

Downtown Durham Rental Subsidy Program *DRAFT GUIDELINES*

February 4, 2016



TASK: Draft Guidelines for Downtown Rental Subsidy Program

Goal to provide city leaders with decision-making information for a downtown Durham rental assistance program, including:

- *Data analysis* of the downtown Durham market and housing situation of potential target population(s)
- *High level program design*, including potential target populations, tenant selection, payment parameters, monitoring, program management, and estimated program cost

DEMOGRAPHIC AND HOUSING INFORMATION

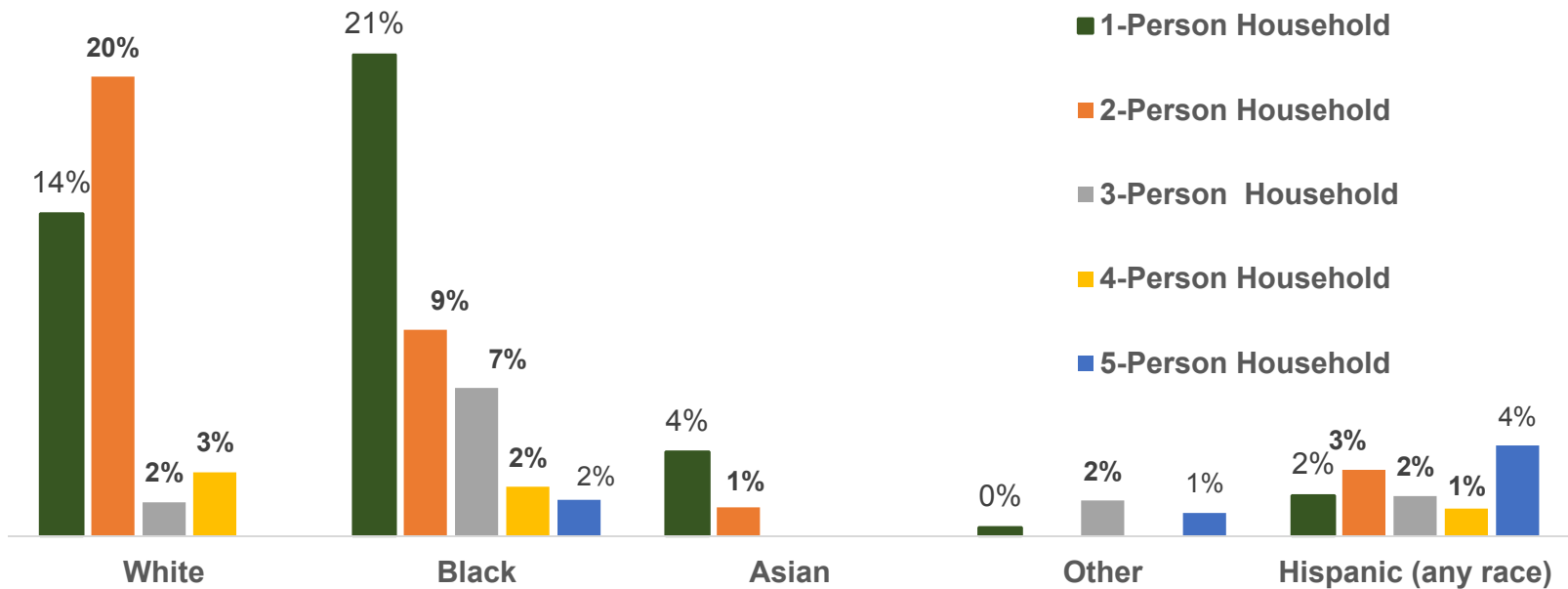
Low-Income Households (51-80% AMI)

Citywide, there are approximately 16,500 low-income households (incomes between 51-80% AMI).

