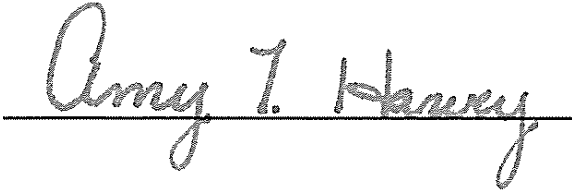


I, Amy T. Harvey, Deputy Town Clerk of the Town of Chapel Hill, North Carolina, hereby certify that the attached is a true and correct copy of (2023-09-13/R-7) adopted by the Chapel Hill Town Council on September 13, 2023.

This the 14th day of September, 2023.

A handwritten signature in cursive script that reads "Amy T. Harvey". The signature is written in black ink and is positioned above a solid horizontal line.

**Amy T. Harvey
Deputy Town Clerk**



**A RESOLUTION APPROVING THE AFFORDABLE HOUSING PLAN AND INVESTMENT STRATEGY
(2023-09-13/R-7)**

WHEREAS, the Town of Chapel Hill has a long-standing commitment to affordable housing and has been a leader among municipal governments in our state and region in developing solutions to addressing this important community issue; and

WHEREAS, the Town Council's previously adopted Affordable Housing Strategy (2011), Affordable Rental Housing Strategy (2014), 5-Year Work Plan (2017), and Investment Strategy (2017) have been largely accomplished and yielded meaningful results, including the development of 131 units and preservation of 924 units over the last five years and the establishment of a pipeline of more than 800 additional units of affordable housing anticipated to come online over the next five years; and

WHEREAS, the Town's substantial funding commitments to affordable housing have been fully allocated, including the \$10 Million Bond approved in 2018 and \$11.6 in other local and federal sources over the last five years; and

WHEREAS, the Town Council continues to identify Affordable Housing and Housing Production as one of their primary goal areas; and

WHEREAS, sustaining and deepening the Town's efforts to address the need for affordable housing requires that the Town continue to use a strategic approach that includes a clear and comprehensive plan and investment strategy; and

WHEREAS, in February of 2023 the Town engaged HR&A Advisors to assist with the development of an updated affordable housing plan, consistent with Council's interest; and

WHEREAS, in [April 2023](#) and [June 2023](#), Town Council received updates on progress to creating a new Affordable Housing Plan designed to set a path forward for the Town's affordable housing efforts over the next five years; and

WHEREAS, on August 8, 2023, the Housing Advisory Board unanimously recommended that Council approve the Affordable Housing Plan with the condition that the investment strategy include a \$50 million affordable housing bond; and

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council approves the Affordable Housing Plan and Investment Strategy as described in the September 13, 2023 meeting materials.

This the 13th day of September, 2023.

Affordable Housing
& Community
Connections



Town of Chapel Hill Affordable Housing Plan & Investment Strategy

DRAFT

September 2023

HR&A

ACKNOWLEDEMENTS

The Chapel Hill Affordable Housing Plan and Investment Strategy is the result of a joint effort between the Town of Chapel Hill and various local stakeholders.

We would like to thank the many community members, housing service providers, Town staff members, elected leaders, and others who were instrumental to this process through their invaluable insights and feedback.

Affordable Housing & Community Connections Staff

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Nate Broman-Fulks
Megan Culp
Emily Holt

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Mayor Pro Tempore Karen Stegman
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Town of Chapel Hill Staff

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Chapel Hill Housing Advisory Board

Susan Hunter *Chair*
Brandon Morande *Vice Chair*
Jamauria Burris
Robert Dowling
Anne Hoole
Rex Mercer
Dustin Mills
Valencia Thompson
Anthony Williams

Local and Regional Affordable Housing Partners

Aaron Bachenheimer *UNC Off-Campus Student Life*
George Barrett *Marian T. Jackson Center*
Samantha Brown *Community Housing Partners*
Dan Levine *Self-Help*
Jennifer Player *Orange County Habitat for Humanity*
Michael Rodgers *DHIC, Inc.*
Kimberly Sanchez *Community Home Trust*
Erika Walker *Pee-Wee Homes*
Laura Wells *HOPE North Carolina*

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Executive Summary

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EXECUTIVE SUMMARY INTRODUCTION

The Affordable Housing Plan and Investment Strategy will guide the Town's actions to create a sustainable, affordable, and equitable housing market in Chapel Hill.

Like many communities across the country, **Chapel Hill is facing an affordable housing crisis.** A constrained housing supply, increasing wealth and income disparities, and racial inequities have led to rising housing challenges. Fewer households in Chapel Hill can access homeownership and rents are increasing far faster than incomes for most households. Furthermore, historically marginalized communities in Chapel Hill continue to face displacement pressures as housing costs increase.

In response, Chapel Hill has committed substantial financial and programmatic resources for affordable housing. In the past five years, the Town has deployed over \$21 million towards affordable housing. Since 2018, over 130 affordable homes have been developed in Chapel Hill with over 800 new affordable homes anticipated to be developed over the next 5 years. The Town has also dedicated public land to catalyze affordable housing development and pursued policy changes to increase the efficacy of affordable housing development, including expedited permitting review for affordable housing projects and zoning changes to allow for by-right development of "missing middle" housing typologies such as townhomes and duplexes.

Chapel Hill is at a pivotal moment to address its affordable housing challenges and the disproportionate impact they have on the Town's communities of color. The need for affordable housing has increased significantly in recent years, driven in part by the COVID-19 pandemic and resulting market challenges. At the same time, **the Town has expended available financial resources to maintain its affordable housing programs,** including the Affordable Housing Bond approved by voters in 2018. The Town needs a strategic approach to build on past successes and increase the impacts of its affordable housing policies and investments, and an approach to provide consistent streams of funding to meet housing affordability goals.

The Affordable Housing Plan and Investment Strategy is intended to be a living document to be used by Town staff, elected officials, and the community **to guide affordable housing policies and investments over the next five years.** The recommendations outlined in the Plan will enhance and expand the Town's existing affordable housing toolkit while **centering racial equity in housing within Chapel Hill.**

DRAFT

Housing Affordability Impacts

Since 2018, Chapel Hill has made significant investments in affordable housing.

\$21.6 M Local and federal funds invested in housing programs

131 Affordable homes developed

924 Affordable homes preserved

800+ Affordable homes anticipated to be developed through 2028

EXECUTIVE SUMMARY HOUSING CHALLENGES

The Town leverages a robust set of housing programs, policies, and funding sources for a community of its size. Still, unmet housing needs and lingering affordability gaps continue to pose challenges in Chapel Hill's housing market.

LIMITED HOUSING SUPPLY

Limited housing supply, resulting from a prevalence of low-density development patterns, barriers to new housing development, and the lack of diversity in types of homes. This also contributes to a highly competitive housing market.

1%

Net increase in homes since 2010

DECREASING ACCESS TO HOME-OWNERSHIP

Home sale prices have seen a dramatic uptick since the start of the COVID-19 pandemic. 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 2020

DECLINING RENTAL AFFORDABILITY

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

440

Additional cost-burdened renters earning \$35k-\$75k

DISPLACEMENT PRESSURES

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

32%

Decrease in Black homeownership since 2010

EXECUTIVE SUMMARY HOUSING GOALS

The Affordable Housing Plan includes recommendations for the Town to deploy funds and policies to continue its efforts in addressing local housing challenges and increase racial equity over the next five years, guided by four goals.

REDUCE BARRIERS TO BUILDING HOMES

Chapel Hill should continue to pursue regulatory changes to remove barriers to housing supply, encourage new development of housing to meet the needs of a range of residents and refine its inclusionary zoning ordinance and inclusionary housing policy to increase its local housing supply.

EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP

The Town should modify its down payment assistance program, expand its Transitional Housing programs and explore additional asset building initiatives to increase homeownership opportunities in Chapel Hill while providing property tax relief for lower-income homeowners.

EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING

Chapel Hill should increase access to affordable and stable housing for low-income renters by expanding its rental assistance programs and bolstering tenants' rights while continuing to increase the supply of affordable rental homes.

INCREASE STAFF AND FUNDING CAPACITY

The Town should dedicate new, consistent streams of funding to support its affordable housing programs, establish tools that increase the impacts of local funding, and align staff capacity and other resources to maintain a high performing affordable housing program.

EXECUTIVE SUMMARY RECOMMENDATIONS

The Affordable Housing Plan includes recommendations for the Town to deploy funds and policies to continue its efforts in addressing local housing challenges and increase racial equity over the next five years, guided by four goals.

REDUCE BARRIERS TO BUILDING HOMES

1. Continue to pursue zoning and regulatory changes to streamline entitlements processes and evaluate the impact of development requirements on affordability.
2. Launch a formal education and outreach campaign in order to bolster community support for the Town's affordable housing priorities, including housing development.
3. Refine the Town's inclusionary housing policy to better incentivize the development of affordable rental homes.

EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP

4. Modify the Town's Employee Housing Program to provide down payment assistance for moderate-income homebuyers.
5. Expand the Town's Transitional Housing Program and explore additional asset-building programs to serve more households interested in working towards homeownership.
6. Dedicate consistent funding to provide low-income households with property tax assistance.

EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING

7. Expand the Master Leasing program.
8. Create relocation assistance packages for renters at risk of displacement or eviction.
9. Continue to provide gap financing to preserve and create homes for low-income renters.

INCREASE STAFF AND FUNDING CAPACITY

10. Dedicate new, consistent sources of funding.
11. Realign the Town's governance and funding processes for its local funding sources.
12. Establish a revolving loan fund.
13. Enhance partnerships with regional collaborators.
14. Align staffing capacity with existing and projected programming.

EXECUTIVE SUMMARY REDUCE BARRIERS TO BUILDING HOMES

Chapel Hill should continue to pursue regulatory changes to remove barriers to housing supply, encourage new development of housing to meet the needs of a range of residents and refine its inclusionary zoning ordinance and housing policy to increase its local housing supply.

Project-specific development requirements, limited land availability, and public opposition to housing development have challenged housing development and constrained the supply of homes in Chapel Hill contributing to affordability challenges and displacement. While zoning and regulatory changes alone will not solve the Town’s housing challenges, increasing the housing supply by reducing barriers to new development could help to ease market pressures and stabilize housing prices.

Decreasing housing supply barriers can help Chapel Hill advance racial equity by expanding access to housing, particularly in neighborhoods which have legacies of segregation and exclusionary covenants barring BIPOC residents from obtaining housing. Continuing to increase the supply of affordably priced housing in and near areas of opportunity, such as low-poverty neighborhoods, transit corridors, and employment centers, can enable to the Town to reverse the impacts of racial segregation and entrenched wealth inequities.

In Chapel Hill, single-family detached homes are typically attainable to households earning at least twice the regional AMI. Townhomes and other missing middle housing typologies, which are priced at 60-75% of the cost of single-family detached homes, are naturally affordable for households whose earnings are closer to the regional AMI. Increasing rental housing supply and encouraging higher-density multifamily development can also decrease rents within Chapel Hill and alleviate housing cost burdens for renters seeking attainable housing options within the town.

Source(s): CoStar, HUD Income Limits, Developer Interviews, Zillow, Freddie Mac Private Mortgage Market Survey

Recommendations

1. Continue to pursue zoning and regulatory changes to streamline entitlements processes and evaluate the impact of development requirements on affordability.
2. Launch a formal education and outreach campaign in order to bolster community support for the Town’s affordable housing priorities, including housing development.
3. Refine the Town's inclusionary zoning ordinance and inclusionary housing policy to better reflect current market trends and continue to promote the development of affordable homes.

Single-Family Affordability By Typology (Example)

	 Single-Family Detached	 Townhouse
Cost to Purchase	\$750,000	\$450,000
Minimum Household Income	\$150,000+	\$90,000 -100,000
Household AMI Level	200%+ AMI	100-120% AMI
Monthly Mortgage₁	\$3,500+	\$2,000-2,400

DRAFT ¹The mortgage payment includes, principal interest, insurance and taxes. It assumes a 10% down payment, and an interest rate of 6%

EXECUTIVE SUMMARY EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP

The Town should modify its down payment assistance program, expand its Transitional Housing programs and explore additional asset building initiatives to increase homeownership opportunities in Chapel Hill while providing property tax relief for lower-income homeowners.

Like many communities in the Research Triangle, Chapel Hill has seen rising housing costs over the past decade, with particularly sharp increases since 2020. This has meant that **homeownership has become increasingly unattainable for all but the highest-income residents.**

In addition, **a legacy of federal and local policies and practices, such as redlining and restrictive covenants, have restricted access to homeownership for Black residents.** Black homeownership in Chapel Hill has also declined in the past decade, likely due to displacement pressures for existing homeowners and limited access to affordable homeownership.

As housing prices continue to increase, the Town needs to continue its momentum in increasing homeownership access for moderate-income households, as well as combating historic discrimination and inequities in homeownership for Black households. Over the past five years, the Town has provided gap financing to local housing partners to develop for-sale housing affordable to lower- and moderate-income households. Additionally, the Town's [Employee Housing](#) and [Transitional Housing Programs](#) have also helped lower-income households access homeownership opportunities within Chapel Hill.

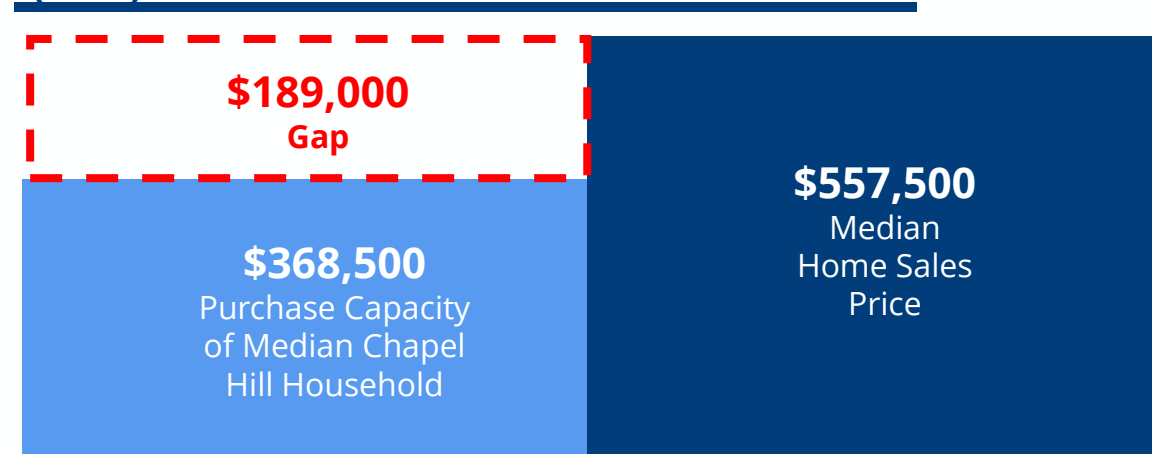
The Town should continue to expand and refine its existing programs and policies, including expanding the availability of down payment assistance and encouraging the production of more homes affordable to moderate-income homebuyers. The Town can also explore programs that help lower-income households build assets toward future homeownership.

Source(s): ACS 5-Year Survey 2010 - 2021, Freddie Mac, Zillow

Recommendations

4. Modify the Town's Employee Housing Program to provide down payment assistance for moderate-income homebuyers.
5. Expand the Town's Transitional Housing Program and explore additional asset-building programs to serve more households interested in working towards homeownership.
6. Dedicate consistent funding to provide low-income households with property tax relief.

Home Purchase Capacity (2022)



Purchase Capacity

Median Home Price

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EXECUTIVE SUMMARY EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING

Chapel Hill should increase access to affordable housing and secure housing for low-income renters by expanding its rental assistance programs and bolstering tenants’ rights while continuing to increase the supply of affordable rental homes.

Over the past five years, Chapel Hill has invested heavily in producing rental homes for lower-income households; during this time period, the Town has dedicated over \$7 million in grant funding and below-market interest loans to deliver and preserve 161 affordable rental homes.

However, rising rents in Chapel Hill have increased cost burden on renters. Low-income renters are particularly at risk for displacement as fewer and fewer affordable rental options exist within Chapel Hill. In addition, the COVID-19 pandemic and subsequent economic impacts further illuminated the housing insecurity many lower-income renter households experience.

Over the next five years, it will be critical for the Town to continue to provide local gap funding to support the development and preservation of affordable rental housing. The Town can also capitalize on its success with the Glen Lennox Master Leasing Program and expand master leasing to other housing communities, and **enhance its programming and funding to ensure that low-income renters can access stable and affordable housing in Chapel Hill.**

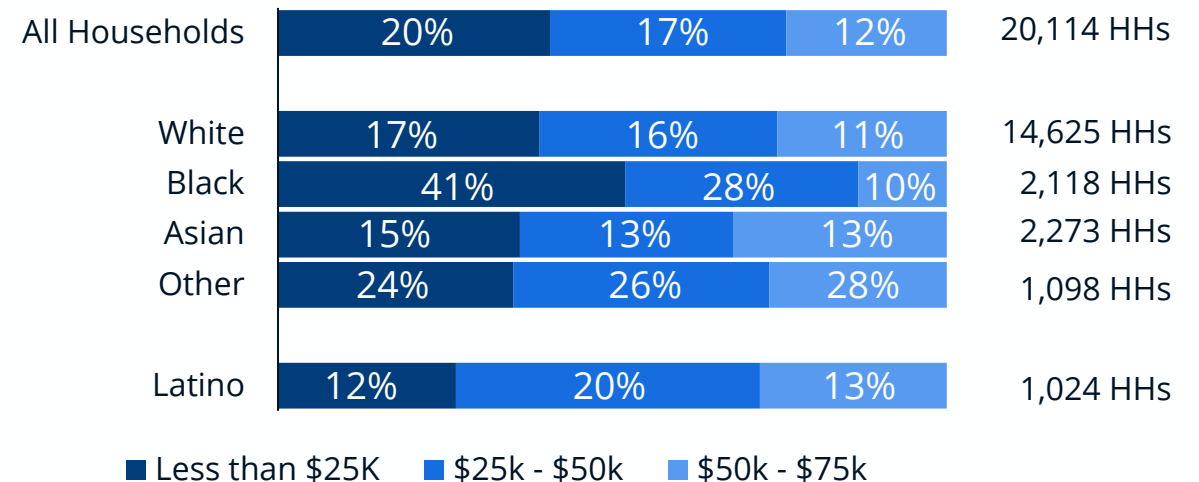
North Carolina places limitations on tenants’ rights, an ongoing legacy of policies which have historically disenfranchised Black residents. **As Chapel Hill considers ways to increase rental affordability, it should also aim to minimize the displacement risks of vulnerable residents and communities,** such as Northside, Pine Knolls, and the Town’s manufactured home communities.

Source(s): ACS 5-Year Survey 2010 - 2021

Recommendations

7. Expand the Town’s Master Leasing program to serve more low-income renters.
8. Create relocation assistance packages for renters at risk of displacement or eviction.
9. Continue to provide gap financing to preserve and create homes for low-income renters.

Household Income by Race (2021)



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EXECUTIVE SUMMARY INCREASE STAFF AND FUNDING CAPACITY

The Town should dedicate new, consistent streams of funding to support its affordable housing programs, establish tools that increase the impacts of local funding, and align staff capacity and other resources to maintain a high performing affordable housing program.

Since 2018, the Town has dedicated over \$21M to advance affordable housing. In recent years. The Town committed local funding from the its Affordable Housing Bond Referendum (2018) and federal funding allocations such as the American Rescue Plan Act (ARPA) funding, **both of which was used to fund nearly 300 affordable homes for development and preservation.** In the past decade, the Town has made a concerted effort to dedicate public funding towards housing development; in the past decade, nearly 80% of the Town's grants were allocated to support the development of affordable homes.

While the Town has successfully utilized public funding and Town-owned property to initiate development, rising construction costs and inflated interest rates due in part to the COVID-19 pandemic have required over three times the amount of public subsidy in order to deliver affordable housing. In addition, the Town has exhausted existing funds for affordable housing. **The Town needs to sustain its higher level of affordable housing funding and programming and identify new funding sources and mechanisms to continue to support affordable housing.**

To ensure local funding is deployed to advance racial equity, **the Town should also refine its approaches to governance and distribution of local funding** that incorporate racially and economically diverse voices in decision-making and prioritizes uses of funds that serve the most vulnerable residents within Chapel Hill and communities which have been the most disadvantaged by historically discriminatory local and regional policies. Furthermore, the Town should entrust its housing staff with providing recommendations for allocating local funding requests while its Housing Advisory Board (HAB) sets priorities on local funding allocations and pursues policy initiatives to advance the Town's housing goals.

