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# Proposed Affordable Housing Investment FY20-FY24

*Draft 2/11/19*

# Structure of Presentation

1. Durham Five-Year Housing Goals
2. FY 2018 – FY 2019 Performance
3. Baseline CDD Revenues and Expenses
4. Description of Proposed New Activities
5. Financial Implications
6. Next Steps



# Durham Five Year Housing Goals FY18-FY22



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# Affordable Housing in Context



## Five Year Goals (FY18 –FY22)

1. Preserve and expand supply of affordable rental units and rental assistance, with a focus on households <50% AMI
2. Maintain affordability and protect very low-income households in neighborhoods experiencing significant housing cost increases
3. Engage the larger Durham community to make affordable housing a citywide priority



# Goal 1: Preserve and Expand Rental Housing

## Strategies

- a) Work with the Durham Housing Authority (DHA) to stabilize and improve existing housing and expand overall supply
- b) Strengthen the homeless housing system
- c) Produce green, affordable rental housing for households <50% AMI
- d) Preserve existing rental housing for households <50% AMI
- e) Engage market rate developers in producing affordable housing through an enhanced density bonus



## Goal 2: Maintain Affordability in Appreciating Neighborhoods

### Strategies

- a) Create affordable homeownership opportunities with long-term income restrictions
- b) Create smaller-scale, affordable rental options
- c) Support existing low-income homeowners, through rehabilitation and repair funds and expanded use of existing State property tax relief programs
- d) Support neighborhood-led stabilization efforts



## Goal 3: Engage Larger Durham Community

- Leverage high levels of community and political support
- Potential strategies:
  - Create community advisory group
  - Explore community-based fundraising
  - Engage faith community and/or other institutional players (e.g. colleges, hospitals)
  - Enlist volunteer support for housing organizations and projects
  - Other?





# FY18-FY19 Performance



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# CDD Performance Results – FY18 and FY19

	FY18-FY22 Projected Overall Results	FY18 and FY19		
		Completed to Date	New Contracts to Date	Total
DHA rental units preserved	-	70	256	326
Rental units created or preserved	450	120	146	266
<i>Rental new construction</i>	<i>n/a</i>	<i>120</i>	<i>89</i>	<i>209</i>
<i>Rental preservation, NOAH</i>	<i>n/a</i>	<i>0</i>	<i>50</i>	<i>50</i>
<i>Rental preservation, Income Restricted</i>	<i>n/a</i>	<i>0</i>	<i>7</i>	<i>7</i>
Homeownership opportunities created	150	0	25	25
Owner occupied homes rehabilitated	50	0	0	0
Owner occupied homes repaired	150	0	30	30

Note: Results include units completed or for which DCD has executed a contract with the developer.



# CDD Performance Results – Projects in Progress

- *Laurel Oaks (DHA)* – 30 unit rehab
- *Carroll Street (CASA)* – 16 unit new construction of rental housing for formerly homeless households
- *Underwood Apartments (CASA)* – 44 unit rehabilitation of NOAH rental units
- *SWCD Rehab (DCLT)* – 10 unit rehab of existing income restricted rental units
- *Southside Beamon Assemblage* – 12+ for sale new construction
- *Vacant Property Disposition* - TBD
- *December 2018 Multifamily Rental RFP* - TBD
- December 2018 Neighborhood Stabilization RFP - TBD
- *J.J. Henderson (DHA)* - 178 unit rehab, 80 unit new construction

## New Programs and Initiatives FY18 and FY19

1. Willard Street development – *planning begun FY17, construction launch FY19*
2. Longtime Homeowner Grant Program – *begun FY18*
3. Durham Affordable Housing Loan Fund – *planning begun FY18, first phase launch FY19*
4. Eviction Diversion – *begun Q3 FY19*
5. Lead Abatement – *scheduled to begin Q4 FY19*
6. Property Tax Outreach – *scheduled to begin Q4 FY19*
7. Homeless Coordinated Entry – *scheduled to begin Q4 FY19*
8. Homeless Housing Navigation/Landlord Engagement– *scheduled to begin Q4 FY19*

