

MEMORANDUM

TO: Mayor and Town Council

FROM: W. Calvin Horton, Town Manager

SUBJECT: Town Transitional Housing for Public Housing Families

DATE: April 23, 2001

The attached resolution would approve a Town transitional housing program for public housing families.

SUMMARY

- We believe a Town transitional housing program would help some public housing families make the transition to private housing.
- 15 families are paying over \$400 monthly in rent, 6 families are paying over \$500 monthly in rent.
- Maximum time for participation in the program would be five years.
- Up to 20% of rent would be deposited in an escrow account and would be given to participants when the program is completed. Participants would be required to use funds for a down payment on a home or deposits for private market rental housing.
- About 40 houses or townhomes are currently for sale in Chapel Hill at a cost of less than \$100,000.
- Funding for the proposed Town transitional housing program would be an eligible use of HOME Program Funds.

BACKGROUND

This report responds to a request from the Council to provide a report on Town-financed rental property. On March 3, 2001, during a budget work session, the Council requested a report on Town-owned rental property as a way of helping public housing families make the transition into private housing.

DISCUSSION

The public housing program as established under the Federal Housing Act of 1937 provides affordable rental housing for low-income families. In accordance with the Housing Act of 1937 families pay 30% of the adjusted household income for rent and utilities. The Housing Act envisioned that as families' incomes increased to a level at which they could afford private

market rent they would move out of public housing, making way for families on the waiting list to move into public housing.

Some public housing families' household incomes have increased to a level where 30% of the adjusted income is almost comparable to private market rent. However, these families continue to remain in public housing.

Currently, there are about 40 families that have lived in public housing over 20 years. We believe some families remain in public housing for the following reasons:

- They work in low paying jobs and cannot afford private market housing
- They are not able to save enough money for security deposits or down payments.
- They are hesitant to leave housing where the rent decreases if the family's income decreases.

Currently, there are 15 families paying over \$400 monthly rent. There are 6 families paying over \$500. The following chart summarizes monthly rents currently paid by Chapel Hill's public housing families.

Monthly Rent	\$0-\$99	\$100-\$199	\$200-\$299	\$300-\$399	\$400-\$499	\$500+
# of families paying	186	53	36	27	15	6

We believe a Town of Chapel Hill rental housing program could assist some of the public housing families who are paying monthly rents that are almost comparable to private market rents make the transition to private housing.

Key Elements of Proposed Transitional Housing Program

Some of the key elements of the program are:

- Participation in the Program would be limited to public housing families with a rent paying ability of at least \$450 per month.
- Maximum time for participation in the Program would be five years. Participants remaining in the program after five years would pay market rate rent.
- Up to 20% of rent would be deposited in an escrow account and the total amount in the escrow account would be given to the participant when the program is completed. Participants would be required to use funds for down payment on a home or deposits for private rental housing.

- Participants remaining in the Program after five years would pay market rate rent and would be required to seek private housing and leave the program.

Proposed Transitional Housing Program

We propose the development of a Town transitional housing program that would help public housing families make the transition from public housing to the private housing market. Under the proposed program, 10 families who are currently living in public housing or are on the public housing waiting list would be assisted.

The transitional housing program would assist families with a rent-paying ability of at least \$450 per month. Unlike the Federal public housing program, monthly rent would not increase as the families' income increased.

We believe the proposed transitional housing program should consist of at least 10 homes. We propose that the Town acquire the 10 homes over the next several years by purchasing or constructing one to two homes per year. The transitional housing program would be a stepping-stone between public housing and the private housing market. Participation in the program would be limited to five years. During the five-year period, participating families would receive services to help them make a successful transition to the private housing market. Services provided would include the following:

- Budget counseling to help participants develop household budgets and an assessment of income and expenses.
- Homeownership counseling to provide step-by-step guidelines to purchasing your first home.
- Debt management with a focus on consumer debt, and helping participants develop a plan to pay off debts.
- Basic home maintenance and upkeep to provide general information on routine maintenance of a home.

The proposed transitional housing program would also help families make the transition to private housing by providing them with financial assistance to help with a down payment on a home or security deposits.

Market Analysis

We have researched area real estate data to obtain information on the number of single-family homes or townhomes that are for sale and would be appropriate for the Transitional Housing Program. According to the Multiple Listing Service (MLS), there are currently about 40 single-family homes or townhomes in Chapel Hill with a sales price of less than \$100,000.

We propose to purchase single-family detached homes or townhomes for the proposed transitional housing program. The homes or townhomes we propose to purchase for the transitional housing program are located in Chapel Hill at a sales price of \$65,000 to about \$99,900.