Recommendations

10. Dedicate new, consistent sources of funding.
11. Realign the Town's governance & funding processes for its local funding sources.
12. Establish a revolving loan fund.
13. Enhance partnerships with regional collaborators.
14. Align staffing capacity with existing and projected programming.

EXECUTIVE SUMMARY FUNDING COMMITMENT

The Town of Chapel Hill should dedicate \$10 million per year to invest in housing affordability over the next five years.

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. This will allow the Town to both sustain the programs and investments it has been making over the last several years and expand them in response to the scale of need.

If the Town chooses to just sustain the current level of funding impacts, it will require about \$7 million annually for affordable housing.

Potential Five-Year Impacts of Local Spending on Affordable Housing

\$50 million

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

900+
Homes
Developed

400+
Homes
Preserved

[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 \$75,000 per household for downpayment assistance and homebuyers counseling, up to \$1,400 per month per household for up to six months of rental assistance, up to \$10,000 per year per household for property tax assistance, up to \$2,000 per household for relocation assistance packages and programming, and up to \$10,000 per household for repairs.

EXECUTIVE SUMMARY SOURCES OF FUNDING

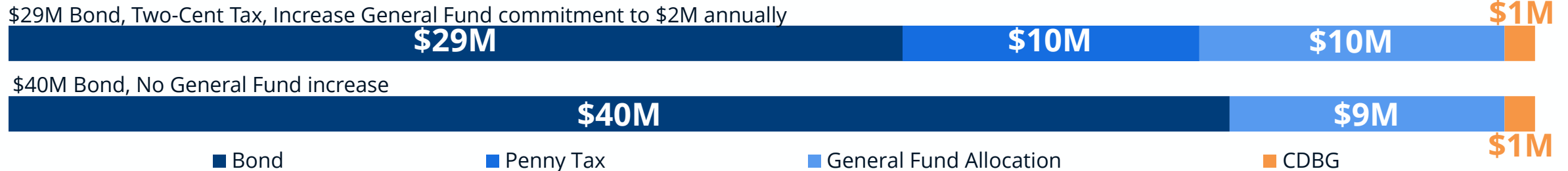
The Town should pursue a combination of a new, larger affordable housing bond and a two-cent tax to fund its affordable housing programs for the next five years.

To meet a funding commitment of \$10 million in annual funding for affordable housing, the Town will need to explore multiple potential funding sources. The Town can continue to use available CDBG funds for affordable housing and may allocate some general funds for affordable housing. In addition, the Town should issue another, larger housing bond and increase its penny tax for affordable housing.

- **An affordable housing bond provides funding for large multi-year housing initiatives such as investment in new development.** The Town has historically relied on small, occasional housing bonds, the most recent of which totaled \$10 million in 2018. However, it should instead pursue larger bonds that can fund affordable housing over a five-year period. Issuing an affordable housing bond will require a voter referendum for the public to approve of the proposed bond. To align the use of bond funds with intended impacts, the Town should pace the deployment of funds over five-years.

- **A penny tax for affordable housing provides a reliable, annual stream of funding dedicated to affordable housing programs.** A two-cent tax would contribute approximately \$2 million annually for affordable housing funding.
- **The Town could also increase its allocation from its General Fund to grow the capacity of its affordable housing staff and administration.** The Town averages approximately \$800,000 in annual allocation for affordable housing staffing and operating costs. While an increase in General Fund allocation could reduce the required bond needed to support affordable housing goals, General Fund revenues are likely the first funding source to be reduced if unexpected funding emergencies occur. Additionally, increasing affordable housing funding from the General Fund will likely result in decreasing funding to accomplish other Town objectives.

Potential Funding Sources for a Five-Year Commitment of \$50 Million



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Introduction

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INTRODUCTION

The Affordable Housing Plan and Investment Strategy will guide the Town's actions to create a sustainable, affordable, and equitable housing market in Chapel Hill.

Like many communities across the country, **Chapel Hill is facing an affordable housing crisis.** A constrained housing supply, increasing wealth and income disparities, and racial inequities have led to rising housing challenges. Fewer households in Chapel Hill can access homeownership and rents are increasing far faster than incomes for most households. Furthermore, historically marginalized communities in Chapel Hill continue to face displacement pressures as housing costs increase.

In response, Chapel Hill has committed substantial financial and programmatic resources for affordable housing. In the past five years, the Town has deployed over \$21 million towards affordable housing. Since 2018, over 130 affordable homes have been developed in Chapel Hill with over 800 new affordable homes anticipated to be developed over the next 5 years. The Town has also dedicated public land to catalyze affordable housing development and pursued policy changes to increase the efficacy of affordable housing development, including expedited permitting review for affordable housing projects and zoning changes to allow for by-right development of "missing middle" housing typologies such as townhomes and duplexes.

Chapel Hill is at a pivotal moment to address its affordable housing challenges and the disproportionate impact they have on the Town's communities of color. The need for affordable housing has increased significantly in recent years, driven in part by the COVID-19 pandemic and resulting market challenges. At the same time, **the Town has expended available financial resources to maintain its affordable housing programs,** including the Affordable Housing Bond approved by voters in 2018. The Town needs a strategic approach to build on past successes and increase the impacts of its affordable housing policies and investments, and an approach to provide consistent streams of funding to meet housing affordability goals.

The Affordable Housing Plan and Investment Strategy is intended to be a living document to be used by Town staff, elected officials, and the community **to guide affordable housing policies and investments over the next five years.** The recommendations outlined in the Plan will enhance and expand the Town's existing affordable housing toolkit while **centering racial equity in housing within Chapel Hill.**

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Housing Affordability Impacts

Since 2018, Chapel Hill has made significant investments in affordable housing.

\$21.6 M Local and federal funds invested in housing programs

131 Affordable homes developed

924 Affordable homes preserved

800+ Affordable homes anticipated to be developed through 2028

INTRODUCTION

The Town should pursue a comprehensive approach to achieve its goals for the next five years.

Affordable housing tools fall into three main categories: subsidy, land use & policy, and tenants' rights; a **successful housing strategy needs all three**. Each type of tool has its limitations; a comprehensive approach to affordable housing policy must balance these limitations by addressing and including all three types of tools. In combination, land use, subsidy, and tenants' rights tools reinforce and support each other, allowing the Town to support a healthy housing market, the production of affordable homes, and resident retention.

Racial disparities impact all aspects of housing. A history of segregationist and exclusionary housing policies at both the local and national levels have contributed to Chapel Hill's current challenges, including racial disparities in homeownership. These policies also limited access to mortgages and homeownership for Black, Indigenous, and People of Color (BIPOC) households and have kept property values depressed in BIPOC communities.

To advance racial equity and reverse the impacts of discrimination and segregation, racial equity must be part of the design of each recommendation, rather than an afterthought or a separate plan. The Town can meet this challenge by **creating programs that directly address disparities and mitigate barriers to accessing quality affordable housing, and by establishing governance structures and processes that actively include BIPOC households, particularly households directly impacted by disparities, in the decision-making process.**



PUBLIC SUBSIDIES

Subsidy tools close the gap between what a household can afford and the cost to develop and operate housing. Public subsidy can be costly, but is necessary to make the development and preservation of homes affordable to lower-income households feasible.



LAND USE & POLICY

Land use and regulations shape where housing is located, what housing looks like, and how much housing is built, but it will not meet the needs of the lowest-income households. Land use tools can reduce displacement, increase housing supply, stabilize housing costs, and redress racial segregation.



TENANTS' RIGHTS

Tenants' rights tools help low-income renters hold power over their housing and can mitigate displacement, but will not create new housing. North Carolina state law restricts what can be done to protect tenants' rights, but municipalities can focus on minimizing displacement with preservation initiatives and emergency assistance.

INTRODUCTION

The Affordable Housing Plan and Investment Strategy was developed over a 9-month planning process.

The Affordable Housing Plan builds on previous and ongoing work conducted by the Town and its partners to provide a framework for the Town to increase the impacts of the Town's housing programs and policies by increasing housing supply, expanding homeownership access, reducing rental cost burdens, and combating displacement.

To develop the Affordable Housing Plan, the Town undertook an accelerated housing planning process to evaluate current housing conditions in Chapel Hill, review and assess existing affordable housing programs and policies, and create a plan which addresses its housing challenges and need for sustainable funding.

Planning Process



Throughout the planning process, various stakeholders provided important context about affordable housing programming and challenges in Chapel Hill as well as feedback on the strategic direction of the plan to ensure that the Plan would meet the needs of the community. Engagement activities included:

- Interviews with thirteen stakeholders to illuminate and provide context on affordable housing challenges within Chapel Hill. Interviewees included Town staff, affordable housing developers, and local affordable housing providers.
- Presentations of initial findings to solicit early feedback on the strategic direction of the Plan. Audiences included Chapel Hill's Town Council (April 26), the Town's Housing Advisory Board (May 9), and the Orange County Affordable Housing Coalition (May 12).
- Follow-up presentations to the Town's Housing Advisory Board (August 8) and Town Council (September 13) to obtain support for and adopt the Affordable Housing Plan.

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INTRODUCTION

The Affordable Housing Plan includes recommendations for the Town to deploy funds and policies to continue its efforts in addressing local housing challenges and increase racial equity over the next five years, guided by four goals.

REDUCE BARRIERS TO BUILDING HOMES

Chapel Hill should continue to pursue regulatory changes to remove barriers to housing supply, encourage new development of housing to meet the needs of a range of residents and refine its inclusionary zoning ordinance and inclusionary housing policy to increase its local housing supply.

EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP

The Town should modify its down payment assistance program, expand its Transitional Housing programs and explore additional asset building initiatives to increase homeownership opportunities in Chapel Hill while providing property tax relief for lower-income homeowners.

EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING

Chapel Hill should increase access to affordable and stable housing for low-income renters by expanding its rental assistance programs and bolstering tenants' rights while continuing to increase the supply of affordable rental homes.

INCREASE STAFF AND FUNDING CAPACITY

The Town should dedicate new, consistent streams of funding to support its affordable housing programs, establish tools that increase the impacts of local funding, and align staff capacity and other resources to maintain a high performing affordable housing program.

Housing Challenges

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HOUSING CHALLENGES

The Town leverages a robust set of housing programs, policies, and funding sources for a community of its size. Still, unmet housing needs and lingering affordability gaps continue to pose challenges in Chapel Hill's housing market.

LIMITED HOUSING SUPPLY

Limited housing supply, resulting from a prevalence of low-density development patterns, barriers to new housing development, and the lack of diversity in types of homes. This also contributes to a highly competitive housing market.

1%

Net increase in homes since 2010

DECREASING ACCESS TO HOME-OWNERSHIP

Home sale prices have seen a dramatic uptick since the start of the COVID-19 pandemic. 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 2020

DECLINING RENTAL AFFORDABILITY

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

440

Additional cost-burdened renters earning \$35k-\$75k

DISPLACEMENT PRESSURES

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

32%

Decrease in Black homeownership since 2010

HOUSING CHALLENGES HOUSING SUPPLY

Chapel Hill has a prevalence of low-density development patterns and limited under-developed land available for new development, as well as public opposition to new development which has made housing growth difficult.

Over 60% of the Town’s residential zoning districts currently allow for single-family detached housing. This zoning pattern restricts denser housing typologies and limits the amount of housing which could be developed in Chapel Hill. Furthermore, the Town is limited in its ability to expand its geographic boundaries and land capacity. Without increasing density in new housing development, Chapel Hill will continue to struggle to develop ample housing to support its growing population.

Chapel Hill Residential Zoning Districts by Acreage



Single-family zoning and other land use restrictions have historically been used to create and enforce racial segregation. Practices including redlining and exclusionary zoning have historically been used as a tool for racial discrimination, including ordinances that explicitly prevented BIPOC households from living in white neighborhoods. Today, restrictive covenants in many neighborhoods across Chapel Hill place cumbersome restrictions on the housing typologies which can be developed and banning duplexes and other "missing middle" housing from being developed. **Limiting these housing typologies, which often have a lower price-point than single-family detached homes, creates fewer opportunities for lower- and moderate-income households to access housing.**

In addition to low-density development patterns and limited land availability, the Town has faced public opposition to housing development in Chapel Hill. Some of the most vocal opposition to housing development has been directed at recently delivered multifamily apartment projects.

In the past year, some resident groups have organized opposition to proposed zoning changes that would allow “missing middle” development (including duplex, triplex, and quadruplex homes) in existing areas zoned for single-family development.

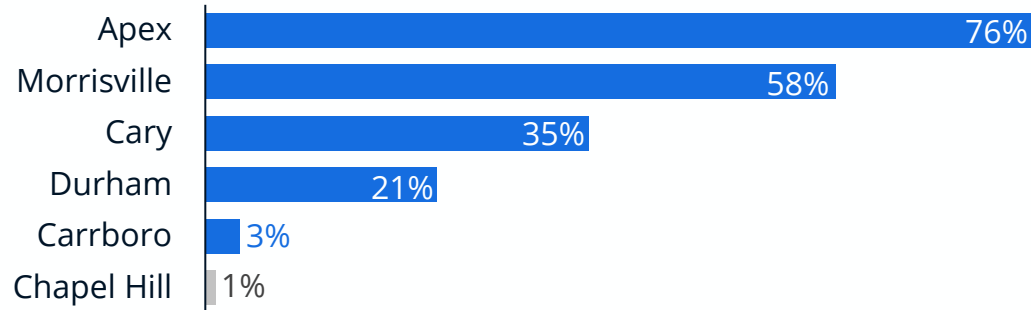
HOUSING CHALLENGES HOUSING SUPPLY

As a result, housing growth has not kept pace with population growth in Chapel Hill, or with housing growth in nearby municipalities.

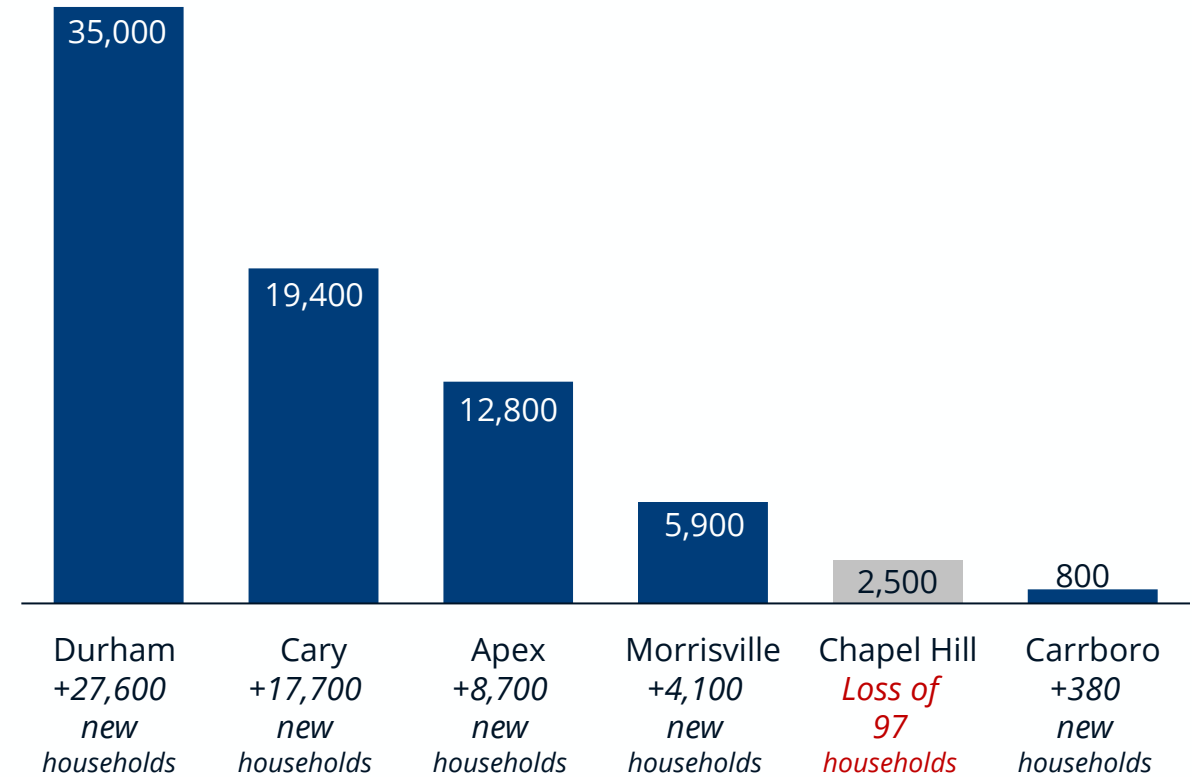
From 2010-2021, Chapel Hill’s population and total employment have increased modestly, growing at approximately 11% and 12% respectively. However, the Town’s net new housing stock only grew by 1% during the same time period. Continued in-migration resulting from Chapel Hill’s high quality of life and the University’s continued growth is likely to put further strain on the Town’s housing supply in the future.

Compared to neighboring municipalities in the region, Chapel Hill has the lowest rate of new housing production and household growth over the past decade. However, some neighboring municipalities may have lower land costs and more greenfield sites prime for development compared to Chapel Hill over the past decade, which may partially account for the slower rate of development in Chapel Hill.

Net Change in Homes by Municipality (2010 – 2021)



Residential Permits Issued by Municipality (2010 – 2021)



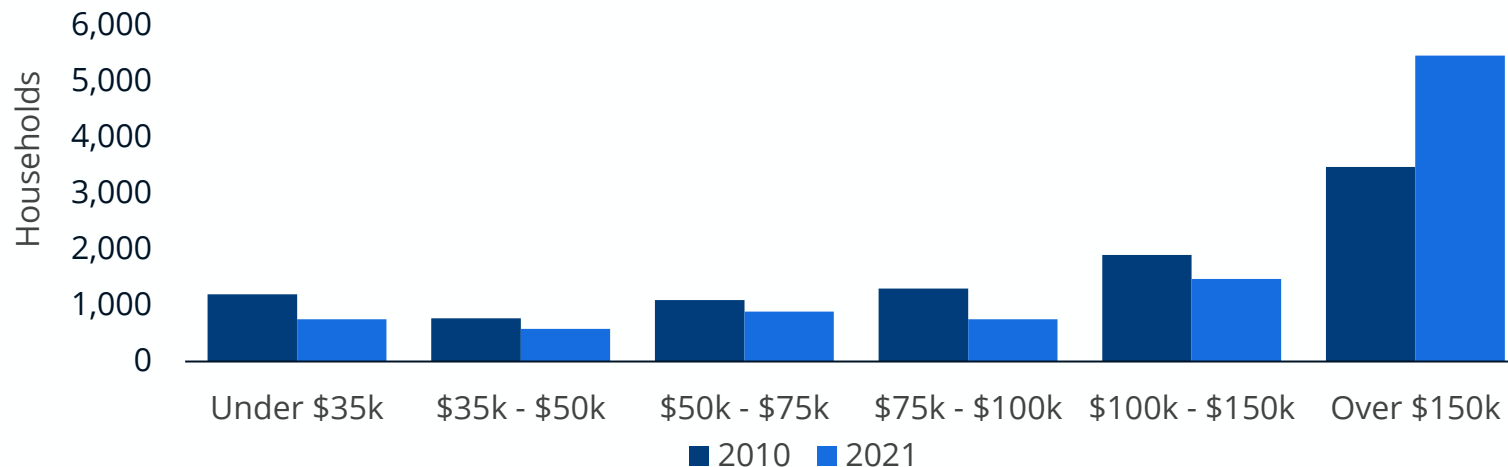
Source(s): ACS 5-Year Survey 2010-2021, SOCDs Building Permits Database

HOUSING CHALLENGES ACCESS TO HOMEOWNERSHIP

Limited housing supply has created a competitive housing market in Chapel Hill and put homeownership out of reach for most households.

