



COMMUNITY DEVELOPMENT

CITY OF DURHAM

Impact of COVID-19 Pandemic on Affordable Housing Development

COVID-19 Impacts

1. General Contractor Availability
2. Subcontractor Availability
3. Project Schedule
4. Construction Costs
5. Supply Chain Disruptions
6. Interest Rate Volatility

Durham Affordable Housing Projects During the COVID-19 Pandemic

1. Farrington Road (Crescent) – Laurel Street Residential
2. Ross Road – Reinvestment Partners
3. Durham Housing Authority Projects
 - JJ Henderson new construction
 - JJ Henderson Tower rehab
 - Elizabeth Street
4. Ashton Place – DHIC/Self Help
5. Hardee Street – DHIC/Self Help

The Perfect Storm: Ross Road

Developer: Reinvestment Partners

Scope: Rehabilitation of 42 units at 2816 Ross Road (9 units set aside for households earning 30% or below the area median income, remaining 33 units are 60% and below AMI)

Initial Financing

\$2,348,270 City Grant

\$1,400,000 Supportive Housing Loan, NCHFA

\$ 334,776 Reinvestment Partners



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Ross Road Cost Increases

Ross Road experienced the dual impact of uncertainties associated with rehab projects and the worst of the COVID-19 driven cost increases:

- Discovery of asbestos in two buildings, primarily in the tape on the wallboard, led to a significant increase in the scope of rehabilitation work required
- Developer had to bid project out multiple times in order to secure sufficient bids, as required by City procurement policies for City-funded projects
- Bids received were significantly above original cost estimates because of change in scope and construction cost increases during the pandemic

Overall, construction costs increased by \$3.7 million, leading to a request to the City for an additional for a total City investment from \$2.3 million to \$6.0 million

Immediate Impact

- CCD is proposing to support the increasing cost of the Ross Road project in order to complete the project which is already underway
- CDD will change how we evaluate rehabilitation projects in the application process

Long-Term Impact

Construction costs are not expected to return to pre-pandemic levels. Since the amount of debt that affordable projects can carry is capped, increasing costs will result in larger gaps and the need for more subsidy.

In addition, the City is increasingly trying to encourage the development of extremely affordable housing units (serving households at or below 30% AMI) which have substantially higher subsidy needs.

Currently, the actual amount of City subsidy per unit is higher than what was initially projected when the Forever Home, Durham program was developed. If the need for higher levels of subsidy per unit continues, the City will be able to fund fewer units. As the current rate of subsidy, staff estimate that approximately **330 fewer multifamily rental units** than originally projected will be funded.

QUESTIONS?