



Reclaiming the POWER of our Communities

BOARD OF DIRECTORS

Robin Rankin, President
Northside Community Association

Jacqueline E. Overton, M.Ed.
Vice President
CEO, JOI Unlimited

Celie Richardson, Secretary
Attorney-At-Law

Frederick H. Black, Treasurer
CEO, FHB Consulting Inc.

Betsy Cockman
Chatham County Housing Authority

Matthew Fearington,
Past President
Lloyd Street Neighborhood Association

Henry McKoy
President, TCON

Reverend T.O. Nixon
Pastor, St. Paul AME Church

Celisa Steele
Learn Something

John Wroton
Harrington Bank

Jane Farrar, Emeritus
Northside Community Association
Barbara Foggie, Emeritus
Northside Community Association
Vivian S. Foushee, Emeritus
Northside Community Association

STAFF

Delores Bailey
Executive Director
Kia Baker
Director of Community Programs
Timberly Cheek
Property Manager
LaTanya Davis
Financial Manager
Tom Ganter
Construction Manager
Pat Fischer
Volunteer

ADDRESS

Midway Business Center
109 N. Graham St.
Suite 200
Chapel Hill, NC 27516
Phone: (919) 967-8779
Fax: (919) 967-0710
info@empowerment-inc.org
www.empowerment-inc.org

EmPOWERment Inc. is a non profit organization whose mission is "helping to determine destinies through homeownership, community organizing and economic development".

-Who is your target market and who do you currently serve?

Our targeted market concentrates on individuals or families in low wealth, traditionally African American neighborhoods in Orange and Chatham County. In Chapel Hill and Carrboro our targeted neighborhoods are Northside, Pine Knoll, Carr Court and Lloyd Street. Through community organizing we serve a diverse population of people. Northside and Pine Knoll are considered two of the most diverse neighborhoods in Chapel Hill. When building affordable housing we target a population that earns 80% of less of the area median income, who live or work in Orange County or Chapel Hill depending on the funding source. The small business incubator targets a wide variety of patrons but our office space is limited to strict guidelines around income and mission. The business owners to live or working in Orange County and there are income restrictions.

-What are your organization's successes?

We have served our communities for over ten years! During these years we have had several successes such as: we have educated over 2,000 potential home owners in our Home Owners Education classes. We have built or restored over 75 homes for homeownership. We own 17 rental units and last year we, along with other local nonprofit rental agencies created a single position that manages affordable rental in Chapel Hill, Carrboro and Hillsboro.

We helped established and maintain the Northside Community Watch meeting as well as helping the Pine Knoll, Carr Court and Lloyd Street communities establish their Community Watch programs. We've worked closely with the Police department to increase participation at the annual Neighborhood Night Out project seeing well over two hundred people at some of these events. We were a part of the creation of the Good Neighbor Initiative and Community Impact team. We were instrumental in helping establish the Northside Neighborhood Initiative. We created Career Explorers a summer employment program that employs youth from our targeted neighborhoods and public housing. We created and built The Midway Business Center which is the Town's first small business incubator. We have been responsible for job creation in the business center and through Career Explorers.

-What are your organization's challenges?

Our targeted neighborhoods are a challenge. Past and present reputations for our communities sometimes hinders EmPOWERment's progress. Community organizing helps to promote positive activities in the community but we are challenged to find individuals willing to invest in community homeownership in certain parts of the community. We are also challenged financially. EmPOWERment receives most of its finances through government support and private donations. We are a staff of four who are underpaid and have not received raises for two years. Staff retention is a challenge. We are

the only
nonprofit making
significant
changes in all

three areas, community organizing, affordable housing and economic development.

-Are there any regulatory barriers that limit your organization's ability to provide affordable housing?

Yes. EmPOWERment's current model promotes wealth building. The long term affordability is addressed with a 99 year lease (a regulation accepted by Orange County government). The Town of Chapel Hill's Council supports a different model. When EmPOWERment identifies a project for building or rehab, before requesting the project receive Town money long-term affordability has to be assured by putting the property in The Land Trust which means we must receive permission to make it a Land Trust property. Our work is hindered is the Land Trust does not feel this project is worth the time and money. Rehab projects in our targeted neighborhoods are often "diamonds in the rough". EmPOWERment Inc. eventually is required to use money in its small operating budget to secure money to purchase and rehab or use county money to purchase. Currently, EmPOWERment Inc. is not being offered any of the affordable housing units developers are required to build. We are not able to offer housing outside of our targeted neighborhoods unless we buy the properties, build or rehab with our limited cash source.

-A detailed analysis of your long-term affordability model.

-Suggestions for how to address long-term maintenance?

