

BOARD OF ALDERMEN

ITEM NO. D(2)

**AGENDA ITEM ABSTRACT
MEETING DATE: May 3, 2005**

TITLE: Recommended HOME Program Funding Plan for Budget Year 2005-06 and Approval of the Consolidated Plan

DEPARTMENT: Community and Economic Development	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A. Summary of 2004-05 Home Program Activities B. Eligible HOME Program Activities C. 2005-06 HOME Program Resolution D. Special Meeting Notice E. Comments received at the February 15, 2005 public hearing	FOR INFORMATION CONTACT: James Harris 918-7319

PURPOSE

The purpose of this item is to present to the Board of Aldermen for approval the proposed plan developed by the HOME Program Review Committee for use of HOME Program funds for fiscal year 2005-2006. The Committee is comprised of one elected official and the Manager or his designee(s) from each participating government.

INFORMATION

Funding

The U.S. Department of Housing and Urban Development has awarded the Orange County HOME Consortium \$707,949 for fiscal year 2005-2006. In addition, the participating municipalities are required to contribute a 25% match of the grant funds after subtracting administration costs of \$70,795. The total match requirement is \$159,287. The Town's contribution to the matching funds is 14% or \$22,300. Orange County, Chapel Hill and Hillsborough will contribute \$63,715, \$65,305 and \$7,964 respectively. The Committee also proposes to reallocate \$111,660 of residual funds from previous years. Therefore, including program administration (allocated to the Orange County Department of Housing and Community Development), and residual funds, the Consortium would be planning activities, including administration for a total of \$978,896.

HOME Program Review Committee

In October of 2000, the Board adopted a resolution to participate in a HOME Program Review Committee along with Orange County, Carrboro 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.

Alderman John Herrera and Community and Economic Development Director James Harris are the Town of Carrboro representatives to the HOME Council. Chapel Hill Council Women Edith Wiggins represents the Chapel Hill Town Council along with Deputy Town Manager Florentine Miller and Community Development Coordinator Loryn Clark. Other representatives attending the meetings are: Orange County Commissioner Valerie Foushee, Assistant County Manager Gwen Harvey, and Housing and Community Development Director Tara Fikes; and Hillsborough Commissioner Eric Hallman and Planning Director Margaret Hauth.

HOME Program

The HOME Program Review Committee proposes the following use of 2005-2006 HOME Program funds:

Rental Assistance	HOME Consortium	\$127,102
Property Acquisition	Town of Hillsborough	\$100,000
	Chrysalis Foundation (OPC Mental Health)	\$100,000
Second Mortgage Assistance	Orange Community Housing and Land Trust (Northside and Pacifica)	\$115,000
	Habitat for Humanity (Richmond Hills)	\$ 80,000
	EmPOWERment, Inc. (Davie Rd.)	\$ 75,000
Pre-Development	Habitat for Humanity(Sunrise Ridge)	\$ 70,000
	InterFaith Council Men's Residential Center	\$ 75,000
New Construction	Habitat for Humanity (Rusch Hollow II)	\$100,000
Rental Assistance	Weaver Community Housing Assoc	\$ 26,000
Homeownership Assistance	Orange County (Individual Development Account Program)	\$ 25,000
Operational Support	Orange Community Housing and Land Trust	\$ 15,000
Administration	Orange County Housing	\$ 70,794
TOTAL		\$978,896

INFORMATION

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 affordable housing.

Please see Attachment 1 for a summary of 2004-2005 HOME Program Activities.

The Consolidated Plan

This year, the Orange County HOME Consortium consisting of the Town, Orange County, Carrboro and Hillsborough is required to submit a new Consolidated Plan to the U.S. Department of Housing and Urban Development covering fiscal years 2005-2006 through 2009-2010. The purpose of the Plan is to identify and prioritize the housing and community development needs for Chapel Hill and Orange County, and to suggest how the Towns and the County will address the needs over a five-year period.

As the lead entity of the HOME Consortium, Orange County has hired a consultant to develop the Plan. To date, the consultants have held four focus group meetings to receive input from affordable housing and community service providers, citizens, and government staff on how to prioritize the affordable housing and community development needs in the County. Comments from these sessions will be incorporated into the Consolidated Plan.

