

FUNDING APPLICATION

Section 1: APPLICANT AND PROJECT OVERVIEW

A. Applicant Information

Applicant Organization's Legal Name: Community Home Trust

Primary Contact Person and Title: Robert Dowling, Executive Director

Applicant Organization's Physical Address: 109 Conner Drive, Suite 1000, Chapel Hill, NC 27514

Applicant Organization's Mailing Address: PO Box 2315, Chapel Hill, NC 27515

Telephone Number: 919-967-1545

Fax Number: 919-968-4030

Email Address: rdowling@communityhometruster.org

B. Project Information

Project Name: Master leasing

Total Project Cost: 133,324

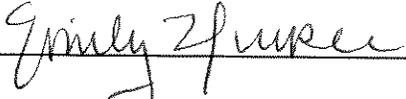
Total Amount of Funds Requested: 97,324

Please specify the **type** and **amount** of funding requested:

- Affordable Housing Fund: \$ _____
 Affordable Housing Development Reserve: \$97,324

Proposed Use of Funds Requested (*provide a concise description of proposed project*): We propose to use the funds to reduce the costs of rental housing to individuals and families earning less than 30% of AMI. CHT will lease apartments at about market rents and sub-lease those apartments to program participants at very affordable rent levels. The AHDR funds will assist with monthly rents, security deposits and utilities.

To the best of my knowledge and belief all information and data in this application are true and current. The document has been duly authorized by the governing board of the applicant.

Signature: 

Board Chairperson/Department Head

Dec. 20, 2018

Date

Section 2: PROJECT DESCRIPTION

Please provide a thorough description of the project (by answering the "who," "what," "when," and "where" questions about your project). **Do not assume the reader knows anything about the project.**

A. Project Name

1. Project Name. Master leasing pilot program

B. "Who"

1. Who is the target population to be served and how will their needs be addressed through this project? The primary population will be individuals and families earning less than 30% of AMI who are either homeless, at risk of homelessness or face obstacles to renting on the private market. As we know, there are very few, if any, apartments available to households that earn 30% of AMI or less. 30% of AMI for a one-person household is just \$16,950; for a two-person household it is \$19,400. We expect some of our tenants will have incomes well below the 30% AMI level. Since these incomes are so low (in fact, these income limits are referred to as Extremely Low Income by HUD) we propose that the program participants pay just 25% of their gross income towards gross rent. Decreasing the ratio from 30% of gross income to 25% allows tenants to retain roughly \$75 per month (pre-tax) for other expenses. We believe this reduced payment will be important to the success of the tenants, allowing additional money for food, transportation, clothing, etc.

2. Please indicate the income of the beneficiaries (households) to be served through the proposed project. Please see **Attachment 2** for the current income limits for the Durham-Chapel Hill MSA.

Income Group (Area Median Income)	Number of Beneficiaries	% of Total Beneficiaries
<30% of the AMI	5	100
31%-50% of AMI		
51-80% of AMI		
>80% of AMI		
TOTAL		

3. **Project Staff.** Please provide names of staff, contractors, and/or volunteers that will be involved with the project. Describe their responsibilities with the project and track record in successful completion of similar projects in the past. Community Home Trust will be the program administrator and will be responsible for executing the master lease with the landlord, make monthly rent payments to the landlord, review and evaluate participant applications, perform credit and criminal background checks on all tenants, verify incomes, determine monthly rents of each tenant, execute sub-leases with tenants, explain the master leasing program and the expectations of tenants (which will include paying their share of the rent on-time). We may also be involved in periodic inspections of the apartments and coordinate case management visits with both IFC and possibly CEF.
The CHT staff who will be involved in these activities are as follows:

Deanna Carson – our Home Ownership Program Manager will review and evaluate applications (as she does with our homeowner’s applications) and verify incomes

Felicia Stroud – our Operations Specialist, who works with all of our homeowner associations and serves as a liaison with tenants at the Landings (our 58-unit rental development). Felicia will perform background checks of all applicants and be the liaison between the landlord, tenants, and support service partners. She will also work towards developing relationships with tenants.

Jim Eichel – our Construction Manager, who oversees our rehab projects and outside contractors who perform work for our homeowner associations, will perform periodic inspections of the apartments

Lori Woolworth, our Director of Operations and Finance will determine monthly rents for tenants, oversee the program, execute leases with landlords, and collect rent payments.

Amy Slaughter, Sales Specialist, is a licensed Realtor and will execute sub-leases with tenants.

The IFC employee who will oversee case management will be Stephani Kilpatrick, their Residential Services Director.

