



Date: November 4, 2021

To: Wanda S. Page, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Community Development Department
Subject: Conveyance of 2312 Crane Street, 706 N. Elizabeth Street, 704 Eva Street,
1012 Gurley Street and 701 Mallard Drive for the Purpose of Affordable
Housing Development

Executive Summary

The City of Durham has prioritized affordable housing development in the disposition of surplus property. In 2018, the Community Development Department (CDD) worked with General Services to identify 15 potentially developable City-owned lots for which the City had no use. These were all potentially suitable for the development of single family or duplex homes. The quality of the lots varied, with some being readily developable and others posing significant challenges in terms of size of building envelope and availability of water/sewer infrastructure.

In the fall of 2018, CDD issued a Request for Proposal (RFP) seeking nonprofit affordable housing developers for the creation and/or preservation of multifamily affordable rental housing. Habitat for Humanity of Durham, Inc. (Habitat) was awarded seven lots and has chosen to move forward with a contract on five of the lots: 2312 Crane Street, 706 N. Elizabeth Street, 704 Eva Street, 1012 Gurley Street, and 701 Mallard Drive. Habitat is proposing to build for sale homes on these lots which will be sold to homeowners with incomes at or below 60% of Area Median Income. Units will be required to remain affordable for 20 years.

CDD is requesting City Council approval for the conveyance of the five above referenced properties to Habitat at no cost. The deeds will include restrictive covenants that require the properties to be used for affordable housing. The deed will also contain a right of reentry, by which the property would revert back to City ownership in the event that Habitat fails to meet contractual deadlines for construction commencement and completion and the City takes requisite legal action against Habitat.

Motion

To authorize the City Manager to convey 2312 Crane Street, 706 N. Elizabeth Street, 704 Eva Street, 1012 Gurley Street, and 701 Mallard Drive to Habitat for Humanity of Durham, Inc.;

To authorize the City Manager to execute any and all documents and instruments necessary, reasonable, and appropriate to carry out this property conveyance; and

To authorize the City Manager to make necessary and sundry changes so long as the changes do not increase the obligations of the City, and the changes taken, as a whole, are not less

favorable to the City.

Background

The City of Durham has prioritized affordable housing development in the disposition of surplus property. In 2018, the Community Development Department (CDD) worked with General Services to identify 15 potentially developable City-owned lots for which the City had no use. These were all potentially suitable for the development of single family or duplex homes. The quality of the lots varied, with some being readily developable and others posing significant challenges in terms of size of building envelope and availability of water/sewer infrastructure.

In the fall of 2018, CDD issued a request for proposals (RFP) from nonprofit affordable housing developers to utilize the lots for affordable housing. Under state law (G.S. 160A-279), local governments are authorized to convey property by private sale to non-profit entities carrying out a public purpose, such as affordable housing, rather than a standard competitive bid process. CDD received four responses and initially awarded 13 of the 15 lots to developers. However, the selected developers subsequently chose not to move forward with six of the 13 lots based upon a more detailed analysis of development potential.

Habitat was awarded seven lots and has chosen to move forward with a contract on five of the lots: 2312 Crane Street, 706 N. Elizabeth Street, 704 Eva Street, 1012 Gurley Street, and 701 Mallard Drive. Habitat is proposing to build for sale homes on these lots which will be sold to homeowners with incomes at or below 60% of Area Median Income. Units will be required to remain affordable for 20 years.

Habitat is an experienced affordable housing developer recognized both nationally and at the local level. Since 1985, Habitat for Humanity has built over 400 homes in Durham and repaired another 500 homes owned by low-income homeowners. Habitat currently builds over 20 homes and repairs another 80 homes per year in Durham.

Issues and Analysis

The development of an appropriate contract for the conveyance of 2312 Crane Street, 706 N. Elizabeth Street, 704 Eva Street, 1012 Gurley Street, and 701 Mallard Drive has been a protracted process due to the novelty of the effort. CDD staff worked closely with the City Attorney's Office to develop an appropriate template for this type of conveyance. There were also substantial discussions with Habitat to work through the details of a number of contract provisions.

Under the terms of the proposed contract, the City will convey the five properties to Habitat at no cost. The deeds will include restrictive covenants that require the properties to be used for affordable housing. The deed will also contain a right of reentry, by which the property would revert back to City ownership in the event that Habitat fails to meet contractual deadlines for construction commencement and completion and the City takes requisite legal action against Habitat. The City is not providing additional financial subsidy for the development of the affordable units.

Alternatives

The City Council could elect not to approve the conveyance of 2312 Crane Street, 706 N. Elizabeth Street, 704 Eva Street, 1012 Gurley Street and 701 Mallard Drive. In this case, the affordable units would not be built.

Financial Impact

This contract does not entail an additional financial investment by the City beyond the conveyance of the properties. In addition, the City will no longer bear the cost of maintaining the properties and will eventually receive property tax revenue from the properties when they are sold to homebuyers.

The City will be foregoing any potential revenue that could be realized by selling these lots at market value. The tax values of the properties are shown below:

Address	Tax Value
2312 Crane Street	\$12,196
706 N. Elizabeth Street	\$73,920
704 Eva Street	\$77,210
1012 Gurley Street	\$76,440
701 Mallard Drive	\$80,150

Equal Business Opportunity Summary

This is a grant for the development that was not reviewed by the Equity & Inclusion Department for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting. The proposed contract includes the following goals: that at least 11% of total contracting opportunities are awarded to qualified minority-owned firms and that at least 7% of total contracting opportunities are awarded to women-owned firms.

Contractor Workforce Diversity & Hiring Practices

Due to the nature of this agenda item, obtaining Contractor Workforce Diversity & Hiring Practices information is not applicable.