

**BOARD OF ALDERMEN**

**ITEM NO. D(4)**

**AGENDA ITEM ABSTRACT  
MEETING DATE: May 1, 2007**

**TITLE: Recommended HOME Program Funding Plan for Budget Year 2007-08 and Approval of the Consolidated Plan**

<b>DEPARTMENT: Community and Economic Development</b>	<b>PUBLIC HEARING: YES ____ NO <u>x</u></b>
<b>ATTACHMENTS:</b> <b>A. Summary of Applications for 2007-08 HOME Program Funding</b> <b>B. Eligible HOME Program Activities</b> <b>C. Resolution</b>	<b>FOR INFORMATION CONTACT: James Harris 918-7319</b>

**PURPOSE**

The purpose of this item is to present to the Board the proposed plan developed by the HOME Program Review Committee for use of HOME Program funds for fiscal year 2007-2008. The Committee is comprised of one elected official and the Manager or his designee(s) from each participating jurisdiction.

**INTRODUCTION**

**Funding**

The U.S. Department of Housing and Urban Development has awarded the Orange County HOME Consortium \$661,229 for fiscal year 2007-2008. In addition, the participating municipalities are required to contribute a 25 percent match of the grant funds after subtracting administrative costs of \$66,122. The total match requirement is \$148,776. The Town's contribution to the matching funds is 14 percent of the total match or \$20,829. As in previous years, funds to cover the Town's share of the local match will come from the general fund. Orange County, Chapel Hill, and Hillsborough will contribute \$59,510, \$60,998, and \$7,439 respectively. In addition to these funds, the HOME Program Review Committee proposes to reallocate funds from former grant awards totaling \$560,027 from Fiscal Years 2004, 2005, and 2006. Therefore, including the 2007-2008 grant funds allocated to the Orange County HOME Consortium (\$661,229), the required local match (\$148,776), and the proposed reallocation (\$560,027), the Consortium would be planning activities for a total of \$1,370,032.

**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, 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. Alderman Dan Coleman is the elected official representing Carrboro and James Harris is the manager's designee and Town of Carrboro staff to the HOME Program Review Committee.

## SUMMARY

### **Proposed Reallocation of Funds**

Federal regulations require that HOME funds be spent in a timely fashion. Organizations with unspent funds from Fiscal Years 2004, 2005, and 2006 were asked to report on the status of their projects and whether there were plans to spend the funds in the upcoming year. After reviewing the responses, the HOME Program Review Committee proposes to reallocate funds from the former grant allocations that have not yet been expended and for which there are not specific plans for spending in the near future. The Committee does not propose to reallocate funds from activities with specific plans. The total of the proposed reallocation is \$560,027.

### **HOME Program**

The HOME Program Review Committee proposes the following use of 2007-2008 HOME Program funds and the reprogrammed funds from fiscal years 2004, 2005, and 2006:

1. Homeownership Assistance	Orange Community Housing and Land Trust (Carrboro single family homes)	\$140,000
	EmPOWERment, Inc. Rehabilitation, Acquisition, and Second Mortgage Assistance	\$250,000
2. Rental Assistance	Tenant Based Rental Assistance Orange-Person- Chatham Mental Health Initiative	\$333,910
3. New Construction	Habitat for Humanity (Highland Woods/Chestnut Oaks)	\$250,000
	Orange Community Housing and Land Trust (Tax Credit Rental Project)	\$300,000
4. Operational Support	Orange Community Housing and Land Trust	\$ 30,000
5. Administration	Orange County Housing and Community Development	<u>\$ 66,122</u>
TOTAL		\$1,370,032

## **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 affordable housing.

Please see Attachment A for a summary of 2006-2007 HOME Program Activities.

### **Relationship to the Consolidated Plan**

In May 2005, the Orange County HOME Consortium consisting of the Town, Orange County, Carrboro and Hillsborough submitted a new Consolidated Plan to the U.S. Department of Housing and Urban Development covering fiscal years 2005-2006 through 2009-2010. The Plan identifies and prioritizes the housing and community development needs for Chapel Hill, Carrboro, Hillsborough and Orange County, and suggests how the Towns and the County will address the needs over a five-year period.

The Annual Update to the Consolidated Plan will include a 2007-2008 Community Development and HOME Program Plan, establish priorities for use of funds, and a description of housing and community development initiatives and programs in Orange County. Each year, we are required to submit a HOME Program Plan that is approved by the governing bodies of the HOME Program Consortium: the Chapel Hill Town Council, the Orange County and Hillsborough Commissioners, and Carrboro Board of Aldermen. This updated document must be submitted to the Department of Housing and Urban Development by May 14, 2007.

### **Public Participation**

On February 6, 2007, the Board of Orange County Commissioners held a public hearing to receive citizen comments on how HOME Program funds could be spent and affordable housing needs in general. Orange County held this hearing as the lead entity of the Orange County HOME Council.

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

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

## **DISCUSSION**

The HOME Program Review Committee proposes the following one-year plan for 2007-2008:

### **1. Homeownership/Downpayment Assistance:    \$390,000**

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

- \$140,000 to the Orange Community Housing and Land Trust to assist first time homebuyers earning less than 80 percent of the area median income to purchase two single family homes in Carrboro. Funds would be provided as a grant to the Land Trust.
- \$250,000 to EmPOWERment, to provide rehabilitation, acquisition or second mortgage assistance for properties throughout Orange County.

## **2. Rental Assistance: \$333,910**

The Review Committee recommends allocating \$333,910 to provide tenant based rental subsidies in support of the Orange-Person-Chatham Mental Health Agency Homelessness Initiative that will provide housing and support services to persons with disabilities who are homeless. The rental subsidy program will be operated like the Section 8 Housing Assistance Program and will be administered by the Orange County Housing and Community Development Department.

## **3. New Construction: \$550,000**

The Review Committee proposes to allocate funds to the following agencies for new construction:

- \$250,000 to Orange County Habitat for Humanity to provide deferred payment zero-interest second mortgages on twelve homes throughout Orange County. Homes would be sold to households earning between 30 percent and 80 percent of the area median income; and
- \$300,000 to Orange Community Housing and Land Trust to support a low-income housing tax credit application in the Winmore development in Carrboro. Funds would be used to acquire land for this project. The Orange Community Housing and Land Trust would have the option to purchase the units after the tax-credit qualifying period of sixteen years expires.

## **4. Operational Support: \$30,000**

The Committee recommends allocating \$30,000 to the Orange Community Housing and Land Trust for administrative expenses related to implementing 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.

## **5. Administration: \$66,122**

The remaining \$66,122 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.

#### NEXT STEPS

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 15, 2007.

#### **RECOMMENDATION:**

Staff recommends approval of the funding recommendations from the HOME Council for fiscal year 2007-08 and approval of the updated Consolidated Plan.