

Context for Master Leasing Proposal

Over the summer of 2017 JU leaders (including homeless leaders from the Interfaith Council for Social Service and members of the Community Empowerment Fund) spoke with close to 600 members of their community and surfaced urgent concerns around the difficulty faced by residents earning less than \$22,000 / year (30% AMI) in finding safe, decent, affordable housing.

Residents reported multiple barriers to housing which include extremely low incomes, criminal background, poor credit rating and past delinquent rent payment.

JU leaders learned through subsequent research that there are currently zero units on the private market in Orange County affordable to residents with extremely low incomes. Only 46 new, subsidized units affordable to residents earning less than 30% AMI are planned for development in the next five years - far lower than what is needed. Currently there are over 70 residents at the IFC shelters alone.

Master Leasing Proposal

In partnership with the Chamber of Commerce and area housing providers, JU's Affordable Housing Team has developed a master leasing strategy to address the urgent affordable housing crisis in Orange County.

Think of Master Leasing as subletting with a social mission. Rather than buy or build units, we would lease them. A non-profit organization would master lease rental units throughout the community at existing market rates and then sublease the units at affordable rates to qualified, pre-screened tenants.

Currently thousands of private market units in Orange County are affordable to residents earning 50% - 80% AMI. With some subsidy, these units could be affordable to residents earning less than 30% AMI. Master leasing allows us to take advantage of these units while new, permanently affordable units are constructed.

The proposal for master leasing offers these advantages:

- Housing now: Housing extremely low income people within months instead of years, taking advantage of the thousands of existing units on the private market while new, permanently affordable units are constructed.
- Affordability: Supporting tenants according to their income through flexible subsidies adjusted periodically as the means and needs of the tenants change.
- Accessibility: Housing people facing barriers difficult to overcome in the commercial housing market.
- Reduced Risk to Landlords: Assuring landlords that tenants will be interviewed and vetted through a rigorous application process, that landlords will receive timely rent payment from the project without lapse for the length of the lease, and that their property will be protected.

Master Leasing Cost Estimate

The following table shows cost estimates for a ten unit pilot program, based on the assumption that the program will be administered by an existing non-profit housing provider with some excess staff capacity.

Subsidies reflect current market prices of available units at Glen Lennox apartments, and the current income of IFC shelter residents.

Master Leasing Cost Estimates, Year 1	
Tenant Subsidies	\$60,000
Vacancies	\$592
Utilities Expenses	\$18,000
Administrative Cost	\$8,435
Support Services Cost	\$14,850
Background Checks	\$400
Evictions and bad debt	\$107
Bank Charges/NSF	\$40
Excess damage to property	\$2,500
Mileage and supplies	\$500
Evaluation	\$ 2,500
Subtotal of expenses:	\$107,924
Add: Contingency 5%	\$5,000
Total costs:	\$112,924
Per Unit Cost	\$11,292

Master Leasing Strategy

The JU Affordable Housing Team has identified three benchmarks necessary to launch the master leasing program: 1) identify private sector property owners willing to participate in the program; 2) recruit a non-profit housing provider with a proven track record to administer the program; 3) win multi-year, long term funding commitments. The Team has made progress on all three fronts.

First, the Team has partnered with the Chapel Hill Chamber of Commerce to recruit private sector property owners. This partnership has already seen success. On April 10, Clay Grubb, CEO of Grubb Properties, attended JU's Assembly and made a public commitment to enter up to 10 housing units into the master leasing program at his Glen Lennox property in Chapel Hill.

Second, the Community Home Trust, a non-profit affordable housing provider in Chapel Hill and Carrboro, is actively considering taking on the administration of this program.

Third, the project has been invited to apply for funding from the Town of Chapel Hill's Affordable Housing Development Reserve Fund in late August, early September. This fund is created through the allocation of a penny of the property tax in Chapel Hill (~\$688,000 / year), and represents the type of long term funding necessary to sustain master leasing.

Over the course of the summer, the Team will engage in small group conversations with Town Council members, briefing them on the importance of the master leasing strategy and the need for housing now.

Finally, the Team proposes that at least 75 JU members attend the Town Council Meeting on September 26 where funding decisions will be made (date may change).