

HR&A +



Town of Chapel Hill Affordable Housing Plan

Town Council Update

June 2023

Agenda

Introduction

Affordable Housing Plan & Investment Strategy

Discussion and Next Steps



01

Introduction

INTRODUCTION

Our objective today is to preview the contents of the Affordable Housing Plan & Investment Strategy and receive feedback from Town Council for the Plan.

April 26th Meeting

Present findings of existing conditions review, including:

- Affordable housing challenges
- Review of current programs and policies

Discuss preliminary strategic direction for the Affordable Housing Plan

Today's Meeting

Preview the Affordable Housing Plan and its recommendations.

Discuss feasibility and alignment of recommendations with Town capacity and priorities.

Guiding Questions

- Do the recommendations in the Plan align with the Town's affordable housing objectives?
- Do you foresee any funding, programming, or other challenges with implementing recommendations in the Plan?

INTRODUCTION | PLANNING PROCESS

The process to develop the Affordable Housing Plan and Investment Strategy began in January 2023 and will conclude in September with the adoption of the Plan.



INTRODUCTION | PLAN OVERVIEW

The Plan communicates the Town's strategic framework to address its housing challenges and identifies resources required to build on and expand its affordable housing successes.



INTRODUCTION | PLAN APPROACH

The Plan will add to and refine the Town's existing affordable housing toolbox to increase impacts and pursue a comprehensive approach to address affordable housing challenges.



PUBLIC SUBSIDIES

The Plan recommends **sustaining and scaling public subsidy programs**, while identifying **new sources of public funding** and deploying funds for greater impacts.



LAND USE

The Plan recommends **increasing the Town's supply of 'missing-middle' housing** and **refining its existing regulatory tools** to remove barriers to increased housing supply.



TENANTS' RIGHTS

The Plan recommends **bolstering access to services to help low-income renters stay in their homes**.

DRAFT

RACIAL EQUITY

The Plan will address **disparities and mitigate barriers to accessing quality affordable housing** through:

- Equitable deployment of public subsidies
- Inclusionary land use policies
- Enhanced tenants' rights protections

The Plan also provides guidance on **empowering residents most impacted by disparate housing impacts** in decision-making processes



02

Affordable Housing Plan & Investment Strategy

RECOMMENDATIONS | HOUSING CHALLENGES

Unmet housing needs and lingering affordability gaps continue to pose challenges in Chapel Hill's housing market.

LIMITED HOUSING SUPPLY

The **prevalence of low-density development patterns**, barriers to new housing development, and the lack of diversity in types of homes contribute to a highly competitive housing market.

1%

Net increase in homes since 2010

DECREASING HOMEOWNERSHIP OPPORTUNITIES

Home sale prices have seen a dramatic uptick since the start of COVID. As a result, it is increasingly difficult for households earning less than \$150,000 annually to access homeownership in the market.

36%

Increase in median home sales prices since 2019

DECLINING RENTAL AFFORDABILITY

Rents have risen faster compared to incomes, **resulting in rising housing cost burdens among renter households earning less than \$75,000 annually.**

78%

Renter households earning under \$75k are cost-burdened

ONGOING DISPLACEMENT PRESSURE

Increased prices Townwide have created **displacement pressure for lower-income and Black residents.**

32%

Decrease in Black homeownership since 2010

RECOMMENDATIONS

The Plan is guided by four goals aimed to address the town’s housing challenges and continue to promote racial equity in housing within Chapel Hill.

EXPAND THE IMPACTS OF AFFORDABLE HOUSING FUNDING AND PROGRAMS

HELP LOW-INCOME RENTERS ACCESS STABLE AND AFFORDABLE HOUSING

INCREASE ACCESS TO HOMEOWNERSHIP

ADDRESS HOUSING SUPPLY BARRIERS

RECOMMENDATIONS

The Plan's recommendations identify strategies the Town can incorporate to continue its momentum in affordable housing funding and programming over the next five years.

