

MEMORANDUM

TO: Mayor and Town Council

FROM: W. Calvin Horton, Town Manager

SUBJECT: Amendment to Performance Agreement with EmPOWERment, Inc. for Renovation of 501 Sykes Street

DATE: January 14, 2002

The attached resolution would amend the Town's Performance Agreement with EmPOWERment, Inc. for the renovation of 501 Sykes Street as follows: (1) increase the renovation budget to \$40,436; and (2) extend the Time of Performance to renovate and sell the property until June 30, 2002.

BACKGROUND

On February 28, 2000, the Council authorized the acquisition of 501 Sykes Street in the Northside neighborhood. At that time, the Council stipulated that the property would be placed in the Land Trust. In November 2000, the Town purchased 501 Sykes Street using \$55,000 of Community Development Neighborhood Revitalization Funds.

In February 2001, the Town entered into a Performance Agreement with EmPOWERment, Inc. to use an additional \$30,000 of Community Development Neighborhood Revitalization funds to renovate the house. The Performance Agreement also states that EmPOWERment, Inc. would work with the Land Trust to renovate and sell the property to a first time homebuyer earning less than 70% of the area median income. The Performance Agreement expired on June 30, 2001. However, renovation of the house is not complete and EmPOWERment, Inc. has not yet identified a buyer for this property.

THE PROPOSAL

In a letter dated December 4, 2001, EmPOWERment, Inc. requested that the Town increase the renovation budget to \$40,436 and extend the June 30, 2001 deadline stipulated in the Performance Agreement to June 30, 2002 (Please see Attachment 1).

DISCUSSION

EmPOWERment, Inc. experienced delays during the renovation of this property due to financing issues. EmPOWERment, Inc. has resolved its financing issues and renovation of the property is nearly complete. EmPOWERment, Inc. has produced documentation to verify the increase in renovation expenses. In addition, we have performed site inspections to confirm that the appropriate percentage of work under the current contract has been completed. Based on

documentation provided by EmPOWERment, Inc., we believe that the increase in budget is justified.

Once renovation is complete, EmPOWERment, Inc. will work with the Land Trust to sell the property for approximately \$70,000 to a household earning less than 70% of the area median income. If the budget increase were approved, the Town's total investment in this project including acquisition and rehabilitation would be \$95,436 (acquisition - \$55,000; rehabilitation - \$40,436).

Upon sale to a buyer the Town would be repaid approximately \$70,000 of the total cost of \$95,436. These funds could be used for future Community Development projects. The balance of \$25,436 would become the Town's permanent investment in the project and would be converted into a grant to the Land Trust. A grant would enable the house to be more permanently affordable to lower income households in the future. We note that the grant amount would represent the estimated value of the land underlying the house.

RECOMMENDATION

We recommend that the Council amend the Town's Performance Agreement with EmPOWERment, Inc. for the renovation of 501 Sykes Street to: (1) increase the budget to \$40,436; and (2) extend the Time of Performance to renovate and sell the property until June 30, 2002.

ATTACHMENT

1. Letter from Mark Chilton to Mayor and Town Council (p. 4).

③

A RESOLUTION AMENDING THE TOWN'S PERFORMANCE AGREEMENT WITH EMPOWERMENT, INC. FOR THE RENOVATION OF 501 SYKES STREET (2002-01-14/R-12b)

WHEREAS, the Town has an ongoing interest in community development activities in Chapel Hill; and

WHEREAS, on February 28, 2000, the Council authorized acquisition of 501 Sykes Street for affordable housing purposes; and

WHEREAS, on October 31, 2000, the Town used \$55,000 of Community Development Neighborhood Revitalization Funds to purchase 501 Sykes Street; and

WHEREAS, on February 1, 2001, the Town entered into a Performance Agreement with EmPOWERment, Inc. budgeting \$30,000 of Community Development Neighborhood Revitalization Funds to renovate a house located at 501 Sykes Street; and

WHEREAS, on December 4, 2001, EmPOWERment, Inc. requested an amendment to the Performance Agreement for 501 Sykes Street;

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council amends its Performance Agreement with EmPOWERment, Inc. for the renovation of 501 Sykes Street as follows:

- (1) The Time of Performance shall be extended until June 30, 2002;
- (2) The Budget shall be increased to \$40,436. (*)

BE IT FURTHER RESOLVED that the Council authorizes the Manager to execute an amended Performance Agreement with EmPOWERment, Inc. to reflect the extension of the Time of Performance and the increase in budget.

This the 14th day of January, 2002.