Race/ethnicity of Head of Household	Number	%
Black	6,754	41%
White	6,446	39%
Asian	829	5%
Other	494	3%
Hispanic (any race)	1,942	12%

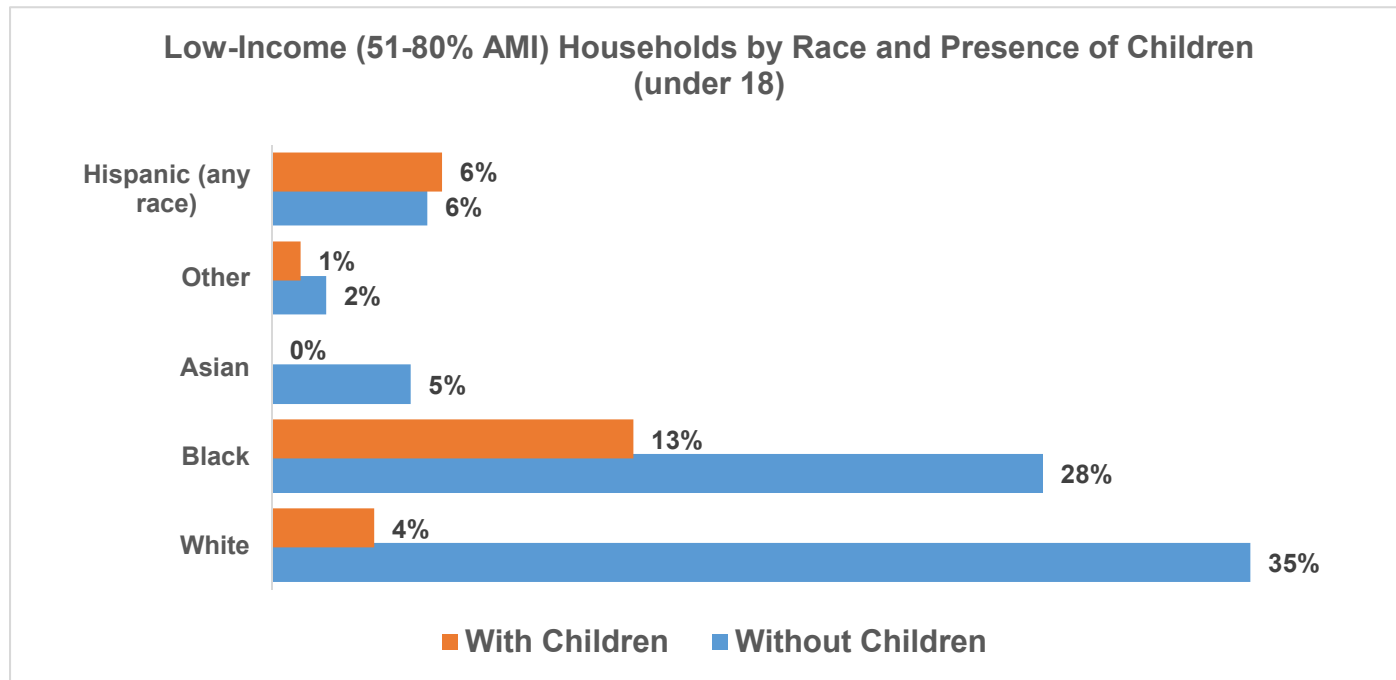
Low-Income Households (51-80% AMI)

Low-Income (51-80% AMI) Households by Race and Household Size



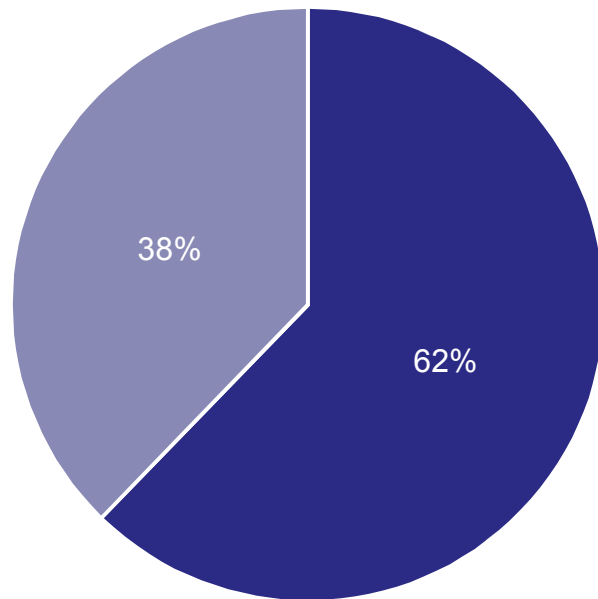
Low-Income Households (51-80% AMI)

24% of low-income households include children under the age of 18.