EXPAND THE IMPACTS OF AFFORDABLE HOUSING FUNDING AND PROGRAMS

- **Dedicate new, consistent sources of funding**
- **Realign the Town's governance & funding processes**
- **Establish a revolving loan fund**
- Enhance partnerships with regional collaborators
- Align staffing capacity with programming

HELP LOW-INCOME RENTERS ACCESS STABLE AND AFFORDABLE HOUSING

- Continue to provide gap financing for affordable rental homes
- Expand master lease program

RECOMMENDATIONS

The Plan's recommendations identify strategies the Town can incorporate to continue its momentum in affordable housing funding and programming over the next five years.

INCREASE ACCESS TO HOMEOWNERSHIP

- **Expand down payment assistance program**
- Refine the Town's inclusionary zoning policy
- Explore asset building programs

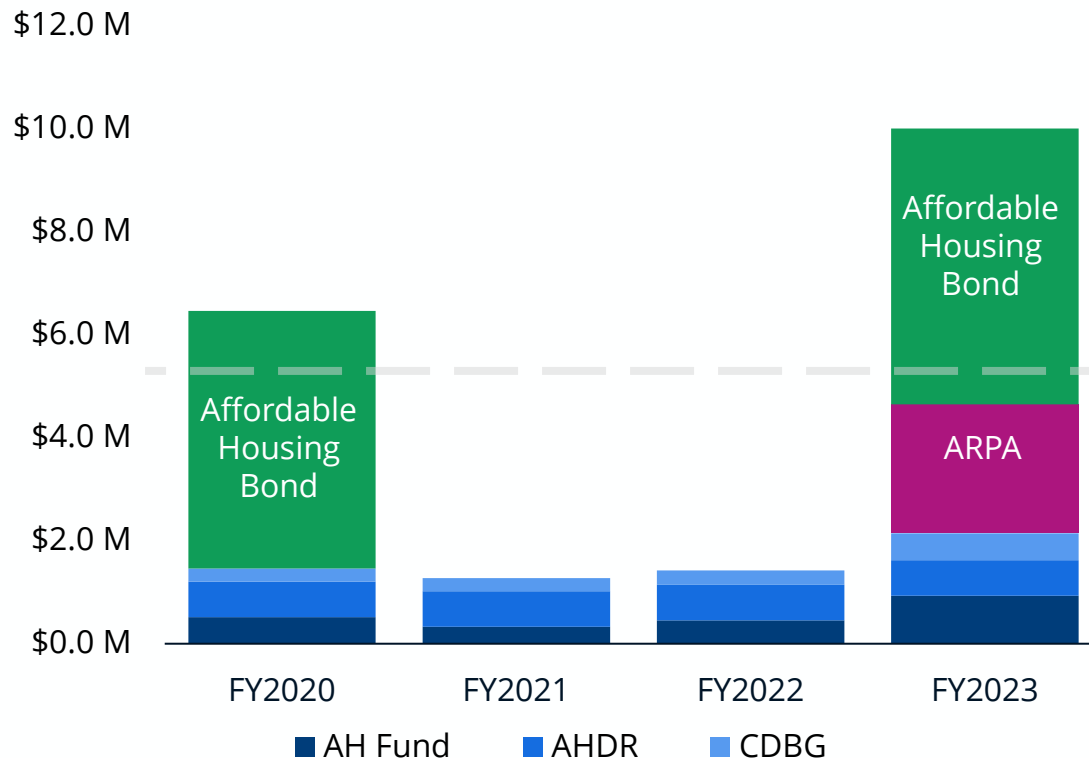
ADDRESS HOUSING SUPPLY BARRIERS

- **Revise entitlements processes**
- Launch outreach campaign on creating more homes

EXPAND FUNDING IMPACTS | RECENT FUNDING TRENDS

The Town has invested local money to support its affordable housing goals since 2019, and allocated more than \$10 million for affordable housing during this fiscal year.