Although we are new to the rental business, we are very familiar with many of the tasks that are essential to this master leasing program. I should mention that CHT will not be the property manager. That role will remain with the current property manager at Glen Lennox. However, we will be required to pay the full rent to the landlord each month (which we estimate to be on average about \$795). We will also be responsible for collecting rent from the tenants, which may represent an opportunity to visit with each tenant and develop relationships.

C. “What”

1. Type of Activity. Please check the category under which your project falls.

- | | |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------|
| <input type="checkbox"/> Acquisition | <input type="checkbox"/> Emergency shelter |
| <input type="checkbox"/> Predevelopment costs | <input type="checkbox"/> Transitional housing |
| <input type="checkbox"/> Infrastructure/site improvements | <input type="checkbox"/> Supportive housing |
| <input checked="" type="checkbox"/> Rental subsidy | <input type="checkbox"/> Rental/utility connection assistance |
| <input type="checkbox"/> New construction for homeownership | <input type="checkbox"/> New or redeveloped rental housing |
| <input type="checkbox"/> New construction for rental | <input type="checkbox"/> Second Mortgage Assistance |
| <input type="checkbox"/> Commercial property | <input type="checkbox"/> Community engagement to support future development planning |
| <input type="checkbox"/> construction/rehabilitation | <input type="checkbox"/> Other (specify): _____ |
| <input type="checkbox"/> Owner-occupied rehabilitation | |
| <input type="checkbox"/> Rental rehabilitation | |

2. Project Description. Please provide a general overview of your project, including what you are planning to produce and how you are planning to carrying out the project. The master leasing pilot program is a new model that has not been used previously in Chapel Hill. Rather than an investment in land or buildings, this proposal is to take advantage of rental housing that already exists and is available immediately and at a reasonable cost. We recognize that master leasing is not an investment in permanently affordable housing, which is our preferred means of providing affordable homes. However, buying or developing apartments that are affordable to households earning less than 30% AMI is very expensive and time-consuming. We know there are several permanently affordable projects in the planning stages that will include homes for this population, including CASA’s Merritt Mill Road

development and the Town's Homestead Road property. Unfortunately, both of those developments are probably two or more years into the future.

If funding is approved, master leasing allows us to serve 5 households who have no other housing options, in the very near future, most likely the spring of 2019. The owner of Glen Lennox, Grubb Properties, has agreed to work with us on this two-year pilot program. However, we will be evaluating the program's success at the end of one year.

Grubb Properties, the owner of Glen Lennox, has agreed to rent 5 apartments to Community Home Trust at market or slightly below market rate. We expect one-bedroom apartments to be about \$775. Utilities will be another \$150 per month, bringing the gross rent to about \$925. We expect our tenants will only be able to pay about \$350 towards this gross rent. However, we should emphasize that since we don't yet know who the tenants will be, we cannot be certain of their incomes. Assuming the tenants can pay \$350 towards the rent, the program would need to pay about \$575 per month for a one-bedroom apartment (including utilities). Tenants will be expected to pay their share of the rent to CHT on-time each month. CHT will in turn, pay the full monthly rent to Grubb Properties and be sure the utilities are paid. In an ideal situation, all five of our tenants always pay their share of the rent on-time and live peacefully within the Glen Lennox community. In this instance, after two years, we would hope the program would either be extended or that there will be equally affordable permanent housing options available to the tenants.

D. "Where"

1. Project Location. Please be as specific as possible. All five apartments will be in the Glen Lennox development, though we have not identified specific units.

2. Project Size (if applicable). Please provide the size of development site: NA acres

Please attach the following:

- Site map showing lot boundaries, locations of structure(s), and other site features
- General location map (at least ½ mile radius)

E. "When"

Attach a **detailed** timetable showing when each work task will be completed (e.g., planning; obtaining financial commitments; design; environmental review; bidding; loan closing; key milestones in construction; marketing; final inspection; occupancy; etc.): NA

F. Project Details

If the questions below are not applicable or the requested information is not currently available, please insert N/A.

1. Property Acquisition.

- a. Has your agency acquired real property in order to carry out the project, or is property acquisition planned? No, we will not be acquiring property.
- b. Is the property currently occupied? If so, attach a description of your plan to relocate. All apartments will already be vacant.

