



Employee Housing Incentive Program Pilot Program Evaluation Results and Recommendations October 2021



Overview: In November 2018, Council approved an Employee Housing Incentive Pilot Program to provide assistance to Town employees who would like to live in Chapel Hill. The program was rolled out to employees in the Spring of 2019. During the two-year pilot, 7 employees received rental assistance. Staff conducted a program evaluation to assess opportunities for program changes to increase participation. This report provides an update on the Employee Housing Incentive Pilot Program, summarizes the results of our evaluation of the pilot program, and identifies recommendations for strengthening the program going forward.

Key Takeaways:

1. The Pilot Program was successful in assisting employees with rental housing opportunities in Chapel Hill.
2. There is still widespread interest from employees for the Town to provide incentives for both homeownership and rental opportunities close to work.
3. The greatest barriers to using the program have been the high cost and limited availability of housing stock in Chapel Hill Town limits.
4. COVID-19 impacts, including the economic slow-down and decreased housing inventory, may be factors in the results of the pilot program.
5. Staff recommend the following changes to the Program for Manager and Council consideration:
 - a. Expand the eligibility criteria for both homeownership and rental to within 5 miles of Chapel Hill Town Limits.
 - b. Increase the incentive amounts and broaden the eligible uses.
 - c. Enhance the outreach and support for employees seeking housing opportunities.

Background and Pilot Program Results:

At the direction of Council, staff designed the Employee Housing Incentive Pilot Program with input from Town employees and local housing providers. Staff also based the program on best practices from around the country. Supporting employees who want to live where they work has benefits for employees, the Town as an employer, and the community as a whole. It improves employee recruitment and retention, increases employee morale with reduced commutes and greater financial security, and encourages greater community connections.

During the two-year pilot program, 24 Town employees applied for assistance. A total of seven employees received assistance for rental housing only, as detailed below.

1. **Homebuyer Assistance:** designed to help Town employees purchase homes in Chapel Hill through down payment and/or closing cost assistance. An employee can apply for up to \$7,500 of assistance to purchase a home in Chapel Hill town limits.
 - **11** employees applied for Homebuyer Assistance, **0** received assistance, **7** are currently eligible for assistance if they find a home to purchase, 3 purchased homes outside of Chapel Hill and 1 is no longer eligible for assistance.

2. **Rental Assistance:** designed to help employees secure rental housing in Chapel Hill. Employees can apply for a one-time payment for assistance with security deposits, utility connection and other applicable fees. Assistance level ranges from \$1,480 - \$2,050 based on unit bedroom size.
 - **13** employees applied for Rental Assistance with **7** of those employees receiving assistance. The remaining 6 employees are ineligible.

Evaluation Process:

Staff conducted a multi-layered evaluation process of the program that included:

- **Employee Survey:** to understand employee program awareness, incentive preferences, and barriers to utilizing the program.
- **Stakeholder Interviews:** to gain feedback on effectiveness of the incentives and gather program design/administration recommendations.
- **Real Estate Market Data Analysis:** reviewed data from home sales in Chapel Hill and Orange County from January 2019 to July 2021 to understand availability of housing at different price points over time, including before and after the pandemic.

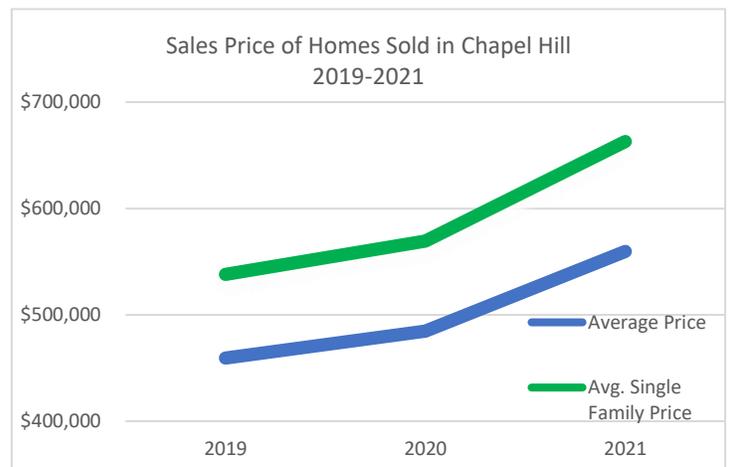
Key Findings:

1. Town employees continue to have significant interest in living closer to work.

- 70% of employees who responded to the survey said they were interested in the Employee Housing Incentive Program because they would like to live closer to work.ⁱ

