



Date: December 8, 2016

To: Thomas J. Bonfield, City Manager

Through: Keith Chadwell, Deputy City Manager

From: Reginald J. Johnson, Director
Department of Community Development

Subject: Update on the Piedmont Rentals Project (Southside) and Request to Extend the Expiration Date of the Durham Community Land Trustees, Inc. Forgivable Construction/Permanent Loan Agreements (HOME and Dedicated Housing Fund)

Executive Summary

On December 17, 2012, the City Council approved Durham Community Land Trustees (DCLT) as the developer for the Piedmont Rentals project. The project originally consisted of the renovation of nine rental housing units located on E. Piedmont Avenue in the Southside neighborhood. Eight of the renovated units are completed and occupied. Due to the severe dilapidation of the structure located at 110 E. Piedmont Avenue, the structure was demolished and DCLT is proposing to construct a rental unit on the site to complete the project. The construction of the new rental unit is being funded by a private lender and does not require additional funding from the City. In order to finish the project, the current expiration date of the original loan agreements (HOME and Dedicated Housing Fund) will need to be extended to December 31, 2017. Two other amendments to extend the project completion date were previously approved by the City Council to allow the successful completion of the other eight rental units.

Recommendation

The Department of Community Development (DCD) recommends that the City Council 1) receive an update on the Piedmont Rentals project from the Durham Community Land Trustees; and 2) authorize the City Manager to extend the current expiration date of the Forgivable Construction/Permanent Loan Agreement (HOME) and the Forgivable Construction/Permanent Loan Agreement (Dedicated Housing Fund) between the City of Durham and Durham Community Land Trustees, Inc. from December 31, 2016 to December 31, 2017 to allow for the construction of a rental unit located at 110 E. Piedmont Avenue and complete the project.

Background

DCLT is a community-based nonprofit organization with a mission to develop permanently affordable housing for low and moderate income people and to promote neighborhood revitalization. The organization's experience in acquiring and rehabilitating properties for rental and homeownership spans nearly 30 years and encompasses a wide range of housing needs. During this time, DCLT has developed over 200 units of affordable housing in the Lyon Park, West End and Burch Avenue neighborhoods of Southwest Central Durham. Notable developments include 722 Kent Street (rental units for individuals with Sickle Cell disease), 615/617 Carroll Street (rental units for seniors 55+) and the renovation of the DCLT office building. DCLT has a full-time Project Manager on staff and has 25 years of in-house rental property management experience.

DCLT originally proposed to renovate nine housing units located on E. Piedmont Avenue in the Southside neighborhood. The structures range from 1,227 to 1,894 square feet. All of the units house persons with incomes at or below 60% of the area median. The total project cost is \$1,125,000.00. The City of Durham provided a Forgivable Construction/Permanent Loan in the amount of \$447,806.00 in HOME funds and a Forgivable Construction/Permanent Loan in the amount of \$300,000.00 in Dedicated Housing Funds. The remainder of the funding for the project is being provided by a private lender (\$318,000.00) as a first mortgage and by NeighborWorks America as a grant in the amount of \$60,000. In an effort to provide supportive services, DCLT used Section 8 VASH vouchers to house four veterans on site. DCLT is now proposing to construct an additional rental unit to complete the project. DCLT is not requesting additional City funding to construct the unit.

Issues/Analysis

The 2010-2015 Five-Year Consolidated Action Plan and the Annual Action Plan have identified as an ongoing priority need, the development of additional affordable rental housing units. The Department of Community Development is committed to the development of safe and affordable rental housing and the completion of this project will assist in providing additional rental opportunities for our citizens.

Alternatives

The City Council could elect not to extend the expiration date of the two Forgivable Construction/Permanent Loan Agreements. This would prevent the construction of the final rental unit needed to complete the project. Completion of the proposed unit would represent another incremental step towards addressing Durham's affordable rental housing needs.

Financial Impact

The construction of the new rental unit is being funded by a private lender and does not require additional funding from the City. The City's allocation of HOME funds (\$447,806.00) and Dedicated Housing Funds (\$300,000.00) was used earlier in the project.

UBE Summary

This is a request for an extension of a previously approved project. It was not reviewed by the Department of Equal Opportunity/Equity Assurance for compliance with the Ordinance to Promote Equal Business Opportunities' in City Contracting.