2. Construction Detail.

- a. How many units will be newly constructed? None
- b. How many units will be rehabilitated? None
- c. What is the square footage of each unit? 700 to 900 square feet
- d. What is the number of bedrooms in each unit? Some one-bedroom units; some two-bedroom units
- e. What is the number of bathrooms in each unit? All have one bathroom
- f. How many units will have full ADA accessibility? None
- g. Is the proposed project located in a Neighborhood Conservation District? (Neighborhood Conservation Districts apply only to projects located in Chapel Hill.) Yes
- h. Please attach the following: NA
 - Floor plan(s)
 - Elevation(s)
 - List of Energy Efficiency measures included in the project (if applicable)
 - List of Universal Design principles included in the project (if applicable)

3. Affordability, Marketing, and Supportive Services.

- a. Describe any methods to ensure long-term affordability of housing units, including subsidy recapture, equity sharing, deed restrictions, etc.: No long-term affordability.
- b. What are the proposed rents (including utility costs) or sales prices for completed units? One-bedroom units are approximately \$775 per month without utilities; two-bedroom units are approximately \$850 per month without utilities.
- c. Explain your agency's process for marketing to ensure an adequate pool of income-eligible renters to buyers: We expect to receive referrals for these five apartments from IFC and CEF. We expect to have plenty of applicants for these apartments.
- d. What supportive services, if any, will be provided through this project? Through a sub-contract with IFC, a Case Manager will provide light-touch case management services, working collaboratively with tenants to coordinate support needed to maintain their housing and achieve goals that they set for themselves. This includes connecting to community resources such as food, clothing, income resources, educational resources, and mental health, medical, and substance use treatment. They will work closely with the

property managers and CHT to help problem solve any issues relating to tenancy. The Case Manager will allocate 20 hours each month to the program, which is an average of 4 hours each month per tenant.

Section 3: PERFORMANCE MEASUREMENTS

A. Goals and Objectives

Please complete the following chart with information about the project's goals and objectives.

Goal/Objective	Measurement
<i>Ex: Provide housing for low- to moderate-income households.</i>	<i>Ex: By 2016, build ten units that are affordable to low- to moderate-income households.</i>
<u>Provide safe and affordable housing for five extremely low-income households</u>	<u>Can our applicants afford the expected rents in the apartments that have been master leased?</u>
<u>Provide "light touch" case management to assist clients with non-housing needs</u>	<u>Are clients/tenants able to adjust to living in a market-rate development?</u> <u>Are they successful? Or will they require more services than the master leasing program is able to offer?</u>
<u>Coordinate services with the landlord (Grubb Properties) to enable the program to be successful both for the tenants and the landlord.</u>	<u>Will Grubb be willing to continue the program after the first year?</u>
<u>Enable tenants to develop necessary skills, such as paying their rent and utilities on time each month.</u>	<u>Do tenants make timely rent and utility payments? Do they respond to coaching if it is necessary?</u>
_____	_____

B. Alignment with Town Council Goals and adopted affordable housing strategies.

Please explain how the proposed project aligns with the Town Council Goals and adopted affordable housing strategies. The Town's Affordable Rental Housing strategy, approved by the Council in March 2014, emphasizes the need to devote resources to rental housing to increase the supply of affordable rentals. Specifically, the approved policy advocates to "provide rental subsidies for households earning less than 60 percent AMI". The policy does not specifically mention master leasing, which was not a model under consideration back in 2013/14.

Section 4: PROJECT BUDGET AND PRO-FORMA

A. Project Budget

- Attach a **detailed project budget** showing all sources and uses of funds. Attach funding commitment letters where available or copies of funding applications previously submitted.

B. Terms of Project Funding

Please specify the type of funding request for which you are applying:

AHF: Grant Loan

AHDR: Grant Loan

C. Pro-forma (for rental property only)

- If you are developing a property for rent, please attach a 20-year pro-forma showing estimated income, expenses, net operating income, debt service, and cash flow.

Section 5: AGENCY DESCRIPTION

A. Organization

What is your organization's . . .

1. Mission statement? To strengthen our community with permanently affordable housing opportunities
2. Incorporation date (Month and Year)? March 1990
3. Estimated Total Agency Budget for this fiscal year? \$ 978,000
4. Total number of agency staff (full time equivalents): 9.5

B. Agency Track Record and Community Support

Please describe your agency's experience and ability to carry out the proposed project, including:

1. Evidence of coordination of this application with other organizations to complement and/or support the proposed project: CHT has long experience in housing, but is very new to rental housing. We are proposing to initiate master leasing as a limited pilot program for several reasons:
 - It will be less expensive than a more robust program
 - It will allow us (CHT, IFC, Justice United, etc.) to learn how to best operate the program when it is small and manageable
 - It entails fewer risks both for CHT and for prospective landlords

It will also be helpful that we have partners, such as IFC, Justice United and CEF, who are very interested in the success of the master leasing program. Those organizations will be referring clients (IFC and CEF), assisting with case management (IFC), providing funding (JU has a commitment for private funding assistance) and assisting with program evaluation (JU). Each of these partners will help to ensure the success of this pilot program.

