

CITY OF DAVIS
2003-2004 COMMUNITY DEVELOPMENT BLOCK GRANT APPLICATION

Organization Name: Community Housing Opportunities Corporation

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(Be sure to list the best contact to get information to the organization as quickly as possible.)

Total Proposal Request: \$ 37,230

(Check one) On-going Support New Project

CDBG Eligible Category: Housing/Special Activities by Sub-recipients
(See List A)

National Objective Compliance/Low and Mod Benefit: Housing
(See List B)

City Council Identified Critical Needs: (See List C)

- 1) Development of Affordable Units
- 2) Rental Subsidy

PUBLIC SERVICE

NON-PUBLIC SERVICE

Beneficiary Information:

20 Total number of beneficiaries in program

20 Total number of beneficiaries in program served with CDBG funds

100% Percentage of the CDBG beneficiaries with low/moderate income

\$1,861 Cost per CDBG beneficiary (CDBG Request/CDBG Beneficiaries)

PROJECT NARRATIVE

a. Need

UC Davis' 2002 Apartment Vacancy/Rental Rate survey documents a vacancy rate of .2%. Average rents for 1-bedroom units are now \$749 a month which is affordable to a household with an annual income of at least \$30,000 (70% of median for a 2-person household). All of the single-parent beneficiaries of our Rental Assistance Program have incomes below \$20,000 a year (under 40% of median for a 2-person household).

Average home prices in Davis exceed \$300,000. The dwindling inventory of inclusionary single family lots that are zoned but not built is hovering around 250 – 95% of which will be affordable at 120% of median income (\$68,400 for a 4-person household). That leaves a significant gap in the City's spectrum of housing options for low and moderate-income households. Two of the priorities the City's draft housing element has highlighted for creating opportunities for entry level home ownership are developing new financing models for affordable ownership and enhancing long-term affordability controls.

b. Benefit - As part of the Housing Resources CHOC provides in Davis, the Rental Assistance Program is designed to address the barriers that extremely low-income residents face in securing affordable housing in Davis. The Program targets households with incomes below 35% of area median, with a priority on individuals who are transitioning from welfare to work. The program will bridge the gap between their full rent and 40% of their household income. Affordable Ownership Opportunities - Families who are over-income for income-restricted affordable rental housing but unable to afford to buy a home are paying average rents the equivalent of a healthy mortgage payment. Average Davis rents for a 3-bedroom rental are \$1,383 a month which is affordable to a 4-person family just below median income. Development of a land trust program will offer an alternative affordable ownership model.

c. Other Resources and Collaboration **Housing Resources** - STEAC, the County Department of Employment and Social Services, Davis Community Meals and for-profit landlords have each been referral sources for Rental Assistance Program beneficiaries. CHOC will use previously awarded funds for rental assistance payments.

d. Organizational Capacity - Since its establishment in 1984, CHOC has developed housing projects totaling more than 1,100 multi-family units and 74 single-family homes in Davis, Sacramento, Woodland, West Sacramento and Fairfield. CHOC has a core staff of 15 plus 38 full-time and part-time site-based property management, maintenance and resident services employees at our multi-family properties. CHOC's property management affiliate, Sterling Asset Management Company ("SAMC") is a

HUD-approved, licensed California real estate broker that serves exclusively as a property management agent.

SCOPE OF SERVICES

Project Descriptions

Affordable Ownership Opportunities – With a goal of creating new models of providing and sustaining affordable home ownership, the City is addressing a challenge that high cost housing markets across the State are facing. Part of that challenge is determining the feasibility of the new models and identifying barriers to implementing them on a programmatic basis before they are taken up on a project-specific basis. A key barrier can be the ability to attract below market financing from public and private lenders for housing that does not fit conventional underwriting or program guidelines. The City has recently financed a limited equity cooperative as one program approach. Other program models exist, such as land trusts, that should be explored to expand the options for affordable ownership.

Land trusts have been used on a small scale in California and more widely in other States, notably Oregon and Massachusetts. One of the key hurdles in California has been limited knowledge among conventional lenders of the use of land trusts for home ownership. CHOC proposes to develop a programmatic approach to assessing the feasibility of developing a land trust in Davis including working with lenders to determine loan underwriting criteria for homes built on land trusts and to identify secondary mortgage markets for those loans which can reduce lender risk.

Housing Resources - CHOC proposes to continue to operate the Rental Assistance Program which provides assistance to bridge the gap between 40% of a recipient's monthly income and the fair market rent for an appropriately-sized unit for a maximum of 12 months. Eligibility is restricted to households below 35% of median income. Payments are made directly to landlords. CHOC's staff screen program applicants, evaluate their capacity to achieve self-sufficiency, inspect the proposed rental units to be sure they meet basic health and safety standards, enter into rent assistance contracts with the landlord and the tenant, manage the monthly rent payment and accounting functions, and provide individualized support to program beneficiaries.

The Program has assisted a total of 26 participants over the past 3 years. We are seeing declining numbers of applicants who are able to utilize the program. We trace that decline to a combination of the minimal vacancy rate in the City and deficiencies in most applicants' rental and credit profiles that make them highly disadvantaged in a tight rental market. For those beneficiaries who are able participate it is often a rescue from losing their housing and facing homelessness. We estimate that 20 applicants will be screened and up to 5 will qualify and receive rental assistance.

b. Target Group

PROJECT/ACTIVITY	# HOUSEHOLDS	INCOME LEVEL
Home ownership		80%
Housing Resources	20	35%
Total	20	

c. Outreach

Home Ownership – CHOC will develop a housing land trust model based on existing land trusts both within California and in other states with the goals of:

- developing organizational and management criteria
- assessing effectiveness in achieving affordability for low-income households
- structuring financing models and working with area lenders to develop a land trust loan program

Housing Resources - CHOC will continue to target its marketing and outreach efforts for the Rental Assistance Program through the following channels:

- Enlisting the support of area landlords and property management companies
- Owners/managers of rental properties with on-site affordable units
- Collaboration with local social service agencies
- Informational flyers distributed through City offices and CHOC’s marketing office
- Yolo County Department of Employment and Social Services

**2003-04 CDBG
WORK PLAN**

PROJECT	PRODUCT	UNITS/ BENEFICIARIES	SCOPE OF SERVICE: JULY 03 – JUNE 04
LAND TRUST	Low-income home ownership		Develop land trust model; Develop land trust program feasibility criteria; Develop financing model for land trusts with 1 or more conventional lenders
HOUSING RESOURCES	Rental Assistance	20/5	Ongoing operation of rental assistance program

COMMUNITY HOUSING OPPORTUNITIES CORPORATION

2003-2004 CDBG

BUDGET SUMMARY

	<u>TOTAL</u>	<u>Home Ownership</u>	<u>Housing Resources</u>
Salaries	\$20,050	\$16,587	\$3,463
Fringe Benefits	\$4,010	\$3,317	\$693
Overhead	\$8,020	\$6,635	\$1,385
Arch/Consultant	\$5,000	\$5,000	
Marketing/Outreach	\$150		\$150
Total	\$37,230	\$31,539	\$5,690