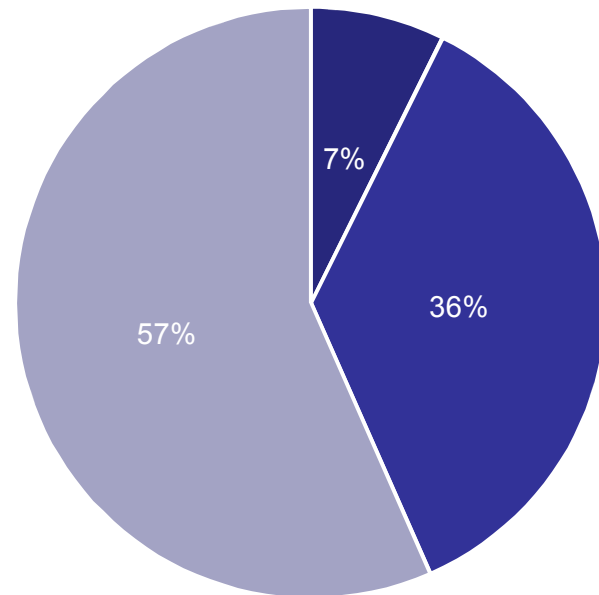
Low-Income Households (51-80% AMI)

Low-Income Households by Housing Tenure



■ Renters ■ Owners

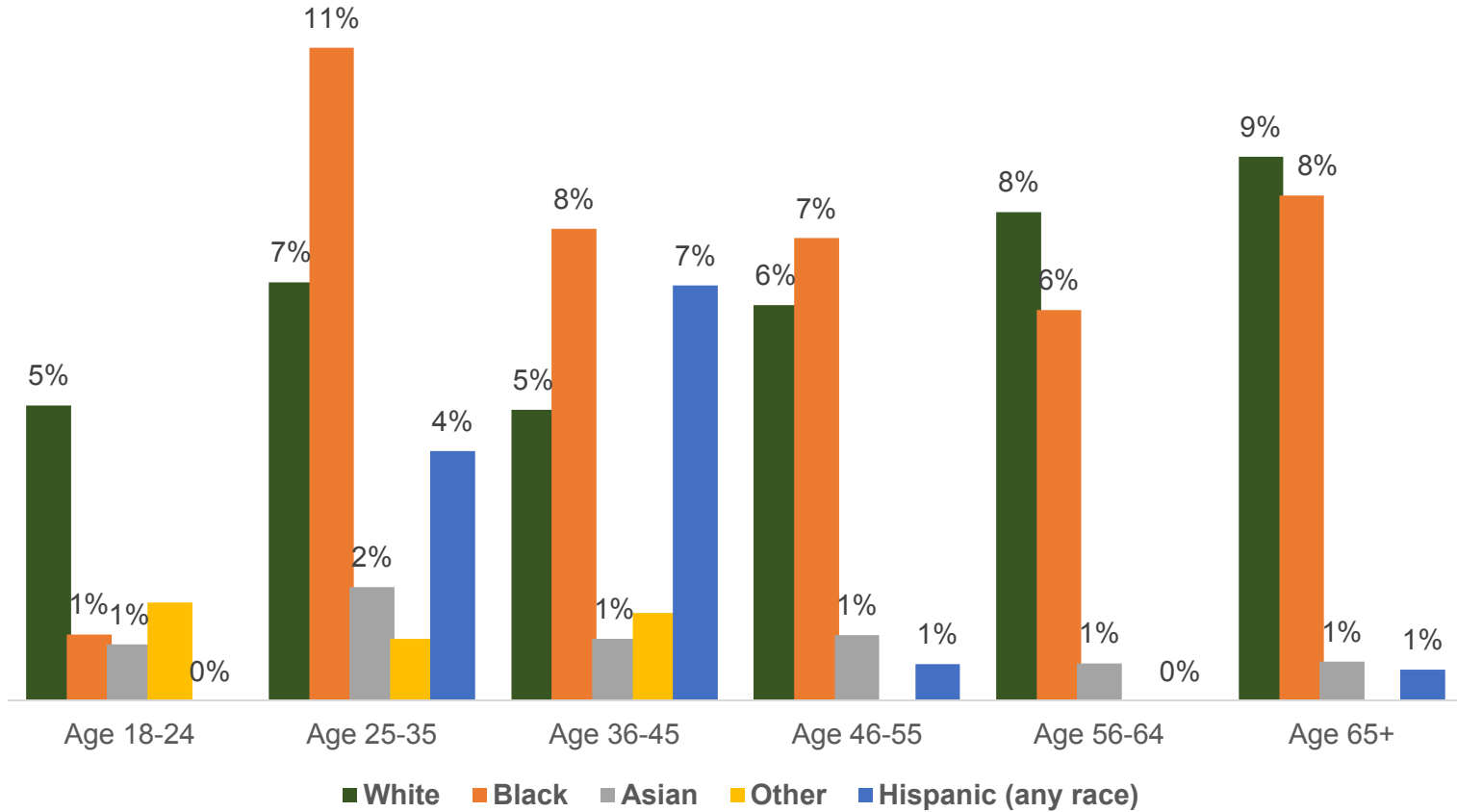
Low-Income Renters by Housing Cost Burden



