthy foods. • Engagement with a range of community, philanthropic and corporate partners interested in investing in NECD. • Large scale mixed-income/mixed use redevelopment on a site such as Fayette Place. • Engagement in other community-building activities of importance to existing residents.			
D.2.b	Develop neighborhood revitalization strategy to accompany DHA's McDougald Terrace redevelopment	DHA has targeted McDougald Terrace for a large-scale redevelopment that would ideally include a demolition of existing dilapidated units and replacement with higher quality mixed-income development. The City could partner with DHA to ensure the successful completion of this work, including: • Engaging a larger team to support the revitalization effort, to include DHA, the City, County, Durham Tech, North Carolina Central University and key neighborhood players. • Supporting the development of mixed-income housing on the current McDougald site and in surrounding neighborhood. • Preserving/improving existing multifamily rental. • Preserving/improving existing homeownership, including expanding the number of affordable homes with long-term/permanent income restrictions. • Engagement of NIS for both community engagement and stepped up code enforcement. • Engagement by OEWD including both business support and development and workforce development. • Engagement with Durham Public Schools on school improvement efforts. • Focus on health and access to healthy foods. • Engagement in other community-building activities of importance to existing residents.	Affordable housing units created and preserved Commercial investment/ activity Jobs created for neighborhood residents	Improved physical, economic and social well-being for residents of target area	McDougald Terrace
D.2.c	Use land banks as a tool to support neighborhood revitalization efforts	Durham has a history of using land banks to support redevelopment efforts, both in Southwest Central Durham and in Southside. Land banking could be an important tool in future efforts in NECD or elsewhere. By gaining control of the property up front, the city and its partners could buy time to work with residents and others to define the highest and best use of these properties as part of larger redevelopment strategy. The strategic purchase of property could include assemblage into larger parcels to enable a larger scale project to move forward. In addition, centralizing property acquisition can make the development process more cost effective, as it eliminates the need for multiple developers to spend time pursuing acquisition	Support affordable housing creation and preservation	As part of larger revitalization strategy, improved physical, economic and social well-being for residents of target area	High priority geographies to be defined by the City

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		options. The success of land bank will hinge on partnerships, with anchor institutional and financial institutions to provide capital, and with community organization with the capacity to act nimbly to purchase properties in target neighborhoods.			
D.2.d	Develop side-lot program where there is a prevalence of vacant parcels in the single family stock	The Side Lot Program allows interested property owners the opportunity to pursue the acquisition of adjacent property that is vacant and abandoned residential property. Lots could be used for yard expansion, playgrounds, community gardens or other residential needs, with the purpose of eliminating blight and returning vacant and abandoned properties to productive use. Standard parameters include the following requirements: • The applicant must own a property adjacent to the vacant lot. • The applicant must be current on all property taxes and have no current housing or zoning code violations. • The applicant must be able to maintain the lot in accordance with all local building, housing and zoning codes. Applying for a property may begin the foreclosure process, but it does not guarantee the property will be sold to the applicant.	Reduction in number of blighted properties	As part of larger revitalization strategy, improved physical, economic and social well-being for residents of target area	Areas with significant numbers of city owned lots
D.2.e	Use Code Enforcement (NIS) as a precursor to revitalization strategies	Work with NIS to organize targeted code enforcement activities in neighborhoods prior to pursuing larger development projects or strategies in B1-C2. This strategy was used in Southside prior to rental and homeownership development activities and ensured the surrounding neighborhoods were brought up to code to support larger development efforts. *Policy question for the City to consider:* Rather than fines collected from code violations returning to the General Fund, could NIS or DCD retain funds and use for rehab?	Reduction in number of problem properties	As part of larger revitalization strategy, improved physical, economic and social well-being for residents of target area	High priority geographies as defined by the City
D.2.f	Create additional NRSAs to leverage CDBG resources and take advantage of flexibilities	The City developed a Neighborhood Redevelopment Strategy Area (NRSA) for Southside (tract 12.01, 12.02, 13.01) which can serve as a model for an additional NRSA designation in NECD, or other places, to the extent that DCD plans to deploy CDBG funds in these areas. The designation could include flexibilities using CDBG funds for: • Residential development • Infrastructure	Increased flexibility in use of CDBG funds	As part of larger revitalization strategy, improved physical, economic and social well-being for residents of target	High priority geographies as defined by the City