FUNDING SOURCES FOR TOWN AFFORDABLE HOUSING PROGRAMS AND POLICIES FY 2020 – FY 2023



435

Affordable homes approved for development and preservation

682

Households served (emergency rental assistance, repairs, etc.)

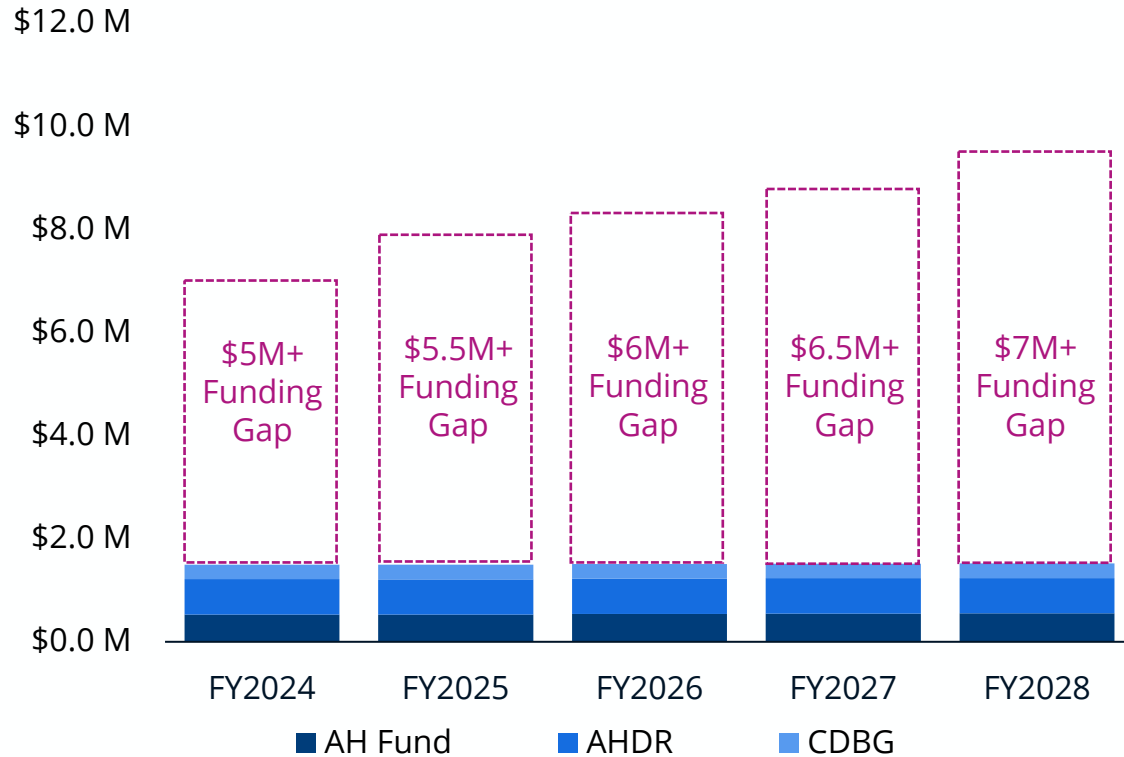
\$19.1M

Affordable housing budget allocated since FY 2020

EXPAND FUNDING IMPACTS | FUTURE FUNDING NEEDS

The Town faces a \$30 million gap over the next five years needed to match its current affordable housing production level.

FUNDING SOURCES FOR TOWN AFFORDABLE HOUSING PROGRAMS AND POLICIES FY 2024 – FY 2028



Funding Challenges

- Increasing development costs
- Rising interest rates
- Depletion of existing funding sources

\$30M

Funding gap to sustain affordable housing programs through FY 2028

EXPAND FUNDING IMPACTS | FUNDING COMMITMENT

To implement the recommendations outlined in the Plan, the Town will need to dedicate \$10 million annually towards affordable housing over the next five years.