Since 2010, homeownership rates have fallen for all but the highest income households, indicating that rising costs of homeownership and market pressures may be causing moderate-income homeowners to sell and new buyers to purchase homes outside of Chapel Hill. Since 2010, Chapel Hill has seen a loss of over 1,800 homeowner households earning less than \$150,000 annually, a 29% decrease. Households earning between \$75,000 and \$100,000 saw the biggest decrease in homeownership rates, decreasing by 42% since 2010. At the same time, Chapel Hill added almost 2,000 homeowner households with incomes over \$150,000. This indicates that only the highest income households can access homeownership in Chapel Hill.

Homeownership by Income Level (2010 & 2021)



Homeownership Shifts

Between 2010 and 2021, Chapel Hill has experienced:

1%

Increase in homeownership, 2010 - 2021

-29%

Decrease in owner households earning less than \$150,000 per year, 2010 - 2021

57%

Increase in owner households earning over \$150,000 per year, 2010 - 2021

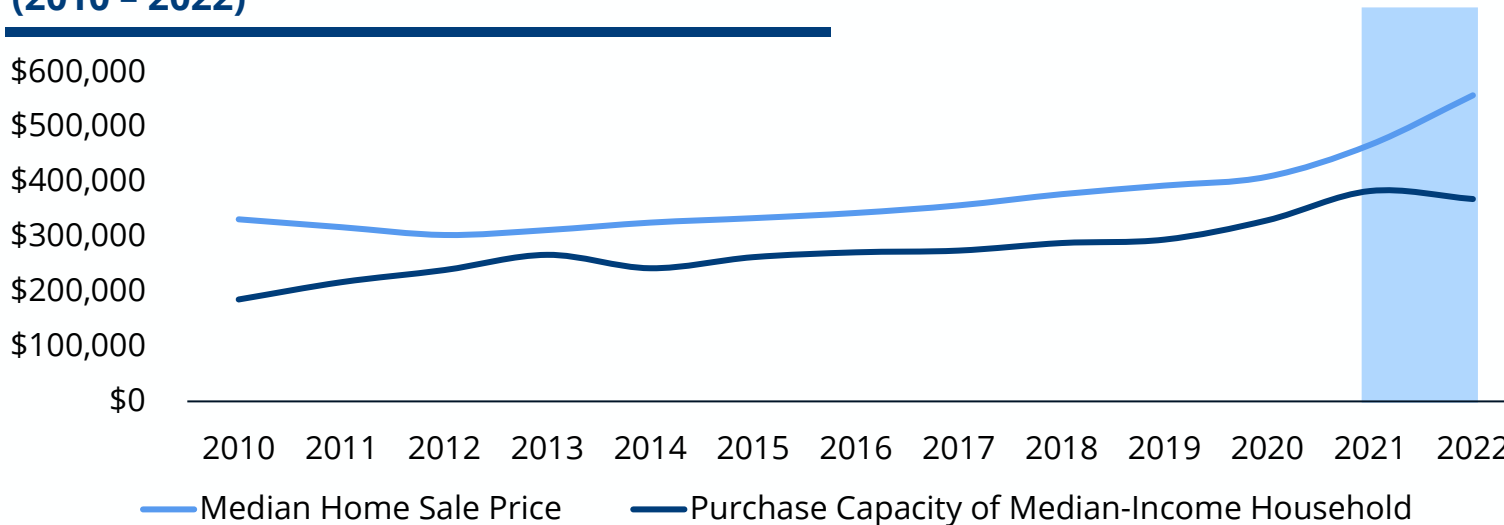
HOUSING CHALLENGES ACCESS TO HOMEOWNERSHIP

Trends in home prices also point to a decline in the accessibility of homeownership in Chapel Hill.

Median home prices have risen steadily over the past decade, from a low of just over \$300,000 in 2012 to over \$410,000 in 2020. Since 2020, driven in part by the COVID-19 pandemic and resulting market shifts, home prices have increased more sharply, reaching a median price of almost \$560,000 in 2022, an increase of 36% in just two years.

Homeownership has remained out of reach for the median income household in Chapel Hill throughout this time, but recent increases in home sales prices have widened the gap between the median sale price and the price of homes the median income household can afford to purchase.

Median Home Prices and Purchase Capacity (2010 - 2022)



[1] Assumes 10% down payment

Source(s): ACS 5-Year Survey 2010 - 2021, Freddie Mac Zillow

Rising Homeownership Costs

Between 2010 and 2021, Chapel Hill has experienced:

36%

Increase in homeownership, 2010 - 2021

\$189K

Gap between what a median income household can afford to purchase and the median price home in Chapel Hill_[1], 2022

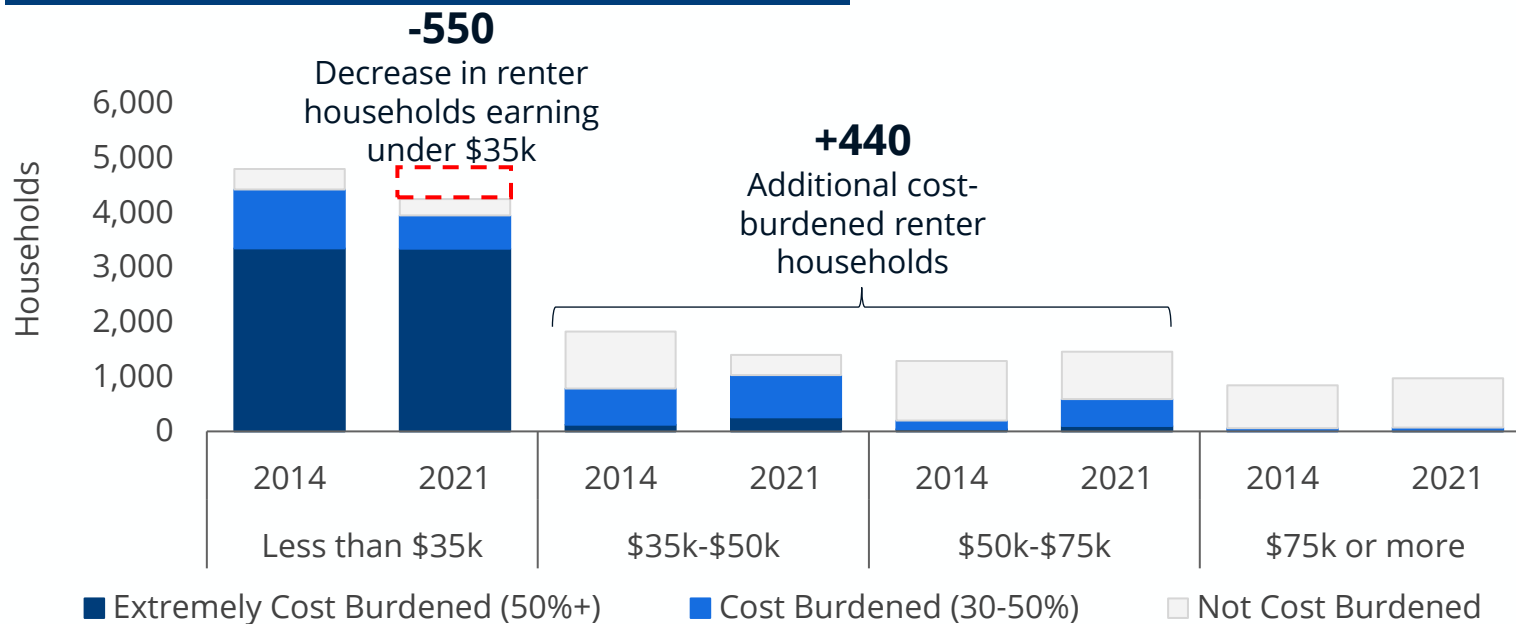
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HOUSING CHALLENGES RENTAL AFFORDABILITY

Rents have risen in Chapel Hill since 2010, resulting in a loss of households at the lowest incomes and rising housing cost burden for moderate-income renters.

Nearly 70% of renters, or approximately 5,700 households in Chapel Hill are cost burdened, meaning they spend more than 30% of gross income on housing costs. Of these, 3,700 households are severely cost burdened, meaning they spend 50% or more of gross income on housing costs. The majority of these households have incomes below \$75,000, and cost burden is increasing for these low- and moderate-income households in Chapel Hill. Rising rents also appear to have contributed to a loss of renters with incomes below \$50,000.

Cost Burdened Renter Households by Income (2014 & 2021)



Rental Cost Burdens

In the past decade, Chapel Hill renters have become increasingly more cost burdened.

26% Increase in median rents, 2010 - 2021

78% Renters with incomes below \$75K who are cost burdened

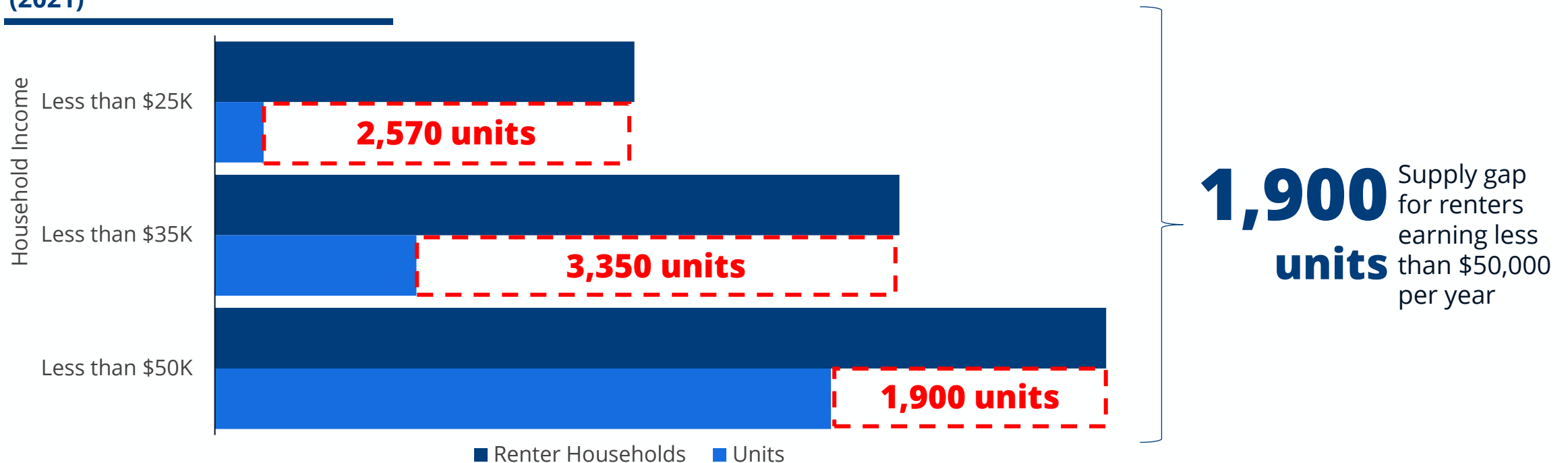
88% Renters with incomes below \$50K who are cost burdened

HOUSING CHALLENGES RENTAL AFFORDABILITY

Chapel Hill currently has a cumulative gap of rental homes affordable to households below \$50,000.

Low-income renters in Chapel Hill are competing for a limited supply of rental housing that is affordable to them. Lower income renters unable to access affordable rental homes either need to seek more expensive housing options, which can exacerbate housing cost burdens, or find affordable rental housing options outside of Chapel Hill. Additionally, there is a rental supply gap of 1,100 homes affordable for renters earning over \$100,000. This limited supply of rental homes affordable for higher income renters can result in increased competition for homes available to lower income earners.

Cumulative Rental Supply Gap (2021)



1,900 units Supply gap for renters earning less than \$50,000 per year

Source(s): ACS 5-Year Survey 2021

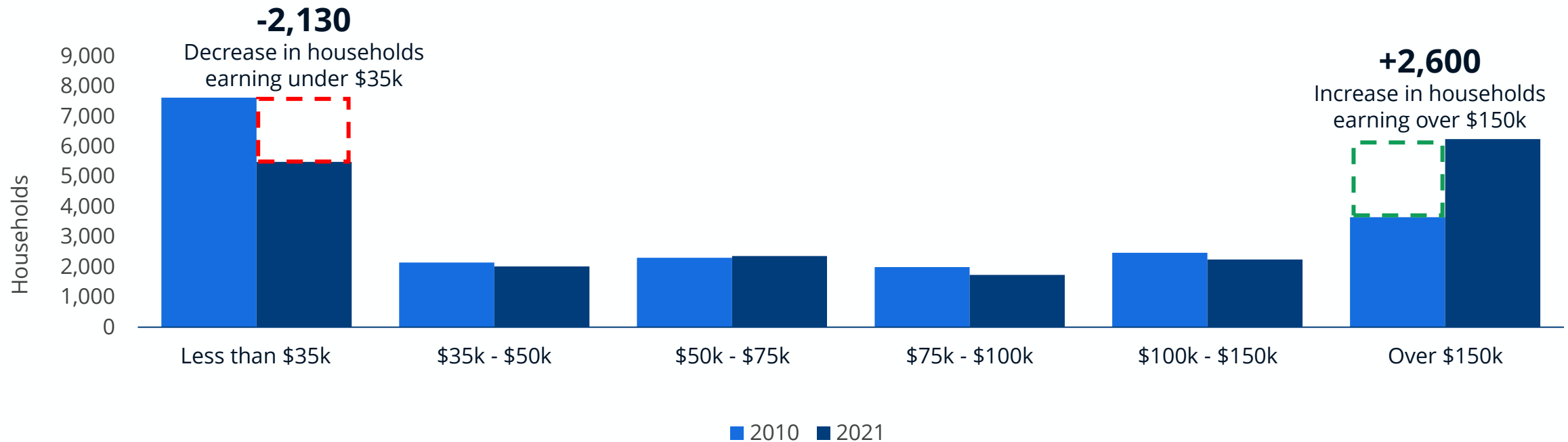
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HOUSING CHALLENGES DISPLACEMENT PRESSURES

While the population has remained relatively stable, there has been a shift toward higher-income households, indicating displacement.

The largest population growth in Chapel Hill has been an increase in the highest-income households, while the Town has lost households with incomes below \$35,000. This change in household income, alongside the rental housing gap for low-income renters and trends in cost burden, suggests that households earning less than \$35k are experiencing displacement.

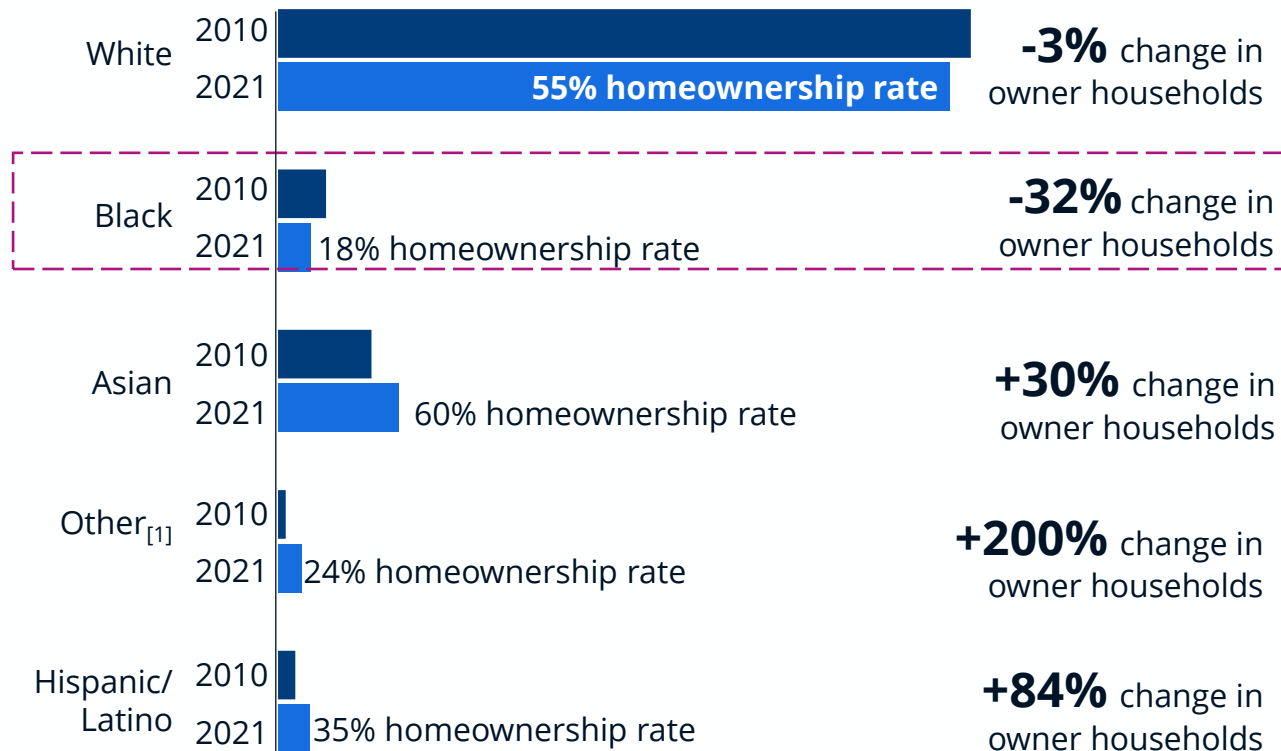
Change in Total Households by Income (2021)



HOUSING CHALLENGES DISPLACEMENT PRESSURES

Displacement pressure appears to have had disparate impacts on Chapel Hill's Black population.

Change in Homeownership Rates by Race (2010 - 2021)



From 2010-2021, Chapel Hill saw a net loss of 6% of Black renter households and 32% of Black homeowner households. Though there was a slight decrease in White homeownership during the same period, Black homeowners were the only racial or ethnic group that had a significant decline, and the Black homeownership rate is the lowest in Chapel Hill. This indicates that challenges related to access to homeownership, rising home prices, and displacement are disproportionately impacting Chapel Hill's Black population.

At the neighborhood level, displacement cause social harm through the replacement of existing lower income BIPOC renters and owners by higher income residents. As a result, communities become disrupted and the original populations may move to less accessible areas, with higher concentrations of poverty and lower access to quality services and amenities. Community members have voiced concerns about disruption and displacement in historically black neighborhoods like Northside and Pine Knolls.

HOUSING CHALLENGES TOWN'S RESPONSE

To address these housing challenges, the Town has recently deployed substantial funding and adopted new programs and policy changes. However, additional programming and funding will be needed to sustain its efforts.

LIMITED HOUSING SUPPLY

Since 2020, the Town has **approved roughly 3,200 new homes for development**, of which nearly 580 homes are income restricted. For many of these projects, the Town leveraged Town-owned land to deliver new homes. Additionally, the Town adopted zoning changes to allow for 'by-right' development of "missing middle" housing typologies across all single-family zoning districts in June 2023.

However, restrictive covenants, rising development costs, and limited land availability will continue to challenge housing production in Chapel Hill.

DECREASING ACCESS TO HOME-OWNERSHIP

In 2021, the Town implemented changes to its [Employee Housing Program](#) to **increase the maximum down payment assistance** it offers and amended the eligibility criteria for the program, which resulted in its first employee to receive down payment assistance through the program. The Town has also partnered with local partners such as **Community Home Trust** to increase homeownership opportunities across Chapel Hill.

In spite of its recent success, the Town's current program is limited in its size and scale, focusing only on Town employees. Unless the Town explores expanding the program, lower- and moderate- income households townwide will continue to struggle to find attainable homeownership options.

HOUSING CHALLENGES TOWN'S RESPONSE

To address these housing challenges, the Town has recently deployed substantial funding and adopted new programs and policy changes. However, additional programming and funding will be needed to sustain its efforts.

DECLINING RENTAL AFFORDABILITY

The majority of the Town's grant funding has been allocated towards increasing affordable rental homes within Chapel Hill. Additionally, the Town has seen recent successes with entitling affordable rental homes through the voluntary inclusionary zoning policy for rental housing.

The Town and Orange County, along with other jurisdictions, have supported low-income renter households facing housing insecurity with emergency rental assistance support. During the COVID-19 pandemic, the Town and Orange County expanded these efforts to **provide emergency rental assistance to 535 families**. The Town will need to continue to sustain (and possibly expand) its efforts to support low-income renters as they continue to face housing insecurity.