		• Economic development • Public services • Neighborhood identity and marketing The selected area must be at least 51% low- and moderate-income households and must be primarily residential. The NRSA can be combined with OEWD efforts along relevant commercial corridors and neighborhoods.		area	

E. AFFORDABLE HOUSING AND TRANSIT-ORIENTED DEVELOPMENT (TOD) POLICY FRAMEWORK

E.1) Goal: Expand Financing Options to Support Affordable Housing Production and Preservation

	Strategy	Description	Outputs	Outcomes	Geography
E.1.a	Expand financing options targeted to transit corridors and/or revitalization areas	The City should consider using geographically targeted financing mechanisms to raise revenues in transit corridors and/or targeted revitalization areas. The mechanisms could help raise revenue to provide necessary infrastructure improvements in the targeted geography and/or help to subsidize affordable housing creation or preservation. They include: • **Municipal service districts (MSDs):** The City, through Council action, can define a district in which the City can levy additional property tax to provide extra services to residents or properties in district. MSDs must be created for a specific purposes, which include downtown revitalization, urban revitalization and transit-oriented development. TOD is defined as occurring within 1/4 mile of any passenger stop or station located on a mass transit line which operates on a fixed guideway (e.g. rail) or dedicated busway (e.g. bus rapid transit with dedicated lanes). Based on this definition, the City would likely have to wait until funding for the light rail system is approved, and/or the system is under construction, before establishing MSDs in station areas. Durham currently has one MSD, which supports the downtown BID. • **Special assessment (new method):** Through the newer method of special assessment, the City may levy an assessment to finance a range of infrastructure projects as well as affordable housing. The City is authorized to pledge the revenue from this assessment to pay off bonds that may be issued to finance improvements up front. This method requires a petition from 2/3 of the property owners requesting the special assessment. Also, the	Additional funding for TOD infrastructure and/or affordable housing	TBD, depending on use of funds	High priority geographies as defined by the City

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		amount of the assessment must bear a relationship to the benefit received. • **Tax-Increment Financing (TIF):** State regulations around the use of TIF, including a requirement for review by the state Local Government Commission, make the official TIF process very onerous, and one that is generally not used. • **Synthetic TIF:** Synthetic TIF is intended to mirror tax increment financing, in which the City pledges a portion of the increased property tax revenue generated by a capital improvement to pay off bonds issued to finance the improvement up front. In practice, synthetic TIF can be more of a marketing strategy as the City is generally issuing general obligation bonds and pledging the city's full faith and credit for repayment. The City of Durham has developed an alternative strategy by which synthetic TIF serves as a source of revenue to reimburse developers for eligible expenses over a period of time. This strategy appears to have limited applicability to affordable housing, which is generally exempt from property taxes.			
E.1.b	Expand revenue for affordable housing in general	The City could also pursue strategies to increase the revenue available for affordable housing, to enable the City to take on a bigger agenda. The two most viable strategies to increase revenues appear to be: • **Rebrand and increase the Penny for Housing/Dedicated Funding Source***:* By creating a dedicated property tax increment for affordable housing, the City has created what is frequently referred to as a housing trust fund, which is generally characterized as having a dedicated, recurring source of revenue. The City should consider rebranding the dedicated housing fund as the City's Affordable Housing Trust Fund, both to more clearly describe and to raise the profile before public. In addition, City Council could consider an increase to the fund in order to enable the City to take on a more ambitious housing agenda. The City could also use the fund as the repository of any external funds raised for affordable housing. • **Consider a new housing bond:** The advantage of a housing bond is that it can provide a large influx of funding in a relatively short time period, which can help to make large initiatives such as a place-based revitalization program or a large scale preservation effort viable, while still leaving other funding available for additional housing activities. The housing bond would require voter approval, but given the high level of citizen concern about affordability, it seems reasonable to think that a well-crafted proposal, with a clear plan and well-defined performance measures, could succeed.	Increased funding for affordable housing	TBD, depending on use of funds	High priority geographies and/or citywide
E.1.c	Pursue fee waivers	Lowering costs has the same effect as increasing subsidy. To this end, the City should consider	Reduced cost of		

