



# \$95 Million Affordable Housing Bond Referendum

## *Frequently Asked Questions*

### What is the definition of affordable housing and who needs it in Durham?

There are two key factors that define affordable housing. The first is household income. For the purpose of City of Durham programs, affordable housing serves individuals and families with incomes at or below 80% of Area Median Income, as defined by the U.S. Department of Housing and Urban Development. Area Median Income, or AMI, refers to the midpoint of the income distribution for a specific geographic area. AMI levels are calculated annually, and are adjusted by household size.

The table below summarizes current affordability thresholds for the Durham-Chapel Hill MSA. The range of affordable housing programs varies by income levels. In general, affordable homeownership programs serve households in the 60-80% AMI range, while affordable rental programs serve households with incomes below 60% AMI. Public housing typically serves households with extremely low incomes, well below 30% AMI.

**2019 Area Median Income for the Durham-Chapel Hill MSA**

Income Level	1 person household	2 person household	3 person household	4 person household
30% AMI	\$17,850	\$20,400	\$22,950	\$25,450
60% AMI	\$35,640	\$40,740	\$45,840	\$50,880
80% AMI	\$47,500	\$54,300	\$61,110	\$67,850

The second factor that defines affordability is the percentage of income that households pay for housing. The rule of thumb is that households should not pay more than 30% of gross (pre-tax) household income for housing related expenses, such as rent and utilities or mortgage, insurance and property taxes. In the case of low income households, paying more than 30% for housing all too often comes at the expense of other important expenditures, such as food, health care or education.

According to the most recent data available, there are over 16,000 low income households in Durham that are paying more than half of their income on housing. Another 15,000 households are paying between 30 and 50% of their incomes for housing. This represents almost 30% of all Durham households.<sup>1</sup> Not surprisingly, households with the lowest incomes (<30% AMI) have the greatest housing affordability challenges.

<sup>1</sup> U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS) data for the City of Durham, 2012-2016 ACS

## **What is affordable housing?**

In general, affordable housing refers to housing that is affordable to low-income households (i.e. households earning less than 80% of Area Median Income) based on those households paying no more than 30% of their gross household income for housing-related expenses. The affordable housing that will be developed through the City's proposed program will be income restricted, which means that it will only be available to households that meet specific income limits.

Income-restricted affordable housing is intentionally developed to serve low income households using a combination of public subsidy and private financing. In addition to income restricted affordable housing, there are also privately owned housing units that offer rents that are affordable to low income households. These privately owned units are typically older and may at times be in poor condition. Moreover, these units do not have any affordability restrictions and so may become more expensive as market conditions change.

## **How much affordable housing stock is currently available in the City of Durham now?**

There are approximately 8,600 income restricted affordable units in Durham currently. These units are owned by nonprofit and for profit affordable housing organizations and by the Durham Housing Authority. Some of these units are permanently affordable while others are only required to remain affordable for a period of time, after which the owners have the choice of allowing the property to become market-rate.

## **How much affordable housing is needed or missing in Durham in order to fill the current need?**

Durham would need over 16,000 affordable housing units just to meet the needs of households that are paying over 50% of their income for housing. This number will likely increase as housing costs in Durham continue to rise, given that the majority of low income households in the city live in privately owned, non-income restricted units that may become increasingly expensive over time.

## **Why is affordable housing so important to City leaders during a time of robust growth?**

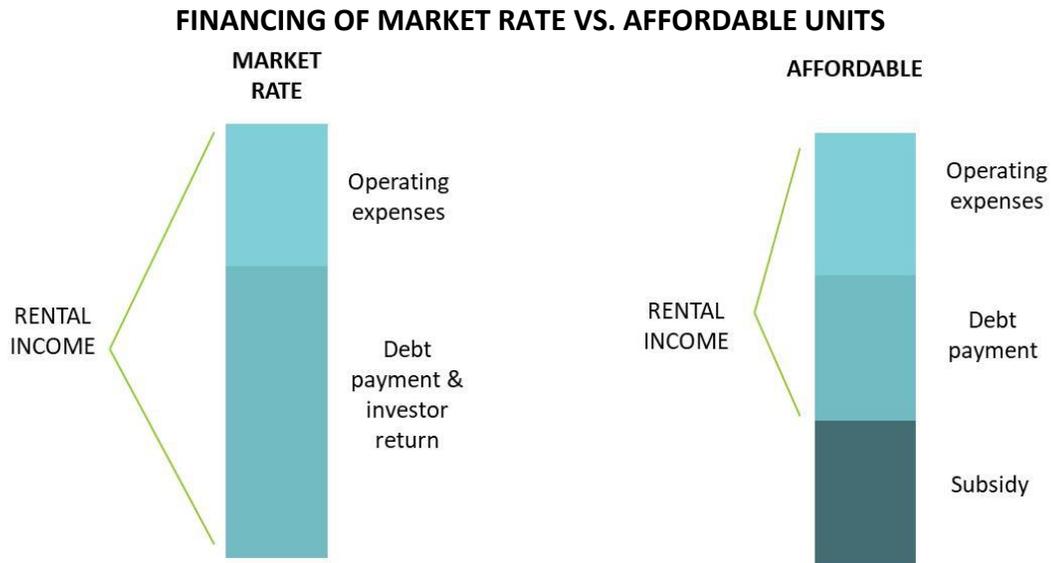
The City Council, and many in the community, value Durham's diversity and want to preserve income-diverse neighborhoods both in central Durham and citywide. The rapid loss of affordability in some neighborhoods threatens to displace long-term low-income residents from neighborhoods where they have lived their entire lives.