We have attached examples of single-family detached homes and townhomes that are for sale and would be appropriate for the transitional housing program (please see Attachment 1).

Funding

A key goal of the HOME Program is to expand the supply of decent, safe sanitary and affordable housing, with emphasis on rental housing for low-income families. We believe the purchase of single-family homes or townhomes would be an eligible HOME Program activity. Therefore, on February 23, 2001 we submitted an application to the County requesting \$100,000 of 2001-2002 HOME Program Funds. If our application is successful, the funds would be used to acquire a house and pay for associated costs.

Maintenance and Upkeep

We would purchase homes or townhomes that are in relative good condition with minimal repair needs. We believe maintenance and upkeep would be similar to the preventive maintenance and refurbishing program we currently have in place for the public housing program.

Based on our experience in maintaining the Town's public housing apartments, we estimate that the cost for routine maintenance and upkeep of a home in the transitional housing program would be about \$1,000 per year. The estimated cost of refurbishing the home for a new family would be about \$1,500 every five years.

Assistance from EmPOWERment, Inc.

We believe we would benefit from the assistance of a housing agency that is experienced in purchasing and renovating homes for low-income families. EmPOWERment, Inc has such experience. Therefore, we have talked with EmPOWERment, Inc. about possibilities for assistance. Options for assistance from EmPOWERment, Inc. include the following.

1. EmPOWERment, Inc. would purchase property, make needed repairs, and turn property over to the Town. The Town would reimburse EmPOWERment, Inc. for the cost of the property, including repairs, and pays EmPOWERment, Inc. for its services.
2. EmPOWERment, Inc. would identify property, determine repair needs and estimated costs of repairs and initiate a purchase option on the Town's behalf. The Town would purchase property, make repairs, and pay EmPOWERment, Inc a finder's fee

In addition to providing assistance with acquiring property, EmPOWERment, Inc. would also assist in providing homebuyers counseling services for program participants.

Rental Income

Participants in the program would pay monthly rent of at least \$450, but not more than the amount of their current rent. The amount estimated of rental income per year would be about \$5,400 per participant.

We would use a portion of the rental income for maintenance costs. We would propose to use the remaining rental income to assist with future home purchases. We have verified with the administrator of the HOME Program that future home purchases would be an eligible use of rental income.

We have also verified with a HUD Financial Analyst that we would not be required to report income from the Transitional Housing Program in the public housing operating budget. According to the Financial Analyst, rental income would not affect the amount of subsidy received from HUD.

Review By Residents of Public Housing

On November 9, 2000, Housing staff invited the 21 families who are paying over \$400 monthly rent to a meeting to receive questions and comments on the proposed transitional housing program. Ten of the 21 families attended the meeting. The families that attended the meeting expressed interest in wanting to participate in the proposed program. We have attached written comments received from residents.

CONCLUSION

There are currently 21 public housing families who are paying monthly rents that are almost comparable to private market rents. We believe many of these families could move into housing on the private market through assistance that would be provided through a Town transitional housing program.

We also believe a Town transitional housing would be a financial resource for the public housing program. Funding from the U. S. Department of Housing and Urban Development for public housing operations has decreased. Therefore, we need to consider a supplemental source of revenue for the public housing program.

RECOMMENDATION

Manager's Recommendation: That the Council adopt the attached resolution approving a Town transitional housing program for public housing families.

ATTACHMENTS

1. Written comments received from public housing families (p. 8)
2. Examples of homes or townhomes that would be suitable for the transitional housing program (p. 12)
3. Calculation of rental income for 1 participant (p. 13)
4. The Transitional Housing Program (p. 14)

A RESOLUTION APPROVING A TOWN TRANSITIONAL HOUSING PROGRAM FOR PUBLIC HOUSING FAMILIES (2001-04-23/R-9)

WHEREAS, the Council is supportive of a Town transitional housing program for public housing families; and

WHEREAS, a Town transitional housing program would help public housing families enter the private housing market;

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Manager is hereby authorized to implement a Town transitional housing program with the following components:

- Participation in the Transitional Housing Program would be limited to families with a rent-paying ability of at least \$450 per month.
- Participation in the Program would be for a maximum of five years. Participants remaining in the program after five years would pay market rate rent.
- Up to 20% of the monthly rent would be deposited in an escrow account. The amount would be given to the participant upon completion of the program.
- Participants would be required to use funds in the escrow account for a down payment on a home or deposits for private rental housing.