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	for affordable housing	waiving fees or creating an alternative fee structure for affordable housing that meets specific definitions around degree and duration of affordability. It should be noted that fee waivers can only apply to fees charged by city agencies. Per N.C. statute, fees charged by city enterprises (e.g. water and sewer) cannot be waived unless a business case can be made that affordable housing developments actually use less water or somehow cost less for the system (which seems unlikely). In the case of affordable housing, the City does have the authority to pay the enterprise fund fees out of its general fund, although this is effectively the same as providing a subsidy directly to the project.	affordable housing		
E.1.d	Establish a local PACE program	Property Assessed Clean Energy (PACE) is a means of financing renewable energy installation in a building. PACE assessments allow property owners to avoid the upfront costs of energy saving installations by entering into an assessment contract with the participating PACE locality, which stipulates that the property owner will repay the cost of improvements through a property tax assessment, typically over 20 years with semi-annual payments. North Carolina passed PACE legislation. Next step is for Durham to approve a local PACE program, usually through a bond issuance. PACE can be used to finance energy improvements across a wide range of property types, including affordable housing. The City could consider developing a PACE ordinance and program framework to create "energy districts" around transit station(s) or urban revitalization areas or prioritize energy efficiency improvements in all affordable housing acquisition and rehab or conversion projects.	Local PACE program approved/ implemented	Developers have access to additional financing for projects which reduces energy costs which is passed on to tenants, reducing cost burden renters in the City	High priority areas; or citywide

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E.2) Goal: Land Use and Regulatory Strategies

	Strategy	Description	Outputs	Outcomes	Geography
E.2.a	Inclusionary zoning	Inclusionary zoning refers to local ordinances that require a percentage of new construction to be affordable below a certain target threshold. Typically, programs require between 10-30% of housing units to be affordable to low or moderate income households, with the income threshold varying by product type and market. Income thresholds are typically on the higher end, 60-80% AMI for rental, and 80-120% AMI for homeownership development. Developers typically receive incentives such as fee waivers, density bonuses, expedited processing etc., in return for providing the affordable units. Many ordinances include an "opt out" provision whereby developers can pay a fee instead of developing the actual units. Inclusionary zoning programs face significant legal and political hurdles in N.C. Many argue that the state prohibition on rent control makes inclusionary zoning targeting rental housing illegal. Although there are alternative interpretations in favor of inclusionary zoning for rental housing, it seems likely that this question would end up before the courts – or the state legislature – for resolution. Similarly, while inclusionary zoning for homeownership is, in principal, allowable, there is a widespread perception that any effort to establish a new program, particularly in a larger city, could lead to a legislative ban on all forms of inclusionary zoning statewide. Moreover, from a pragmatic basis, inclusionary zoning programs work best when there are significant differences between market prices and affordable prices. While this is true in parts of Durham, it is not true citywide, which would make the implementation of a city level ordinance challenging. Taken together, this suggests that inclusionary zoning is not a viable strategy for the city to pursue in the short term.	*NA*	*NA*	*NA*
E.2.b	Enhanced density bonus as part of compact design districts	The City is moving towards creating form-based compact design districts in future light rail station areas, with the goal of promoting density and a mix of uses associated with transit-oriented development (TOD). Assuming that there is market demand for this type of development, the rezoning of properties from lower intensity uses to the compact design district designation will make them more economically valuable.	TBD	TBD	TBD

