

HR&A +



Town of Chapel Hill Affordable Housing Plan

Town Council Presentation

September 2023

Agenda

Introduction

Affordable Housing Plan & Investment Strategy

Recommendations



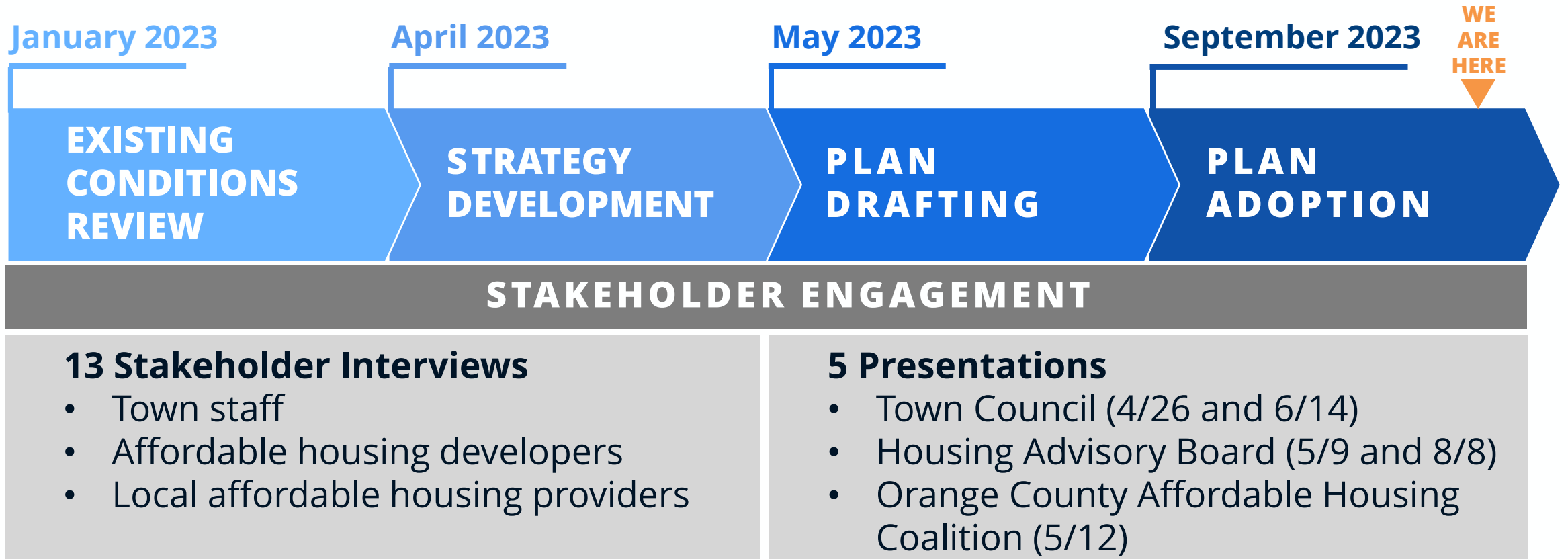
01

Introduction

INTRODUCTION

Today we will walk through the final Affordable Housing Plan and its recommendations and request that Town Council vote to adopt the Housing Plan.

PLANNING PROCESS



INTRODUCTION | PLAN OVERVIEW

The Plan communicates the Town's strategic framework to address housing challenges and identifies resources and other changes to build on recent affordable housing successes.

HOUSING CHALLENGES

What are Chapel Hill's existing affordable housing needs?

PLAN RECOMMENDATIONS

What strategies can the Town employ to address its housing needs?

INVESTMENT STRATEGY

What resources are needed for the Town to implement its housing strategies?

INTRODUCTION | PLAN APPROACH

The Plan takes a comprehensive approach to affordable housing that centers racial equity throughout the recommendations.



PUBLIC SUBSIDIES

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



LAND USE & POLICY

The Plan recommends **removing barriers to the development of 'missing-middle' housing** to allow the supply of homes to increase and reduce the upward pressure on home prices.