# Baseline Revenues, Expenses and Results



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## CDD Revenues – FY19

- CDD FY19 budget includes \$17,310,431 in revenue
- Of this revenue:
  - \$9,828,948 is new and estimated recurring revenue from Dedicated Housing Fund and federal grants
  - \$7,481,483 is one-time revenue, primarily Dedicated Housing Fund balance and Housing Bond Program Income
- After FY18-19, CDD will have utilized almost all of its accumulated revenues and will be relying on estimated recurring revenues to fund program activities



# CDD Annual Baseline (Estimated Recurring) Revenues

Funding Source	Projects / Activities	Salaries and Operating Expenses	Section 108 Loan	Grand Total
<b>Dedicated Housing Fund</b>	<b>5,694,517</b>	<b>139,400</b>		<b>5,833,917</b>
<b>Grant Funds</b>	<b>2,842,757</b>	<b>503,100</b>	<b>574,630</b>	<b>3,920,487</b>
<i>HOPWA</i>	368,445	11,100		379,545
<i>ESG</i>	149,722	12,000		161,722
<i>CDBG</i>	1,001,242	380,000	574,630	1,955,872
<i>HOME</i>	1,023,348	100,000		1,123,348
<i>CDBG &amp; HOME Program Income</i>	300,000	-		300,000
<b>General Fund</b>		<b>1,844,211</b>		<b>1,844,211</b>
<b>TOTAL</b>	<b>8,537,274</b>	<b>2,486,711</b>	<b>574,630</b>	<b>11,598,615</b>
<p><i>* Note: HUD 3-Year Lead-Based Hazard Reduction Program (LHR) and Healthy Homes Supplemental Program (HHSP) Grant of \$2,962,253 is not included in the above chart because it is not a recurring award.</i></p>				

# CDD Annual Baseline Expenses

Category	Amount	Detail	
Homelessness	\$1,495,167	Emergency Shelter and Rapid Rehousing	526,722
		Homeless System Investments	600,000
		HOPWA Assistance	368,445
Multifamily Rental	\$4,742,107	Downtown & Neighborhood Plan/DHA	2,242,107
		Multifamily Production/Preservation	2,500,000
Neighborhood Stabilization	\$2,300,000	Small Scale Production/Preservation	1,250,000
		Home repair and rehabilitation	800,000
		Property tax outreach	50,000
		Eviction Diversion	200,000
Salaries, Oper. & 108 Loan	\$3,061,341	Salaries & Operating Expenses	2,486,711
		Section 108 Loan	574,630
<b>TOTAL</b>			<b>11,598,615</b>



# Proposed New Activities FY20-FY24



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# Homelessness

1. Continue to strengthen homeless housing system
  - Expand street outreach to engage unsheltered, literally homeless individuals
  - Expand coordinated entry/diversion services by increasing staffing levels, service hours and client follow up
  - Strengthen landlord recruitment and retention efforts by creating a central point of contact and providing landlord incentives.
  - Improve ability to use data to inform activities
  - Provide technical assistance to build capacity of providers
2. Strengthen Housing First implementation system-wide
  - Create a low barrier homeless system that expands access for clients who are currently underserved, including survivors of intimate partner violence, people with behavioral health challenges and individuals who are justice-involved
  - Shorten episodes of homelessness
3. Strengthen and streamline CoC Governance

# Multifamily Rental

1. Support implementation of joint City/DHA Downtown & Neighborhood Affordable Housing Plan
  - Increase funding for predevelopment, project subsidies and site and infrastructure costs for first three downtown sites
2. Provide additional funding to accelerate Downtown & Neighborhood Plan and/or support 4% LIHTC new construction projects
3. Implement proactive preservation initiative
  - Fund second phase of Durham Affordable Housing Loan Fund
  - Launch outreach to owners of existing income restricted properties and 'naturally-occurring' affordable housing (NOAH)
  - Increase subsidy for acquisition/rehabilitation
  - Develop new financing tools targeting private owners of NOAH