The creation and preservation of affordable housing is also important for Durham's continued economic prosperity. Many of the people struggling to find affordable housing today are low-wage workers in health support professions, retail, hospitality and other service sectors, who play essential roles in our economy. As housing prices rise, lower-paid workers often have to move further away from their jobs. This leads to longer commutes, more traffic congestion, and greater environmental impacts.

## **What is the role of the City of Durham in providing affordable housing?**

The City of Durham does not develop affordable housing directly. Instead, the City works with for profit and nonprofit affordable housing developers, providing the gap funding, or subsidy, that is essential to making housing affordable. To the extent possible, the City seeks to leverage local funds with gap funding coming from other sources, including the federal and state government, to support as much housing production as possible.

This gap funding is critical to making affordable housing possible. The graph below illustrates this reality for the case of rental housing. In general, developers rely on the rental income from a property to pay the property's operating expenses (utilities for common areas, maintenance, and repairs etc.) and to cover the debt service for the capital that the developer borrowed to build the property. In the case of income restricted affordable rental housing, however, the amount of rental income is lower, which reduces the amount of capital that a developer can borrow to finance construction. Since the cost of constructing an affordable unit is the same as comparable market rate unit, the only way to plug the resulting financial gap is some form of subsidy.



In addition to supporting the development of affordable housing units, the City also plays an important role in providing services to low income residents. The City of Durham serves as the coordinator for Durham's homelessness system, and provides funding for a range of emergency shelter and homeless housing programs. In addition, the City works with community-based partners to offer repair and rehabilitation programs for low income, elderly and disabled homeowners, down payment assistance for income-qualified homebuyers, and legal assistance for low-income renters facing evictions.

### How is the City's Five-Year Affordable Housing Investment Program going to address the affordable housing shortage?

The City has developed a five-year investment program with \$95 million from the bond referendum to be allocated for "brick and mortar" projects, enabling the City to earmark \$65 million of its local and federal funds to be reallocated to reducing homelessness, neighborhood stabilization, and more. If passed, Durham residents will be housed in permanent affordable housing over the next five years in the following ways:

- 1,600 new affordable housing units created.
- 800 affordable rental units preserved, including public housing, existing income-restricted housing, and naturally-occurring affordable housing.
- 1,700 homeless households living in emergency shelters moved into permanent housing.
- 400 affordable homeownership opportunities for first-time homebuyers created through a combination of construction of affordable homes and down payment assistance for low-income home buyers.
- 3,000 low-income renters and homeowners stabilized in their homes through eviction diversion, emergency rental assistance, property tax assistance, and repair/rehab funding.

**Why is the bond for \$95 million, and how does that factor into the existing ‘non-bondable’ funds of \$65 million comprised from local and federal funding?**

While \$95 million will be leveraged to encourage ‘brick and mortar’ projects to create new affordable housing, existing funds will be re-allocated to support non-bondable activities, such as addressing homelessness, providing eviction diversion assistance, and more.

**What is the breakdown of how the total of \$160 million will be spent on affordable housing?**

		<b>Five Year Total</b>
<b>Homeless Programs</b>	Emergency Shelter and Rapid Rehousing	3,463,610
	Homeless System Investments	4,850,000
	Technical assistance and capacity building	300,000
	HOPWA Assistance	1,842,225
<b>Multifamily Rental</b>	Redevelopment of Durham Housing Authority Projects	58,905,847
	New 4% Low Income Housing Tax Credit Projects	16,000,000
	Multifamily Production/Preservation	25,000,000
	Preservation outreach	360,000
<b>Home Ownership</b>	Downpayment Assistance Program	6,350,000
<b>Neighborhood Stabilization</b>	Small Scale Production/Preservation	7,500,000
	Home repair and rehabilitation	4,600,000
	Property tax outreach/homeowner education	650,000
	Eviction Diversion	2,350,000
	Employment training for bond financed projects	2,468,000
<b>Loan Funds Pilots</b>	Durham Affordable Housing Loan Fund, part 2	1,500,000
	Preservation and Accessory Dwelling Unit Financing Pi	3,500,000
<b>Salaries, Administration and Financing Costs</b>	Salaries and Operating Expenses	16,449,743
	Bond issuance costs	1,000,000
	Section 108 Loan Payments for Southside Lofts	2,866,603
<b>TOTAL</b>		<b>159,956,028</b>

## **Is the City of Durham partnering with any other organizations to administer its Five-Year Housing Program?**

The City is not doing this work alone. The City works with a variety of affordable housing developers, including the Durham Housing Authority (DHA), nonprofits, and for profit developers as well a range of community based organizations. The City also works with other housing funders, including both public-sector agencies like the U.S. Department of Housing and Urban Development (HUD), as well as banks, credit unions, and nonprofit affordable housing lenders.