■ Severely cost burdened ■ Moderately cost burdened
■ Not cost burdened

Low-Income Households (51-80% AMI)

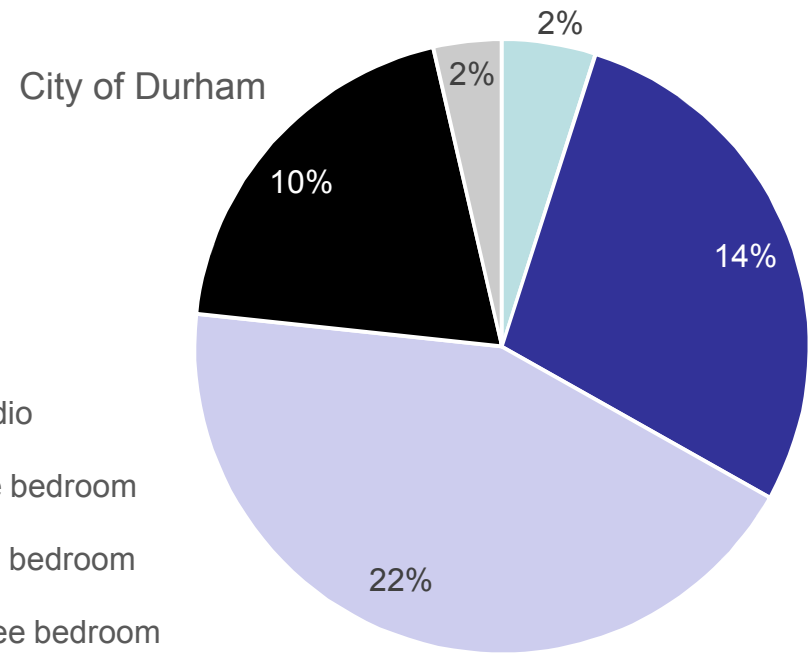
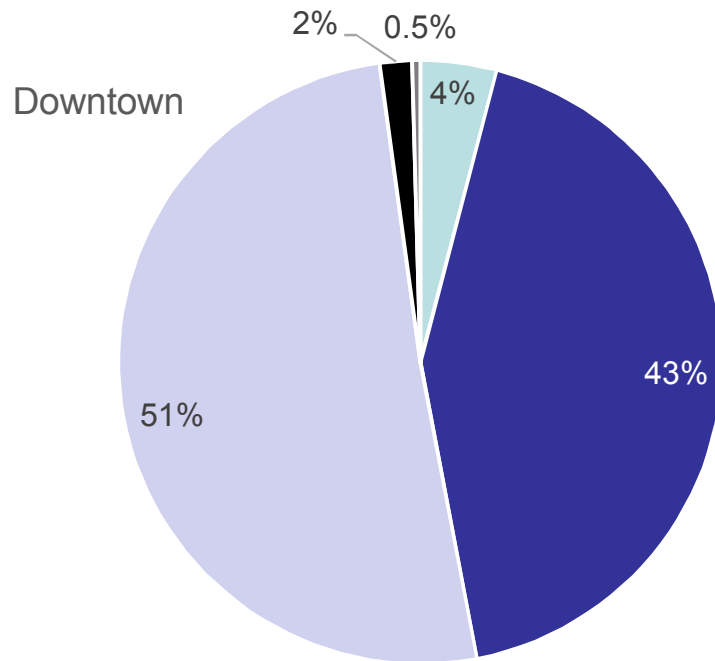
Low-Income (51-80% AMI) Households by Race and Age of Householder



Downtown rental market

There are 833 apartments downtown, plus another 380 under construction. As of October 2015, these properties had a 16% vacancy rate.

