

## BOARD OF ALDERMEN

ITEM NO. E(3)

### AGENDA ITEM ABSTRACT

MEETING DATE: April 15, 2003

**TITLE: Recommended HOME Program Funding Plan 2003-04**

<b>DEPARTMENT:</b> Community and Economic Development	<b>PUBLIC HEARING:</b> YES ____ NO <u>x</u>
<b>ATTACHMENTS:</b> A. Resolution B. Summary of 2002-03 HOME Program Activities C. Summary of Applications for 2003-04 HOME Program Funding D. Eligible HOME Program Activities	<b>FOR INFORMATION CONTACT:</b> James Harris 918-7319

#### PURPOSE

The purpose of tonight's meeting is to present to the Board of Aldermen the recommended funding proposal for fiscal year 2003-04 funding cycle as developed by the HOME Program Review Committee.

#### INFORMATION:

The U.S. Department of Housing and Urban Development has awarded the Orange County HOME Consortium \$739,591 for fiscal year 2003-04. In addition, the participating municipalities are required to contribute a 25% match of the grant funds after subtracting administration costs of \$73,959. The total match requirement is \$166,408. The Town's contribution to the matching funds is \$23,297. Orange County, Chapel Hill and Hillsborough will contribute \$66,564, \$68,227 and \$8,320 respectively. Therefore, including program administration (allocated to the Orange County Department of Housing and Community Development), the Council would be planning activities, including administration for a total of \$905,999.

In 2000 the Board passed a resolution to participate in a HOME Program Review Committee along with Orange County, Chapel Hill and Hillsborough. The purpose of this Committee is to allow elected officials to have more involvement in the development of the annual HOME Program plan and to review the progress of HOME funded activities on a regular basis.

The Committee is comprised of one elected official from each participating government and the Manager or his designee. The Chapel Hill Council appointed Council Member Edith Wiggins to represent the Town Council. Assistant Town Manager Florentine Miller and Community Development Coordinator Loryn Barnes also attend Committee meetings. Other representatives attending the meetings are: Orange County Commissioner Margaret Brown and Housing and Community Development Director Tara Fikes; Carrboro Alderman Mark Dorosin and Community and Economic Development Director James Harris; and Hillsborough Commissioner Kenneth Chavious and Planning Director Margaret Hauth.

The HOME Program Review Committee proposes the following use of 2003-2004 HOME Program funds:

<b>Comprehensive Rehabilitation</b>		\$277,040
<b>Property Acquisition</b>	Affordable Rentals	\$188,000
	Town of Chapel Hill Transitional Housing Program	\$ 32,000
<b>Second Mortgage Assistance</b>	Habitat for Humanity	\$150,000
	Qualified Non-Profit Agencies	\$ 75,000
<b>Down Payment Assistance</b>	Orange Community Housing and Land Trust	\$100,000
<b>Operational Support</b>	Orange Community Housing and Land Trust	\$ 10,000
<b>Administration</b>	Orange Community Housing and Land Trust	\$ 73,959
<b>TOTAL</b>		\$905,999

The required matching funds have been included in the annual budget proposal and will come from general funds.

## BACKGROUND

The HOME Program was established to provide funding for various types of housing programs to benefit low-income families. This funding is in addition to the existing federal Community Development grants, rental assistance through the Section 8 Program and public housing operating and improvement funding. In 1992, Chapel Hill, Carrboro, Hillsborough and Orange County formed the Orange County HOME Consortium with Orange County acting as the lead entity. The Consortium was established as a local partnership to develop low-cost housing. That year, the Consortium received \$803,600 through the State's HOME Program.

Please see Attachment A for a summary of 2002-2003 HOME Program Activities.

### **The Consolidated Plan**

On May 15, 2000, Orange County, as lead entity, submitted to the U.S. Department of Housing and Urban Development a five-year Consolidated Plan covering fiscal years 2000–2001 through 2004–2005. The purpose of the Plan is to identify and prioritize housing and community development needs for the Orange County. The Plan also suggests how the County and the towns will address needs over a five-year period.