POTENTIAL FIVE-YEAR IMPACTS OF LOCAL SPENDING ON AFFORDABLE HOUSING

\$30 million

Additional local funding required to **sustain** Town's housing programs over the next five years

600+
Homes
Preserved
or Built

150+
HHs
Served

\$45 million

Additional local funding required to **incorporate recommended changes** to Town's housing programs over the next five years

900+
Homes
Preserved
or Built

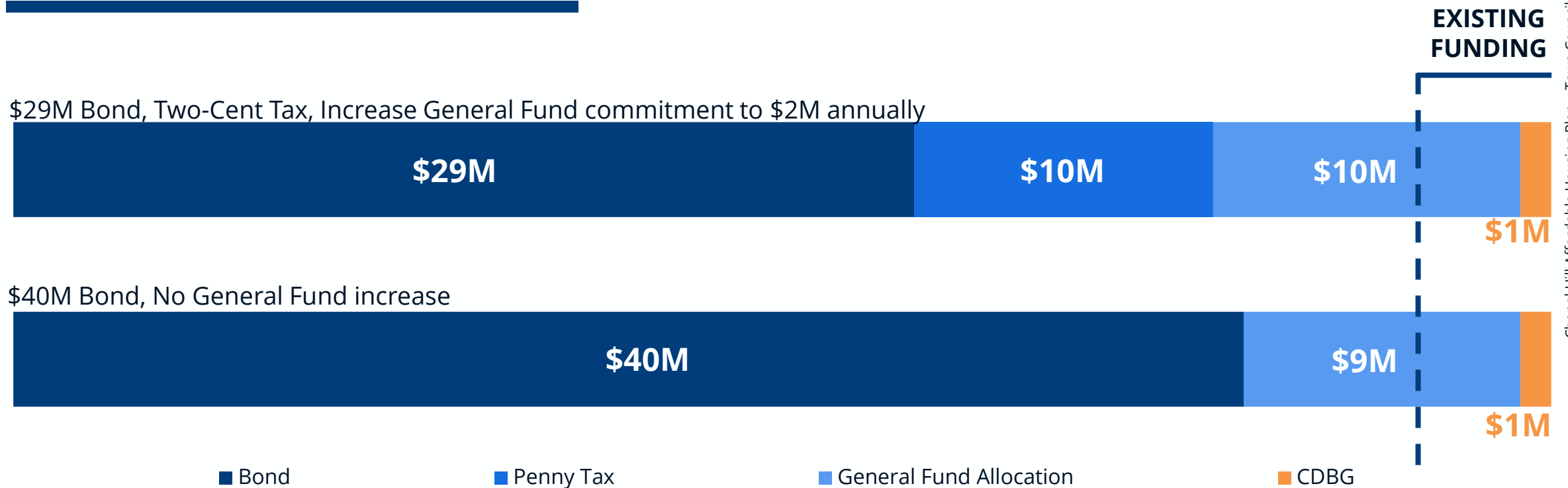
200+
HHs
Served

[1] Projected funding impacts assumes up to \$25,000 per home for LIHTC Gap financing, \$55,000 per home for additional development gap financing, up to \$60,000 per household for downpayment assistance and homebuyers counseling, up to \$1,400 per month per household for up to six months of rental assistance and up to \$10,000 per household for repairs.

EXPAND FUNDING IMPACTS | SOURCES OF FUNDS

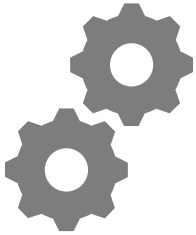
The Town should pursue a combination of a new, larger affordable housing bond and a two-cent tax to fund its affordable housing programs for the next five years.

POTENTIAL FUNDING SOURCES FOR A FIVE-YEAR COMMITMENT OF \$50 MILLION



EXPAND FUNDING IMPACTS | GOVERNANCE AND FUNDING PROCESSES FOR LOCAL SOURCES

The Town should realign its governance & funding processes for its local funding sources to increase efficiency, transparency, and equity.