EmPOWERment's model promotes complete ownership of the property and home. We have a Homebuyers Club that invites homeowners to share challenges of homeownership, repair vendors and successes. Long-term maintenance is important for our affordable rental properties. Currently the rents collected barely cover the mortgage payments we carry on the rental units. When repairs are needed, we pay for them out of our operating budget, which depletes our finances depending on the severity of the maintenance issue. We always replace carpet after three years or sometimes depending on the condition, after tenants change. Painting is done every time tenants change. Appliances are replaced as needed. Outside maintenance is provided by the EmPOWERment staff or outsourced when the job is beyond the scope of our expertise.

-How can the Town continue to help you provide affordable housing?

- Recognize there is a need for more than one affordable housing model and support all the models.
- Support EmPOWERment Inc. financially as other non profits who are providing affordable housing.
- Continue to support our community organizing efforts in Northside and Pine Knoll. We believe our organizing helps empower the neighborhoods and makes them a better place to live affordably.
- Invest in more affordable rental units.



June 25, 2007

Session with Roger Stancil, Town Manager

Target audience: We provide home ownership opportunities to households earning at or below 50% of AMI. In our most recent subdivision in Chapel Hill, Rusch Hollow, incomes ranged from 20% - 44% of AMI, with an average of 31%. Household incomes ranged from a low of \$14,400 to a high of \$36,920. The average household size was four. Ten of the twelve families in Rusch Hollow lived in Chapel Hill or Carrboro prior to acceptance into the Habitat program, and ten of the twelve also worked in Chapel Hill or Carrboro, primarily in service jobs or construction.

Successes:

- We have provided home ownership to over 150 families in Orange County over the past 20 years. 46 of those homes have been in Chapel Hill.
- We have developed subdivisions ranging in size from 43 homes to 11—two are in Chapel Hill, in the Rogers Road community. New Homestead Place, an 11 home neighborhood, was completed in 2000. Rusch Hollow, 12 single family homes and five special needs rental units, was completed in 2006, except for the rental units, which will be developed by the Chrysalis Foundation in the fall of 2007.
- We will raise \$875,000 in private funds this year to leverage the government funds we receive through the HOME program, Orange County Affordable Housing Bond Program, and CDBG funds.
- Extension of sewer in the Rogers Road community from New Homestead Place to Rusch Hollow. Will further extend to Purefoy Drive for our new subdivision. This extension can serve the Greene Tract as well as a number of residents in the Rogers Road Community. Four long time residents of the Rogers Road community have been able to hook on to public sewer. The Town assisted two of the households with the cost of hookup and Habitat paid for the other two.
- Collaboration with Empowerment and OCHLT on Northside Initiative. Used Northside Initiative as a model for similar effort in Hillsborough's Fairview community where we are now building homes.

Challenges

- The lack of affordable, buildable land in the urban services boundary
- The cost of developing lots in Chapel Hill
- NIMBY reactions to affordable housing and to attached housing and slightly denser housing developments
- The length of the approval process for subdivisions in Chapel Hill
- Fundraising is always a challenge

Regulatory Barriers

- The length of the approval process, especially for Special Use Permit applications.
- The requirement that each house and lot be reviewed by the CDC in a subdivision that has a SUP

- Lack of flexibility in any of the standards or processes and procedures—applied equally to affordable housing as to all other housing

Long Term Affordability Model

- Because we use funding through Orange County (HOME, Bond funds) for all our homes, we are required by the County to use deed restrictions that require the home to be sold to buyers earning 80% of median or less for 99 years. The non profit developer must monitor compliance with the deed restriction. If the home is sold outside of the affordability standard, the homeowner forfeits 50% of their equity in the home to the County.
- Habitat also has a shared appreciation agreement with our buyers. See attached.
- Three of our homes are in the Land Trust.

Long Term Maintenance

- All of our homes are built to be as low maintenance as possible, with concrete porches, vinyl siding, and 20 year roofs. We have also established a limited pool of funds for emergency repairs for our homeowners, but it would be very useful to have a larger, centralized pool of funds set aside by local government from which all low income homeowners in Chapel Hill and/or Orange County could receive interest free loans to keep their homes in good repair.
- For *subdivisions* that we develop in Chapel Hill, from Rusch Hollow forward, Habitat will be set the HOA dues initially, and will collect them as a part of the monthly mortgage payment (Habitat holds the first mortgage) and will be responsible for hiring appropriate service providers to maintain common areas including storm water retention basins.
- At the staff level, we have discussed the possibility of escrowing funds for maintenance, but our Board has not fully explored or discussed this idea.