## **What is the role of the Durham Housing Authority in the City's Five-Year Affordable Housing Investment Program?**

The City is partnering with the Durham Housing Authority (DHA) to support the redevelopment of aging public housing units in central Durham. DHA's public housing units, like public housing units across the county, have been 100% financed by the federal government. Federal funds were used for the construction of public housing units originally, and each year the federal government allocates funding to housing authorities, including DHA, to support property operations and maintenance, given that the modest rents paid by public housing residents are not sufficient to cover these expenses.

Unfortunately, for many years, the federal government has underfunded public housing, resulting in a growing backlog of deferred repairs and capital improvements. In 2011, HUD estimated that the deferred capital needs in public housing amounted to over \$26 billion and that number has only continued to grow. In recognition of this problem, HUD created the Rental Assistance Demonstration (RAD) programs, which allows public housing agencies to leverage public and private debt and equity in order to reinvest in the public housing stock. Under RAD, units move to a Section 8 platform with a long-term contract that, by law, must be renewed in perpetuity, ensuring that the units remain permanently affordable. Existing residents have a right to return to the property and continue to pay no more than 30% of their income toward rent.

DHA is using the RAD program to reinvest in its portfolio and ensure that its units continue to serve low income Durham residents in the future. As part of the City's Five Year Housing Investment Program, the City will provide funds to DHA to redevelop five properties in downtown and central Durham: J.J. Henderson, Oldham Towers, Liberty Street, Forest Hill Heights, and DHA's office building. DHA will rehabilitate or replace all of the existing public housing units on these sites as part of larger mixed income developments that will include additional affordable homes and market rate units. City funds will be used to provide the necessary gap financing for the affordable units. For more information, please visit <http://www.durhamhousingauthority.org/development/ddnp/>.

## **Where will the projects that are funded be located?**

Projects will be located across the city. Part of the funding will be used to support the redevelopment of five Durham Housing Authority sites in central Durham: Forest Hill Heights, J.J. Henderson, Liberty Street, Oldham Towers, and DHA's Office Building. Other funds will be made available to affordable housing developers through competitive selection processes for projects across the city.

## **Why is a general obligation bond considered the best way to pay for long-term ‘brick and mortar’ projects?**

Borrowing money now through general obligation bonds, the most cost-efficient way to pay for large-scale capital projects, will allow the City to aggressively address the lack of affordability for many residents. This includes re-directed existing funds to provide services since bond funds would provide ‘brick and mortar’ funding.

## **Is there any additional economic impact expected from investing \$160 million over the next five years?**

Several economic impacts are anticipated if this bond is approved by voters, including:

- An additional \$443 million in capital leveraged by City investment
- \$130 million in contracting opportunities for minority and women-owned enterprises created
- Nearly 3,000 jobs expected to be supported as a result of construction, operations, and resident spending over the life of the housing created\*(\*estimate based on the new multifamily housing units projected to be built as a result of the City’s five-year investment using the calculator found at <https://www.weareapartments.org/calculator>)

## **If this bond is passed by voters, how much extra and for how long will it cost the average property owner?**

If this bond does pass, property owners will incur an initial tax rate impact of an additional 1.6 cents per \$100 of assessed property value to repay the debt. That’s about \$37 more per year, or \$3 more per month, for the next 20 years (the life of the bond loan) added onto an annual tax bill \$1,219 per year on a house valued at \$229,246, the median house value for the City of Durham according to the Durham County Office of Tax Administration.

## **If the bond is not passed by voters, what will be in the impact on the City’s Five-Year Housing Program?**

We would build and preserve significantly less affordable housing over the next five years, and have fewer resources to dedicate to addressing homelessness, eviction diversion, or homeownership programs.

## **How will the City ensure transparency and keep the public apprised of the use of the bond funds if the referendum is approved?**

A project website will be created where updates will be regularly posted to show progress and to be financially transparent with how funds are being used. City Council will approve annual budgets for the expenditure of bond funds and existing housing funds as part of the City budget process. In addition, City Council will approve the actual expenditure of City funds on a project by project basis, as part of the Council’s review and approvals of proposed contracts. City Council meetings are open to the public and agendas and supporting documents are available on the City’s website.

## **When will the \$95 million affordable housing bond referendum appear on the ballot for registered City of Durham voters?**

The November 5, 2019 Municipal Elections will be held for the City of Durham Mayor and three Council Member At-Large seats as well as the affordable housing bond referendum. Visit <http://www.dcovotes.com> for voter registration details and polling locations in Durham.

### **What is the City of Durham’s informational website address?**

The website with informational and educational materials about the \$95 million affordable bond referendum is located on the City’s website at [bit.ly/housing-bond](https://durhamnc.gov/3932/Affordable-Housing-Bond) (<https://durhamnc.gov/3932/Affordable-Housing-Bond>).

### **What is the Durham Affordable Housing Bond Committee website address?**

The website for the campaign committee is <https://www.durhamaffordablehousingbond.com>. This website is not maintained by the City of Durham or its employees.