DISPLACEMENT PRESSURES

Since 2014, the Town has partnered with the Jackson Center, UNC, Self Help, and other community partners to fund the [Northside Neighborhood Initiative](#) (NNI). The NNI has effectively combatted displacement pressures in Northside through land banking, property tax relief, and homeowner retention. Additionally, the Town has pursued other policy initiatives to combat displacement, such as its [Preservation Strategy Framework](#) and [Manufactured Homes Action Plan](#). Through these efforts, the Town has also negotiated commitments with developers to prevent displacement of manufactured homes residents and provide displacement assistance packages for naturally occurring affordable housing (NOAH) properties facing redevelopment.

Though these efforts have slowed displacement, residents in vulnerable communities such as Northside, Pine Knolls, manufactured home parks, and other sensitive neighborhoods will continue to face development pressures as the Town, UNC, and the region continue to grow.

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Affordable Housing Plan

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AFFORDABLE HOUSING PLAN OVERVIEW

The Affordable Housing Plan includes recommendations for the Town to deploy funds and policies to continue its work in address local housing challenges and increase racial equity over the next five years, guided by four goals.

REDUCE BARRIERS TO BUILDING HOMES

Chapel Hill should continue to pursue regulatory changes to remove barriers to housing supply, encourage new development of housing to meet the needs of a range of residents and refine its inclusionary zoning ordinance and inclusionary housing policy to increase its local housing supply.

EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP

The Town should modify its down payment assistance program, expand its Transitional Housing programs and explore additional asset building initiatives to increase homeownership opportunities in Chapel Hill while providing property tax relief for lower-income homeowners.

EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING

Chapel Hill should increase access to affordable and stable housing for low-income renters by expanding its rental assistance programs and bolstering tenants' rights while continuing to increase the supply of affordable rental homes.

INCREASE STAFF AND FUNDING CAPACITY

The Town should dedicate new, consistent streams of funding to support its affordable housing programs, establish tools that increase the impacts of local funding, and align staff capacity and other resources to maintain a high performing affordable housing program.

AFFORDABLE HOUSING PLAN APPROACH

The Affordable Housing 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.

The Town already provides a range and scale of affordable housing programs, including subsidy, land use & policy, and tenants' rights tools characteristic of a larger city. The Town spends approximately \$170 per capita annually for affordable housing, which exceeds many of its peer communities and is among the highest in North Carolina. These programs, policies and tools include **inclusionary zoning, gap financing** for affordable housing development, **master leasing, down payment assistance, and Town-initiated affordable housing development on public land**, among others.

The Affordable Housing Plan will build upon the Town's strong existing programming to identify new policies and programs which the Town can incorporate, as well as recommendations to expand or redesign existing programs and funding sources to better serve its housing needs. While considerable progress has been made to address affordable housing in Chapel Hill, the **Town should focus on sustaining and scaling up its housing programs over the next five years.**

Racial equity will be a core driver in how the Affordable Housing Plan incorporates new tools and refines existing Town programs and funding sources. Recommendations detailed in the Plan have been crafted to directly address disparities and mitigate barriers to accessing quality affordable housing, whether through enhanced tenants' rights protections, inclusionary land use policies, or equitable deployment of public subsidies. Furthermore, the Plan will provide guidance on how to empower residents and community members who are the most impacted by disparate housing impacts in participating in decision-making processes.



The Town deploys public subsidies through a range of programs primarily focused on developing new affordable homes. The Affordable Housing Plan makes recommendations to sustain and scale public subsidy programs, as well as to identify new sources of public funding and deploy funds for greater impacts.



Chapel Hill has approved over 3,200 new homes for development since 2020. The Town's Affordable Housing Plan makes recommendations to increase the Town's housing supply of "missing middle" housing and refine its existing regulatory tools to better suit its housing needs.



North Carolina state law restricts what can be done to protect tenants' rights, but the Town can minimize displacement with preservation initiatives and emergency assistance. The Affordable Housing Plan makes recommendations to bolster tenants' rights protections, especially for vulnerable renters.

REDUCE BARRIERS TO BUILDING HOMES

Chapel Hill should continue to pursue regulatory changes to remove barriers to housing supply, encourage new development of housing to meet the needs of a range of residents and refine its inclusionary zoning ordinance and housing policy to increase its local housing supply.

Project-specific development requirements, limited land availability, and public opposition to housing development have challenged housing development and constrained the supply of homes in Chapel Hill contributing to affordability challenges and displacement. While zoning and regulatory changes alone will not solve the Town’s housing challenges, increasing the housing supply by reducing barriers to new development could help to ease market pressures and stabilize housing prices.

Decreasing housing supply barriers can help Chapel Hill advance racial equity by expanding access to housing, particularly in neighborhoods which have legacies of segregation and exclusionary covenants barring BIPOC residents from obtaining housing. Continuing to increase the supply of affordably priced housing in and near areas of opportunity, such as low-poverty neighborhoods, transit corridors, and employment centers, can enable to the Town to reverse the impacts of racial segregation and entrenched wealth inequities.



In Chapel Hill, single-family detached homes are typically attainable to households earning at least twice the regional AMI. Townhomes and other missing middle housing typologies, which are priced at 60-75% of the cost of single-family detached homes, are naturally affordable for households whose earnings are closer to the regional AMI. Increasing rental housing supply and encouraging higher-density multifamily development can also decrease rents within Chapel Hill and alleviate housing cost burdens for renters seeking attainable housing options within the town.

Source(s): CoStar, HUD Income Limits, Developer Interviews, Zillow, Freddie Mac Private Mortgage Market Survey

Recommendations

1. Continue to pursue zoning and regulatory changes to streamline entitlements processes and evaluate the impact of development requirements on affordability.
2. Launch a formal education and outreach campaign in order to bolster community support for the Town’s affordable housing priorities, including housing development.
3. Refine the Town's inclusionary zoning ordinance and inclusionary housing policy to better reflect current market trends and continue to promote the development of affordable homes.

Single-Family Affordability By Typology (Example)

	 Single-Family Detached	 Townhouse
Cost to Purchase	\$750,000	\$450,000
Minimum Household Income	\$150,000+	\$90,000 -100,000
Household AMI Level	200%+ AMI	100-120% AMI
Monthly Mortgage₁	\$3,500+	\$2,000-2,400

DRAFT ¹The mortgage payment includes, principal interest, insurance and taxes. It assumes a 10% down payment, and an interest rate of 6%

REDUCE BARRIERS TO BUILDING HOMES EXISTING POLICIES AND PROGRAMS

The Town is already advancing several important zoning changes and regulatory policy initiatives to increase housing supply and address regulatory barriers.

Program	Description and Impacts	Moving Forward
Accessory apartments	In 2019, the Town revised its Land Use Management Ordinance (LUMO) to allow for single-family dwelling units with accessory apartments by-right in most districts within Chapel Hill. These accessory apartments are limited by unit size (up to 750 square feet) and floor area (up to 75% of the principal dwelling unit). The Town has explored loosening restrictions on maximum unit size, which could further increase housing options within Chapel Hill.	Continue
By-right development of “missing middle” housing.	The Town is currently pursuing an amendment to its Land Use Management Ordinance (LUMO) to allow for by-right development of “missing-middle” housing typologies in more residential districts throughout Chapel Hill. In residential districts which only allowed single-family detached housing, developers would be allowed to deliver smaller developments (2 units per lot) with administrative approval. Larger-scale “missing middle” housing typologies such as cottage courts, triplexes, and fourplexes, would be allowed by-right in any district where multifamily is allowed. By implementing this zoning change, the Town can increase its housing supply, which in turn will expand access to housing and lower the barriers to entry for residents to move into historically exclusive single-family neighborhoods. The proposed zoning changes was adopted by Town Council in June 2023.	Modify
Expedited permit review for affordable housing development	For development projects which include affordable units, the Town has incorporated a streamlined permit review process. The expedited process decreases expected approval times by 4-7 months by eliminating the concept plan review and advisory board review steps. This increases Town staff’s authority to recommend projects to the Planning Commission and Town Council. By streamlining the entitlements process, the Town can reduce development time and perceived risk for new housing developments, which decreases the costs to develop new housing. The Town approved of the expedited permit review process in November 2022.	Modify (See Recommendation 1)

REDUCE BARRIERS TO BUILDING HOMES EXISTING POLICIES AND PROGRAMS

The Town is already advancing several important zoning changes and regulatory policy initiatives to increase housing supply and address regulatory barriers.

Program	Description and Impacts	Moving Forward
Inclusionary Zoning Ordinance and Inclusionary Housing Policy	<p>Chapel Hill’s Inclusionary Zoning Ordinance, enacted in 2010, requires 10-15% of units in new housing developments to be set aside for households with incomes at 65-80% of AMI or lower, and offers density and floor area bonuses to developers to offset the potential loss of income due to affordability. The ordinance also allows developers to provide a payment-in-lieu of providing affordable units to the Town’s Affordable Housing Fund. While the policy had limited success in its early years, the Town has entitled about 150 affordable homes and delivered 9 homes to be sold at price points affordable to 65%-80% AMI households through this ordinance since 2013.</p> <p>While the State of North Carolina limits the ability of local governments to enact rent controls, the Town has also employed a voluntary inclusionary housing program to incentivize affordable rental development. As with the mandatory Inclusionary Zoning Ordinance, the inclusionary housing policy offers density and floor area bonuses to developers in exchange for delivering affordable rental homes. Since 2013, the Town has entitled roughly 130 affordable rental units and delivered 5 affordable rental homes through this policy.</p>	Modify (See Recommendation 3)
Public Land	As available greenfield sites have become more limited and land costs have increased drastically, the Town has contributed public land through donations or ground leasing in exchange for housing development and affordable home production. In the past 10 years, two housing developments have been delivered on Town-owned land, which has yielded 149 affordable homes. Three additional housing projects are expected to break ground beginning in 2024 which are estimated to deliver nearly 190 affordable homes.	Continue

REDUCE BARRIERS TO BUILDING HOMES RECOMMENDATIONS

1. Continue to pursue zoning and regulatory changes to streamline entitlements processes and evaluate the impact of development requirements on affordability.

For development projects which include 25% or more affordable units, the Town has incorporated a streamlined permit review process. The expedited process decreases expected approval times by 4-7 months through eliminating concept plan and advisory board review steps. This increases Town staff's authority to recommend projects to the Planning Commission and Town Council. By streamlining the entitlements process, **the Town can reduce development time and perceived risk for new housing developments, which decreases the costs to develop new housing.** The Town approved of the expedited permit review process in November 2022.

Regulatory Environment

In addition to deploying funding to address housing affordability and other local needs, local governments play a role in the housing market by setting the regulatory environment in which developers make investment decisions. Land use policies (such as zoning and design standards) and regulatory processes (such as processes for zoning approvals, variances, building permits, and inspections) can impact not only the type of development but the amount of new development and investment activity. Long or unclear approvals processes can increase both the costs to the developer over the life of the project and developers' perceived risk. Proactively defining and communicating the Town's development priorities, aligning land use regulations with desired housing production, and using development approval processes to encourage desired development can help the Town ensure that residential development meets its goals.

Recommendation: The Town should continue pursuing **zoning and regulatory changes to streamline entitlements processes and reduce upfront development costs for housing.** These changes include allowing by-right development of lower-cost housing typologies (e.g., townhomes and "missing middle" housing) which are naturally affordable to a wider range of households, as well as exploring regulatory and financial incentives to reduce development requirements and costs.

The Town should also continue to foster collaborative relationships with the development community to **identify steps in the entitlements process which can be streamlined and ensure that community benefits requests do not place unnecessary burdens on development.** While the Town examines project proposals holistically to maximize community benefits and limit municipal risk, placing too many exactions and community benefits requirements on projects, may be limited developers in their ability to produce homes.



REDUCE BARRIERS TO BUILDING HOMES RECOMMENDATIONS



2. Launch a formal education and outreach campaign in order to bolster community support for the Town's affordable housing priorities, including housing development.

In recent years, public opposition to housing development has posed a challenge to new development, both for individual projects which may have faced opposition and by creating greater uncertainty for developers. This may mean that the Town has seen fewer developments in its pipeline, or that housing is built at densities below what the market would otherwise tolerate due to concerns about public opposition.

Information Dissemination

The Town can disseminate information to increase certainty and trust in the market, to build awareness of its activities to promote housing affordability and their impacts, and to encourage residential development. This can take the form of outreach to developers to communicate local priorities and to support proposed projects that meet developer and local goals, as well as information and engagement with the public to address residents' concerns about the potential impacts of new development and educate residents about the interconnected nature of housing supply, housing affordability, and racial equity in housing.

Recommendation: The Town should launch a formal education and outreach campaign in order to bolster community support for the Town's affordable housing priorities, including housing development, and to decrease development barriers from opponents.

To obtain community support for housing development, the Town should first raise awareness about the affordable housing crisis Chapel Hill is experiencing, what the Town is doing to respond, and what additional tools could be used to address affordable housing development barriers.

The Town should also partner with civil rights and labor groups, environmentalist groups, historically marginalized residents and communities (e.g., Black, low-income, seniors) and other grassroots organizations who represent the community's diverse housing needs to initiate a local coalition to promote housing development in Chapel Hill.

The Town and its partners should build a case for middle density housing alongside other key lifestyle issues (such as racial and economic segregation, climate change, and equitable access to public school educational opportunities) **to build consensus for increasing housing supply among a wider audience.** This coalition can also create engagement tools such as advocacy playbooks that **provide tips and insights for different levels of advocacy**, including general advocates, advisory board members, or Town Council candidates, among others.

REDUCE BARRIERS TO BUILDING HOMES RECOMMENDATIONS



3. Refine the Town's inclusionary zoning ordinance and inclusionary housing policy to better reflect current market trends and continue to promote the development of affordable homes.

Chapel Hill's [Inclusionary Zoning Ordinance](#) has been in effect since 2011. It requires that 10-15% of development projects proposing five or more for-sale homes to be affordable for 65-80% AMI households or lower and offers density and floor area bonuses to developers. The ordinance also allows for payment-in-lieu fee contributions to the Town's Affordable Housing Fund for projects which cannot meet the ordinance requirements for affordable for-sale home development. In the past three years, this ordinance has resulted in the entitlement of 150 affordable for-sale homes .

The Town also employs a voluntary inclusionary housing policy to incentivize the development of affordable rental homes. The policy offers developers density and floor-area bonuses in exchange for affordable homes. In the past decade, the Town has entitled over 130 affordable rental homes through this policy.

Despite the recent successes of both the ordinance and policy, **rising development costs and increasing household incomes**, among other factors, will limit the potential impacts of these policies in the future.

Inclusionary Zoning

Inclusionary zoning policies require or incentivize developers to include affordable homes as part of market rate developments, often in **exchange for incentives such as density bonuses, tax abatement, and expedited review**. Inclusionary zoning typically promotes mixed-income multifamily rental housing development, though there are few national precedents for inclusionary zoning policies oriented towards for-sale housing.

Recommendation: To increase the supply of affordable homes in Chapel Hill, the Town can **recalibrate its inclusionary zoning ordinance and inclusionary housing policy requirements to better reflect shifting market conditions and incentivize production of affordable homes.**

Design Considerations

Geography

The Town could consider a **geographic application of the inclusionary zoning ordinance and housing policy** in neighborhoods which face development pressures and displacement of lower- and moderate-income households.

Eligibility & Requirements

The Town should evaluate amending its set aside and income level requirements to **better promote developer participation in for-sale housing production**. Additionally, the Town should review its development requirements (e.g., parking, stormwater) to ensure that they do not prohibit or discourage housing development.

Incentives

Alongside eligibility changes, the Town should evaluate its **density and floor area bonuses and make changes as needed to better incentivize affordable for-sale and rental housing**. The Town can also evaluate the potential to offer additional incentives, such as tax abatements and by-right development of denser housing typologies, in exchange for affordable for-sale and rental homes.

EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP

The Town should modify its down payment assistance program, expand its Transitional Housing programs and explore additional asset building initiatives to increase homeownership opportunities in Chapel Hill while providing property tax relief for lower-income homeowners.

Like many communities in the Research Triangle, Chapel Hill has seen rising housing costs over the past decade, with particularly sharp increases since 2020. This has meant that **homeownership has become increasingly unattainable for all but the highest-income residents.**

In addition, **a legacy of federal and local policies and practices, such as redlining and restrictive covenants, have restricted access to homeownership for Black residents.** Black homeownership in Chapel Hill has also declined in the past decade, likely due to displacement pressures for existing homeowners and limited access to affordable homeownership.

As housing prices continue to increase, the Town needs to continue its momentum in increasing homeownership access for moderate-income households, as well as combating historic discrimination and inequities in homeownership for Black households. Over the past five years, the Town has provided gap financing to local housing partners to develop for-sale housing affordable to lower- and moderate-income households. Additionally, the Town's [Employee Housing](#) and [Transitional Housing Programs](#) have also helped lower-income households access homeownership opportunities within Chapel Hill.

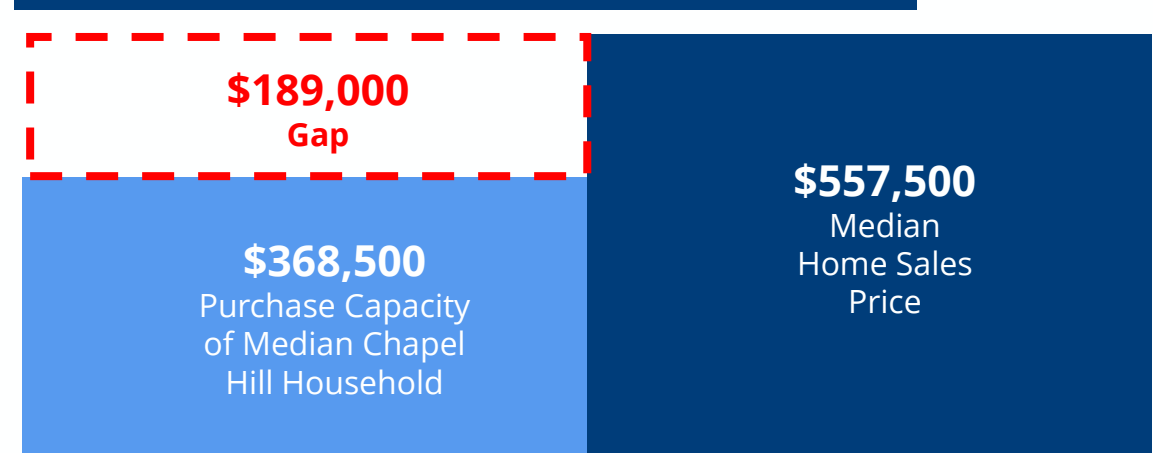
The Town should continue to expand and refine its existing programs and policies, including expanding the availability of down payment assistance and encouraging the production of more homes affordable to moderate-income homebuyers. The Town can also explore programs that help lower-income households build assets toward future homeownership.

Source(s): ACS 5-Year Survey 2010 - 2021, Freddie Mac, Zillow

Recommendations

4. Modify the Town's Employee Housing Program to provide down payment assistance for moderate-income homebuyers.
5. Expand the Town's Transitional Housing Program and explore additional asset-building programs to serve more households interested in working towards homeownership.
6. Dedicate consistent funding to provide low-income households with property tax relief.

Home Purchase Capacity (2022)



Purchase Capacity

Median Home Price

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EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP EXISTING POLICIES AND PROGRAMS

In recent years, the Town established programs such as the Employee Housing Program and Transitional Housing Program to increase homeownership opportunities for lower- and moderate-income households within Chapel Hill.