# Neighborhood Stabilization

1. Expand support for existing homeowners and renters
  - Launch outreach to increase utilization of state property tax credits and address predatory practices, to replace current Long-Time Homeowner Grant
  - Create minor repair set aside for low income homeowners with significant code violations
  - Support eviction diversion efforts serving low-income renters
2. Support neighborhood scale production and preservation
  - Fund second phase of Durham Affordable Housing Loan Fund
  - Launch outreach and pilot new financing tools targeting owners of small scale NOAH properties
  - Develop training programs and financing tools to support Accessory Dwelling Unit ( ADU) development, small home development and related products

## Neighborhood Stabilization (cont.)

3. Re-launch citywide Down Payment Assistance Program
4. Launch HUD Lead- Based Paint Hazard Reduction Program (LHR) and the Healthy Homes Supplemental Program (HHSP)
  - HUD grant amount is \$2,962,253 with a local match requirement in the amount of \$619,299 for a total of \$3,581,552 over three years
  - Goal is to address lead hazards and other health issues in 120 homes, with a focus on homes with children < 6 years of age
5. Launch CDD/OEWD/DHA partnership to provide employment training and placement for DHA and community residents



# Property Tax Strategy

- Over the past two years, the Long-Time Homeowner Grant program has fallen short of expectations. The number of homeowners served has been modest, and the cost to administer the program has been significant.
- CDD recommends phasing out current program and focusing efforts on increasing utilization of existing state property tax programs and on homeowner education in neighborhoods where prices are rising.

	2016 Tax Year	2017 Tax year (partial)
Applications Received	43	37
<i>Approved</i>	18	24
<i>Declined</i>	25	13
Total \$ awarded	\$3,687	\$7,349
Average \$ awarded	\$205	\$306
Total # staff hours	285	105
% state-eligible applicants not enrolled in state program	26%	13%

\* Application period for 2017 Tax Year will close 3/31/19.

# Summary of Anticipated Results FY20-FY24

- Over 1,800 new affordable rental units created
- Over 800 affordable rental units preserved, including public housing, existing income restricted housing and naturally-occurring affordable housing (NOAH)
- At least 1,700 homeless households living in emergency shelter move into permanent housing
- At least 190 homeownership opportunities created, including both construction of new units (100) and provision of downpayment assistance to low income households (90)
- Over 1,800 low income renters and homeowners stabilized (through eviction diversion, emergency rental assistance, property tax assistance and repair/rehab funding)

# Financial Implications



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# FY20-FY24 Expansion Summary – Total Funding

		Expansion (including Baseline)					Total FY20-FY22	
		Baseline	FY2020	FY2021	FY2022	FY2023		FY2024
Homelessness		1,495,167	1,825,167	2,120,167	2,170,167	2,170,167	2,170,167	10,455,835
Multifamily Rental	Plan/DHA	2,242,107	3,156,852	15,312,355	17,524,628	15,959,458	6,952,554	58,905,847
	Other	2,500,000	5,040,000	10,080,000	10,080,000	10,080,000	10,080,000	45,360,000
Neighborhood Stabilization		2,300,000	3,534,000	3,946,000	4,278,000	3,220,000	3,220,000	18,198,000
Leveraged Financing Pilots		-	1,500,000	2,000,000	1,500,000	-	-	5,000,000
Salaries, Operating & 108 Loan		3,061,341	3,620,657	3,733,773	3,860,645	3,982,309	4,118,962	19,316,346
<b>TOTAL</b>		<b>11,598,615</b>	<b>18,676,676</b>	<b>37,192,295</b>	<b>39,413,440</b>	<b>35,411,934</b>	<b>26,541,683</b>	<b>157,236,028</b>
<i>Available Revenue (5* Baseline)</i>								<i>57,993,075</i>
<i>Gap</i>								<i>(99,242,953)</i>

