



Date: June 20, 2023

To: Wanda S. Page, City Manager
From: Bertha T. Johnson, Deputy City Manager
Subject: American Rescue Plan Act (ARPA) – Agreement with Durham County to Support Joint Affordable Housing Projects

Executive Summary

In December 2021, the Community Development Department issued a Request for Proposals (RFP) under the Forever Home Durham (FHD) Program to provide gap financing for affordable housing developments utilizing Low Income Housing Tax Credits (LIHTCs) to further the goals of the Forever Home Durham Program. A total of nine proposals were received with an aggregate amount requested of approximately \$40 million for approximately 1,200 units. Of the nine proposals received, the Community Development Department was only able to fund four projects totaling \$16,785,000. The remaining projects required an additional \$20 million in funding.

At its City Council work session on February 9, 2023, City Council received an American Rescue Plan Act (ARPA) update which included potential joint funding opportunities with Durham County. City Council agreed to approve \$10 million in ARPA funds to support affordable housing projects.

On April 3, 2023, the City and County staff provided an update on ARPA to the Durham County Board of County Commissioners (DCBCC). This update included the potential joint funded projects with the City including affordable housing, digital equity, and arts and cultural support. On May 8, 2023, the DCBCC approved an agreement to provide \$10 million of ARPA federal funds to the City to address the development of affordable housing.

Motion

To resolve that the City Manager be authorized to accept \$10 million in American Rescue Plan Act (ARPA) Funds to execute the Interlocal Agreement with Durham County to support joint affordable housing projects.

Background

On March 11, 2021, ARPA was signed into law by President Biden. ARPA, a \$1.9 trillion investment, established the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). This fund provides \$350 billion to State, Local, Territorial, and Tribal governments nationwide for COVID-19 pandemic recovery assistance. The County received \$62,445,275 to support infrastructure investments through 2024. The City received more than \$50 million during the same period.

State and Local governments can use ARPA funds for affordable housing projects that are categorized under Public Health and Negative Economic Impact. Development of multi-family or single-family affordable housing, preservation of existing affordable housing, permanent supportive housing, support for home repairs, homeownership assistance, rental subsidies, and

other activities to increase long-term housing security is an enumerated eligible use to respond to impacts of the pandemic on households and communities. United States Treasury has urged State, Local, and Tribal governments to dedicate more of their ARPA federal funds to allocate towards additional affordable housing at lower costs for families and individuals. Whether the project is entirely or partially funded through CSLFRF, both the City and County have until December 31, 2024 to obligate the funds and must expend funds by December 31, 2026.

Issues and Analysis

The City faces numerous housing challenges, including a significant shortage of affordable rental housing for low-income households and rapidly rising housing costs. Both the City and the County desire to support this critical need and commit to jointly funding this project.

According to the ARPA Final Rule, affordable housing must benefit “disproportionately impacted populations and communities”. This means the affordable housing must meet the eligibility criteria or must serve an eligible population as locally determined.

- a. Automatic *geographic* eligibility for any of the following:
 - i. The affordable housing is in a qualified census tract (QCT), which is a distressed census tract designated by the U.S. Department of Housing and Urban Development (HUD). QCTs are further described below.
 - ii. Affordable housing is provided to households and populations who live in a QCT.
- b. Automatic *household* eligibility (Interim Final Rule, p. 29; 35 CFR 35.6(b)(8)) for any of the following:
 - i. Affordable housing is provided to households that experienced unemployment during the public health emergency.
 - ii. Affordable housing is provided to households that experienced increased food or housing insecurity during the public health emergency.
 - iii. Affordable housing is provided to households that are low- or moderate-income.

To support this critical need, Durham County, by way of this Interlocal Cooperation Agreement, will convey funds not to exceed \$10,000,000 to the City, which the City will match with a contribution of at least \$10,000,000 to support the development of new Affordable Housing units. The funds will serve households earning less than 80% of Area Median Income (AMI). This Agreement is made as an Interlocal Agreement (ILA) pursuant to the General Statutes of North Carolina at Chapter 160A, Article 20, Part 1.

Alternatives

City Council could choose not to approve the agreement.

Financial Impact

The City will receive ARPA funding from Durham County.

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

Agreement Between Durham County and the City of Durham to Use ARPA Funds to Support Affordable Housing