Program	Description and Impacts	Moving Forward
Employee Housing Program	In 2018, Chapel Hill launched its Employee Housing Program to provide down payment assistance to Town employees earning up to 115% of AMI for the purchase of homes in Chapel Hill. This program has served one homebuyer to date.	Modify and Expand (See Recommendation 4)
Homeowner Repairs	The Town provides lower-income homeowners with grants to make small-scale repairs to their homes. The Town primarily uses federal funding, such as CDBG, to fund this program. On average, the Town has allocated approximately \$5,000 per household (typically at the 80% AMI level or below) for such repairs and has recently contributed funding to support regional homeowner repair initiatives, including the Preservation Coalition.	Continue
Transitional Housing Program	The Town's Transitional Housing Program is an asset building program intended to create wealth among low-income families residing in Town-operated public housing . The program allocates 20% of a household's rental payments into a savings account with the goal of helping residents move to private market housing, either rental or for-sale. Participants also have access to classes and training to improve personal finance and housing goals.	Modify (See Recommendation 5)



4. Modify the Town's Employee Housing Program to provide down payment assistance for moderate-income homebuyers.

Access to homeownership is one of the primary affordability challenges facing Chapel Hill residents. Rising home costs have put homeownership out of reach for all but the highest-income households, and there is a substantial gap between what median income households in Chapel Hill can afford and the median sale price of homes in Chapel Hill. Down Payment Assistance (DPA) is a common approach to closing this gap and increasing access to homeownership for first-time homebuyers who may have limited assets to cover the upfront costs of homeownership.

Down Payment Assistance Programs

Down Payment Assistance (DPA) is a critical tool to help moderate-income homebuyers access homeownership by **closing the gap between the cost of homeownership and a household's mortgage borrowing capacity.** DPA reduces the upfront cost of homeownership through grants or forgivable loans provided to income-qualified households to cover a portion of the down payment and closing costs for a home. It is often paired with homeownership counseling to help first-time homebuyers learn the homebuying process and plan for the costs of buying and owning a home.

Recommendation: To increase access to homeownership in Chapel Hill with a focus on moderate-income households, the Town **should expand the eligibility and assistance available under its existing DPA program to serve more households Townwide.** The Town can also work with regional employers such as UNC to encourage them to **provide DPA to their employees.**

Design Considerations

Scale and Funding

The Town should allocate funding to this program in accordance with its funding allocation processes and based on identified need and past successes. As an initial allocation, the **Town should dedicate \$750,000 with the goal of assisting up to 10 households per year.**

Eligibility

The Town should ensure that **all households with incomes at or below 80% of AMI** are eligible for DPA.

Type of Assistance

The Town's current DPA program provides forgivable loans of up to \$12,500 per applicant, **which is likely not sufficient to meaningfully increase access to homeownership.** The Town should confirm whether this and other program terms will be appropriate for an expanded program. The Town should explore contributing DPA loans which are either repayable at sale or cash-out refinancing. The Town could also offer shared appreciation loans to support its revolving loan fund as homes are transferred.

Admin. Process and Capacity

The Town should consider identifying a nonprofit partner to administer the expanded DPA program. It can work with UNC and other major employers to set up separate programs or to provide funding for their employees using the Town's administrative process and program management.



5. Expand the Town’s Transitional Housing Program and explore additional asset-building programs to serve more households interested in working towards homeownership.

Even in markets where homeownership is affordable based on income, low- and moderate-income households still often lack the assets for the down payment and closing costs necessary to purchase a home. Asset building programs can help lower-income households save toward a down payment or build stability for unforeseen expenses.

Asset Building Programs

The most common type of homeownership asset building program are **Individual Development Accounts (IDAs)**, which enable residents to build wealth through contributions to a savings account which can be used to contribute to down payment. Additionally, IDAs include an education or training services to prepare participants for the home-buying process, access mortgage products, and search for homes, among other services. Other asset building models include **lease-to-purchase and renter’s equity models**, which allow renters to earn “equity” with every rent payment. However, **these models have not consistently helped participants access homeownership**. Some lease-to-purchase models have increased rents for participants without increasing their access to homeownership or additional benefits.

Recommendation: The Town should expand its existing Transitional Housing Program to serve non-public housing residents and continue to explore additional asset building models to help non-public housing residents build equity, with a focus on IDAs.

Design Considerations

Eligibility

All households with incomes up to 50% of Area Median Income should be eligible for the asset building programs.

Funding

Funding for IDAs or other asset building programs could be produced from payment-in-lieu fees from the Town’s inclusionary zoning program or other local and philanthropic sources.

Partnerships

Asset building models rely on comprehensive partnerships with foundations, employers, CDFIs, and other nonprofits to obtain funding and programmatic support.

Use of Funds

While building equity for homeownership can be the primary focus of IDAs or other asset building programs, the **Town should allow flexibility for participants to use saved funds for other needs** (e.g., unforeseen medical costs, education, etc.)



6. Dedicate consistent funding to provide low-income households with property tax relief.

Rising property tax burdens can limit the ability of lower-income homeowners in maintaining homeownership. In high-cost housing markets such as Chapel Hill, lower-income homeowners are especially vulnerable to rising property taxes and often face displacement risks.

While the State of North Carolina limits the ability of local jurisdictions in providing tax waivers and tax abatements for homeowners, localities can dedicate funds to provide property tax rebates.

Property Tax Assistance

Depending on state law, local governments can reduce, waive, or reimburse property tax payments for low-income homeowners in high appreciation markets to help mitigate rising costs of homeownership. This is one of the primary tools for reducing housing cost burden for low-income homeowners, and therefore an important tool for anti-displacement.

In 2023, Chapel Hill's Town Council dedicated \$100,000 for fiscal year 2023-2024 to provide property tax relief to low-income homeowners.

The Town has also funded local initiatives, such as the Northside Neighborhood Initiative, who provide property tax rebates for low-income homeowners in the Northside neighborhood. **Orange County offers property tax assistance through its Longtime Homeowner Assistance (LHA) program, which has served over 500 homeowners throughout the County with property taxes.**

Recommendation: The Town should dedicate funding to provide property tax relief for low-income households and collaborate with the County to address systemic practices which may disproportionately impact homeowners in neighborhoods facing development pressures.

Design Considerations

Eligibility

Owner households with incomes up to 50% of Area Median Income should be eligible for property tax assistance through the Town

Use of Funds

The Town should explore whether to provide full or partial/capped rebates of property taxes.

Geographic Application

The Town should pilot a property tax relief program for homeowners in neighborhoods facing displacement pressures or significant increases in property tax bills.

Partnerships

The Town should collaborate with the Orange County Assessor's Office to identify inequities and discrepancies with assessment practices for long-term, lower-income homeowners, especially in neighborhoods undergoing development pressures.

EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING

Chapel Hill should increase access to affordable housing and secure housing for low-income renters by expanding its rental assistance programs and bolstering tenants’ rights while continuing to increase the supply of affordable rental homes.

Over the past five years, Chapel Hill has invested heavily in producing rental homes for lower-income households; during this time period, the Town has dedicated over \$7 million in grant funding and below-market interest loans to deliver and preserve 161 affordable rental homes.

However, rising rents in Chapel Hill have increased cost burden on renters. Low-income renters are particularly at risk for displacement as fewer and fewer affordable rental options exist within Chapel Hill. In addition, the COVID-19 pandemic and subsequent economic impacts further illuminated the housing insecurity many lower-income renter households experience.

Over the next five years, it will be critical for the Town to continue to provide local gap funding to support the development and preservation of affordable rental housing. The Town can also capitalize on its success with the Glen Lennox Master Leasing Program and expand master leasing to other housing communities, and **enhance its programming and funding to ensure that low-income renters can access stable and affordable housing in Chapel Hill.**

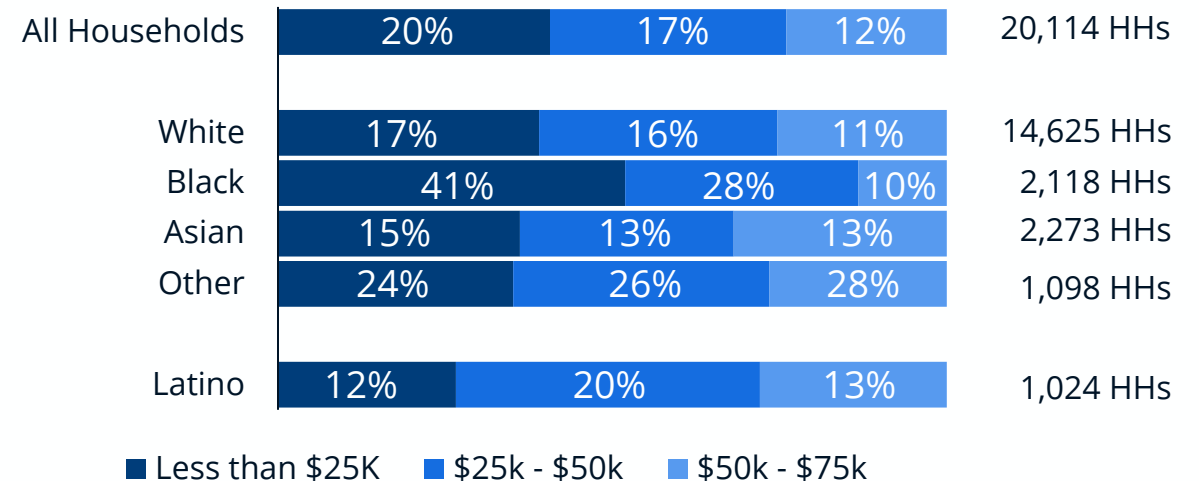
North Carolina places limitations on tenants’ rights, an ongoing legacy of policies which have historically disenfranchised Black residents. **As Chapel Hill considers ways to increase rental affordability, it should also aim to minimize the displacement risks of vulnerable residents and communities,** such as Northside, Pine Knolls, and the Town’s manufactured home communities.

Source(s): ACS 5-Year Survey 2010 - 2021

Recommendations

- Expand the Town’s Master Leasing program to serve more low-income renters.
- Create relocation assistance packages for renters at risk of displacement or eviction.
- Continue to provide gap financing to preserve and create homes for low-income renters.

Household Income by Race (2021)



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EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING EXISTING POLICIES AND PROGRAMS

The Town has dedicated substantial financial resources in providing gap financing for affordable rental housing projects in the past decade, as well as increased its programming which provide rental subsidies to lower-income tenants.

Program	Description and Impacts	Moving Forward
Employee Housing Program	In 2018, Chapel Hill launched its Employee Housing Program to provide one-time rental assistance to Town employees earning up to 80% of AMI for securing rental housing within 5 miles of Chapel Hill. Since its inception, the program has provided 11 employees with rental assistance	Continue and Expand
Gap Financing	Since 2017, Chapel Hill has increased its supply of affordable rental homes by providing gap financing subsidies. During this time period, 173 new Low-Income Housing Tax Credit (LIHTC) homes were developed in Chapel Hill with the Town contributing an average of \$13,200 in subsidies per home. The Town is also providing gap financing for two LIHTC projects anticipated to break ground in 2024 and deliver 102 LIHTC homes. Additionally, the Town has ramped up its subsidy contribution to support the development of other affordable rental homes, contributing an additional \$7.1 million to develop non-LIHTC rental housing.	Modify (See Recommendation 9)
Master Leasing Program	In 2019, the Town initiated a master leasing pilot program in Glen Lennox to assist with monthly rents, security deposits, and utilities for families over a two-year period. The program, administered by Community Home Trust, subsidizes five apartments in Glen Lennox to support renters who are homeless, at risk of homelessness, or face obstacles to renting on the private market. In 2022, the Town expanded the program to support eight additional households.	Expand (See Recommendation 7)
Redevelopment of Public Housing	The Town's 2019 Public Housing Master Plan recommends renovating and redeveloping the Town's aging public housing stock. Since the Plan's adoption, the Town has engaged in a public-private partnership to redevelop Trinity Court (54 affordable units) which will add an additional 14 affordable homes. The Town is also considering the renovation of the 40-unit Craig Gomains housing development.	Continue



7. Expand the Town’s Master Leasing program to serve more low-income renters.

Chapel Hill has a substantial rental supply gap for renters earning less than \$25,000 per year (approximately 30% of AMI). The lack of rental housing that is affordable to these households has likely contributed to a loss of nearly 1,300 extremely low-income renter households in Chapel Hill over the past decade. Public housing is one of the primary types of housing to serve these lowest-income renters. Town currently operates and manages nearly 340 public housing units across thirteen properties, but competition for these units remains high.

In 2019, the Town initiated a master leasing pilot program in Glen Lennox to assist with monthly rents, security deposits, and utilities for families over a two-year period. The program, administered by Community Home Trust, subsidizes five apartments in Glen Lennox to support renters who are homeless, at risk of homelessness, or face obstacles to renting on the private market. In 2022, the Town expanded the program to support eight additional households.

Master Leasing

A master lease agreement is a long-term contract between a public or non-profit entity and property owner to control the management function of a portion of the building’s rental units and charge below-market rates.

Recommendation: To enhance housing stability for low-income renters in Chapel Hill, the Town should **continue to expand its master leasing program to support extremely low-income renters in Chapel Hill.**

Design Considerations

Scale and Funding

Based on previous funding allocations and market rent trends, the Town will need to **contribute at least \$1,400 to \$1,700 per month per household it intends to serve.** The Town should evaluate this program’s effectiveness in supporting the needs of Chapel Hill residents and **calibrate funding requirements needed to expand the program to more households.**

Eligible Households

All renter households with **incomes up to 30% of Area Median Income are currently eligible for the Glen Lennox master lease program.** As the Town gains a better understanding of renter needs in Chapel Hill, it may need to recalibrate its requirements to expand eligibility to higher income renters.

Partnerships

The Town should work with housing providers to oversee expanded master lease programs and facilitate master leasing opportunities between property owners and regional employers whose workforce requires affordable rental options in Chapel Hill.

As new rental housing projects undergo entitlements, the Town can negotiate with developers and property managers to master lease affordable units (e.g., through inclusionary units).

8. Create relocation assistance packages for renters at risk of displacement or eviction.



As housing needs in Chapel Hill continue to rise and greenfield development sites remain sparse, development activity has turned towards lower-income communities within the Town who face displacement pressure. These communities include Northside, Pine Knolls, manufactured home communities along Martin Luther King Jr. Boulevard and other naturally occurring affordable housing (NOAH) throughout Chapel Hill. Though high-density development and transit-oriented development could increase housing stock in Chapel Hill, newer homes are often priced well above the maximum affordable rents previous renters can afford, resulting in the displacement of lower-income renters.

In 2022, the Town and various municipal and affordable housing providers established the [County-Wide Manufactured Homes Action Plan](#) to address redevelopment threats facing manufactured home communities. The Plan calls for the preservation of manufactured home communities and minimizing the impacts of displacement due to redevelopment. The Town also published its [Preservation Strategy Framework](#) in 2019 which calls for the need to support tenant protections at risk of displacement and identifies the need for relocation support and replacement units.

Recommendation: To continue the momentum of ongoing anti-displacement initiatives, **the Town should create a relocation assistance package for renters at risk of displacement due to redevelopment.**

Design Considerations

Requirements

Relocation assistance packages should be available for tenants and manufactured home community residents of properties facing rezoning or redevelopment.

Programming & Services

Relocation assistance packages should provide a comprehensive offering of financial assistance and services which can help residents facing displacement find housing. Services should include (but not be limited to): **moving costs, temporary rent assistance^[1], and security deposits for relocation, as well as housing counseling and advisory services** to help families locate and inspect new homes, set up utility connections, and assist with school enrollment.

Partnerships

The Town should continue to work with housing providers, Orange County, and other regional partners to initiate outreach to residents at risk of displacement and to consolidate resources to efficiently deploy funding and services. During the entitlements period of planned redevelopments which may lead to displacement, the Town should negotiate with developers to minimize displacement of residents or request that developers to contribute funding to provide relocation assistance.

[1] Other Jurisdictions such as the city of Minneapolis require landlords to provide three months of current contractual rent as relocation support .



9. Continue to provide gap financing to preserve and create homes for low-income renters.

Since 2017, the Town has dedicated nearly \$6 million in gap financing to support the development of LIHTC housing. As development costs to produce rental housing continues to increase, affordable housing developers will continue to rely on Town funding in order to continue to produce affordable rental homes within Chapel Hill. **The Town will need to provide a stable stream of funding to provide adequate gap financing for both LIHTC and non-LIHTC development projects** through the recommended loan fund.

Low-Income Housing Tax Credit Housing

The Low-Income Housing Tax Credit Program is a federal program and the largest source of funding for the production of affordable housing nationwide.

LIHTC development typically requires substantial local subsidy. Public entities can increase the production of LIHTC by providing below-market “gap financing” loans to bridge the gap between the cost of development and the funding sources available through typical sources including LIHTC equity and traditional debt. Gap financing can be used to meet other local housing priorities, such as providing longer affordability terms, more homes at deeper levels of affordability, or targeting development in high-opportunity areas.

Recommendation: The Town should continue to make funding available to provide gap financing for LIHTC projects, using a

competitive process through the recommended loan fund. The Town should set a target of one project per year. Unallocated funds can be rolled over or used to finance smaller non-LIHTC rental developments.

Design Considerations

Income and Funding Priorities

The Town’s largest rental affordability gap is for households earning less than \$50,000 (about 50% of AMI). The Town should **prioritize projects that provide a greater number of homes affordable at this level** and should set targets related to the length of affordability, unit size, and other affordability factors. The Town should prioritize projects which are in low-poverty, amenity-rich neighborhoods with access to public transportation.

Financial Terms

Applications should invite developers to propose financial terms. The Town should incorporate a competitive and rigorous underwriting review into its existing award processes, and should evaluate submissions on **the potential for financial return and efficient use of Town funds.** The Town should provide gap financing as below-market loans, rather than grants.

Funding Source(s)

The Town should allocate **at least \$2.5M annually over 5 years** from the recommended revolving loan fund to provide gap financing for LIHTC projects, and non-LIHTC funding as funding is available.

INCREASE STAFF AND FUNDING CAPACITY

The Town should dedicate new, consistent streams of funding to support its affordable housing programs, establish tools that increase the impacts of local funding, and align staff capacity and other resources to maintain a high performing affordable housing program.

Since 2018, the Town has dedicated over \$21M to advance affordable housing. In recent years. The Town committed local funding from the its Affordable Housing Bond Referendum (2018) and federal funding allocations such as the American Rescue Plan Act (ARPA) funding, **both of which was used to fund nearly 300 affordable homes for development and preservation.** In the past decade, the Town has made a concerted effort to dedicate public funding towards housing development; in the past decade, nearly 80% of the Town's grants were allocated to support the development of affordable homes.

While the Town has successfully utilized public funding and Town-owned property to initiate development, rising construction costs and inflated interest rates due in part to the COVID-19 pandemic have required over three times the amount of public subsidy in order to deliver affordable housing. In addition, the Town has exhausted existing funds for affordable housing. **The Town needs to sustain its higher level of affordable housing funding and programming and identify new funding sources and mechanisms to continue to support affordable housing.**

To ensure local funding is deployed to advance racial equity, **the Town should also refine its approaches to governance and distribution of local funding** that incorporate racially and economically diverse voices in decision-making and prioritizes uses of funds that serve the most vulnerable residents within Chapel Hill and communities which have been the most disadvantaged by historically discriminatory local and regional policies. Further, the Town should entrust its housing staff to provide recommendations for allocation of local funding requests while its Housing Advisory Board (HAB) sets priorities on local funding allocations and pursues policy initiatives to advance the Town's housing goals.

Recommendations

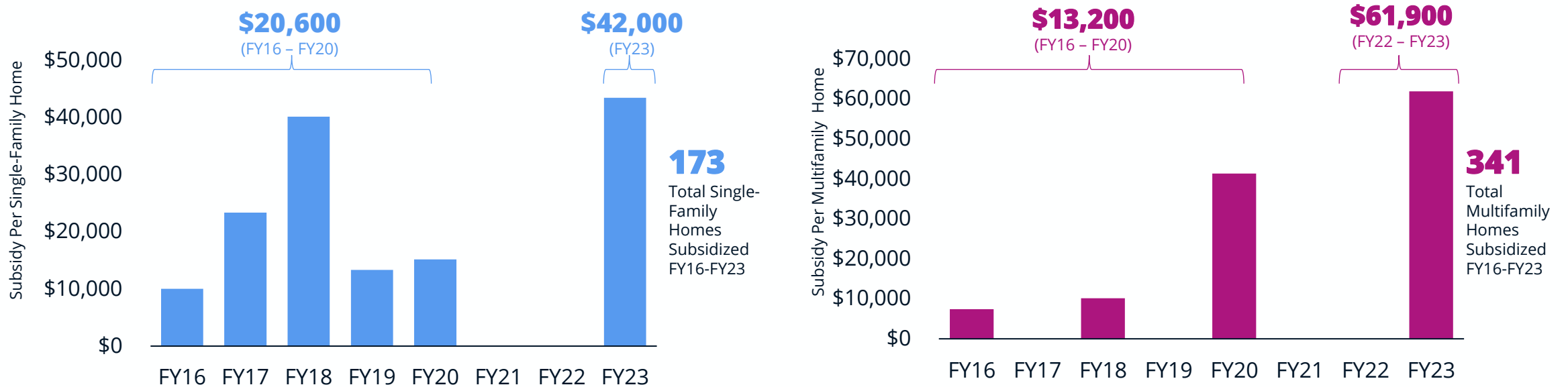
10. Dedicate new, consistent sources of funding.
11. Realign the Town's governance & funding processes for its local funding sources.
12. Establish a revolving loan fund.
13. Enhance partnerships with regional collaborators.
14. Align staffing capacity with existing and projected programming.