# FY20-24 Expansion Detail – Total Funding

		Baseline	Expansion (including Baseline)					Total FY20-
			FY2020	FY2021	FY2022	FY2023	FY2024	FY22
Homelessness	Emergency Shelter and Rapid Rehousing	526,722	606,722	676,722	726,722	726,722	726,722	3,463,610
	Homeless System Investments	600,000	850,000	1,000,000	1,000,000	1,000,000	1,000,000	4,850,000
	Technical assistance and capacity building	-	-	75,000	75,000	75,000	75,000	300,000
	HOPWA Assistance	368,445	368,445	368,445	368,445	368,445	368,445	1,842,225
Multifamily Rental	Downtown & Neighborhood Affordable Hsg Plan	2,242,107	3,156,852	15,312,355	17,524,628	15,959,458	6,952,554	58,905,847
	Plan Acceleration/New 4% LIHTC	-	-	5,000,000	5,000,000	5,000,000	5,000,000	20,000,000
	Multifamily Production/Preservation	2,500,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
	Preservation outreach	-	40,000	80,000	80,000	80,000	80,000	360,000
Neighborhood Stabilization	Small Scale Production/Preservation	1,250,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	7,500,000
	Home repair and rehabilitation	800,000	800,000	950,000	950,000	950,000	950,000	4,600,000
	Property tax outreach/homeowner education	50,000	130,000	130,000	130,000	130,000	130,000	650,000
	Downpayment Assistance Program	-	220,000	440,000	440,000	440,000	440,000	1,980,000
	Eviction Diversion	200,000	200,000	200,000	200,000	200,000	200,000	1,000,000
	CDD/OEWD/DHA Employment Pilot	-	684,000	726,000	1,058,000	-	-	2,468,000
Leveraged Financing Pilots	Durham Affordable Housing Loan Fund P2	-	1,500,000	-	-	-	-	1,500,000
	NOAH preservation/ADUs	-	-	2,000,000	1,500,000	-	-	3,500,000
Salaries, Oper. & 108 Loan	Salaries and Operating Expenses	2,486,711	3,047,013	3,161,430	3,284,359	3,412,100	3,544,841	16,449,743
	Section 108 Loan	574,630	573,644	572,343	576,286	570,209	574,121	2,866,603
<b>TOTAL</b>		<b>11,598,615</b>	<b>18,676,676</b>	<b>37,192,295</b>	<b>39,413,440</b>	<b>35,411,934</b>	<b>26,541,683</b>	<b>157,236,028</b>
<i>Available Revenue (5 * Baseline)</i>								<b>57,993,075</b>
<i>Gap</i>								<b>99,242,953</b>

## **FY20-24 Expansion – Staffing Note**

1. Increase in funding translates into an increase in activities, which in turn results in need for more staff capacity
2. Salary line item includes the addition of four new FTEs in FY20 focused on multifamily rental preservation, homelessness and financial management

# Anticipated Results – Detail

		Baseline	Expansion Including Baseline FY20-FY24	Results
<b>Homelessness</b>	Emergency Shelter and Rapid Rehousing	526,722	3,463,610	At least 1,700 homeless individuals placed in permanent housing 20% of individuals experiencing housing crises successfully diverted Reduction in length of shelter stay Reduction in # of unsheltered homeless individuals 15% increase in # of private rental units available to homeless renters 200 households receive rental assistance
	Homeless System Investments & TA	600,000	5,150,000	
	HOPWA Assistance	368,445	1,842,225	
<b>Multifamily Rental</b>	Downtown & Neighborhood Affordable Hsg Plan	2,242,107	58,905,847	387 public housing units replaced and 863 new affordable units created 750 new affordable units created 150 new affordable rental units created and 350 NOAH units preserved <i>Included in other lines</i>
	Plan Acceleration/New 4% LIHTC	-	20,000,000	
	Multifamily Production/Preservation	2,500,000	25,000,000	
	Preservation outreach	-	360,000	
<b>Neighborhood Stabilization</b>	Small Scale Production/Preservation	1,250,000	7,500,000	100 units created and 80 units preserved (income restricted & NOAH) 350 owner occupied units repaired or rehabilitated 250 homeowners access state property tax credit for first time 90 low income households buy homes 1000 evictions diverted 40 low income residents trained and find employment
	Home repair and rehabilitation	800,000	4,600,000	
	Property tax outreach/homeowner education	50,000	650,000	
	Downpayment Assistance Program	-	1,980,000	
	Eviction Diversion	200,000	1,000,000	
	CDD/OEWD/DHA Employment Pilot	-	2,468,000	
<b>Leveraged Financing Pilots</b>	Durham Affordable Housing Loan Fund P2	-	1,500,000	<i>Included in other lines</i> <i>TBD</i>
	NOAH preservation/ADUs	-	3,500,000	
<b>Salaries, Oper. &amp; 108 Loan</b>	Salaries and Operating Expenses	2,486,711	16,449,743	<i>Included in other lines</i>
	Section 108 Loan	574,630	2,866,603	
<b>TOTAL</b>		<b>11,598,615</b>	<b>157,236,028</b>	