GOVERNANCE CHALLENGES

- Multiple local funding sources (AHF and AHDR)
- Need for equitable representation in determining local housing priorities
- Technical limitations of HAB to review funding requests



RECOMMENDED CHANGES

- Consolidate all local funding into one source
- Revise HAB membership eligibility and responsibilities:
 - Reserve additional seats for beneficiaries of affordable housing programs
 - Provide recommendations on budget prioritization and policy goals for fund allocations, not specific project funding

EXPAND FUNDING IMPACTS | ESTABLISH A REVOLVING LOAN FUND

Establishing a revolving loan fund will provide the Town with self-replenishing funds to support land acquisition, construction, and preservation.

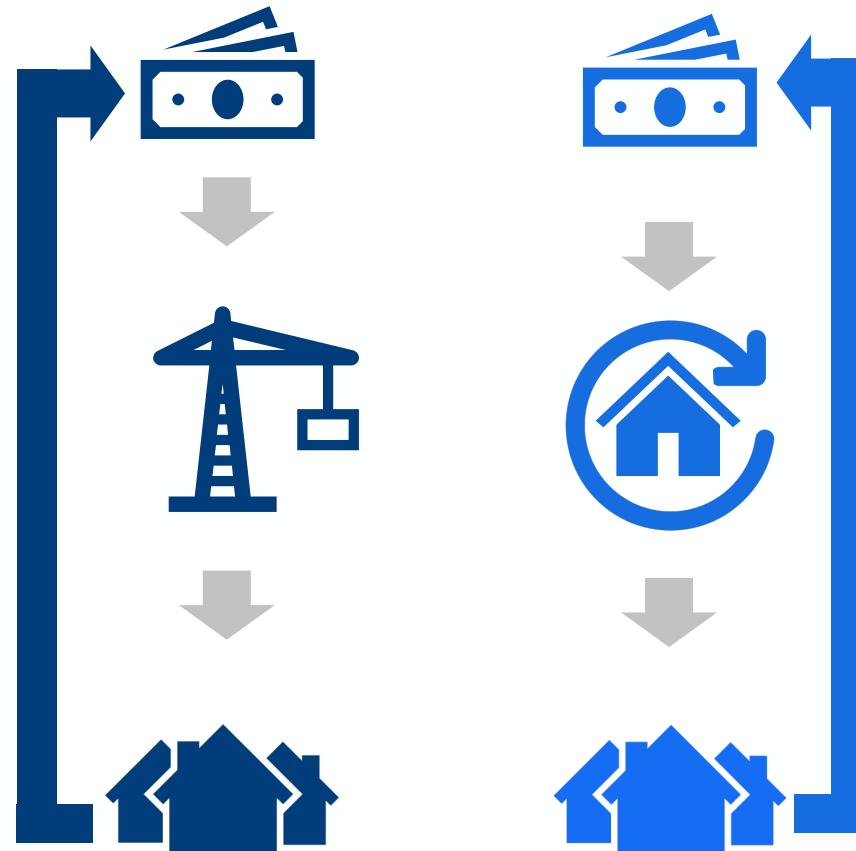
QUICK STRIKE FUND

A short-term loan (2-4 years) is made to a developer to purchase a piece of land or existing building.

The developer prepares the property for development or refinance.

The property is developed or refinanced, and permanent funding is committed.

In most cases, the Town will need to provide permanent financing in the form of a grant or cash flow loan.



PRESERVATION LOAN FUND

A long-term (20+ year) loan is made to acquire and rehabilitate affordable homes.

