

## 11-17-2021 Town Council Meeting Responses to Council Questions

### **ITEM #17: Update on Town Affordable Development Projects: Trinity Court and Jay Street**

#### **Council Question:**

In the discussion of item 17 it was noted that 9 percent LIHTC funding would not require a Town subsidy, but 4 percent would. Do we have a preliminary estimate of how much that subsidy would be?

#### **Council Question:**

How much Town subsidy is estimated for Jay St and Trinity Ct if we have to do 4% for one of them?

#### **Staff Response:**

*At this point in project planning, both development teams have preliminary funding gap estimates. It is currently estimated that a 9% Low-Income Housing Tax Credit (LIHTC) allocation would not require Town subsidy. A 4% LIHTC allocations would create subsidy gaps of around \$2-3.5 million. Please note that these estimates are not Town subsidy estimates but are total funding gap estimates that could be addressed through Town, County or other sources. These estimates could change as the development teams finalize their site plans ahead of submitting their conditional zoning applications in early December, and once the North Carolina Housing Finance Agency's (NCHFA) rules and scoring criteria for this year's LIHTC allocations are finalized.*

*Another factor that could influence the funding gap is the affordability mix of the projects. While both projects propose serving a range of income levels from below 30% to 80% of Area Median Income, any shifts in the affordability scenario will impact the funding needed.*

*Based on the developers' current estimates, the funding gap (including Town subsidy and other sources) for Trinity Court and Jay Street in a 4% tax credit scenario are:*

- *Trinity Court: between \$2 and \$2.7 million*
- *Jay Street: between \$3 and \$3.5 million*

*While the developers anticipate seeking affordable housing bond funding to cover much of the estimated funding gap, they have identified other funding sources that could help fill the subsidy gap, such as project-based vouchers from the County, the Federal Home Loan Bank Affordable Housing Program, HOME funding from Orange County, and American Rescue Plan funds, among others.*

*The Trinity Court project falls within a Qualified Census Tract (QCT), which would result in as much as a 30% increase in the amount of equity the project can receive in a 4% tax credit*

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*scenario. The Jay Street project falls just outside of this QCT, so it would not be eligible for this benefit and would require more gap funding if using the 4% tax credit.*

*It is also possible that instead of pursuing a 4% tax credit award, one or both projects could apply again for a 9% tax credit award in 2023.*

### **Council Question:**

Could you share more about the management structure once the Trinity Court re-development is done, including:

- What will the Town's role be in management?
- Can the buildings be sold?
- How do we ensure the units stay affordable to lowest income levels permanently?

### **Staff Response:**

*Under RAD, Trinity Court will be removed from the Town's Public Housing portfolio and converted into Housing Choice Voucher (formerly the Section 8 program) units with a long-term contract that, by law, must be renewed in perpetuity. In the Memorandum of Understanding, signed with the Community Housing Partners (CHP), the Town and Developer agreed that: As stated in the RFQ, "the Town anticipates retaining ownership of the Site by entering into a long-term ground lease with the selected Partner at minimal cost. The terms of the ground lease will be included in the negotiated agreement to develop the site." Any arrangement must ensure and provide for the return of an unencumbered Site to the Town if the Site is no longer being used to provide affordable housing for the community as specified in the Final Contract.*

*Our development team will be responsible for the overall management, operation, maintenance, and resident services during the term of our long-term ground lease.*

*Our goal is to partner with Orange County Housing & Community Development to manage the vouchers until we are able to develop sufficient capacity with the Public Housing staff to manage that task.*

*Once the property returns to the Town at the conclusion of the ground lease, Council could determine what is done with the buildings on the property.*

### **Council Question:**

Have we considered keeping the 30% and below requirement regardless of the funding source(s)?

### **Staff Response:**

*I am interpreting the question to mean including 25% at 30% or below AMI in the project*

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*whether or not we receive the 9% tax credit? Developers will get one point for doing so but only if it is a 9% application.*

*However, if instead, the question is could we make the project a fully (or mostly?) 30% AMI project, the answer is somewhat different.*

*Establishing the redeveloped Trinity Court as a 30% and below housing community is not allowed if we wish to continue to under the Rental Assistance Demonstration (RAD) and/or the Low-Income Housing Tax Credit (LIHTC) provisions. The Property Based Vouchers (PBV) would cover the 40 existing units that we are replacing but would not be guaranteed for the additional units.*

*In the case of Trinity, we are expecting an increase of 14 units. Without the incentive of being able to provide a mixed income rental community, it would be difficult to find a development team willing to partner with us due to the low return on their investment.*

*Additionally, the amount of Town subsidy required for an all 30% or lower AMI community could prove to be cost prohibitive.*

*Finally, the Department of Housing and Urban Development (HUD) requires each Public Housing Agency to submit an annual plan. The annual plan must include a policy that provides for deconcentration of poverty and income mixing in public housing developments.*

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The timeline on p. 550 of the packet says that an entitlement has to be in place as part of the 9% LHITC application process. Can we make the entitlement contingent on getting the 9% funding? If not, does the town have any obligations to fund the project once an entitlement has been granted if it has been turned down by LHITC?

#### **Staff Response:**

*The NCHFA does state that “required zoning must be in place by the full application deadline, including special/conditional use permits, and any other discretionary land use approval required (includes all legislative or quasi-judicial decisions).” (per the [draft 2022 QAP<sup>2</sup>](#)). The intent of this program rule is to show that a project would be able to meet the tight timelines required to close and reach completion and lease-up within 2 years of receiving tax credit funding.*

*The Council’s approval of the Trinity Court or Jay Street conditional zoning applications would allow the proposed site plans to be built at the site, should the developer, or anyone else, decide to move forward with the project. The conditional zoning approval is not associated with the allocation of any Town funding to the project.*

*Council will consider whether to award affordable housing funding in a separate vote at a later date. If Council approves funding for either project, the Town would enter into a funding agreement with the developer that lays out the terms of the award. The Town’s funding agreements are always contingent on a project moving forward, but could also be contingent on a developer securing certain additional funding awards, such as LIHTC. However, in a 9% scenario it is unlikely that either project will require any Town funding. Town staff will need to consider how to fund either or both projects if they do not receive a 9% tax credit in 2022.*

*Over the next few months, affordable housing staff will assemble a strategy for how to allocate the \$5 Million in affordable housing bond funding to Town projects given the uncertainty of the tax credit awards. We plan to issue a request for proposals for affordable housing bond funding in early 2022 and expect Council to review the recommended funding plan in April or May 2022.*

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<sup>2</sup> [https://www.nchfa.com/sites/default/files/page\\_attachments/QAP22-Second Draft 2022 QAP.pdf](https://www.nchfa.com/sites/default/files/page_attachments/QAP22-Second Draft 2022 QAP.pdf)