

**AMITY STATION FOLLOW-UP INFORMATION
REQUESTED BY COUNCIL SUBCOMMITTEE
(Draft, Nov. 18, 2018)**

Council Questions

Affordable Housing:

- **Council Question:** What amount of parking with the affordable units might be desirable?
- **Staff Response:** In a car-dependent area such as Chapel Hill, the parking ratio for affordable units should not differ from market rate units. The presumption is that car ownership for households living in a 1BR apartment and earning 80% of AMI would not differ from that of households paying market rate for a 1BR apartment.

If targeting specific populations that are known to drive less, such as the elderly or disabled, it may make sense to consider reducing parking assumptions for affordable units.

The NC Housing Finance Agency Qualified Action Plan, which details the selection criteria and application requirements for state Low Income Housing Tax Credits, requires a minimum parking ratio of 1.75 spaces for family projects and 1 space per unit for senior projects, both targeting households earning less than 60% of AMI. In a recent tax credit project, a Town affordable housing developer partner provided 1.5 spaces per unit for a site serving both families and seniors in adjacent buildings.

Council Question: Who do we envision living in the affordable housing here?

Staff Response: The proposed affordability level of 80% AMI is equivalent to \$45,150 for a single-person household and \$51,600 for a 2-person household.

The demand for affordable housing in Chapel Hill is strong, and is likely to fill quickly by whomever can apply first. 42% of households in Chapel Hill make less than \$50,000, or approximately 80% of AMI for a 2-person household.

Council Question: Will the micro units suffice? For whom might they provide a good housing option?

Staff Response: The applicant has not proposed the micro units to be offered as affordable units. Their proposed rents (\$1100-\$1200) are much higher than the area Fair Market Rent of \$834. The applicant might have a specific demographic or profile in mind for renters of micro units.

Council Question: What other guidance does Staff have on affordable housing in the project?

Staff Response: Current affordable housing strategies we recommend considering include:

- **Employee Housing Incentives:** designate affordable units for public employees. Security deposit and utility connection assistance could be provided through the recently adopted Employee Housing Incentive program.
- **Master Leasing:** lease a set of affordable units to the Town or another housing partner to manage. An example of this strategy is the agreement with the Grove Park development for the Town to rent the units for \$1/month for 30 years.
- **Deeper affordability:** providing affordable units to households at lower income levels (60% AMI and below) Rents serving households at 60% of AMI would range from \$848 for a 1 person household to \$968 for a 2 person household.
- **Monitoring:** jointly develop and agree upon implementation of a monitoring process to ensure that residents meet the established affordability requirements. For example, an annual certification of income.
- **Performance Agreement:** development of an affordable housing performance agreement, as required in the Inclusionary Zoning Ordinance, that could include the following information:
 - the approximate square footage of each affordable unit;
 - the location of the affordable units;
 - rental rates; and
 - use of energy efficient and durable design materials to minimize ongoing maintenance cost for the units.

Development Features and Finance

- See responses from Development Team in ***Attachment 3: Updated Development Team Proposal for Amity Station.***

Economic Development:

- **Council Question:** What amount of public parking would be desirable?
- **Staff Response:** I believe that there is a minimum demand for 100 spaces in the west end of downtown and there is an additional opportunity to help stand up additional office space and other developments in downtown. The overall demand could range from 100-500 spaces to support current and future growth.
- **Council Question:** How might the commercial space fit into the plans of the Town and/or its partners to provide entrepreneurial space?
- **Staff Response:** Launch has yet to map out future plans and there are other growth opportunities that might rate equal to this option. It is a good location for such use and given a commitment of partners and private investors could make this a unique and desirable opportunity. There remains a need for space for growing companies and this could be the right location for such activity.
- **Council Question:** Would the commercial space provide a return on investment (under market and subsidized levels)?

- **Staff Response:** It would be for the creation of jobs more than anything. The financial return would be on the creation, retention and expansion of companies in our local economy which supports job growth.

Site Considerations

- **Council Question:** Is there additional information we should know about Nunn Alley?
- **Staff Response:** The alley is adjacent to the proposed project. As a result, we'll be looking to any adjacent development project to make improvements to a transportation facility running along its property. In this case, the Town standards include access for pedestrians, bicycles, and fire vehicles, but not a regular vehicular connection. Staff can scope this out in more detail once there is a more specific development plan to review.

Public Finance:

- **Council Question:** What are the implications of providing a tax abatement? Can a tax abatement (or other Town payment) be provided over a number of years?
- **Staff Response:** Pursuant to G.S. 105-380, governing bodies are prohibited from releasing, refunding, or compromising all or any portion of taxes levied against a property within its jurisdiction. This makes providing a tax abatement illegal under North Carolina law.