Each year, we are required to submit: a HOME Program plan approved by the Board of Aldermen, the Orange County and Hillsborough Commissioners, and the Chapel Hill Council. The Plan must be submitted to the Department of Housing and Urban Development by May 15, 2003.

## **Public Participation**

On February 4, 2003, the Orange County Commissioners held a public hearing to receive citizen comments on how HOME Program funds could be spent. All non-profits were invited to provide their input.

Please see Attachment 2 for a summary of comments received at the public hearing and applications received for HOME Program funding.

For your reference, we have attached a list of eligible HOME Program activities (Please see Attachment 3).

## **DISCUSSION**

The HOME Program Review Committee proposes the following one-year plan for 2003–2004:

### **Comprehensive Rehabilitation: \$277,040**

The Committee proposes to use funds to provide deferred loans to rehabilitate low- income owner-occupied housing in Orange County. The funds would be repaid to the HOME Program if home was sold or conveyed to heirs that do not meet the income guidelines of the program within the affordability period (typically twenty years). Homeowners with less than 50% of the area median income would be eligible for these loans. The program is administered by the Orange County Department of Housing and Community Development. A portion of these units would be located in Carrboro. All governments participate in the identification units to be repaired with theses funds. There is a waiting list and the units are pulled from the list starting with the oldest applications.

### **Property Acquisition: \$220,000**

1. The Committee proposes to budget \$188,000 to Affordable Rentals, Inc. to purchase a duplex on Roosevelt Drive in Chapel Hill. According to information submitted in its application, the goal of Affordable Rentals, Inc. is to make possible an affordable and suitable place to live for residents of Orange County whose income is between 30% and 50% of the area median income. The non-profit organization intends to rent the property to persons earning between 30% and 50% of the area median income. The property would be maintained by Affordable Rentals and would be permanently affordable rental housing.
2. The Review Committee also proposes to allocate \$32,000 to the Town of Chapel Hill to assist in the purchase of a second house for the Town's Transitional Housing program for public housing residents. The program would provide a stepping-stone for families between public housing and the private housing market. Funds would be used along with other money to purchase a house in Chapel Hill.

The Town has purchased one home on Merritt Mill Road with the 2001-2002 HOME Program funds. We note that \$75,000 of 1997 Orange County Affordable Housing Bond funds was allocated to the Town for this purpose. The Orange County Board of Commissioners has asked that the Town meet with the County's Affordable Housing Advisory Board to discuss this program before funds are

released. In addition, \$28,117 of 2002-2003 HOME funds is currently available for this program. The proposed funds (\$32,000) could be combined with the other money to purchase a house.

**Second Mortgage Assistance: \$225,000**

1. The Committee proposes to budget \$150,000 to Habitat for Humanity to provide deferred second mortgages for ten homebuyers earning less than 50% of the area median income. The homes would be located in the Richmond Hills Subdivision in Efland.
2. The Committee also recommends allocating \$75,000 of funds for second mortgage assistance. Funds would be provided to qualified non-profit organizations for property acquisition and renovation of property for first time homebuyers earning less than 80% of the area median income. Properties could be located throughout Orange County.

**Down Payment Assistance: \$100,000**

The Committee proposes to budget \$100,000 to Orange Community Housing and Land Trust to provide down payment assistance for ten first time homebuyers in the Greenway Condominiums project in the Meadowmont Development. The condominiums, which are being developed by the private sector, would be placed in the Land Trust. Eligible applicants must be first time homebuyers, currently living or working in Orange County who earn less than 80% of the area median income.

**Operational Support: \$10,000**

Funds would be provided to Orange Community Housing and Land Trust for costs related to developing the Greenways Condominium project. As a designated Community Housing Development Organization for the HOME Program, the Land Trust is eligible to receive funds for administration of a housing program.

**Administration: \$73,959**

The remaining \$73,959 would be allocated to the Orange County Housing and Community Development Department for administration of the HOME program.

We note that housing projects funded with Orange County HOME Program funds are subject to the County's 99-year long-term affordability policy, and must remain affordable for 99 years. Orange County records deed restrictions on the property with the Register of Deeds for affordable housing projects.

**RECOMMENDATION:**

The administration recommends approval of the of the proposed allocations from the HOME Program Review Committee