



**Date:** December 19, 2022

**To:** Wanda S. Page, City Manager  
**Through:** Bertha T. Johnson, Deputy City Manager  
**From:** Robert D. Morales, Senior Grants Manager  
**Subject:** American Rescue Plan Act (ARPA) Project - Homeowner & Homebuyer Initiated Program (HHIP)

### **Executive Summary**

On November 3, 2021, The Durham Community Land Trustees, Inc. submitted proposal “Homeowner & Homebuyer Initiated Program (HHIP) for funding in the amount of \$2,000,000 from the American Rescue Plan Act (ARPA) funds to prevent long-time Durham homeowner displacement, expand the financial capability of buyers to achieve the dream of homeownership within the City, and secure additional permanently affordable homeowner units. On May 18, 2022, City Council approved \$1,000,000 funding for this entity. Staff has reviewed the revised proposal and recommends funding.

### **Motion**

To authorize the City Manager to execute an ARPA subrecipient grant agreement with Durham Community Land Trustees, Inc. in an amount not to exceed \$1,000,000 to implement the Homeowner and Homebuyer Initiated Program.

### **Background**

The original proposal from Durham Community Land Trustees, Inc. requested \$2,000,000 from the ARPA, under core category of Negative Economic Impacts. The HHIP would allow low- and moderate-income people to preserve or access homeownership. HHIP can help stabilize neighborhoods at-risk for displacement and preserve affordability permanently. For-sale land trust homes would also be eligible for the HHIP grant. HHIP will work with income-qualified, mortgage-ready homebuyers with flexible grants of up to \$80,000 to put toward down payments, closing costs, or home repairs for home purchases, listed at \$325,000 and under within the City. HHIP also provides an alternative to foreclosure or sale for longtime homeowners. Property owners facing displacement will be able to retain their homes and continue to be part of their neighborhood. Restructuring homeownership would allow owners to realize 100% of their equity and increase the number of permanently affordable homes by becoming part of the land trust.

### **Issues and Analysis**

HHIP funding will prevent long-time Durham homeowner displacement, expand the financial capability of buyers to achieve the dream of homeownership and secure additional permanently affordable homeowner units. The target population served for the Homeowner portion of HHIP are Durham residents that want to remain in their homes and neighborhood. Homeowners who are in pre-foreclosure, foreclosure, experienced a reduction of income, rising housing costs, or who are cost burdened would be eligible. Program participation would be restricted to households with incomes of 60% Area Median Income (AMI) or less, with funding priority within qualified census tracts (1.01, 1.02, 3.01, 5.00, 9.00, 10.01, 10.02, 11.00, 13.01, 13.03, 13.04, 14.00, 15.02, 17.09, 18.02, 20.16, and 23.00).

The target population served with the Homebuyer Initiated portion of HHIP gives priority to current renters living in qualified census tracts. Potential homes for purchase can be located anywhere in the City to increase the likelihood of finding a home within the purchase price guidelines. The program will be targeted to renters within these communities to encourage the possibility that homeownership is within reach, while also offering the financial support to achieve those goals. The target population served with the Homebuyer program are Durham residents with incomes of 80% or less of AMI that are first-generation or first-time homebuyers. Priority for the program is also given to current residents of qualified census tracts identified (1.01, 1.02, 3.01, 5.00, 9.00, 10.01, 10.02, 11.00, 13.01, 13.03, 13.04, 14.00, 15.02, 17.09, 18.02, 20.16, and 23.00).

High demand, low inventory of homes, and heavy in-migration from higher cost markets are greatly affecting the real estate market in Durham. Low-moderate income homebuyers are being priced out as home prices have outpaced incomes. The community land trust model is a proven approach to mitigating the uncontrolled escalation of prices and promoting economic diversity, while ensuring permanently affordable homes in neighborhoods at gentrification and displacement risk. According to the City, 16,000 new units of affordable housing were needed prior to the pandemic. Durham's real estate market escalated since the beginning of COVID. The Triangle Multiple Listing Service reports home sales are up 16.8% in Durham County (2021 year-to-date), with a median price of \$335,000. Companies like Google, Apple, and others have announced plans to establish campuses in the area. Since January 2020, 13,000 new jobs have been announced, further adding to upward pressure on home prices. Concurrently, many homeowners have been dealing with the negative effects of the pandemic such as job loss or reductions in pay. Foreclosure moratoriums and prevention programs have ended. Data from RealtyTrac shows that foreclosures are up in Q3 2021, up 150% from the previous quarter (when moratoriums were in place). Many homeowners may also be seriously delinquent (90 days or more late on mortgage). A 2011 study completed by researchers from Vanderbilt University showed that community land trusts (CLTs) can help. Mortgage delinquency and foreclosure rates of CLT homes were far below national averages when compared to conventional homes. Not only do CLTs give greater access to homeownership to lower-income families, CLTs continue post-purchase. CLTs implement stewardship activities including pre-purchase education, prevention of high-risk loans, ongoing support for homeowners, and early detection of, and intervention in, delinquencies and foreclosure filings.

The Durham Community Land Trustees, Inc., will monitor progress and demonstrate the impact of this program via the following metrics:

- The number of low-moderate income buyers able to purchase homes within the City;
- The number of buyers assisted;
- The amount of down payment assistance provided;
- The number of successful outreach attempts to existing low-income homeowners; and
- The number of owners and homes assisted with ownership restructuring.

### **Alternatives**

The City Council can choose not to accept the staff recommendation.

### **Financial Impact**

\$1,000,000 is available for this purpose from the funding source of the ARPA federal funds. The City of Durham received \$51,881,733 in two distributions; the first distribution was received on June 1, 2021 in the amount of \$25,940,866.50; the remaining amount was received May 2022. The City will have until December 2024 to obligate the funds. Recipients have until December 2026 to spend the funds.

**Equal Business Opportunity Summary**

Due to the nature of this agenda item, a review by the Finance Department was not required.

**Contractor Workforce Diversity & Hiring Practices**

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

**Attachments**

Durham Community Land Trustees, Inc. Agreement