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		Ideally, the City would be able to channel a portion of this value being created to support affordable housing. In North Carolina, mandatory strategies such as inclusionary zoning, which can be effective in these circumstances, are prohibited by state law. Developers seeking rezoning of specific parcels to a higher density can voluntarily proffer affordable housing contributions (e.g. units, land, money) that are incorporated into approved development plans. However, a project-by-project strategy in which the City mandates the inclusion of affordable housing as part of a rezoning or other entitlement approval would be legally questionable. Equally importantly, a project-by-project rezoning strategy would be cumbersome, slow and likely to drive up costs across the entire Durham market. A more efficient system would be built into the zoning code and would provide developers with clear and predictable rules to follow. To this end, Durham is in a unique position because the City Charter (Section 94.2) specifically authorizes the City to grant density bonuses or other incentives of value to a housing developer if the developer agrees to target at least 15% of total housing units to low- and moderate-income households, as defined by the U.S. Department of Housing and Urban Development. For this reason, the City should consider whether an enhanced density bonus could be incorporated into the compact district zoning, and/or any other zoning districts. Currently, the effective limit on density of residential construction in most parts of Durham is the maximum allowable height for stick construction (five stories). In order for an enhanced density bonus to work, the base zoning allowed in the compact design districts would need to be reduced below this threshold (but not below the density allowed under current zoning in these areas). Once properties are rezoned to compact design district status, developers would be able to develop at the base density, or could choose to provide a specified amount of affordable housing in return for an enhanced density bonus that would enable them to develop at much higher densities, comparable to what is allowed now in the compact design districts. It is not a given that an enhanced density bonus could work, but the possibility is worth exploring. The critical question is whether there is sufficient economic value being created through the density bonus to cover the cost of the affordable units while still being economically attractive to developers when compared to the base zoning. If this is not the case, developers will chose to develop at the base zoning level, and the City will not realize the goal of creating compact, higher density, walkable communities around transit.			

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		There are a number of question to be addressed before moving forward with any changes to the compact design districts, including potential cost vs. benefit, applicability across multiple station areas; applicability to commercial development etc. It is also important to note that any affordable units being provided by market rate developers would likely be at the high end of the affordability range, probably at or above 60% AMI. Unless additional subsidies are provided, the financial gap entailed in reaching lower AMIs is generally too significant to be bridged with a density bonus alone.			
E.2.c	Assess the potential – and likely impact - of strengthening affordable incentives, in consultation with development community	Nationally, the use of incentives has not resulted in significant generation of affordable units, due to the challenge of creating sufficient incentives to overcome the additional cost and perceived risk of affordable development. The Durham Planning Department took steps recently to enhance the incentives available to developers who choose to include a component of affordable housing. It may be worth taking the time to consult with some local developers about how the City could further strengthen the incentive package to determine what, if anything, can be done. It is very unlikely that City can develop sufficient incentives to encourage large numbers of developers to participate, but there may be a subset of companies willing to engage.	TBD	TBD	
E.2.d	Ensure that City funded housing is green and healthy	Green building has become best practice in the affordable housing industry, because of the impact on reducing long-term utility costs, which helps keep housing affordable; improving resident health through the use of healthy materials; and overall contribution to responsible environmental stewardship. The City of Durham should establish a green building requirement for city-funded housing (and arguably, for ALL city funded buildings). For new construction multifamily, potential standards include Enterprise Green Communities, Green Built North Carolina, LEED Multifamily MidRise, and EarthCraft Multifamily. For new construction single family, potential standards include Enterprise Green Communities, Green Built North Carolina, LEED for Homes, and EarthCraft House.	Lower energy and water usage Improved indoor air quality	Improved resident health Long-term housing affordability	Citywide
E.2.e	Target city (and if possible) county owned properties for affordable housing	The City of Durham is already working on rules to allow them to dedicate properties acquired as a result of code enforcement liens for use as affordable housing. The City should also explore whether it would be productive and possible to establish a similar program for tax foreclosures, in partnership with the County.	Provide a pipeline of properties to nonprofits for affordable homeownership and rental use		Citywide, or in target areas

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AMI	Area median income
CDBG	Community Development Block Grant
CLT	Community land trust
CoC	Continuum of Care
DCD	Department of Community Development
DCLT	Durham Community Land Trust
DHA	Durham Housing Authority
EE	Energy efficiency
GIS	Geographic information system
HUD	U.S. Department of Housing and Urban Development
IDA	Individual Development Account
LEED	Leadership in Energy and Environmental Design
LIHTC	Low Income Housing Tax Credit
LTP	Lease to purchase
MBE/WBE	Minority-owned enterprise/woman-owned enterprise
MSD	Municipal Service District
NECD	Northeast Central Durham
NIS	Neighborhood Improvement Services
OEWD	Office of Economic and Workforce Development
PACE	Property Assessed Clean Energy
PHA	Public housing authority
RAD	Rental Assistance Demonstration
SECU	State Employees Credit Union
TIF	Tax increment financing
TOD	Transit-oriented development

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