INCREASE STAFF AND FUNDING CAPACITY EXISTING POLICIES

The Town has dedicated resources to meet previous housing goals but needs to ensure that future funding and programming is efficient and impactful.

Program	Description and Impacts	Moving Forward
One-time funding sources	The Town has recently relied on major infusions of funds from occasional affordable housing bonds and federal funding (such as one-time American Rescue Plan Act (ARPA) funds) to subsidize affordable housing projects and programs. However, the Town has currently spent or allocated all available funding for affordable housing and does not have a source of ongoing funding to maintain the impacts of its current programs.	Modify and Expand (see Recommendation 10)

Town Subsidies per Home Allocated for Affordable Homes – Single-Family and Multifamily (FY 2016 – FY 2023)



Source(s): Town of Chapel Hill

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INCREASE STAFF AND FUNDING CAPACITY EXISTING POLICIES

The Town has dedicated resources to meet previous housing goals but needs to ensure that future funding and programming is efficient and impactful.

Program	Description and Impacts	Moving Forward
Local Funding Sources	<p>Since 2002, the Affordable Housing Fund (AHF) has served as the Town’s primary local funding mechanism, providing grant funding for land acquisition, renovations, homeownership assistance, rental & utility assistance, and new construction of affordable housing. As of July 2022, the AHF currently holds \$600,000, though nearly all that funding has been earmarked for pipeline projects. The Town also employs an Affordable Housing Development Reserve (AHDR), which has been the Town’s primary annual funding source for developing and preserving affordable housing since 2015. Funding requests from the AHDR are reviewed by the Housing Advisory Board (HAB) and presented to Town Council for approval.</p>	Modify (see Recommendation 11)
Regional Collaborations	<p>Chapel Hill’s affordable housing programming relies heavily on its partnerships and collaborations with municipalities and regional employers. The Town is a frequent collaborator with Orange County and its municipalities, contributing nearly \$1 million in local funding since 2018 for programming and staffing to support regional rental assistance and homelessness services. In 2022, the Town committed \$226,000 to fund staffing positions for the County’s Street Outreach, Harm Reduction and Deflection Program and Partnership to End Homelessness initiative.</p> <p>The Town also contributes annual funding to finance interlocal agreements such as Inter-Faith Council for Social Services and the Community Home Trust administration of affordable housing services. The Town has also collaborated with UNC, Self-Help, and the Jackson Center to fund the Northside Neighborhood Initiative. Since the initiative’s launch in 2015, the Town has contributed nearly \$1.6 million.</p> <p>Additionally, the Town is currently in discussions with UNC Health to establish a revolving loan fund to develop and preserve affordable housing, which includes \$5 million in seed funding from UNC Health.</p>	Expand (see Recommendation 13)

INCREASE STAFF AND FUNDING CAPACITY RECOMMENDATIONS



10. Dedicate new, consistent sources of funding to support the Town's Affordable Housing investments.

The Town has recently relied on major infusions of funds from occasional affordable housing bonds and federal funding (such as one-time American Rescue Plan Act (ARPA) funds) to subsidize affordable housing projects and programs. However, **the Town has currently spent or allocated all available funding for affordable housing and does not have a source of ongoing funding to maintain the impacts of its current programs.**

Development costs are also increasing, and the Town must sustain and scale up its commitments of funds to keep up with growing costs. In the past three years, developers have required over three times the subsidy amount to deliver affordable homes. Identifying one or more dedicated funding sources will help to sustain the Town's commitment to affordable housing. To the extent possible, it is crucial that the Town dedicate funding consistently.

Penny Tax

Municipalities can provide an annual revenue source for affordable housing by setting aside a small portion of real estate taxes. **A “penny for housing” tax is a common way to dedicate local funding for housing.** This represents a one cent increase in taxes for every dollar in current tax bills. Many local communities have penny taxes for housing, including Apex, Carrboro (half-cent tax), and Raleigh. **A one-cent penny tax in Chapel Hill would likely generate approximately \$1 million annually for affordable housing.**

Bonds

General obligation bonds can provide municipalities with a large, upfront funding source to support affordable housing projects. **Affordable housing bonds are often used to support larger-scale capital projects and multi-year initiatives.** In 2018, over 70% of Chapel Hill voters approved a \$10 million housing bond. Durham (2019) and Raleigh (2020) recently issued larger multi-year bonds of \$95 million and \$80 million, respectively.

Recommendation: To continue to deliver impactful programming and fund the development and preservation of affordable housing, **the Town should dedicate additional local funds in the form of a new affordable housing bond and dedicate a two-cent tax for housing.**

Design Considerations

Scale

The Town should **issue a new affordable housing bond of at least \$35 million to support funding needs over the next five years.** The Town should also enact a **two-cent tax levy** to provide a dedicated stable, recurring local funds for housing.

Funding Allocation

The Town should **allocate all local funding sources for housing to its Affordable Housing Fund** to streamline funding awards and allocations and to ensure transparent and equitable investments in affordable housing.

INCREASE STAFF AND FUNDING CAPACITY RECOMMENDATIONS



10. Dedicate new, consistent sources of funding to support the Town's Affordable Housing investments.

Chapel Hill has already committed a significant amount of funding for a community of its size. A commitment of \$50M over five years would put Chapel Hill in the top tier of towns and cities making strong and lasting commitments to affordable housing.

To sustain a \$10M annual commitment over time, the Town will need to evaluate and implement additional revenue sources to balance its resources with Town goals.

	Richmond, VA	Raleigh, NC	Durham, NC	Washington, DC	Charlottesville, VA	Chapel Hill, NC
Funding Scale & Sources	\$80M from dedicated tax revenues from properties phasing out of tax exemption	\$80M Bond and \$6.4M annually in penny tax revenue	\$95M bond & \$65M of existing expenditures	\$100M+ through housing trust fund, transfer taxes, & general fund	\$100M commitment from City Council	\$50M through proposed \$35M housing bond, increased penny tax revenue, and general fund
Time Period	10 Years	5 Years	5 Years	Annual	10 Years	5 Years
Population	230,000	470,000	285,000	715,000	50,000	60,000
Annual \$ Per Capita	\$35	\$48	\$112	\$140+	\$200	\$167

INCREASE STAFF AND FUNDING CAPACITY RECOMMENDATIONS

11. Realign the Town's governance & funding processes for its local funding sources to increase efficiency, transparency, and equity.



As the Town works to increase the scale and consistency of local funding for affordable housing, it should also **develop predictable, transparent, and equitable processes for allocating that funding**. Consolidating all local funding to a singular source and integrating transparency and equitable governance into funding allocation decisions, will ensure that Chapel Hill's affordable housing investments reflect the needs and priorities of the community and deliver consistent, predictable, and efficient impacts to address the Town's housing challenges.

Recommendation: To facilitate equitable and inclusive governance of the Town's funding and expenditures for affordable housing, **the Town should consolidate its local funding into one funding source and designate the HAB as the governing committee to make recommendations about priorities for the use of local funds and policy initiatives to advance affordable housing goals in Chapel Hill.**

Design Considerations

Role of Town Staff

Town Staff should be tasked with the following responsibilities as they pertain to administering local funding:

- **Review local funding requests and provide recommendations to Town Council on allocating local funds for affordable housing projects**
- Train HAB members on Town affordable housing and budgeting processes

Role of HAB

With support from Town staff, the HAB should be tasked with the following responsibilities as they pertain to administering local funding:

- Provide Town Council with recommendations about **prioritizing annual local funding allocations and pursuing policy initiatives for affordable housing.**
- **Produce an annual report** with support from Town staff to detail the priorities set for local funds, programs that received funding, and impacts of Town-funded programs.

HAB Membership

The HAB should **refine its membership requirements to reserve at least one-third (1/3) of its seats for either moderate and lower-income residents or recipients of affordable housing programs**, such as residents of affordable housing or recipients of down payment assistance, rental vouchers, or other affordable housing programs. Empowering community members impacted by Chapel Hill's housing investments will help the Town to advance racial equity in housing. To ensure equitable opportunity to serve and participate, the Town should develop a more robust onboarding process including **affordable housing and Town budget training for HAB members.**

INCREASE STAFF AND FUNDING CAPACITY RECOMMENDATIONS



12. Establish a revolving loan fund that creates a consistent source of ‘quick strike’ financing to acquire land or buildings and source of long-term, low-cost capital to finance the preservation of affordable homes.

Since 2014 the Town has dedicated over \$24 million in grants and below-market loans to support the development and preservation of affordable homes. Over one-third of these funds (\$10.4 million) have gone to increasing the availability of affordable rental housing. However, rental affordability remains a significant housing challenge in Chapel Hill, and the Town has a gap of over 1,900 homes affordable to households with income below \$50,000. In addition, the Town does not have consistent funding streams to maintain a pipeline of affordable rental development and preservation. Funding mechanisms such as loan funds, in contrast to the Town’s current process of allocating one-time grants, allow the Town to recycle funds for affordable housing while enabling the Town to set clear, consistent expectations about development.

Recommendation: To increase the impacts of local funding in increasing rental affordability and maintain a stable pipeline of affordable rental construction and preservation projects, **the Town should consider establishing a revolving loan fund that can serve two purposes, a strike fund to put properties or land under control that would otherwise be purchased by a market-rate developer, and a source of permanent (20 years or more), financing to help developers construct, rehabilitate, or acquire housing and maintain their affordability.** The Town should structure the loan fund to align with policy priorities and market opportunities.

In 2023, UNC Health committed \$5 million in seed funding to help establish a revolving loan as part of UNC Health’s Eastowne Medical Office campus. The revolving loan fund is projected to support 500-1,000 affordable homes.

INCREASE STAFF AND FUNDING CAPACITY RECOMMENDATIONS



12. Establish a revolving loan fund that creates a consistent source of 'quick strike' financing to acquire land or buildings and source of long-term, low-cost capital to finance the preservation of affordable homes.

Revolving Loan Fund

A revolving loan fund is a dedicated pool of capital used to develop, acquire, or rehabilitate existing naturally-occurring and new subsidized affordable housing to preserve affordability. It can be established by a local government in partnership with philanthropic and mission-oriented investors, lending institutions, and affordable housing developers by providing low-cost permanent financing in exchange for maintaining affordable rents. Loan funds ensure continued housing affordability by providing a predictable volume of funding aligned with local goals, and by allowing funds to recirculate over time. They can comprise of short-term 'quick strike' funds or longer-term preservation loan funds.

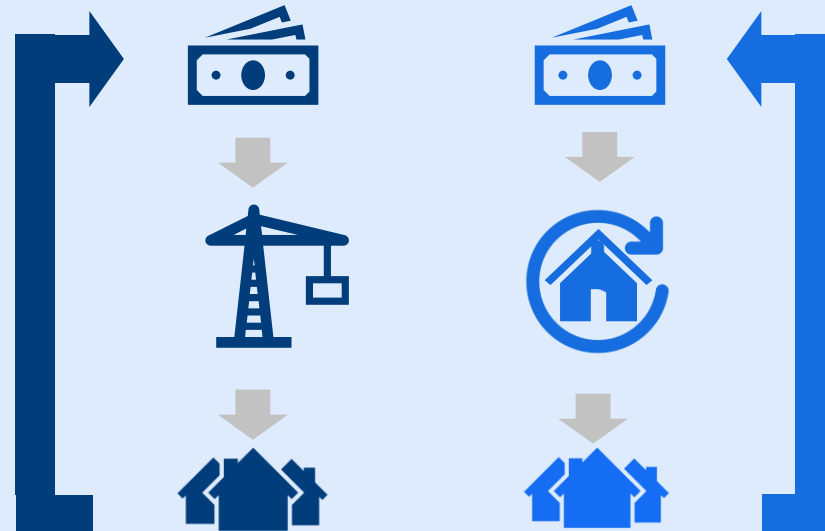
Strike Fund

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 as appropriate.

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 STAFF AND FUNDING CAPACITY RECOMMENDATIONS



12. Establish a revolving loan fund that creates a consistent source of ‘quick strike’ financing to acquire land or buildings and source of long-term, low-cost capital to finance the preservation of affordable homes.

Design Considerations

Eligible Projects and Funding Priorities

The Town’s revolving loan fund should prioritize providing loans to support **preservation and new construction of affordable homes, as well as land acquisition for new rental or for sale homes. Strike loans will revolve more quickly (2-4 years) but are only effective if there is another permanent subsidy source to repay them. Preservation loans involve longer term financing and is much less likely to require additional funding from the Town;** however, it will revolve at a much slower pace (20 years or more).

Affordability Goals

There is an inherent tradeoff between creating the greatest number of affordable units and creating units affordable to households with the lowest incomes. The Town’s **largest rental affordability gap is for households earning less than \$50,000** (about 50% of Area Median Income for a 4-person household). **The Town should prioritize projects that provide a greater number of units affordable at this level, or that deliver affordable homeownership opportunities,** and should set targets related to the **length of affordability, unit size,** and other affordability factors.

Financial Terms

Loan fund materials should invite developers to propose financial terms and set underwriting criteria and evaluate submissions on the potential for financial return, efficient use of Town funds , and other criteria. The revolving loan fund should focus on providing gaps in existing financing which other lenders are not able to offer.

Funding Source(s)

The Town and UNC Health are currently in discussions to commit \$5 million in privately-backed seed funding to capitalize the revolving loan fund. Other funding can come from new annual funding sources such as the penny tax, allocated through recommended processes. The Town can also **pursue additional partnerships with Orange County, mission-oriented and philanthropic organizations, regional employers, and financial lenders to contribute seed funding** for the revolving loan fund.

INCREASE STAFF AND FUNDING CAPACITY RECOMMENDATIONS



13. Enhance partnerships with regional collaborators to clarify roles and responsibilities while addressing underlying policy challenges.

Chapel Hill's affordable housing programming relies heavily on its partnerships and collaborations with municipalities and regional employers. The Town is a frequent collaborator with Orange County and its municipalities, contributing nearly \$1 million in local funding since 2018 for programming and staffing to support regional rental assistance and homelessness services. In 2022, the Town committed \$226,000 to fund staffing positions for the County's **Street Outreach, Harm Reduction and Deflection Program** and **Partnership to End Homelessness** initiative. The Town also contributes annual funding to finance interlocal agreements such as **Inter-Faith Council for Social Services and the Community Home Trust administration of affordable housing services.** The Town has also collaborated with UNC, Self-Help, and the Jackson Center to fund the **Northside Neighborhood Initiative.** Since the initiative's launch in 2015, the Town has contributed nearly \$1.6 million. Additionally, UNC Health contributed \$5 million in seed money to **establish a revolving loan fund** to develop and preserve affordable housing.

While the Town's partnerships with municipalities and regional employers have enabled it to accomplish its housing goals, **the Town is at a crossroads in evaluating how it dispenses funding for regional collaborations and partnerships.** As the Town has exhausted its local funding, it will need to leverage additional funding and resources from local and regional partners in order to accomplish its housing goals, in conjunction with maximizing the impacts of its local funding. These funds, which include federal, state, and

philanthropic funding sources, are not readily available to the Town and will require additional collaboration with its partners to ensure that the Town is not over-exerting its local funding to accomplish its housing goals and can tap into additional funding sources.

The Town has expended numerous resources in recent years to combat housing challenges in Chapel Hill. **Though the Town has found success through its affordable housing programming, it alone cannot implement the policy and programming changes to solve Chapel Hill's housing crisis.** One of the biggest challenges both Chapel Hill and UNC faces is providing adequate housing options for its student population. The need for student housing has contributed to the development and displacement pressures faced by long-term residents in surrounding neighborhoods to UNC, such as Northside and Pine Knolls.

Additionally, institutional policies, such as the County's property assessment practice have disproportionately impacted long-term residents in neighborhoods facing development pressures. While community programs such as the **Northside Neighborhood Initiative's Property Tax Support program** has alleviated tax burdens through small grants, assessment practices, if not mitigated, will continue to disparately impact vulnerable residents in Chapel Hill.

INCREASE STAFF AND FUNDING CAPACITY RECOMMENDATIONS



13. Enhance partnerships with regional collaborators to clarify roles and responsibilities while addressing underlying policy challenges.

Recommendation: The Town should enhance its existing partnerships with neighboring municipalities and regional employers to clarify funding roles and responsibilities. Furthermore, the Town and its partners should actively address the underlying policies which continue to impact community members. Strengthening these partnerships will ensure that both the Town and its collaborators can continue to achieve their affordable housing goals while maximizing the efficiency of their funding.

Design Considerations

Jurisdictional Roles

The Town, County, and other jurisdictional partners should collectively evaluate the impacts of their inter-local and multijurisdictional programs, such as emergency rental assistance, to **calibrate the local funding needs and responsibilities which are required to meet housing program participant needs.**

Employer Engagement

Regional employers, such as UNC Health, are in discussions with the Town to provide financial resources to advance the Town's affordable housing goals. The Town should continue to engage regional employers, such as UNC and Chapel Hill-Carrboro City Schools, to **identify and pursue funding sources and potential joint-programming which can expand on the impacts of Town funding.**

The University of Virginia, for example, recently announced a commitment to construct 1,000-1,500 affordable homes on land owned by the university or the UVA Foundation. Following this lead, the Town should collaborate with regional employers to make substantial affordable housing commitments on their property.

Regional Policy Initiatives

The Town and its partners should **elevate and pursue policy changes with the University and Orange County which can alleviate housing challenges encumbered by Town residents.** These changes may include updates to the County's taxation policies and expansion of on- and off-campus student housing.

INCREASE STAFF AND FUNDING CAPACITY RECOMMENDATIONS



14. Align staffing capacity with existing and projected programming to ensure Town staff can carry out the strategies of the Affordable Housing Plan.

While the size of the Town’s affordable housing team is appropriate for a mid-sized town, the scale and complexity of its affordable housing programming is comparable to that of a much larger community. **As the Town retools and refines its programs, it needs to ensure that staffing capacity is aligned with the scale of its programs to effectively deliver affordable housing.**

Housing Staff in Chapel Hill and other North Carolina Communities

Municipality	Staffing
Chapel Hill	Director; Assistant Director; 3 staff in affordable housing & community development
Asheville	Director; Assistant Director; 13 staff in affordable housing, community development, and homeless strategy
Durham	Director; Assistant Director; 22 staff in program management, compliance and community development
Greensboro	Director; 2 Assistant Directors; 18 staff in neighborhood investment, improvements and finance
Raleigh	Director; 26 staff in community development

Recommendation: To deliver high quality affordable housing programs, oversee expanded funding commitments, and support racial equity in housing, **the Town should increase the size of Town housing staff to align with its programming capacity, prioritize the recruitment of housing staff that reflect the communities served by its housing programs, and develop clear paths for community feedback to staff.**

Design Considerations

Staffing Positions

The Town should hire a program coordinator to **oversee growing and evolving Town programs** such as the Employee Housing and Transitional Housing programs. **Increasing staffing to include program officers, maintenance mechanics, communications staff, and data analysts** will allow the Town to administer its existing programming while pursuing new and innovative programs.

Recruiting

To advance racial equity in housing, the Town should **prioritize hiring staff which reflect the diversity of Chapel Hill residents** and the communities which are primarily served by Town housing programs.

Reporting & Transparency

Town staff should **continue to monitor its annual production goals for the Town’s performance related to housing development and affordability.** The Town can expand on existing transparency initiatives, such as the Affordable Housing Dashboard, to report funding and production metrics.