Rental units by bedroom



- Studio
- One bedroom
- Two bedroom
- Three bedroom
- Four bedroom



Downtown rental market

Larger, newer rental properties in the downtown area have higher average rates than the citywide median rent (\$714) or HUD FMRs.

Average Monthly Rents

Unit Size	Downtown (50+ units buildings)	Citywide (50+ unit buildings)	2015 FMR
Efficiency	\$1,005	\$828	\$597
1 BR	\$1,270	\$883	\$737
2 BR	\$1,522	\$989	\$874
3 BR	\$2,427	\$1,097	\$1,127
4 BR	\$2,466	\$2,466	\$1,320
All	\$1,413	\$955	-

DRAFT PROGRAM GUIDELINES

Target Population

- Incomes between 60-80% of AMI

2015 Durham-Chapel Hill Metro Area Income Limits	1 person	2 person	3 person	4 person
60% AMI limit	28,320	32,400	36,420	40,440
80% AMI limit	37,750	43,150	48,550	53,900

- Residency period in City of Durham – five years proposed
- Could add focus on specific employment sectors (e.g. teachers, downtown workers)

Program Requirements

- **Tenant requirements**
 - Meet program eligibility requirements and agree to program rules
 - Pay rent equal to 30% of gross household income (less a utility allowance)
 - Maximum period of assistance is two years - one year initially with option to renew for one year (subject to funding availability)
- **Property requirements** – To participate in program, property owners must agree in writing to abide by payment standard and other program requirements (e.g. inspections, reporting)
- **Administering agency:** Department of Community Development

Payment Standard

- Payment standard is the maximum rent that a program participant can pay for unit.
- City would pay the difference between 30% of household income, less utility allowance, and this standard.
- Four payment standards suggested:
 1. Fair Market Rent
 2. Average downtown market rent
 3. Lowest downtown market rent
 4. Average citywide rent for properties with 50+ units

Other variations possible – e.g. X% of average downtown market rent.

Payment Standard

Option 1: HUD Fair Market Rent

- Efficiency: \$632
 - One Bedroom: \$787
 - Two Bedroom: \$926
 - Three Bedroom: \$1,247
- Cost Assumptions for a 2BR
- \$850 represents 30% of household income
- City portion of rent would equal \$76/mo or \$912/yr.

Option 2: Average Downtown Market Rent

- Efficiency: \$1,005
 - One Bedroom: \$1,270
 - Two Bedroom: \$1,522
 - Three Bedroom: \$2,427
- Cost Assumptions for a 2BR
- \$850 represents 30% of household income
- City portion of rent would equal \$672/mo or \$8,064/yr.

Option 3: Lowest Downtown Market Rent

- Efficiency: \$875
 - One Bedroom: \$1,095
 - Two Bedroom: \$1,313
 - Three Bedroom: \$2,198
- Cost Assumptions for a 2BR
- \$850 represents 30% of household income
- City portion of rent would equal \$463/mo or \$5,556/yr.

Option 4: Average City- wide Rent for Properties with 50+ units

- Efficiency: \$828
 - One Bedroom: \$883
 - Two Bedroom: \$989
 - Three Bedroom: \$1,097
- Cost Assumptions for a 2BR
- \$850 represents 30% of household income
- City portion of rent would equal \$139/mo or \$1,668/yr.

Process

0. *Startup (document preparation, property recruitment, development of tenant recruitment strategy and materials)*
1. Marketing and tenant recruitment
2. Tenant approval
3. Voucher issuance
4. Request for unit approval
5. Lease execution
6. Monthly reporting
7. Lease renewal

Estimated Cost

Sample Program Cost to Serve 50 Households per Year

	FMR	Average Downtown	Lowest Downtown	Average Citywide
Per unit per month				
Monthly rent for unit	\$926	\$1,522	\$1,313	\$989
Tenant contribution	\$850	\$850	\$850	\$850
City contribution	\$76	\$672	\$463	\$139
Total program per year				
Rental subsidy	\$45,600	\$403,200	\$277,800	\$83,400
Staffing requirements	Approximately 0.5 FTE			

Additional downtown strategies targeting 60-80% AMI households

1. Rental subsidy program
2. Buy affordability in existing buildings
3. Develop 60-80% AMI units as part of affordable rental housing development on city-owned land
4. Redevelop DHA's Liberty Street property and surrounding publicly-controlled land to provide a range of housing options, as well as office and retail opportunities