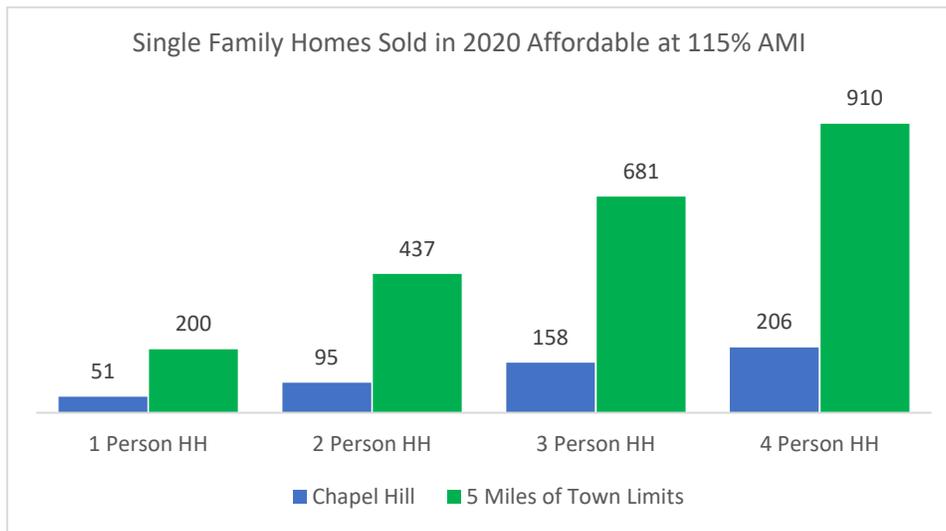
2. Affordability remains the greatest barrier to Town employees living in Chapel Hill.

- 96% of employees reported some variation of affordability as the biggest barrier to finding housing in Chapel Hill.ⁱⁱ
- A common suggestion was to increase incentive amounts or provide a monthly stipend to make monthly payments more affordable long-term.ⁱⁱⁱ
- When asked about barriers to finding housing in Chapel Hill on the survey, employees said:
 - “Housing in Chapel Hill is extremely expensive and there is always a low supply.”



3. There is limited availability of affordable options in Chapel Hill Town limits that fits the needs of employees and their households.

- 39% of respondents reported the housing stock in Chapel Hill as a barrier to moving in Town.^{iv}
 - “Desire to live in a home with a yard, not an apartment.”
 - “Cost of living [is a barrier] compared to areas further away from town.”
 - “The only properties I could afford were student rental-type places that were in horrible shape or tiny.”^v



Recommendations:

Based on what we learned through the Pilot Program and the results of the evaluation, staff propose the following changes to the program for Council consideration:

- **Expand the eligibility criteria**
 - Expand the eligible area for both homeownership and rental to within 5 miles of Town Limits.
 - Anticipated Impact: Increase the amount of naturally occurring affordable housing available to employees.
 - Additional option to consider: Expand the eligible income ranges
 - Anticipated Impact: Increase the number of employees eligible for the program.

- **Increase the incentive amounts and broaden eligible uses.**
 - Rental:
 - Employees would be eligible to receive a rental incentive equal to **2.5 times the Fair Market Rent based on number of bedrooms**, updated annually. For FY2022, incentive amounts would be:

Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
\$2,430	\$2,435	\$2,835	\$3,733	\$4,288
 - Eligible expenses would be broadened to allow future rent payments, in addition to security deposits and utility connection fees.
 - Homeownership:
 - Employees purchasing a home in Chapel Hill would be eligible for \$12,500 down payment and closing cost assistance.
 - This amount is roughly equal to a 3% down payment for a home purchased affordably to a family of four at 115% AMI, and a 5% down payment for an 80% AMI family. A 3% down payment is a typical minimum requirement for a Federal Housing Administration (FHA) loan.
 - Employees purchasing a home outside of Chapel Hill but within 5 miles of Town Limits would be eligible for \$7,500, providing a greater incentive to purchasing a home in town.

- **Enhance outreach and engagement to employees about the Program.** To increase employee awareness and use of the program going forward, staff propose:
 - Engaging local partner organizations to provide employees regular updates and trainings on available housing products and application processes.

- Creating an employee email listserv for those who wish to receive information about available/upcoming housing opportunities, such as properties coming onto the market offered through the Northside Neighborhood Initiative.
- Offering quarterly Lunch and Learns on financial literacy and housing topics such as credit, budgeting, and shopping for a mortgage loan.
- Working with our Human Resources Development staff to better highlight the program in recruitment and retention efforts.

Summary of Recommendations:

Incentive		Pilot Program	Recommendation
Rental	Amount	2019 Fair Market Rent	2.5 x Fair Market Rent
	Eligible Use	Security deposits Utility connection fees	Rent payments Security deposits Utility connections fees
Home Ownership	Amount	Chapel Hill \$7,500	Chapel Hill - \$12,500 5-Mile Radius - \$7,500
	Eligible Use	Down payment and closing costs	Down payment and closing costs

Fiscal Impact

The budget for the pilot program was \$50,000. After assisting seven employees, approximately \$43,000 remains in funding. If Council approves the recommendations for program changes, staff anticipate the current funding will be used at a faster rate than experienced to date, with a goal of serving 2 employees through homeownership and 5 with rental assistance per year. Staff is not requesting additional funding at this time but will monitor the impacts of the proposed changes and make a funding request if/when additional funds are needed.

ⁱ “Town of Chapel Hill: Employee Housing Program Survey,” (March 2021)

ⁱⁱ Ibid.

ⁱⁱⁱ Ibid.

^{iv} “Town of Chapel Hill: Employee Housing Program Survey,” (March 2021)

^v Ibid.