



**Date:** April 3, 2019

**To:** Thomas J. Bonfield, City Manager  
**Through:** Keith Chadwell, Deputy City Manager  
**From:** Reginald J. Johnson, Director  
Department of Community Development  
**Subject:** Community Development Block Grant (CDBG) Subrecipient  
Contract with Housing Authority of the City of  
Durham/Development Ventures Incorporated and the City of  
Durham for the Rehabilitation of the Laurel Oaks Apartments

### **Executive Summary**

The Housing Authority of the City of Durham (DHA) and the City of Durham have partnered on a comprehensive plan to redevelop public housing in the city in order to create and preserve affordable housing opportunities and building stronger Durham communities.

As part of this redevelopment initiative, DHA is undertaking the renovation of its Laurel Oaks Apartments. Laurel Oaks consists of 30 townhouse units located at 600 Laurel Oaks Drive in southwest Durham. DHA is utilizing the U.S. Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program which allows DHA to leverage public and private debt and equity in order to reinvest in the public housing stock.

DHA is proposing a moderate rehabilitation of the site that will include renovations in all thirty (30) units, site work, and interior renovation of the community building/management office. The total project cost is estimated to be \$1,051,470.00. DHA is requesting a subsidy of \$500,000.00 that will be leveraged with DHA Capital/Reserve Funds.

### **Recommendation**

The Community Development Department recommends that City Council authorize the City Manager to execute a Community Development Block Grant (CDBG) subrecipient contract with DHA or Development Ventures Incorporated (DVI), a real estate development company controlled by DHA, in the amount of \$500,000.00, utilizing CDBG funds for the purpose of rehabilitation of affordable housing at the Laurel Oaks Apartment complex.

## **Background**

DHA, through its various programs, which include Conventional Public Housing, Homeownership (Turnkey III) and Leased Housing (Section 8), is providing housing assistance to approximately 4,000 Durham households, with a total of nearly 10,000 persons. DHA is redeveloping most of its public housing units through the Rental Assistance Demonstration (RAD) program. This program enables DHA to convert units from underfunded public housing program to the Housing Choice Voucher program. DHA is endeavoring to transform its properties into mixed-income/mixed-use neighborhoods, with the goal of increasing Durham's affordable housing supply.

The first RAD conversions are underway at Morreene Road and Damar Court. DHA is now proposing the RAD conversion at Laurel Oaks.

Completed in 2004, Laurel Oaks is comprised of thirty 3-bedroom townhome apartments and one non-dwelling unit (community building/management office) situated on 5.91 acres. The development is located at 600 Laurel Oaks Drive in Southwest Central Durham, in a mixed-income community surrounded by multi-family housing and rental apartment properties (both market rate and affordable). It is located near major roads and is easily accessible via public transportation. The income levels of all thirty units in the development will be restricted to amounts not greater than the affordability threshold for 60% of the area median income adjusted for family size.

The moderate rehabilitation scope of work for Laurel Oaks, more fully described in the construction documents prepared by Neighboring Concepts Architecture, includes the following components:

### Dwelling units / thirty (30):

- Remove existing water heater and replace with a new water heater
- Remove existing bathroom exhaust fans and replace with a new bathroom exhaust fans
- Remove existing HVAC units and replace with a new HVAC unit
- Provide and install new plumbing water faucets, vanities, and plumbing components
- Prep and paint interior of each room, including hallways, interior doors, wood trim, and railings
- Remove and replace and install wall and base cabinets, countertops, and sinks in the kitchen
- Remove and install LVT flooring throughout the unit, except stair treads
- Provide new caulking for all exterior openings

### Community building/Management Office:

- Paint interior of Community Building/Management office

Site Improvement:

- ADA accessibility issues
- Minor parking and driveway repairs
- Enhance existing dumpster enclosures

The duration for construction activities is estimated at 150 days an overall timeframe for the project from start to finish. The project schedule will be finalized by the selected general contractor and will be provided after a closing date is assigned by the HUD RAD Office.

As with most RAD conversions, the use of bank and Public Housing Authority (PHA) funding still results in a budget gap. The total project cost is estimated to be \$1,051,470.00. DHA is requesting a subsidy of \$500,000.00 that will be leveraged with DHA Capital/Reserve Funds of \$551,470.00. The City of Durham is proposing the use of Community Development Block Grant (CDBG) funding to close this gap.

**Issues and Analysis**

The 2016-2020 Five-Year Consolidated Action Plan identified as an ongoing priority need, the preservation of permanent affordable housing units, particularly for public housing. DHA recognizes the need to renovate units in its communities and is conducting this work in conjunction with the City, County, and private sector.

**Alternatives**

The City Council could elect not to provide the requested funding for this activity. If the project does not receive CDBG funding, it would require the property to take on additional debt or for the DHA to identify and contribute as yet unidentified capital funds. Additional debt would negatively impact the property's ability to operate with sufficient capital and reserves.

**Financial Impact**

Community Development Block Grant (CDBG) funds in the amount of \$500,000.00 have been budgeted and are available for this contract.

**Equal Business Opportunity Summary**

This item relates to a federal grant and an agreement for continuity of services made to fulfill the grant requirements. It was not reviewed for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

**Attachments:**

CDBG Contract w/ Attachments:

Attachment A - Scope of Work

Attachment B - Certifications & Compliance Requirements

Attachment C - Executive Order 11246 - Equal Employment Opportunity

Attachment D - Neighboring Concepts Architecture Construction Docs