

HOUSING SUBSIDY FOR TOWN EMPLOYEES*

*(It should be noted that these comments and analyses are my own and have not yet been discussed or otherwise agreed to by the Board of Alderman—MD)

PURPOSE

This item is to allow the Board to discuss and consider the creation of a housing subsidy for town employees, and suggest some potential options through which such a program may be implemented if the Board is interested in pursuing this further.

INFORMATION

One of the many troubling issues related to the overall problem of affordable housing in our community is that housing costs force some of our employees who would like to live in Carrboro to live outside the town. This means that those employees are unable to reap many of the benefits of the town that they help develop and maintain. Currently only 13% of town employees reside in Carrboro (18 out of 137 permanent positions).

By increasing employees' ability to live in town if they choose to do so, the Board recognizes the idea that the workers who support and maintain the community-- by doing the difficult, dangerous, and often unpleasant jobs that are necessary for the town to function-- should be able to fully participate in the community and enjoy those benefits.

In addition, by assisting employees to fully participate in the town as residents, the Board promotes employee morale and retention and will further enhance the sense of community within town government. Increasing the number of town employees who live in town will also enhance diversity in Carrboro. At the same time, the Board will foster a stronger connection between the Town and its residents by assisting police officers, firefighters, and public works employees to live in town.

Additional discussion with employees and staff should be pursued to determine the level of interest in any such program. It should be noted that participation in any such program would be completely voluntary.

Any employee housing subsidy program will of course have budgetary implications, which must be carefully analyzed. Without minimizing those specifics, they are beyond the scope of this discussion at this preliminary stage.

Some options:

Individual Development Accounts (IDA)—IDA programs are matching savings programs. Participants receive a match (2-1, 3-1, etc) for every dollar they save, up to an established cap, provided that the money be used for a downpayment on a home in town. An IDA program in Wake County provides a 4-1 match up to \$4000 for qualifying

participants. These programs are particularly useful for people who have difficulty saving for a downpayment or those lacking substantial credit history

Second Mortgage—The Town could provide a number of second mortgages each year, available on a first-come, first-served (or other priority) basis. These mortgages could be repayable at low or no interest, or could be forgivable over time. By making these mortgages available, employees would need to secure less traditional funding. This is, on a much smaller scale, the same way that OCHC and Empowerment subsidize purchases of the homes they construct. A low or no interest second mortgage program could also be set up as a revolving loan fund, similar to our Downtown Business Loan fund or the Durham Affordable Housing Revolving Loan Fund. In fact, recognizing the importance and value of having town workers live in the city, Durham recently expanded and revised its revolving loan program to specifically target police officers and teachers (see Attachment A).

Utilize the Town's Borrowing Ability— The Town is able to borrow money at a below market rate. The Board could borrow money at a low rate, then work with Empowerment or OCHC to use that money to develop housing specifically for town workers. The workers would then purchase or rent these homes through those programs, but because of the initial low interest rate, at a reduced price. These moneys would all be repaid, unlike the direct subsidies described above.

Develop an Employee Housing Program with Area Non-Profits— Given our ongoing and close relationship with local affordable housing Community Development Corporations, the Board may wish to examine establishing a special employee housing program within one or more of those organizations. Such a program could include increased funding or other in-kind support (e.g. land) in exchange for priority consideration and assistance for town employees.

: story

City plans low-, no-interest loans

By RONNIE GLASSBERG : The Herald-Sun

Jul 5, 2001 : 11:57 pm ET

DURHAM -- The city plans to offer no-interest loans to police officers who buy homes in Durham's troubled neighborhoods and low-interest loans to teachers and police officers who locate anywhere in the city limits.

The \$4 million program, which the City Council Finance Committee backed unanimously Thursday, would provide no-interest loans to about 20 police officers to buy homes in certain neighborhoods, including North-East Central Durham and Walltown.

And it would offer low-interest loans to about 20 teachers and 20 police officers for homes anywhere in the city. The city expects to use the money by next summer.

"The police have a stabilizing effect when they move into a neighborhood," said Charlene Montford, director of the city's Department of Housing and Community Development. And, she added, both teachers and police officers are finding cheaper housing outside of the city.

In 1998, the city allocated \$1 million to provide full financing for 10 police officers to buy homes. And the city waived a residency requirement in the regular housing loan program for teachers.

The money would come from \$20 million in housing bonds that voters approved in 1996. That money continues to cycle after being paid back.

Montford said school and police officials have told her the loans would help recruitment and encourage teachers and officers to live in Durham.

But it's unclear the scope of the problem that the program aims to fix. Montford said she didn't know how many teachers and police live outside of the city.

School spokesman Michael Yarbrough did not have that figure available Thursday afternoon. Lt. Ed Sarvis, the police spokesman, did not return a phone call.

The city's regular home loan program provides no-interest loans for up to \$20,000. Those receiving the loans must already be city residents.

Under the proposed program, police officers would be eligible to get a no-interest city loan to buy a home in one of several targeted low-income neighborhoods. There would be no cap, but the home would need to be part of a city-backed project. The city plans to dedicate \$2 million to that part of the program.

And unlike the other programs, officers wouldn't need to be first-time homebuyers.

Councilwoman Brenda Burnette said a police officer's recent purchase of home on her street in Walltown has helped the neighborhood. She said the program would help stabilize challenged neighborhoods.

"I know that block is clear of guys hanging out on the corner," said Burnette, who didn't know the officer's name. "He's a nice guy. He waives sometimes when he drives by."

The city also would provide a 3 percent interest rate for second mortgages of up to \$60,000 for teachers and police officers who are first-time homebuyers. A city loan would cover half of the home's cost and would likely allow those workers to more easily secure bank loans.

Residency requirements would be waived on the housing loans for teachers and police officers in the program.

Police and teachers would need to live in the home for five years and keep their jobs or would have 180 days to repay the loan to the city.

Only teachers and officers earning 80 percent of the area's median income or less would be eligible. That would amount to \$36,750 for a single person or \$52,200 for a family of four.

Starting teachers earn \$28,000 a year, while police officers who started in January got \$29,470.

"These types of strategies are exceedingly appropriate," said Councilman Floyd McKissick, "because the cost of housing in Durham is increasingly becoming unaffordable for many teachers and police officers to live within our boundaries."

Some council members questioned whether the income cap would be too low.

"I think we miss our mark if we have a great program and people make too much money," said Councilman Erick Larson.

But Montford said her office has been "flooded with calls" since announcing plans for it.

If the programs are approved, the loans would be offered beginning Aug. 1 on a first-come, first-served basis.