

BOARD OF ALDERMEN

ITEM NO. D(1)

**AGENDA ITEM ABSTRACT
MEETING DATE: April 20, 2004**

TITLE: Recommended HOME Program Funding Plan 2004-05

| | |
|---|---|
| DEPARTMENT: Community and Economic Development | PUBLIC HEARING: YES ____ NO <u>x</u> |
| ATTACHMENTS: A. Resolution B. Summary of 2003-04 Home Program Activities C. Summary of applications for 2004-05 HOME Program Funding D. Eligible HOME Program Activities | FOR INFORMATION CONTACT: James Harris 918-7319 |

PURPOSE

The purpose of this agenda item is to present to the Board of Aldermen a plan developed by the HOME Program Review Committee for use of HOME Program funds for fiscal year 2004-2005.

INFORMATION

Funding

The U.S. Department of Housing and Urban Development has awarded the Orange County HOME Consortium \$739,050 for fiscal year 2004-2005. In addition, the participating municipalities are required to contribute a 25% match of the grant funds after subtracting administration costs of \$73,905. The total match requirement is \$166,286. The Town's contribution to the matching funds is \$23,280. Orange County, Chapel Hill and Hillsborough will contribute \$66,515, \$68,177 and \$8,314 respectively. Therefore, including program administration (allocated to the Orange County Department of Housing and Community Development), the Consortium has planned activities, including administration, for a total of \$905,336.

HOME Program Review Committee

The Board of Aldermen adopted 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. Deputy 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; Housing and Community Development Director Tara Fikes; Carrboro Alderman John Herrera; Community and Economic Development Director James Harris; Hillsborough Commissioner Eric Hallman and Planning Director Margaret Hauth.

New Funding

This year, in addition to HOME Program funding, the Consortium was awarded \$54,145 of American Dream Down payment Initiative (ADDI) funds. This is a new program signed into law on December 16, 2003, that provides funds for down-payment assistance, closing costs, and rehabilitation carried out in conjunction with an assisted home purchase for lower income households.

SUMMARY OF PROPOSED USES OF HOME AND AMERICAN DREAM DOWNPAYMENT INITIATIVE FUNDS

HOME Program

The HOME Program Review Committee proposes the following use of 2004-2005 HOME Program funds:

| | | |
|----------------------------|---|------------------|
| Rental Assistance | HOME Consortium | \$236,431 |
| Property Acquisition | Town of Chapel Hill | |
| | Transitional Housing Program | \$125,000 |
| | Habitat for Humanity (Winmore) | \$125,000 |
| Second Mortgage Assistance | EmPOWERment, Inc. | \$100,000 |
| | Habitat for Humanity | \$ 80,000 |
| Down Payment Assistance | Orange Community Housing and Land Trust (Pacifica and Winmore) | \$140,000 |
| Infrastructure Development | Habitat for Humanity | \$ 25,000 |
| Administration | Orange County Housing | <u>\$ 73,905</u> |
| TOTAL | | \$905,336 |

As in previous years, we propose to use funds from the general fund for the Town's matching contribution of \$23,280.

American Dream Down payment Initiative Program

The Committee proposes to use \$54,145 to establish a County-wide second mortgage program.

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 Chapel Hill's existing federal Community Development grants, rental assistance through the Orange County Section 8 Program and public housing operating and improvement funding. In 1992, Carrboro, Chapel Hill, 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 affordable housing across jurisdictional lines.

Please see Attachment 1 for a summary of 2003-2004 HOME Program Activities.

The Consolidated Plan

On May 15, 2000, the Towns and Orange County 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 Towns and Orange County. The Plan also suggests how the Towns and the County will address needs over a five-year period. Next year, we will develop a new five-year plan covering fiscal years 2005-2006 through 2009-2010.

Each year, we are required to submit a HOME Program plan approved by the Aldermen, the Chapel Hill Town Council, the Orange County Board of Commissioners and Hillsborough Commissioners. The Plan must be submitted to the Department of Housing and Urban Development by May 14, 2004.