How Town can continue to help

- Truly expedited review for development applications, including SUPs
- An understanding that non-profits do not have deep pockets. When the Town requires additional amenities in our developments, the Town should assist the non-profit in securing the additional funds necessary
- A sense that the non-profits and the Town are truly partners who share a common goal of keeping this community a diverse and vibrant one where the people who provide us with vital services can also afford to live here
- Payment in lieu for affordable housing should be included among the options a developer has to meet her or his affordable housing requirement. There are cases where the provision of funds to be used by the non-profits to further their efforts would be more useful and better meet affordable housing needs for those with the greatest need than the provision of affordable units within a development. There does not seem to be support at the Council level for payment in lieu, but those of us who are providing the affordable housing do support it.



Board of Directors

Marceia Blake
Chair

Gary Giles
Vice Chair

Gordon Merklein
Secretary

Jim Tucker
Treasurer

Mary Bratsch
John Cooper
Laurin Easthom
Sabrina Farrar
Valerie Foushee
Michael Hansen
Dwayne Pinkney
Mary Jean Seyda
Alex Zaffron

Robert Dowling
Executive Director

Funding Provided by:

Town of Chapel Hill
Orange County
Town of Carrboro
Town of Hillsborough



PO Box 307
104 Jones Ferry Road
Suite C
Carrboro, NC 27510
919.967.1545
Fax 919.968.4030
www.ochlt.org

June 25, 2007

Mr. Roger Stancil
Town Manager
Town of Chapel Hill

Re: Listening Session

Dear Roger:

This letter is meant to provide you with summary responses to the questions you posed about our approach to affordable housing. Please let me know if you would like more detailed information and we'll be happy to provide that.

Who is our target market?

The Land Trust model lends itself best to homeownership, which represents more than 99% of our work. Traditionally, we have targeted households in the 60% to 80% of median income range. However as a result of stagnant HUD income limits, our 'floor' is moving up from 60% and with some developments is already above 70%. To date we have served families with children, couples and single individuals. Going forward we expect to be selling more condominiums, which we expect will include fewer families with children.

What are our successes?

The Land Trust was incorporated in 1999 and we sold our first house in June 2000. Today there are 125 homes in the Land Trust. Our successes stem from our productivity. We served as the developer of 50 of these homes, we renovated 10 pre-existing homes and we have sold more than 60 homes as a result of inclusionary housing policies. Our ability to accommodate requests from the Town Council and manage the volume of work using a new model of ownership is also a mark of success.

What are our challenges?

Our biggest challenges are affordability and long-term maintenance of our homes. We've discovered that our model will be unable to keep homes affordable due to stagnant HUD income limits. In addition, the model does not adequately deal with long-term maintenance of our homes. We have recently revised the model to better manage both the affordability and maintenance challenges. Time will tell how the new model will perform. The next significant challenge will be our capacity to manage all the units that will be coming into the Land Trust in the next 3 or 4 years. Related to this is our ability to manage the increasing number of Land Trust homes that re-sell each year. We expect to be required to sell almost 200 homes between now and December 2011.

Are there limiting regulatory barriers?

As mentioned above, the stagnation of HUD income limits is a major barrier to providing housing that is affordable to households earning less than 80% of median income. Local requirements can also serve as barriers at times. For example, the requirement that buyers of homes live or work in Orange County for a year prior to buying a home creates another hurdle to selling homes. Other regulatory barriers that impede our ability to provide homes affordably are OWASA fees, County Impact fees, and Town storm water regulations.

Long-term affordability analysis?

The Land Trust was created because the local governments (notably Chapel Hill and Carrboro) wanted affordable homes to remain affordable forever. It was thought that the CLT model could best achieve that goal because the Land Trust retains the deed to the property and is therefore best able to control future price increases. Until we revised our model recently, Land Trust homeowners received a portion (roughly 25%) of the appreciation in their homes, as determined by independent appraisals. Our new model offers owners a flat 1.5% annual rate of appreciation. The new model offers both buyers and the Land Trust greater certainty about future prices of our homes. This change was initiated, in part, because although the old model was working as intended relative to home prices, it was not keeping homes affordable relative to HUD income limits. We recognize that our existing inventory of homes will not remain affordable without additional subsidy.

Suggestions for long-term maintenance

A key component of our new model is the implementation of a stewardship fee (SF), which will be assessed to all new owners of Land Trust properties. The SF will be dedicated to specific components in each home – replacement of HVAC, hot water heater, roof and flooring, plus exterior painting. In addition, the Land Trust will be hiring a property manager who will be responsible for managing three homeowner associations, plus budgeting and collecting stewardship fees from every Land Trust homeowner. Although we recognize that property management will place a greater burden on the organization, we believe it is necessary if our homes are to be well maintained in the long-term.

How can the Town help?

The Town can help by recognizing what is required to implement the Council's inclusionary housing policies. An inclusionary housing program that is successful for low-income homeowners and the surrounding community is a complex undertaking that requires thoughtful consideration of goals and strategies. The Town would be well served by stepping back and examining how its policies have worked over time and how they are projected to work in the future.

*Thank you for this opportunity.
Robert Sawby*