Investment Strategy

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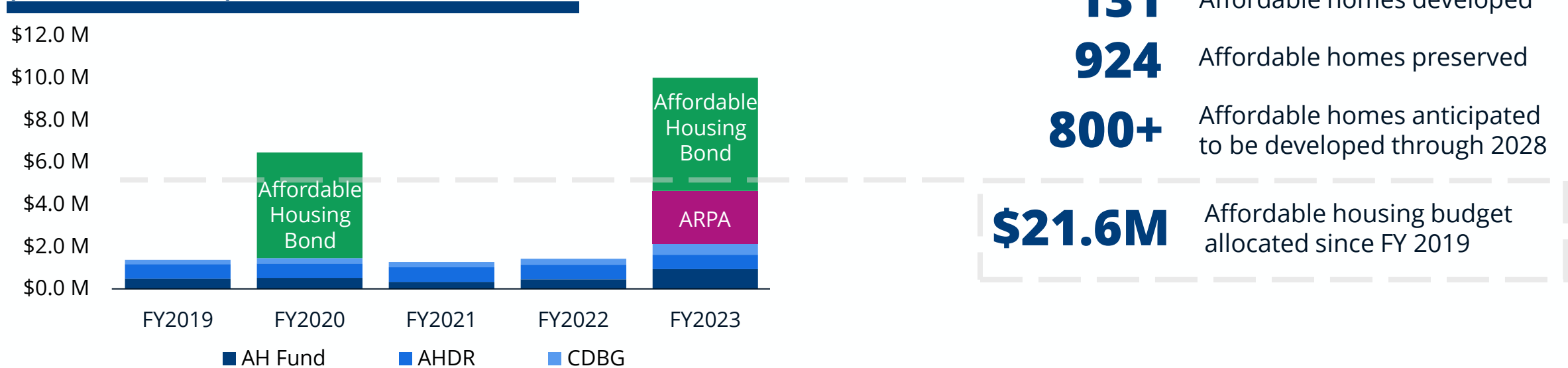
INVESTMENT STRATEGY BACKGROUND

The Town has invested local money to support its affordable housing goals since 2018 and allocated more than \$10 million for affordable housing during in the past fiscal year.

Chapel Hill has invested \$21 million over the past five fiscal years, or approximately \$4 million per year, in affordable housing. During this time, the Town has helped fund over 130 affordable homes for development while preserving over 920 affordable homes. In addition to annual allocations of local funds and federal Community Development Block Grant (CDBG) funding, the Town has relied on major infusions from its 2018 Affordable Housing Bond, and the federal American Rescue Plan Act (ARPA). Together, these two funding sources account for over one-half of the Town’s funding for affordable housing in the past five years.

Rising construction and interest costs, ongoing housing challenges, and the limited availability of state and federal funding for affordable housing will require the **Town to increase its local funding commitments in order to sustain its affordable housing programs.**

Funding Sources for Town Affordable Housing Programs and Policies (FY 2019 – FY 2023)



Source(s): Town of Chapel Hill

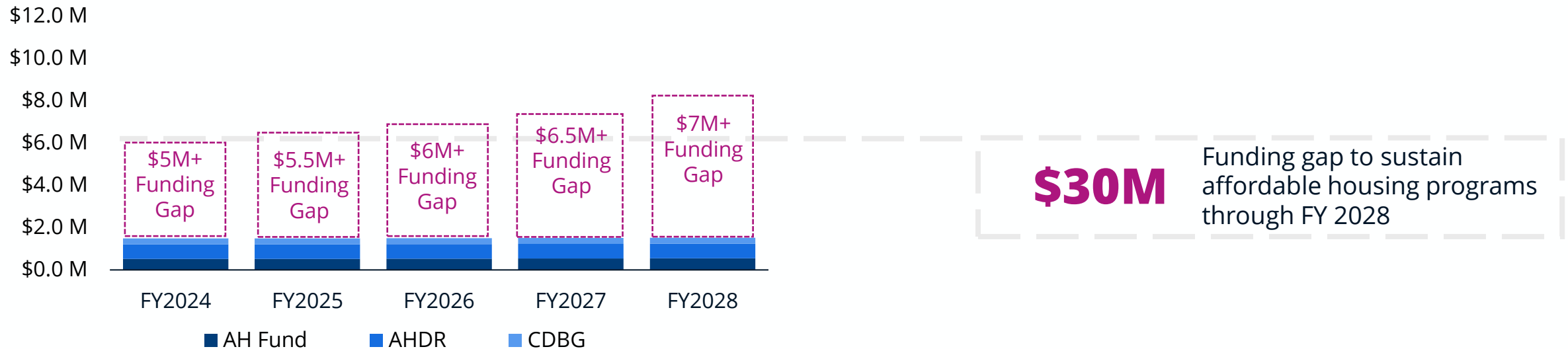
INVESTMENT STRATEGY BACKGROUND

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

The Town requires at least \$36 million to sustain its current level of affordable housing production. Because most of the Town's recent funding sources have now been exhausted, the **Town faces a \$30 million gap over the next five years** in order to maintain its current housing programs.

Increasing the impacts of the Town's funding requires an investment strategy that **deploys funds efficiently and leverages private investment as well as additional public investments** from Orange County, the State of North Carolina, and other federal sources. By investing capital in housing through a mechanism such as a revolving loan fund, the Town can create a self-replenishing source of funds to increase its affordable housing production over the long term.

Funding Sources for Town Affordable Housing Programs and Policies (FY 2024 – FY 2028)



Source(s): Town of Chapel Hill

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INVESTMENT STRATEGY FUNDING COMMITMENT

The Town of Chapel Hill should dedicate \$10 million per year to invest in housing affordability over the next five years.

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. This will allow the Town to both sustain the programs and investments it has been making over the last several years and expand them in response to the scale of need.

If the Town chooses to just sustain the current level of funding impacts, it will require about \$7 million annually for affordable housing.

Potential Five-Year Impacts of Local Spending on Affordable Housing

\$50 million

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

900+
Homes
Developed

400+
Homes
Preserved

[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 \$75,000 per household for downpayment assistance and homebuyers counseling, up to \$1,400 per month per household for up to six months of rental assistance, up to \$10,000 per year per household for property tax assistance, up to \$2,000 per household for relocation assistance packages and programming, and up to \$10,000 per household for repairs.

INVESTMENT STRATEGY SOURCES OF FUNDING

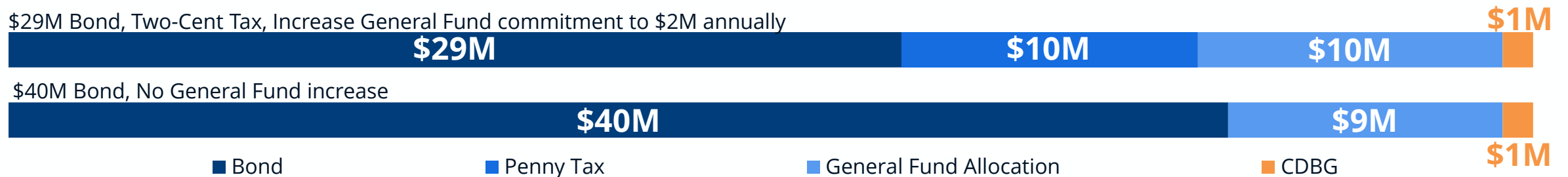
The Town should pursue a combination of a new, larger affordable housing bond and a two-cent tax to fund its affordable housing programs for the next five years.

To meet a funding commitment of \$10 million in annual funding for affordable housing, the Town will need to explore multiple potential funding sources. The Town can continue to use available CDBG funds for affordable housing and may allocate some general funds for affordable housing. In addition, the Town should issue another, larger housing bond and increase its penny tax for affordable housing.

- **An affordable housing bond provides funding for large multi-year housing initiatives such as investment in new development.** The Town has historically relied on small, occasional housing bonds, the most recent of which totaled \$10 million in 2018. However, it should instead pursue larger bonds that can fund affordable housing over a five-year period. Issuing an affordable housing bond will require a voter referendum for the public to approve of the proposed bond. To align the use of bond funds with intended impacts, the Town should pace the deployment of funds over five-years.

- **A penny tax for affordable housing provides a reliable, annual stream of funding dedicated to affordable housing programs.** A two-cent tax would contribute approximately \$2 million annually for affordable housing funding.
- **The Town could also increase its allocation from its General Fund to grow the capacity of its affordable housing staff and administration.** The Town averages approximately \$800,000 in annual allocation for affordable housing staffing and operating costs. While an increase in General Fund allocation could reduce the required bond needed to support affordable housing goals, General Fund revenues are likely the first funding source to be reduced if unexpected funding emergencies occur. Additionally, increasing affordable housing funding from the General Fund will likely result in decreasing funding to accomplish other Town objectives.

Potential Funding Sources for a Five-Year Commitment of \$50 Million



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INVESTMENT STRATEGY TARGETING

The Town should also consider what constraints it should place on its local spending in order to prioritize spending on residents with the greatest needs.

As the Town allocates funding, it will need to ensure that it prioritizes spending to serve residents with the greatest needs. This will include:

- **Renter households earning less than 50% AMI.** These households currently face the greatest rental housing gap; the Town should prioritize funding for projects that provide more units affordable to these lower-income renters.
- **Potential homebuyers earning less than 80% AMI.** Homeownership is increasingly out of reach for these moderate-income households; the Town should work to align affordable homeownership programs with the purchase capacity of these potential homebuyers.

Additional considerations for the targeted use of Town funds include:

- **Duration of Affordability.** The Town should pursue the longest affordability terms feasible. For rental developments receiving Town funding (e.g., direct project funding), the Town should seek 99-year affordability terms. For programs in which the Town provides subsidy to increase homeownership, public funding should be recaptured at the sale of the home so that it can be used to continue to support affordable homeownership.
- **Transparency.** Housing programs and development projects should be funded through a transparent and competitive process. This will allow for an efficient use of the Town's funds to address local priorities. The Town should provide clear and concise guidance on funding priorities and targeting to its partners and funding recipients to effectively communicate its commitment towards meeting its targeted housing goals.
- **Outreach and Racial Equity.** Outreach and marketing of available programs and services will be critical to helping residents access available assistance. The Town can work with community partners to market available assistance in neighborhoods facing displacement pressure or to meet the needs of vulnerable residents and overcome racial and income disparities, including racial disparities in homeownership.

INVESTMENT STRATEGY TARGETING

Enhancing monitoring and compliance and continuing frequent and transparent reporting will allow the Town to evaluate the impact of its local spending on affordable housing programs.

The Town needs to ensure that it has the capacity to frequently track and monitor its local spending in order to identify its impacts, recalibrate its programming and funding as needed, and solidify community and partner buy-in for its housing programs. The Town's **Affordable Housing Dashboard** is a public facing, interactive module which shows subsidized units by location, year, income level, and typology throughout Chapel Hill. The Dashboard also tracks total funding available for projects and the Town's current affordable housing development and preservation pipeline. Additionally, the Town publishes **quarterly reporting on housing initiatives, spending, production and preservation**. The Town can enhance its monitoring and compliance tracking by increasing its staffing capacity to effectively track and monitor local spending and its impacts on the Town's housing programs and policies.

As the Town dedicates and allocates a new pool of local funding for its affordable housing programming, it should **continue to report and track local spending** to evaluate its progress on meeting its housing goals, measure the impacts of its local spending, and refine its processes as needed to ensure that Chapel Hill's local dollars are efficiently leveraged and maximize benefit for its residents and community members.

Considerations for monitoring the Town's local funding allocation includes:

- **Benchmarks.** The Town should identify benchmarks for the number of homes and households it aims to deliver, preserve, and serve using local funding. By establishing clear benchmarks to track its local spending, the Town can easily evaluate its progress and refine how it allocates its

funding, as needed. Establishing these benchmarks is especially important as the Town launches additional funding sources and mechanisms to support its affordable housing goals, such as the proposed revolving loan fund.

- **Indicators.** As the Town refines and expands its affordable housing programs, it should ensure that it is adequately monitoring its progress towards achieving its housing goals. Indicators which the Town should ensure it is tracking as it embarks on its next phase of allocating funding include number of new homes developed, AMIs served, homes sales data, private and other public funding leveraged, loans financed. For funding allocated towards renter and owner households, the Town should also disaggregate its data collection to track households served by race, income level, and veteran status among others, to ensure that its local spending is being allocated towards communities which have been the most disadvantaged by institutional housing practices and households which require the greatest funding needs
- **Frequency.** The Town should continue to provide quarterly reports on affordable housing initiatives, spending, and housing production and preservation while including progress on local funding spent. Additionally, the Town should publish annual and five-year reports to transparently communicate its progress to the community, its partners, and funding recipients while enabling itself to identify additional housing needs, funding, resources, and refinements to its housing programming and local spending.

INVESTMENT STRATEGY IMPLEMENTATION NEEDS

The Town should prioritize its implementation of Plan recommendations based on the resources required, implementation timeframe, and partners.

Recommendation	Timeframe	Leads and Partners	Resources Required	Metrics
REDUCE BARRIERS TO BUILDING HOMES				
1. Continue to pursue zoning and regulatory changes to streamline entitlements processes and evaluate the impact of development requirements on affordability.	Long-Term (2 to 5 years)	<ul style="list-style-type: none"> • Town Planning Department • Town Council • Housing developers • Affordable housing providers 	<ul style="list-style-type: none"> • Town staffing capacity 	<ul style="list-style-type: none"> • Number of new homes approved and developed • Entitlement duration • Development and impact fees incurred (total, average per project, average per unit)
2. Launch a formal education and outreach campaign in order to bolster community support for the Town’s affordable housing priorities, including housing development.	Long-Term (2 to 5 years)	<ul style="list-style-type: none"> • Community Connections Department • Town Council • Affordable housing providers • Community members 	<ul style="list-style-type: none"> • Town staffing capacity • Communications consultant services 	<ul style="list-style-type: none"> • Number of new homes approved and developed • Number of community partnerships formed • Number of meetings held • Meeting attendance • Engagement with advocacy tools

INVESTMENT STRATEGY IMPLEMENTATION NEEDS

The Town should prioritize its implementation of Plan recommendations based on the resources required, implementation timeframe, and partners.

Recommendation	Timeframe	Leads and Partners	Resources Required	Metrics
REDUCE BARRIERS TO BUILDING HOMES (CONTINUED)				
3. Refine the Town's inclusionary zoning ordinance and inclusionary housing policy to better reflect current market trends and continue to promote the development of affordable homes.	Near-Term (12-18 months)	<ul style="list-style-type: none"> • Town Staff • Town Council • Consultants • Housing developers 	<ul style="list-style-type: none"> • Town staffing capacity • Outside counsel • Consultant services 	<ul style="list-style-type: none"> • Number of total homes approved and developed (for-sale and rental) • Number of affordable homes approved and developed (for-sale and rental) • Percent of total units approved in private/market rate projects that are affordable • Payment-in-lieu fees generated
EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP				
4. Modify the Town's Employee Housing Program to provide down payment assistance for moderate-income homebuyers.	Near-Term (12-18 months)	<ul style="list-style-type: none"> • Town Staff • Town Council • Affordable housing developers 	<ul style="list-style-type: none"> • Up to \$60,000 per household • Town staffing capacity 	<ul style="list-style-type: none"> • Homeowners served, disaggregated by race, income, etc. • Funding allocated per homeowner

INVESTMENT STRATEGY IMPLEMENTATION NEEDS

The Town should prioritize its implementation of Plan recommendations based on the resources required, implementation timeframe, and partners.

Recommendation	Timeframe	Leads and Partners	Resources Required	Metrics
EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP (CONTINUED)				
5. Expand the Town’s Transitional Housing Program and explore additional asset-building programs to serve more households interested in working towards homeownership.	Long-Term (2 to 5 years)	<ul style="list-style-type: none"> • Housing Advisory Board • Town Staff • Town Council 	<ul style="list-style-type: none"> • Town staffing capacity 	<ul style="list-style-type: none"> • Households served, disaggregated by race, income, etc. • Funding allocated per renter • Programs offered • Number of new homeowners
6. Dedicate consistent funding to provide low-income households with property tax relief.	Immediate (0 – 6 months)	<ul style="list-style-type: none"> • Town Staff • Town Council • Orange County Assessor’s Office • Affordable housing providers 	<ul style="list-style-type: none"> • Dedicated annual funding of at least \$100,000 • Town staffing capacity 	<ul style="list-style-type: none"> • Households served, disaggregated by race, income, etc. • Funding allocated per homeowner • Net taxes rebated

INVESTMENT STRATEGY IMPLEMENTATION NEEDS

The Town should prioritize its implementation of Plan recommendations based on the resources required, implementation timeframe, and partners.

Recommendation	Timeframe	Leads and Partners	Resources Required	Metrics
EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING				
7. Expand the Town’s Master Leasing program to serve more low-income renters.	Near-Term (12-18 months)	<ul style="list-style-type: none"> • Town Staff • Affordable housing providers • Town Council • Rental property managers 	<ul style="list-style-type: none"> • Up to \$21,000 per household • Town staffing capacity 	<ul style="list-style-type: none"> • Homeowners served, disaggregated by race, income, etc. • Funding allocated per renter
8. Create relocation assistance packages for renters at risk of displacement or eviction.	Long-Term (2 to 5 years)	<ul style="list-style-type: none"> • Town Staff • Town Council • Affordable housing providers • Housing developers 	<ul style="list-style-type: none"> • Town staffing capacity 	<ul style="list-style-type: none"> • Households served, disaggregated by race, income, etc. • Funding allocated per renter • Services offered
9. Continue to provide gap financing to preserve and create homes for low-income renters.	Ongoing (annually)	<ul style="list-style-type: none"> • Town Staff • Town Council • Affordable housing developers 	<ul style="list-style-type: none"> • Dedicated annual funding of at least \$6 million • Town staffing capacity 	<ul style="list-style-type: none"> • Rental homes approved and developed • AMIs served • Funding allocated per home • Number of loans and grants • Average loan size and grant allocation • Private investment leveraged

INVESTMENT STRATEGY IMPLEMENTATION NEEDS

The Town should prioritize its implementation of Plan recommendations based on the resources required, implementation timeframe, and partners.

Recommendation	Timeframe	Leads and Partners	Resources Required	Metrics
INCREASE STAFF AND FUNDING CAPACITY				
10. Dedicate new, consistent sources of funding.	Immediate (0 to 6 months)	<ul style="list-style-type: none"> • Town Staff • Town Council 	<ul style="list-style-type: none"> • Dedicated annual funding of \$10 million 	<ul style="list-style-type: none"> • Annual funding allocated by source
11. Realign the Town's governance & funding processes for its local funding sources.	Immediate (0 – 6 months)	<ul style="list-style-type: none"> • Housing Advisory Board • Town Staff 	<ul style="list-style-type: none"> • Town staffing capacity 	<ul style="list-style-type: none"> • Board representation by race, income, renters, owners • Number of projects funded • Homes approved and developed (rental/for-sale) • Households served, disaggregated by race, income, etc.
12. Establish a revolving loan fund.	Immediate (0 to 6 months)	<ul style="list-style-type: none"> • Town Staff • Town Council • Affordable housing developers • Philanthropic and mission-oriented investors 	<ul style="list-style-type: none"> • \$2 to \$5 million in private seed money • Matching Town contribution • Town staffing capacity 	<ul style="list-style-type: none"> • Homes approved and developed (rental/for-sale) • Funding allocated per home • Number of loans • Average loan size • Private investment leveraged

INVESTMENT STRATEGY IMPLEMENTATION NEEDS

The Town should prioritize its implementation of Plan recommendations based on the resources required, implementation timeframe, and partners.

Recommendation	Timeframe	Leads and Partners	Resources Required	Metrics
INCREASE STAFF AND FUNDING CAPACITY (CONTINUED)				
13. Enhance partnerships with regional collaborators.	Long-Term (2 to 5 years)	<ul style="list-style-type: none"> • Town Staff • Orange County Staff • UNC • Regional Employers • Housing Partners 	<ul style="list-style-type: none"> • Town staffing capacity 	<ul style="list-style-type: none"> • Number of meetings held • Change in property taxes • Number of on-campus and off-campus student housing • Local funding dedicated • Homes delivered (rental/for-sale)
14. Align staffing capacity with existing and projected programming.	Ongoing (annually)	<ul style="list-style-type: none"> • Town Staff • Town Council 	<ul style="list-style-type: none"> • Dedicated annual funding of \$1 million to support staffing needs • Town staffing capacity 	<ul style="list-style-type: none"> • Number of staff • Annual funding spent

INVESTMENT STRATEGY IMPLEMENTATION TIMELINE

Over the next year, the Town will need to build its affordable housing capacity by pursuing staffing, funding, partnerships, and governance changes.