Public Participation

On February 3, 2004, the Orange County Commissioners, as the lead entity for the HOME Program, held a public hearing to receive citizen comments on how HOME Program funds could be spent.

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

DISCUSSION

The HOME Program Review Committee proposes the following one-year plan for 2004–2005:

Rental Assistance: \$236,431

The Committee proposes to use HOME funds to develop a small pilot program (four to five units) for Tenant-Based Rental Assistance in Orange County. We propose that the program would operate similar to the Section 8 Program and provide rent subsidies for eligible families with incomes at or below 50% of the area median income. Resembling the Section 8 Program, the subsidy would be calculated based on the tenant's ability to pay and the fair market rent. The program would be administered by the Orange County Housing and Community Development Department.

Property Acquisition: \$250,000

1. The Review Committee proposes to allocate \$125,000 to the Town of Chapel Hill to assist in the purchase of a house for the Town's Transitional Housing program for public housing residents. The program provides a stepping-stone for families between public housing and the private housing market.

2. The Review Committee proposes to allocate \$125,000 to Habitat for Humanity to purchase five lots in the Winmore Subdivision in Carrboro. The funds would convert into second mortgages of \$25,000 each to five low-income first-time homebuyers when they purchase their homes. Households who have lived and/or worked in Orange County for at least one year prior to applying, and who earn less than 50% of the area median income would purchase the homes.

Second Mortgage Assistance: \$180,000

1. The Committee proposes to allocate \$100,000 to EmPOWERment, Inc. to provide second mortgage assistance for first-time homebuyers earning less than 80% of the area median income. EmPOWERment would provide \$10,000 to ten buyers throughout Orange County.
2. The Committee also recommends allocating \$80,000 to Habitat for Humanity to provide deferred second mortgages for four homebuyers earning less than 50% of the area median income. Three of the homes would be located in the Richmond Hills Subdivision in Efland, and the fourth home is located on Cain Drive in Efland Estates where Habitat has previously built eight homes. Households who have lived and/or worked in Orange County for at least one year prior to applying would purchase homes.

Down Payment Assistance: \$140,000

The Committee recommends allocating \$140,000 to Orange Community Housing and Land Trust to provide down payment assistance for seven first-time buyers in the Winmore (\$70,000) and seven first-time buyers in the Pacifica development (\$70,000), both located in Carrboro. The town homes and 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.

New Construction (Infrastructure) \$25,000

The Committee recommends allocating \$25,000 to Habitat for Humanity to extend sewer service to a lot owned by Orange Community Housing and Land Trust on Crest Street in Carrboro. Habitat will build a home on the lot once the sewer extension has been completed. The home will be sold to a Habitat homebuyer using the land trust model, and the property will remain affordable for 99 years.

Administration: \$73,905

The remaining \$73,905 would be allocated to the Orange County Housing and Community Development Department for administration of the HOME program.

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.

AMERICAN DREAM DOWNPAYMENT INITIATIVE PROGRAM

The Department of Housing and Urban Development has also informed us that the Consortium will receive \$54,145 of American Dream Down payment Initiative funds. This program, designed to be administered as part of the HOME Program, was signed into law on December 16, 2003. The goal of this program is to increase the homeownership rate, especially among lower income and minority households, and to revitalize and stabilize communities. Please see Attachment 4 for a summary of the program.

Funds can be used for down payment, closing costs, and rehabilitation carried out in conjunction with the assisted home purchase. Under this program, assistance cannot exceed \$10,000 or 6% of the purchase price of the home, whichever is greater. If funds are used for rehabilitation assistance, construction must be completed within one year of the home purchase.

ADMINISTRATION RECOMMENDATION:

The Administration recommends that the Board of Aldermen adopt the HOME Program plan as submitted by the HOME Advisory Council. The governing boards of Orange County, Chapel Hill and Hillsborough will also consider the proposed plan prior to submitting the Consolidated Plan to the Department of Housing and Urban Development on May 14, 2004.