



Date: July 6, 2018

To: Thomas J. Bonfield, City Manager

Through: Keith Chadwell, Deputy City Manager

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

Subject: Housing Authority of the City of Durham Funding Request
Predevelopment Grant Agreement

Executive Summary

The Housing Authority of the City of Durham (DHA) has substantial repair needs within its public housing developments and has embarked on a long term redevelopment plan for most of its public housing stock. DHA has requested from the City predevelopment funding in the amount of \$2,131,000 for initiating predevelopment activities for the purpose of addressing those needs. The City of Durham seeks to facilitate and assist in this redevelopment work in conjunction and in partnership with DHA, DHA’s development partners and their residents.

Through the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) program, DHA seeks to repair its public housing developments and in the process transform public housing developments into mixed-income developments, and where appropriate, include mixed-use components. DHA is required to replace any public housing units that are demolished and will also seek to increase the number of subsidized and mixed income units to create more affordable housing options for Durham residents. DHA does not presently have the financial resources to facilitate the initial design predevelopment work. DHA desires to engage the financial assistance and services of the City of Durham to provide predevelopment financing, pre-development and development assistance in connection with the DHA’s planned projects.

In order to assist, the City will make a grant to DHA which furthers the City’s goal to create and preserve affordable housing, promotes the employment, health, welfare and prosperity of the City of Durham residents.

This proposed Predevelopment Grant Agreement will cover the DHA Downtown Neighborhood Planning process and will encompass the areas within Downtown Durham. The DHA communities in this Agreement and planning area include 1) Oldham Towers, 2) Liberty Apartments, 3) Fayette Place, 4) Forest Hill Heights, 5) JJ Henderson, and 6) the DHA Headquarters (all collectively referred to as the “Project”). In addition to DHA owned sites, predevelopment costs connected to activities on the other publically owned sites may be considered as eligible expenses under this agreement.

Recommendation

The DCD recommends that the City Council authorize the City Manager to execute a Predevelopment Grant Agreement with the Housing Authority of the City of Durham in the total amount of \$2,131,000 to be used by DHA to support its affordable housing development activities.

Background

According to DHA's 2018 Annual Plan, DHA will utilize the Rental Assistance Demonstration Program, implemented by HUD in 2012, to rehabilitate the existing public housing portfolio without largely relying on federal funding. The program authorizes public housing authorities to convert their existing public housing units to project-based voucher assistance units. DHA has embarked upon a plan to convert its entire public housing portfolio and HOPE VI developments to the RAD program, consisting of nearly 1900 units from 19 public developments and 4 mixed-income/tax-credit developments, serving a total of nearly 10,000 Durham residents.

DHA renters have the most severe housing cost burdens in the city. There are approximately 6,100 income restricted, subsidized units in Durham. DHA owns 31% of these units. There is a significant shortage of affordable rental housing in Durham. DHA is partnering with the City of Durham to expend public funds collaboratively that leverages private sector investment, as well as encourage a high degree of community support and engagement.

DHA and the City of Durham both seek to facilitate and conduct redevelopment work in areas of the city that are undergoing the most dramatic transformation, Downtown Durham. The downtown areas of focus for redevelopment include 1) Oldham Towers, 2) Liberty Apartments, 3) Fayette Place, 4) Forest Hill Heights, 5) JJ Henderson, and 6) the DHA Headquarters. In addition to DHA owned sites, predevelopment activities on the other publically owned sites may be undertaken with this initiative.

While DHA does not presently have the resources to develop and construct the project, they desire to engage the financial assistance and services of the City of Durham to provide predevelopment financing, pre-development and development assistance in connection with the DHA's planned Project.

The initiative is in the early stages of planning and therefore the project requires pre-development funds to pay for the tasks that need to be completed before construction can begin. DHA has undertaken the first step of creating a development team with the expertise to carry out the preliminary architectural and engineering work, determine if a site is suitable for development, assess the market, test financial feasibility, and will be applying for funding. This \$2,131,000 grant will provide funding and professional expertise for planning, technical assistance, and pre-development activities.

The Department believes that this request, if approved by Council, will assist DHA in strengthening its affordable housing activities within Durham.

Issues and Analysis

City funds will enable DHA to expand its development team's capacity in order to more effectively advance its development program.

DHA will undertake specific predevelopment activities under the proposed agreement. The outcomes of these activities include: 1) Completion of certain Financing Application(s) - prepare and pursue, on a timely basis, applications for all financing; 2) Production of an Overall Financing Plan; and 3) Production of a Development Plan and implementation schedule that supports the program goals, feasibly achieves the unit counts and mix envisioned in the Plan, and is acceptable to the City, local stakeholders and HUD.

This request is the second of three DHA related requests that the Department is bringing forward over the next six months. This request addresses DHA's capacity needs to advance its development program. A third request will address subsidy needs associated with the rehabilitation of the Laurel Oaks project.

Alternatives

If the Council does not approve the proposed Predevelopment Grant Agreement, DHA will not be able to expand its development capacity in order to more effectively advance a significant development portfolio. The lack of capacity is likely to result in inability to advance projects, which in turn could ultimately jeopardize the viability of future public housing redevelopment activities within Durham.

Financial Impact

The \$2,131,000 allocated for this project are available and have been budgeted in the FY19 Dedicated Housing Fund.

Equal Business Opportunity Summary

EOEA was contacted regarding this agreement and it was determined that there are no applicable EOEA requirements for this agreement. As a result, this agreement did not require a review by the Department of Equal Opportunity/Equity Assurance for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

Attachments

Predevelopment Grant Agreement