# Downtown & Neighborhood Affordable Housing Plan

- Support for affordable housing in central Durham is a core part of the City's proposed strategy.
- The Downtown & Neighborhood Affordable Housing Plan lays out a 10-year strategy for over 50 acres in central Durham (including six DHA properties and two City-owned properties) resulting in 2,500 new units, including:
  - Replacement of all 447 public housing units currently located on the DHA properties
  - Creation of 1,400 new affordable units, including approximately 840 units between 30-60% AMI and 560 units between 61-80% AMI, mixed in with over 600 market rate units



# Downtown & Neighborhood Affordable Housing Plan

Phase and Project		Overview			Number of Units				
		Start Year	# 9% LIHTC Projects	# 4% LIHTC Projects	Replacement <30% AMI	New 30-60% AMI	New 61-80% AMI	New Market	Total
Phase 1	JJ Henderson	2019	1	1	182	48	28	-	258
Phase 2	Oldham/Liberty	2020	2	1	77	193	122	140	532
Phase 3	DHA Office/CJRC	2022	1	1	50	70	55	115	290
Phase 4	Forest Hill Heights	2023	2	3	78	225	122	150	575
Phase 5	Fayette Place	2025	2	1	-	210	175	175	560
Phase 6	Rigsbee	2027	1	0	-	55	36	45	136
Phase 7	Southside Phase 3	2028	1	0	-	42	22	38	102
<b>TOTAL</b>			<b>10</b>	<b>7</b>	<b>387</b>	<b>843</b>	<b>560</b>	<b>663</b>	<b>2,453</b>

*Yellow* Included in City Proposal

*Note: Additional 60 public housing units to be replaced at Willard Street and County Main Street projects*

# Downtown & Neighborhood Affordable Housing Plan

Phase and Project	Overview			Financial Gap			
	Start Year	# 9%	# 4%	9% LIHTC	4% LIHTC	Non-residential	Total
		LIHTC	LIHTC				
	Projects	Projects					
Phase 1 JJ Henderson	2019	1	1	316,076	2,840,776		3,156,852
Phase 2 Oldham/Liberty	2020	2	1	-	10,240,049	5,072,306	15,312,355
Phase 3 DHA Office/CJRC	2022	1	1	398,940	15,049,613	2,076,075	17,524,628
Phase 4 Forest Hill Heights	2023	2	3	-	21,017,137	1,894,875	22,912,012
Phase 5 Fayette Place	2025	2	1	-	14,028,834	4,723,200	18,752,034
Phase 6 Rigsbee	2027	1	0	3,014,940	-	976,544	3,991,484
Phase 7 Southside Phase 3	2028	1	0	2,068,940	-	-	2,068,940
<b>TOTAL</b>		<b>10</b>	<b>7</b>	<b>5,798,896</b>	<b>63,176,409</b>	<b>14,743,000</b>	<b>83,718,305</b>

*Yellow* Included in City Proposal

# Next Steps



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## Next Steps

- Solicit City Council feedback on substance of proposed investment strategy
- Once the strategy is finalized, solicit City Council feedback on financing strategy



*Questions?*



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