2. Involvement of intended beneficiaries of the project in the planning process: Intended beneficiaries have been involved in crafting the master leasing proposal and in discussing the program with local elected officials. Several potential beneficiaries worked with Devin Ross of Justice United to meet with members of the Town Council last summer.
3. Past achievements in carrying out similar projects and evidence of successful record of meeting proposed budgets and timetables: Although CHT has not administered a program like master leasing in many years, we do have extensive, relevant experience in housing (including verifying incomes, explaining complex documents and managing home owner associations). I should mention that we administered a program many years ago (1998 – 2006) that was similar to master leasing. We owned three apartments that were rented to clients of OPC Mental Health, all of whom were very low income. We can certainly manage the housing aspects of the master leasing program, but we are not social workers. So, I am grateful to have the support of our partners, particularly IFC, to provide case management as needed.
4. Collaborative relationships with other agencies: We have enjoyed collaborative relationships with other organizations for many years – most recently in Northside, where we partner with Self Help and the Jackson Center to provide ownership housing to families.
5. Plans to develop linkages with other programs and projects to coordinate activities so solutions are holistic and comprehensive: As stated above, this master leasing initiative represents a coordination with organizations we have not typically partnered with in the past. I am hopeful that this program will be successful, thereby leading to other creative initiatives in the future.
6. Any other features relating to organization capacity that you consider relevant, (i.e. property management experience, including accepting Section 8 Vouchers, etc.): As proposed, I believe CHT has the organizational capacity to manage the master leasing program. Having said that, it's also an opportunity for us to expand our knowledge within the rental realm. It's also an opportunity to strengthen our relationship with Grubb Properties, a significant developer who is just beginning the redevelopment of Glen Lennox.

Section 6: DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Are any of the Board Members or employees of the agency which will be carrying out this project, or members of their immediate families, or their business associates:

- a) Employees of or closely related to employees of the Town of Chapel Hill?
YES NO
- b) Members of or closely related to members of the governing bodies of Chapel Hill?
YES NO
- c) Current beneficiaries of the project/program for which funds are requested?
YES NO
- d) Paid providers of goods or services to the program or having other financial interest in the program?
YES NO

If you have answered YES to any question, **please explain below**. The existence of a potential conflict of interest does not necessarily make the project ineligible for funding, but the existence of an **undisclosed** conflict may result in the termination of any grant awarded. The board of CHT includes representatives of all the local governments, including a member of the Town Council.

Community Home Trust

Master Leasing Pilot Budget

Two years Year 1 Year 2

Income

Tenant Rent Payments	\$ 21,000	\$ 21,000	1
<u>Total Income</u>	<u>\$ 21,000</u>	<u>\$ 21,000</u>	

Essential Expenses

Rent (5 units)	\$ 48,600	\$ 49,200	2
Utilities	\$ 9,000	\$ 9,270	3
Admin and Support Services	\$ 15,035	\$ 14,676	4
Administrative Costs	\$ 2,100	\$ 1,941	5
<u>Total Guaranteed Expenses</u>	<u>\$ 74,735</u>	<u>\$ 75,087</u>	

Subtotal: \$ (53,735) \$ (54,087)

Contingent Expenses

			8
Eviction/Bad Debt	\$ 126	\$ 3,694	6
Vacancies	\$ 700	\$ 700	
Excess damages	\$ 2,000	\$ 2,000	
Security Deposits	\$ 4,050	\$ 820	
Furnishings	\$ 5,000	\$ 1,000	
Contingency	\$ 3,000	\$ 3,000	7
<u>Total Contingent Expenses</u>	<u>\$ 14,876</u>	<u>\$ 11,214</u>	

<u>Net Income/Loss</u>	<u>\$ (68,611)</u>	<u>\$ (65,301)</u>	
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Estimated Two Year Cost \$ 133,912

Notes:

1. Tenants will pay \$350 per month in rent (on average)
2. Rents average \$810 per month in Year 1 and \$820 in Year 2
3. Utilities average \$150 per month
4. CHT administrative costs are about \$4,000 annually; case management is about \$11,000 annually
5. Background and criminal checks, mileage, supplies and program evaluation
6. We have budgeted for one eviction in Year 2; hopefully unnecessarily
7. Contingency will cover any costs we have not considered
8. Most contingent expenses will not be incurred; any unused funds will be returned to the Town