BE IT FURTHER RESOLVED that the Manager is authorized to implement a Town transitional housing program for public housing families.

This the 23rd day of April, 2001.

Calculation of Estimated Rental Income for 1 Participant

	Monthly	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Totals
Rental Payment	\$450	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$27,000
Amount Deposited in Escrow Account for Participant	\$50	\$600	\$600	\$600	\$600	\$600	\$3,000
Income to Public Housing Program	\$400	\$4,800	4,800	\$4,800	\$4,800	\$4,800	\$24,000

Note:

1. The monthly rental payment for participation is \$450.
2. The total amount of rent paid by the participant over the five-year period is estimated to be \$27,000.
3. The total amount deposited in the escrow account and will be paid to the participant at the end of the five-year period is estimated to be \$3,000.
4. The total amount of income to the public housing program is estimated to be \$24,000.

TRANSITIONAL HOUSING PROGRAM
FOR
PUBLIC HOUSING FAMILIES

Town of Chapel Hill
Department of Housing

April 2001

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INTRODUCTION

Public housing as established under the Housing Act of 1937 is a way of providing decent, safe and sanitary housing for individuals who are excluded from the private housing market because of their low-income status. The primary objective of the Housing Act of 1937 is to provide low-income families with affordable housing by charging the family not more than 30% of adjusted household income for rent and utilities. The Act envisioned that families' incomes would increase to a level whereby they could afford private market housing. Thus, these families would move out of public housing, making way for other low-income families.

Some public housing families' household income has increased to a level whereby the amount of their public housing rent is almost comparable to private market rent. However, these families continue to live in public housing.

Under the Transitional Housing Program public housing families, or applicants, are provide low cost rental housing and budget counseling and financial management services to help them make a successful transitional from public housing to the private housing.

PROGRAM PROCEDURES

Participation in the Transitional Housing Program is limited to public housing families or applicants with a rent paying ability of at least \$450 per month.

Families who are selected to participate in the program would be required to participate in budgeting and financial management sessions. The Department of Housing would provide or arrange for the budgeting and financial management sessions.

The maximum amount of time for participation in the program is five year. At the end of the five-year period, families must leave the program and move into private ownership or rental housing. Participants remaining in the program after five years would pay market rate rent.

PARTICIPATION INCENTIVES

Incentives for participation in the program include the following:

- Monthly rent is at least \$450 but not more than families current rent and will not increase although the families' income may increase
- Up to 20% of the monthly rent will be deposited into an escrow account
- The amount deposited in the escrow account is given to participants when they leave the program
- The amount in the escrow account must be used for a down payment on a home or rental security deposits.

APPLICATION AND SELECTION PROCESS

The Department of Housing shall not on account of race, creed, national origin, or religion deny any family the opportunity to participate in the Transitional Housing Program. In selecting families from eligible applicants, families meeting the following criteria will be selected to participate in the Program.

1. Monthly rent is paid by the date rent is due.
2. The family has sufficient income to pay at least \$450 monthly rent and utilities.
3. There has not been any lease violations by any member of the family in the past 12 months.
4. The families goal is to live in private market housing, either owner or rental.

The order of priority in selecting applicants for participation in the Program shall be determined based on the date and time application is received. After receipt of application, the following procedures shall apply.

1. The application is reviewed to determine if the family is eligible.
2. Eligible or denial letter is mailed to applicant.
3. If eligible, application is placed in selection pool according to date and time application was received.
4. Application is selected from selection pool and applicant is mailed a letter of consideration for the Transitional Housing Program.
5. Applicant contacts the Resident Services Officer and schedules an appointment for an interview to verify the accuracy of the information on the application and review pre-occupancy procedures.
6. An orientation session is held with applicant to review the requirements of the Program and the lease agreement.

SUPPORTIVE SERVICES

Participants in the Transitional Housing Program are required to participate in supportive services. Required supportive services include budgeting, debt management, homeownership counseling and training on basic maintenance and upkeep of a home. These services are essential in helping participants make a successful transition to the private housing market.

Supportive services that would be provided for program participants are:

1. Through Community Financial Counseling, a division of the Women's Center, we would arrange for participants to receive debt management and budget counseling.
2. Through EmPOWERment, Inc. Homebuyers Class, we would arrange for participants to receive the following:
 - Step-by-step guidelines to first-time homeownership
 - Assistance in determining how much home they can afford
 - Assistance in repairing bad credit
3. Through the Cooperative Extension Service, participants we would arrange for participants to receive training on basic maintenance and upkeep of a home.