



December 20, 2018

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Habitat for Humanity of Durham, Inc. Affordable Housing Development Project

Executive Summary

Habitat for Humanity of Durham, Inc. (Habitat) was awarded a grant for up to \$497,000.00 in Dedicated Housing Funds as the result of the Neighborhood Stabilization Request for Proposal (RFP) issued by the Department of Community Development (DCD) on May 31, 2018. These funds will be used to support the development of 25 new construction homes in the Northeast Central Durham target area, Southside target area, and DCD Priority Census Tracts 13.01 and 13.03. Habitat will sell these homes to eligible homebuyers whose incomes are 60% or less of the Area Median Income (AMI). Habitat will build the homes using high quality materials and construction standards that meet or exceed the minimum code requirements.

Habitat currently owns five of the 25 lots scheduled for construction located in the Southside target area and DCD Priority Census Tracts 13.01 and 13.03. In addition, Habitat has been selected as the Homebuilder Construction Partner for an additional 20 lots in a Durham Housing Authority RFP process. Construction on the 20 lots will begin after Habitat gains full control of the lots, not to exceed six months after the date of execution of the contract. If Habitat fails to gain full control of the 20 lots, the award amount will be reduced to the construction costs of the Habitat owned units and the Grant Agreement will be amended.

Recommendation

The Department of Community Development (DCD) recommends City Council approve the expenditure of up to \$497,000.00 in Dedicated Housing Funds to support the construction of 25 new homes located in the Northeast Central Durham target area, Southside target area, and Priority Census Tracts 13.01 and 13.03 and authorize the City Manager to execute a Grant Agreement in the amount of \$497,000.00.

Background

Habitat is a non-profit organization dedicated to providing decent, affordable housing to low income individuals in the Durham community. Founded in 1985, Habitat has built, sold and financed over 380 homes to individuals with incomes ranging from 30% to 60% AMI. In the last five years, Habitat built and financed more than 100 homes, with 80% or more located in the City's target areas of Northeast Central Durham and Southwest Central Durham. The construction of these homes represents a significant response to Durham's affordable housing challenges.

Habitat is a unique builder, partnering with volunteers and homebuyers to construct homes and minimize costs. A key to Habitat's success is its work with families to ensure that they have the

necessary skills and financial education to be successful homeowners. Habitat requires that prospective homeowners perform sweat equity hours on their home as well as those of their neighbors.

Habitat proposes to construct 25 new homes located in the Northeast Central Durham target area, Southside target area, and DCD Priority Census Tracts 13.01 and 13.03. Of the five lots currently owned by Habitat, three are located in the Southside target area, and two are located in DCD Priority Census Tracts 13.01 and 13.03 and within one half mile of a future station on the Durham-Orange Light Rail Transit line (DOLRT). The additional 20 lots are located in the Edgemont area of Northeast Central Durham target area within one half mile of the proposed Alston light rail station.

All 25 homes will be sold to home buyers with incomes at or below 60% AMI. Habitat will use up to \$19,880.00 of City grant funds per unit of to assist with construction costs write downs. These units will consist of floor plans that vary between two to five bedrooms with approximately 1100 to 1500 square feet. In keeping with the City's affordable housing goal to engage the larger Durham community to make affordable housing a citywide priority, Habitat will construct these homes through their normal process of partnering with homeowners and volunteers in the community.

Issues/Analysis

Habitat for Humanity of Durham currently owns five lots located in the Southside target area and DCD Priority Census Tracts 13.01 and 13.03. In addition, the Durham Housing Authority (DHA) has selected Habitat as the developer for 20 lots in the Edgemont area of Northeast Central Durham. This selection must be approved by the U.S. Department of Housing and Urban Development (HUD). DHA has requested HUD approval but has not yet received a response. Under the terms of the City's contract, Habitat must demonstrate full control of the 20 DHA lots within six months of the execution of the Grant Agreement to qualify for the remaining funds. The goal of this provision is to allow Habitat and DHA time to complete the real estate transfer, while ensuring that City funds are not tied up in a project that is substantially delayed.

This grant will enable Habitat to serve 25 families who could not otherwise find an affordable home in Durham. The City's funding will assist Habitat to expand the availability of affordable housing in priority areas for the City.

Alternatives

Council may choose not to fund this expenditure. In that case, Habitat would have to fundraise for funds to fill the gap, which would likely slow their development process and reduce the number of households the organization can serve in the coming year. This project also contributes to the City's goal to create affordable homeownership opportunities for low-income Durham residents.

Financial Impacts

FY 2018-19 Dedicated Housing Funds in the amount of \$497,000.00 have been budgeted and are available to fund this project.

Equal Business Opportunity Program Summary

This is a grant that was not reviewed by the Department of Equal Opportunity/ Equity Assurance for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.