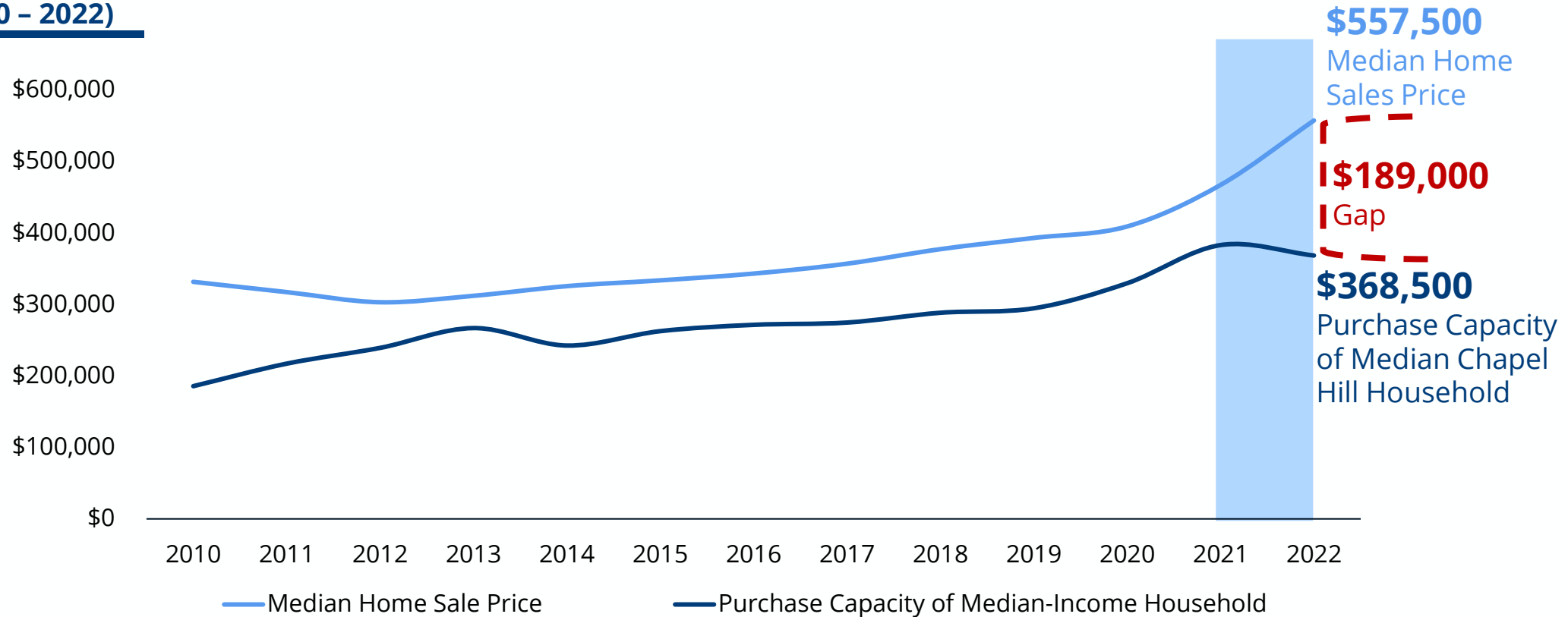
The affordability of the rental homes are preserved and payments are made on the loan.

At the end of the loan term (20+ years) the loan is repaid or rolled over.

INCREASE ACCESS TO HOMEOWNERSHIP | EXPAND TOWN'S DOWN PAYMENT ASSISTANCE PROGRAM

The Town should expand its down payment assistance program to help moderate-income households purchase homes in Chapel Hill.

MEDIAN HOME PRICES AND PURCHASE CAPACITY (2010 - 2022)



Source(s): ACS 2021 5-Year Estimates, FHA, Freddie Mac, HUD, Town of Chapel Hill, Zillow



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Discussion and Next Steps

DISCUSSION & NEXT STEPS

Town Council's input tonight will ensure that the Plan is in alignment with the Town's affordable housing goals for the next five years.

Guiding Questions

- Do the recommendations in the Plan align with the Town's affordable housing objectives?
- Do you foresee any funding, programming, or other challenges with implementing recommendations in the Plan?

Next Steps

We will incorporate revisions to the Plan over the summer and anticipate bringing the Plan back for adoption in early September.