However, local governments do have the authority to offer incentives granted through G.S. 158-7.1. This statute allows local governments to provide cash incentives for developments that is contingent on investment in taxable property, creation of jobs, etc.

Financial Impact:

One-time payment:

There are three scenarios that have been presented by the developer that call for a tax abatement. The first two scenarios request a one-time payment of \$929,498 from the Town to be paid directly to the developer, while a third scenario requests a one-time payment of \$2.8 million from the Town directly to the developer.

At this time, a payment of this magnitude would require the Town to allocate Fund Balance from the General Fund. A healthy fund balance is vital for local governments for a number reasons such as cash flows, insurance against emergencies, etc. A stable fund balance also factors into a Town's bond rating which can determine the interest rates for borrowings. As of June 30, 2018, the Town of Chapel Hill had a 22.1% unassigned General Fund fund balance, which is average (22%) for a NC AAA bond rated jurisdiction of the Town's size. Using fund balance for this purpose would have an adverse effect on the Town's fund balance percentage.

Annual payment (15 year timeframe):

The alternative to the one-time payments for each of the three scenarios is an annual payment over a 15-year period.

Summary of Proposed Scenarios

	Valuation	Town Property Tax	Annual Payment	Net Gain
Scenario #1	\$ 61,960,512	\$ 351,638	\$ 100,000	\$ 251,638
Scenario #2	64,977,516	369,680	100,000	269,680
Scenario #3	68,319,512	389,665	300,000	89,665

In both scenarios #1 & 2, the Town would pay \$100,000/year for 15 years, while in scenario #3 the Town would pay \$300,000/year for 15 years. The charts below shows the amount of property taxes that would be generated to offset these payments for each scenario:

Annual Property Tax Revenue at Full Build-out - Scenario 1

Proposed Property Use

Property Use	Projected Value at Full Build-Out	Town of Chapel Hill (52.8 cents)	Downtown Service District Tax (7 cents)	Orange County (85.04 cents)	School District (20.18 cents)
Mixed Use	\$ 61,960,512	\$ 327,152	\$ 43,372	\$ 526,912	\$ 125,036
Less current tax		16,675	2,211	26,857	6,373
Total	\$ 61,960,512	\$ 310,476	\$ 41,162	\$ 500,055	\$ 118,663

FY19 Tax Rates	0.00528	0.0007	0.008504	0.002018
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Current Tax (from County Assessment Records)

	Town of Chapel Hill	Downtown Service District	Orange County	School District
Parcel # 9788178220	\$ 6,094	\$ 808	\$ 9,814	2,329
Parcel # 9788178053	8,190	1,086	13,191	3,130
Parcel # 9788179085	2,391	317	3,851	914
Total	\$ 16,675	\$ 2,211	\$ 26,857	\$ 6,373

Notes

1. Projected Values based on estimate provided by developer
2. Tax Rates are based on FY19 rates
3. Current Taxes on property from County Tax Records

Annual Property Tax Revenue at Full Build-out - Scenario 2

Proposed Property Use

Property Use	Projected Value at Full Build-Out	Town of Chapel Hill (52.8 cents)	Downtown Service District Tax (7 cents)	Orange County (85.04 cents)	School District (20.18 cents)
Mixed Use	\$ 64,977,516	\$ 343,081	\$ 45,484	\$ 552,569	\$ 131,125
Less current tax		16,675	2,211	26,857	6,373
Total	\$ 64,977,516	\$ 326,406	\$ 43,274	\$ 525,711	\$ 124,751

FY19 Tax Rates	0.00528	0.0007	0.008504	0.002018
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Parcel # 9788178220	\$ 6,094	\$ 808	\$ 9,814		2,329
Parcel # 9788178053	8,190	1,086	13,191		3,130
Parcel # 9788179085	2,391	317	3,851		914
Total	\$ 16,675	\$ 2,211	\$ 26,857		\$ 6,373

Notes

1. Projected Values based on estimate provided by developer
2. Tax Rates are based on FY19 rates
3. Current Taxes on property from County Tax Records

Annual Property Tax Revenue at Full Build-out - Scenario 3

Proposed Property Use

Property Use	Projected Value at Full Build-Out	Town of Chapel Hill (52.8 cents)	Downtown Service District Tax (7 cents)	Orange County (85.04 cents)	School District (20.18 cents)
Mixed Use	\$ 68,319,512	\$ 360,727	\$ 47,824	\$ 580,989	\$ 137,869
Less current tax		16,675	2,211	26,857	6,373
Total	\$ 68,319,512	\$ 344,052	\$ 45,613	\$ 554,132	\$ 131,496

FY19 Tax Rates	0.00528	0.0007	0.008504	0.002018
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Parcel # 9788178220	\$ 6,094	\$ 808	\$ 9,814		2,329
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