(*) Note: Council adopted resolution with budget of \$43,600
 (CSE)

(9)

Em **POWER** ment INC.

Reclaiming the POWER of our Communities

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ADDRESS

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info@empowerment-inc.org

January 7, 2001

The Hon. Kevin Foy
Chapel Hill Town Mayor
306 N. Columbia St.
Chapel Hill, NC 27516

Dear Mayor and Council,

I am pleased to report that EmPOWERment will be concluding its work on the Town's house at 501 Sykes Street by the end of January. Our performance agreement called for the project to be completed considerably earlier, but we ran into financing and regulatory issues which threw the project off track.

Nonetheless, we are quite pleased with the quality of the (nearly) finished product. I hope that you will consider this letter a request to extend the relevant deadlines in our performance agreement.

Also, there is an error in the performance agreement regarding the total cost of the project. In the process of negotiating the project, several budgets were exchanged between the staff and EmPOWERment. The final numbers that we submitted totaled to \$40,436.

It further appears that the actual budget for the project will be closer to \$43,600. We humbly request that you modify the performance agreement to reflect the \$43,600 figure, so that EmPOWERment will not have to lose money on this endeavor. An attached spreadsheet reflects the original proposal, the approximate amounts spent so far, and the amounts remaining to be paid.

If you have any further questions, I would be happy to respond to them when the council meets on this matter.

Sincerely,



Mark Chilton

(10)

As of Jan. 2001	Budget	Paid	To be paid
General			
Demolition and removal	\$ 1,000	\$ 1,950	\$ -
HVAC	\$ 3,200	\$ 2,700	\$ 700
Electrical (replace service)	\$ 3,600	\$ 2,600	\$ 800
Flooring (\$17/sy)	\$ 1,511	\$ 500	\$ 1,200
Total	\$ 9,311	\$ 7,750	\$ 2,700
Exterior			
Repair roof and fascia	\$ 3,200	2450	\$ -
Exterior doors & window repair	\$ 1,100	2375	\$ 250
Continuous gutters	\$ 700	450	\$ -
Foundation Vents	\$ 250	250	\$ -
Porches	\$ 750	250	\$ -
Landscaping & Driveway	\$ 1,500	3450	\$ -
Exterior Paint	\$ 1,500	1250	\$ -
Total	\$ 9,000	\$ 10,475	\$ 250
Interior			
Painting & sheetrock	\$ 2,750	\$ 2,750	\$ 700
Insulation	\$ 1,250	\$ 1,250	\$ -
Trim carpentry, interior doors	\$ 750	\$ 500	\$ 250
Interior Carpentry	\$ 750	\$ 500	\$ -
Misc. hardware and fixtures	\$ 350	\$ 150	\$ 200
Total	\$ 5,850	\$ 5,150	\$ 1,150
Bathroom & Plumbing			
Plumbing	\$ 4,000	\$ 3,300	\$ 700
Foundation	\$ 1,750	\$ 600	\$ -
Carpentry	\$ 750	\$ 750	\$ -
Lavatory	\$ 300	\$ 300	\$ -
Accessories	\$ 75	\$ 75	\$ -
Toilet	\$ 200	\$ 200	\$ -
8" SS sink	\$ 200	\$ 200	\$ -
40 gallon water heater	\$ 250	\$ 250	\$ -
Total	\$ 7,525	\$ 7,525	\$ 1,150
Kitchen			
Cabinets & Counter	\$ 5,000	\$ 1,700	\$ -
Range Hood	\$ 200	\$ 200	\$ -
Appliances	\$ 900	\$ 900	\$ -
Total	\$ 6,100	\$ 2,800	\$ -
Soft Costs			
Utilities	\$ 600	\$ 300	\$ 150
inspections	\$ -	\$ 250	\$ 100
Development Fee	\$ 2,050	\$ -	\$ 2,050
Underground utilities	\$ -	\$ -	\$ 1,800
Total	\$ 2,650	\$ 550	\$ 4,100
Total Rehab Budget	\$ 40,436	\$ 34,250	\$ 9,350
Acquisition Cost	\$ 55,000		
Rehab	\$ 40,436		
Total Development Cost	\$ 95,436		
Plus Closing Costs	\$ 2,500		
Total Project Cost	\$ 97,936		
Less grant to Community Land Trust	\$ 25,000		
Less Buyer Contribution	\$ 1,000		
First Mortgage	\$ 71,936		

Entire Scope of Work is unclear; a line item list of contingency items is included in the contingency column
 EmPOWERment would only charge actual costs plus \$2050 development fee (approximately 10% of hard costs)