Recommendation	Immediate (0 to 6 Months)	Near-Term (12 to 18 Months)	Long-Term (2 to 5 Years)
REDUCE BARRIERS TO BUILDING HOMES			
1. Continue to pursue zoning and regulatory changes to streamline entitlements processes and evaluate the impact of development requirements on affordability.	<ul style="list-style-type: none"> Initiate feedback discussions from developers regarding regulatory processes and upfront developer costs 	<ul style="list-style-type: none"> Evaluate expedited permitting review process to identify additional resources needed or process refinements Engage affordable housing providers and housing developers to identify potential refinements to entitlement processes, permitting fees, and development fees 	<ul style="list-style-type: none"> Pursue additional zoning & regulatory changes as they arise Continue to monitor and evaluate entitlements processes and fees incurred
2. Launch a formal education and outreach campaign in order to bolster community support for the Town's affordable housing priorities, including housing development.	<ul style="list-style-type: none"> Identify advocacy organizations, civil rights & labor groups, environmentalists, and other coalition members outside of traditional housing advocacy groups to engage with promoting housing development 	<ul style="list-style-type: none"> Onboard organizations and stakeholders to existing housing coalition goals and objectives Craft compelling narrative for increasing housing supply and its impacts on other key lifestyle issues 	<ul style="list-style-type: none"> Explore and implement engagement tools, partnerships, and outreach activities to engage wider audience and build consensus around housing development

INVESTMENT STRATEGY IMPLEMENTATION TIMELINE

Over the next year, the Town will need to build its affordable housing capacity by pursuing staffing, funding, partnerships, and governance changes.

Recommendation	Immediate (0 to 6 Months)	Near-Term (12 to 18 Months)	Long-Term (2 to 5 Years)
REDUCE BARRIERS TO BUILDING HOMES (CONTINUED)			
3. Refine the Town's inclusionary zoning ordinance and inclusionary housing policy to better reflect current market trends and continue to promote the development of affordable homes.	<ul style="list-style-type: none"> Assess the inclusionary zoning ordinance to identify potential requirement & incentive modifications Investigate additional incentives for inclusionary housing policy 	<ul style="list-style-type: none"> Establish monitoring procedures for both ordinance and policy Adopt revised inclusionary zoning ordinance to reflect current market conditions Create public-facing materials to promote 	<ul style="list-style-type: none"> Monitor the performance of the ordinance in delivering for-sale units and refine as needed
EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP			
4. Modify the Town's Employee Housing Program to provide down payment assistance for moderate-income homebuyers.	<ul style="list-style-type: none"> Set allocation goals for expanded down payment assistance program Collaborate with existing partners to identify pilot neighborhoods or prospective homeowners for program expansion 	<ul style="list-style-type: none"> Deploy funding for down payment assistance Monitor and report on program performance Engage regional employers to explore downpayment assistance program partnerships or employer-led programs 	<ul style="list-style-type: none"> Continue to explore feasibility of expanding existing Town program to support residents Townwide Engage affordable housing provider to administer Townwide program

INVESTMENT STRATEGY IMPLEMENTATION TIMELINE

Over the next year, the Town will need to build its affordable housing capacity by pursuing staffing, funding, partnerships, and governance changes.

Recommendation	Immediate (0 to 6 Months)	Near-Term (12 to 18 Months)	Long-Term (2 to 5 Years)
EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP (CONTINUED)			
5. Expand the Town’s Transitional Housing Program and explore additional asset-building programs to serve more households interested in working towards homeownership.	<ul style="list-style-type: none"> Continue to increase staffing capacity to support Town’s Transitional Housing Program 	<ul style="list-style-type: none"> Evaluate performance of Transitional Housing Program Engage affordable housing providers, developers, and property owners to explore asset building partnerships 	<ul style="list-style-type: none"> Conduct needs assessment on pathways to homeownership for low-income households Explore opportunities to support small scale IDA to supplement Transitional Housing Program
6. Dedicate funding to provide low-income households with property tax relief.	<ul style="list-style-type: none"> Establish goals, policies, and procedures for distributing property tax assistance funding 	<ul style="list-style-type: none"> Deploy funding for property tax assistance Monitor and report on program performance Initiate discussions with Orange County Assessor to discuss assessment practices 	<ul style="list-style-type: none"> Collaborate with Orange County Assessors Office to identify revisions to existing assessment practices which disproportionately impact lower-income homeowners

INVESTMENT STRATEGY IMPLEMENTATION TIMELINE

Over the next year, the Town will need to build its affordable housing capacity by pursuing staffing, funding, partnerships, and governance changes.

Recommendation	Immediate (0 to 6 Months)	Near-Term (12 to 18 Months)	Long-Term (2 to 5 Years)
EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING			
7. Expand the Town’s Master Leasing program to serve more low-income renters.	<ul style="list-style-type: none"> Monitor Glen Lennox Master Leasing program Initiate outreach with existing property owners to discuss master leasing opportunities 	<ul style="list-style-type: none"> Engage service provider (e.g., Community Home Trust) to administer expanded master leasing efforts 	<ul style="list-style-type: none"> Engage regional employers to identify additional opportunities to pursue master leasing for workforce
8. Create relocation assistance packages for renters at risk of displacement or eviction.	<ul style="list-style-type: none"> Engage partners to conduct outreach to prospective residents at risk for displacement Identify required funding needed for prospective relocations 	<ul style="list-style-type: none"> Engage providers and regional partners to establish services for at-risk tenants Create developer agreement requirements for rezoning approvals to minimize displacement 	<ul style="list-style-type: none"> Continue to evaluate funding and service needs for renters at risk for displacement
9. Continue to provide gap financing to preserve and create homes for low-income renters.	<ul style="list-style-type: none"> Review and refine AHF requirements to increase interest-free and below-market loans for affordable housing developers Establish revolving loan fund requirements to support LIHTC gap financing Establish underwriting processes and training for applicants 	<ul style="list-style-type: none"> Establish funding criteria ensuring Town funding prioritizes low-poverty, amenity-rich neighborhoods close to local and regional public transportation Establish monitoring process for tracking loan terms Update and strengthen funding agreements 	<ul style="list-style-type: none"> Continue to monitor and report on annual funding allocations for gap financing

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INVESTMENT STRATEGY IMPLEMENTATION TIMELINE

Over the next year, the Town will need to build its affordable housing capacity by pursuing staffing, funding, partnerships, and governance changes.

Recommendation	Immediate (0 to 6 Months)	Near-Term (12 to 18 Months)	Long-Term (2 to 5 Years)
INCREASE STAFF AND FUNDING CAPACITY			
10. Dedicate new, consistent sources of funding.	<ul style="list-style-type: none"> Pursue voter referendum for \$30+ million housing bond Finalize immediate project needs to be financed through bond 	<ul style="list-style-type: none"> Issue housing bond Adopt affordable housing penny tax 	<ul style="list-style-type: none"> Monitor and evaluate impacts of local funding on affordable housing programs and policies Pursue additional regional, state, and federal sources as needed
11. Realign the Town's governance & funding processes for its local funding sources.	<ul style="list-style-type: none"> Refine local funding source by-laws to include funding requests review by Town staff and policy recommendations from HAB 	<ul style="list-style-type: none"> Work with HAB and Town Council to retool HAB membership requirements Consolidate all local funding sources for affordable housing into singular source 	<ul style="list-style-type: none"> Continue to train and empower HAB to increase competency around funding request reviews and recommendations Provide annual reporting on funding dedications
12. Establish a revolving loan fund.	<ul style="list-style-type: none"> Design parameters and identify funding priorities for loan fund Select fund administrator 	<ul style="list-style-type: none"> Dedicate matching local funding Recruit additional private funding 	<ul style="list-style-type: none"> Monitor and report on annual funding allocations for revolving loan fund
13. Enhance partnerships with regional collaborators.	<ul style="list-style-type: none"> Conduct initial outreach with regional collaborators 	<ul style="list-style-type: none"> Engage local partners and community groups to garner support 	<ul style="list-style-type: none"> Pursue partnerships and policy changes with Orange County, UNC, and other regional employers as they arise

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INVESTMENT STRATEGY IMPLEMENTATION TIMELINE

Over the next year, the Town will need to build its affordable housing capacity by pursuing staffing, funding, partnerships, and governance changes.

Recommendation	Immediate (0 to 6 Months)	Near-Term (12 to 18 Months)	Long-Term (2 to 5 Years)
INCREASE STAFF AND FUNDING CAPACITY (CONTINUED)			
14. Align staffing capacity with existing and projected programming.	<ul style="list-style-type: none"> Hire and onboard housing coordinator and affordable housing manager 	<ul style="list-style-type: none"> Evaluate additional staffing needs for FY 25 and FY 26 Procure additional local funding to support additional staffing needs 	<ul style="list-style-type: none"> Continue to monitor and hire additional staff to support Town's affordable housing programs as funding and initiatives are scaled up



Appendix

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AREA MEDIAN INCOMES FOR CHAPEL HILL

The table below captures the 2023 AMI income limits for the Durham-Chapel Hill metro region.

Percentage of Area Median Income (AMI)	Household Size					
	One	Two	Three	Four	Five	Six
30% AMI	\$21,240	\$24,270	\$27,300	\$30,330	\$32,760	\$35,190
50% AMI	\$35,400	\$40,450	\$45,500	\$50,550	\$54,600	\$58,650
60% AMI	\$42,480	\$48,540	\$54,600	\$60,660	\$65,520	\$70,380
80% AMI	\$56,640	\$64,720	\$72,800	\$80,880	\$87,360	\$93,840
100% AMI	\$70,800	\$80,900	\$91,000	\$101,100	\$109,200	\$117,300

Term	Definition
Area Median Income (AMI)	Area Median Income (AMI) represents the midpoint in the distribution of household incomes within a certain geographic region. HUD publishes annual AMI levels for regions, adjusted for family size. The HUD-provided AMI is used to determine applicants' eligibility for both federally and locally funded housing programs where participation is dependent on income levels.
BIPOC	Black, Indigenous, and People of Color
By-Right Development	Development allowed under the zoning code without requiring Town approval such as a variance or re-zoning
Cost-Burden	Under a standard set by the U.S. Department of Housing and Urban Development, a household is considered cost-burdened when it spends 30% or more of its income on gross housing costs, whether for renter or ownership housing. Extreme cost burden occurs when a household spends 50% or more of its income on gross housing costs.
Displacement	Displacement is generally referred to as a forced or involuntary movement from a household's place of residence. Displacement has various root causes including eviction or foreclosure, extreme rent increases, housing cost burden, poor housing quality, or unsafe physical or neighborhood conditions.
Down Payment Assistance (DPA)	Down Payment Assistance improves access to affordable homeownership by reducing the upfront cost of homeownership through grants or forgivable loans provided to income-qualified households to cover a portion of the down payment and closing costs for a home. Down Payment Assistance helps low- and moderate-income households secure stable housing and build wealth. It is often paired with homeownership counseling to help first-time homebuyers learn the homebuying process and plan for the costs of buying and owning a home.
Inclusionary Zoning	Inclusionary zoning policies require or incentivize developers to include affordable homes as part of market rate developments, often in exchange for incentives such as density bonuses, tax abatement, or expedited review.

Term	Definition
Land Bank	Land banks, typically run by local governments or nonprofits, acquire, hold, manage, and redevelop property. Typically established in communities with a number of tax-delinquent, low-cost properties, land banks can help jurisdictions to convert these properties to other uses such as retail or affordable housing, revitalizing declining neighborhoods. Land banks can also be used to reserve land for future affordable housing development in high-demand areas.
Land Use Management Ordinance (LUMO)	The Land Use Management Ordinance (LUMO) guides development within Chapel Hill, including zoning and subdivision regulations, infrastructure requirements, design guidelines, landscaping standards, and sign regulations.
Missing Middle Housing	“Missing Middle” housing refers to a range of housing types that are contextual within single-family neighborhoods but accommodate multiple households. Typically this includes townhomes, duplexes, triplexes, and quadruplexes (quads).
Penny Tax	A Penny Tax provides a dedicated revenue source for affordable housing by setting aside a penny of municipal real estate or sales taxes.
Racial Equity	Understanding and giving people what they need to enjoy full, healthy lives, through structural and systemic change
Revolving Loan Fund	A dedicated pool of capital used to develop, acquire, rehabilitate existing naturally-occurring and new subsidized affordable housing in order to preserve affordability. Loan funds ensure continued housing affordability by providing a predictable volume of funding aligned with local goals, and by allowing funds to recirculate over time.
Subsidized Housing	Affordable rental and ownership housing developed and/or operated by non-profit and for-profit developers using public subsidies.

Term	Definition
Tax Increment Financing (TIF)	A funding mechanism wherein a local government uses anticipated future increases in tax revenues to finance current improvements, such as new or improved infrastructure, that are expected to generate those increased revenues. With a traditional TIF, a local government establishes a district and borrows funds to pay for public improvements required to enable private development in the district. The debt (project development financing bonds) is secured by and repaid from the incremental property tax revenue associated with the private development.
Tenants' Rights	Legal rights or protections for renters to help them stay in their homes. These may include the right to mandatory mediation or legal counsel in eviction court; laws restricting rent increases or sales of rental properties (such as to give tenants' the first right of refusal to purchase the property); or legal processes that protect tenants from certain landlord actions, such as regulations about the quality of rental housing and available utilities, limits on discrimination in landlord practices including discrimination by source of income, and laws requiring landlords to have just cause to evict tenants, such as nonpayment of rent or intentional damage to a home.

CASE STUDIES TAX INCREMENT FINANCING GRANTS

While not commonly used in North Carolina, TIF grants can be used by municipalities to provide gap financing for affordable housing development.

Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is a funding mechanism wherein a local government uses anticipated future increases in tax revenues to finance current improvements, such as new or improved infrastructure, that are expected to generate those increased revenues. With a traditional TIF, a local government establishes a district and borrows funds to pay for public improvements required to enable private development in the district. The debt is secured by and repaid from the incremental property tax revenue associated with the private development. While traditional TIF usage in North Carolina has been limited, **some communities in the state have used “synthetic TIF” to support affordable housing.** Synthetic TIF operates in a similar mechanism to traditional TIF but typically involves fewer procedural steps and streamlines how funds are repaid.

The City of Charlotte has used synthetic TIF grants to support affordable housing in a limited way. The recent Metropolitan mixed-use development received \$12.3M in synthetic TIF funds and delivered 11 affordable homes in a larger 110 residential unit development. Chapel Hill should explore the feasibility of incorporating synthetic TIF as a funding source for affordable housing projects, however the impacts of this funding source are likely to be limited compared with other funding sources.

Metropolitan at Midtown



CASE STUDIES STRIKE FUNDS

A strike fund can provide short-term, low-cost loans to affordable housing developers to purchase and preserve existing affordable rental housing.

Strike Fund: DC Housing Affordable Housing Preservation Fund

The DC Housing Preservation Fund was established in the 2016 as a public-private preservation fund to help preserve multifamily affordable housing. It consists of **short-term loans for preservation, acquisition, predevelopment, and critical repairs**. The Preservation Fund evolved from the Site Acquisition Financing Initiative, which struggled to be competitive with the private market.

The goal is preserving the affordability of 100% of Washington DC's existing federally and city-assisted affordable rental homes. To do this, the **Preservation Fund offers eligible borrowers short-term financing for the pre-development and acquisition of occupied multi-family properties** in which more than five housing units and half of the households earn up to 80% AMI.

The fund sits with the DC Department of Housing and Community Development (DHCD). There are three managers for the fund: Capital Impact Partners, LISC-DC, and Low- Income Investment Fund (LIIF). Each fund manager operates using public fund awards from the DC government combined with private funding from either their own balance sheet or funds which they raise using their relationships.



CAPITAL IMPACT
PARTNERS

LISC DC



LOW INCOME INVESTMENT FUND

CASE STUDIES STRIKE FUNDS

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Strike Fund: DC Housing Affordable Housing Preservation Fund

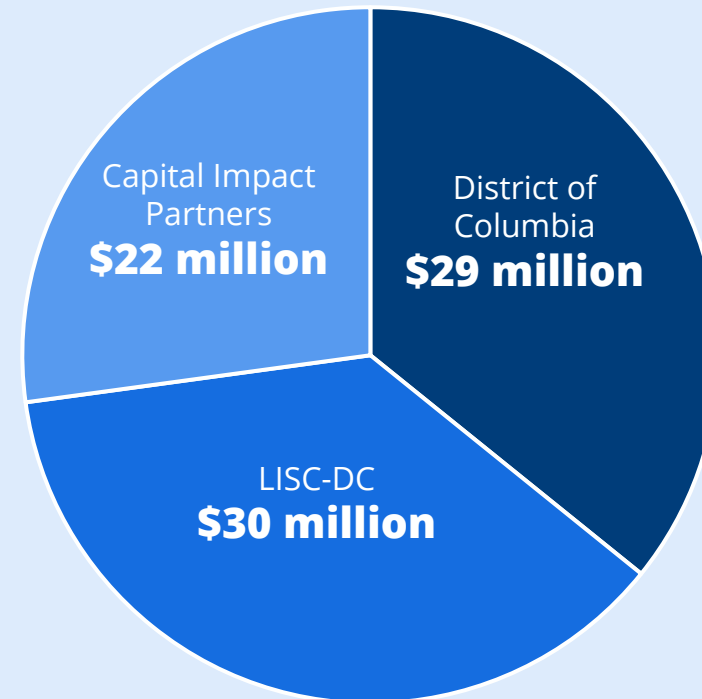
In 2017, the Preservation Fund was initially capitalized with \$10 million from the District of Columbia and then LISC-DC and Capital Impact Partners provided additional funding. Since then, the District has provided additional funding for a total of \$29 million.

The three fund managers offer slightly different terms but in general **the funding is short term (less than 5 years) and has an interest rate of less than 5%**. After fund raising, the Fund's initial target was to preserve 1,000 homes of their broader preservation goal.

Between March 2018 and January 2020, LISC and CIP exceeded that goal through financing for 15 projects with \$63.5 million in funds, preserving 1,367 homes for an average of \$46,500 per home.

Since 2019, **approximately \$125 million in funds have been deployed to preserve over 2,000 affordable homes**. The Preservation Fund has worked in tandem with the Tenant Opportunity to Purchase Act, which gives multifamily residents the first right of refusal if their building is up for sale, by providing residents acquisition financing helping them take advantage of the program and prevent displacement.

DC Housing Preservation Fund – Funding Sources



CASE STUDIES PRESERVATION LOAN FUNDS

Preservation loan funds provide longer-term loans to acquire or rehabilitate existing naturally-occurring and subsidized affordable housing in order to preserve affordability.

Preservation Loan Fund: Greater Minnesota Housing Fund

The Greater Minnesota Housing Fund (GMHF) Hennepin County, and other local partners established the \$25 million NOAH Impact Fund in response to the loss of naturally occurring affordable housing through demolition, redevelopment, and rent increases throughout the seven county Minneapolis, MN region. The Fund, launched in 2017 provides equity to nonprofit and mission oriented for profit developers in the region to support acquisition of unsubsidized, older rental apartments in exchange for offering affordable rents to low income households (below 80% AMI) for 15 years. The Fund's investors have established a goal to preserve 10-20 of for sale buildings annually.

The Greater Minnesota Housing Fund serves as the Fund manager while Hennepin County and the McKnight Foundation provided initial investments to the fund. Private financial institutions and local developers are involved as fund investors and fund users, respectively.

The capital stack diagrams below show (1) an example preservation project in Hennepin County, Minnesota and (2) the capital stack used for the Hennepin County Preservation Fund. The Town will need to establish project-specific capital stack guidelines.

Sample GMHF Project



Cost: \$6.8M

GMHF Capital Stack



Fund Size: \$25M



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