The Plan will include a 2005-2006 Community Development (Town of Chapel Hill) and HOME Program Plan, establish priorities for use of funds, and a description of housing and community development initiatives and programs in Orange County. The Community Development Plan is to be approved by the Chapel Hill Town Council and the HOME Program Plan is approved by the governing bodies of the HOME Program Consortium: the Aldermen, the Orange County and Hillsborough Commissioners, and Chapel Hill Town Council. The consultant will prepare a draft Consolidated Plan for the Aldermen's consideration on May 3, 2005.

Public Participation

On February 15, 2005, the Orange County Commissioners, as lead entity for the HOME program held a public hearing to receive citizen comments on how HOME Program funds could be spent in the county.

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

For your reference, I 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 2005-2006:

1. Rental Assistance: \$127,102

The Committee proposes to use HOME funds to continue a small program 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.

2. Property Acquisition: \$200,000

The Committee proposes to allocate funds to the following agencies to acquire property:

- \$100,000 to the Town of Hillsborough to acquire and renovate a house in the Fairview neighborhood in Hillsborough. Hillsborough intends to work with a non-profit organization to complete this project. The property would be sold to a household earning less than 80% of the area median income, and use deed restrictions to guarantee the long-term affordability of the property for at least 99 years.
- \$100,000 to the Chrysalis Foundation to acquire property for a permanent supportive housing project. The Foundation proposes to develop a project that focuses on serving the homeless in Orange County, with specific emphasis on addressing chronic homelessness.

3. Second Mortgage Assistance: \$270,000

The Review Committee proposes to allocate funds to the following agencies for second mortgage assistance:

- \$115,000 to Orange Community Housing and Land Trust for two projects: (1) to acquire, demolish or renovate (if necessary and appropriate), and / or reduce the sales price of homes in the Northside neighborhood in Chapel Hill. The Land Trust would work with EmPOWERment to sell the properties to households earning between 50% and 80% of the area median income; and (2) to reduce the price of three townhomes in the Pacifica development in Carrboro. With both projects, funds would be converted into second mortgages for the future buyers. Eligible applicants must be first time homebuyers, currently living or working in Orange County who earn less than 80% of the area median income.
- \$80,000 to Habitat for Humanity to provide four second mortgages in the Richmond Hills subdivision in Efland. Funds would be available to first time homebuyers earning less than 60% of the area median income.
- \$75,000 to EmPOWERment Incorporated to provide second mortgages to three first time homebuyers earning less than 80% of the area median income. In June 2005, EmPOWERment intends begin construction of a three-bedroom condominium on Davie Road in Carrboro. Funds would assist the buyers of these units.

4. Pre-Development Costs: \$145,000

The Committee recommends allocating funds to the following agencies for pre-development costs:

- \$70,000 to Habitat for Humanity for pre development costs for a 17-acre vacant tract of land on Sunrise Road. Funds would be used for expenses such as surveying, engineering and design costs related to submitting a development application to the Town of Chapel Hill. Habitat intends to build no more than 68 homes on the site (maximum number of homes permissible under the current zoning) that would be available to first time homebuyers earning less than 60% of the area median income.
- \$75,000 to the InterFaith Council for Social Service for predevelopment costs related to development of a Residential Center for homeless men. The Center would offer emergency and longer-term housing, and provide services for homeless citizens.

5. New Construction - Infrastructure Development): \$100,000

The Committee recommends allocating \$100,000 to Habitat for Humanity for pre-development costs and infrastructure development of Phase II of the Rusch Hollow project located on Rusch Road in the Rogers Road community. Habitat would build at least twelve single family homes on this property that would be sold to first time homebuyers earning less than 60% of the area median income.

6. Rental Assistance: \$26,000

The Committee recommends allocating \$26,000 to the Weaver Community Housing Association to provide short-term rental assistance for tenants of cooperative housing in the County. The County will work with the Association to design a program that complies with HUD regulations.

7. Homeownership Assistance \$25,000

The Committee recommends allocating \$25,000 as the local match for the County-wide individual development account (IDA) program funded through the County's State Community Development Block Grant. This program provides a dollar for dollar match up to \$1,000 for participants that are able to save funds to purchase their first home.

8. Operational Support \$15,000

The Committee recommends allocating \$15,000 to Orange Community Housing and Land Trust for administrative expenses related to its HOME Program funded projects. 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.

9. Administration: \$70,794

The remaining \$70,794 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.

Staff Recommendation

Staff recommends approval of the funding recommendation from the HOME Council for year 2005-06 and approval of the Consolidated Plan.