TENANTS' RIGHTS

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

RACIAL EQUITY

The Plan addresses **disparities and barriers to accessing quality affordable housing** through:

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

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

PLAN OVERVIEW | HOUSING CHALLENGES

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

LIMITED HOUSING SUPPLY

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

1%

Net increase in homes since 2010

DECREASING HOMEOWNERSHIP OPPORTUNITIES

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

36%

Increase in median home sales prices since 2019

DECLINING RENTAL AFFORDABILITY

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

78%

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

ONGOING DISPLACEMENT PRESSURE

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

32%

Decrease in Black homeownership since 2010

PLAN OVERVIEW | TOWN RESPONSE

The Town is already taking significant steps to address each of the housing needs identified, the Housing Plan is about sustaining and scaling up efforts.

LIMITED HOUSING SUPPLY

- ~3,200 new homes approved for development since 2020, 580 homes income restricted
- Leveraging Town-owned land to deliver new homes
- Adoption of "missing middle" across single-family zoning in June 2023

DECREASING HOMEOWNERSHIP OPPORTUNITIES

- Expansion of Employee Housing Program implemented in 2021
- Strong partnerships to increase homeownership opportunities across Chapel Hill

DECLINING RENTAL AFFORDABILITY

- Majority of Town's grant funding has been allocated towards affordable rental homes
- Emergency rental assistance provided to low-income families since the start of COVID-19

ONGOING DISPLACEMENT PRESSURE

- Invested more than \$1.5M in operating support to Northside Neighborhood Initiative (NNI) starting in 2014
- Pursing Preservation Strategy Framework
- Adopted Manufactured Homes Action Plan

PLAN OVERVIEW | TOWN RESPONSE

Chapel Hill is punching well above its weight in terms of the range, scale and efficacy of the housing initiatives it is undertaking.

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

COLLABORATIONS AND PARTNERSHIPS

- Northside Neighborhood Initiative
- IFC Social Services
- Master Leasing Pilot Program
- Community Home Trust
- HOME Consortium
- Orange County Partnership to End Homelessness
- Affordable Housing Local Government Collaborative
- Orange County Home Preservation Coalition

PROGRAMS AND INITIATIVES

- Inclusionary zoning
- Zoning code update allowing 'missing-middle' homes
- Expedited permit review
- Manufactured Homes Action Plan
- Employee Housing Program
- Transitional Housing Program
- Town-Initiated Development



02

Recommendations

PLAN OVERVIEW | HOUSING GOALS

The Plan focuses on four goals that address the respond to the challenges in the housing market and prioritize racial equity in housing within Chapel Hill.

REDUCE BARRIERS TO BUILDING HOMES

EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP

EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING

INCREASE STAFF AND FUNDING CAPACITY

REDUCE BARRIERS TO BUILDING HOMES

Chapel Hill has to build more homes to accommodate the demand to live there and reduce the pressure that unmet demand puts on home prices and rents.

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.**[†]

[†] Priority recommendation

EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP

In addition to building more homes, the Town will need to provide financial support to lower income existing households and support to potential homeowners.

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.*†***

*New recommendation from June 2023 council meeting

† Priority recommendation

EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING

To keep the shortage of rental homes from growing the Town will need to continue to invest in creating and preserving affordable rental homes.

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. Establish a revolving loan fund. †**
- 10. Sustain the recent level of gap financing to preserve or create homes for low-income renters. †**

*New recommendation from June 2023 council meeting

† Priority recommendation

INCREASE STAFF AND FUNDING CAPACITY

The Town needs to sustain its higher level of affordable housing funding and programming by identifying new funding sources and mechanisms.

11. Dedicate new, consistent sources of funding. †

12. Realign the Town's governance & funding processes for its local funding sources.

13. Enhance partnerships with regional collaborators.

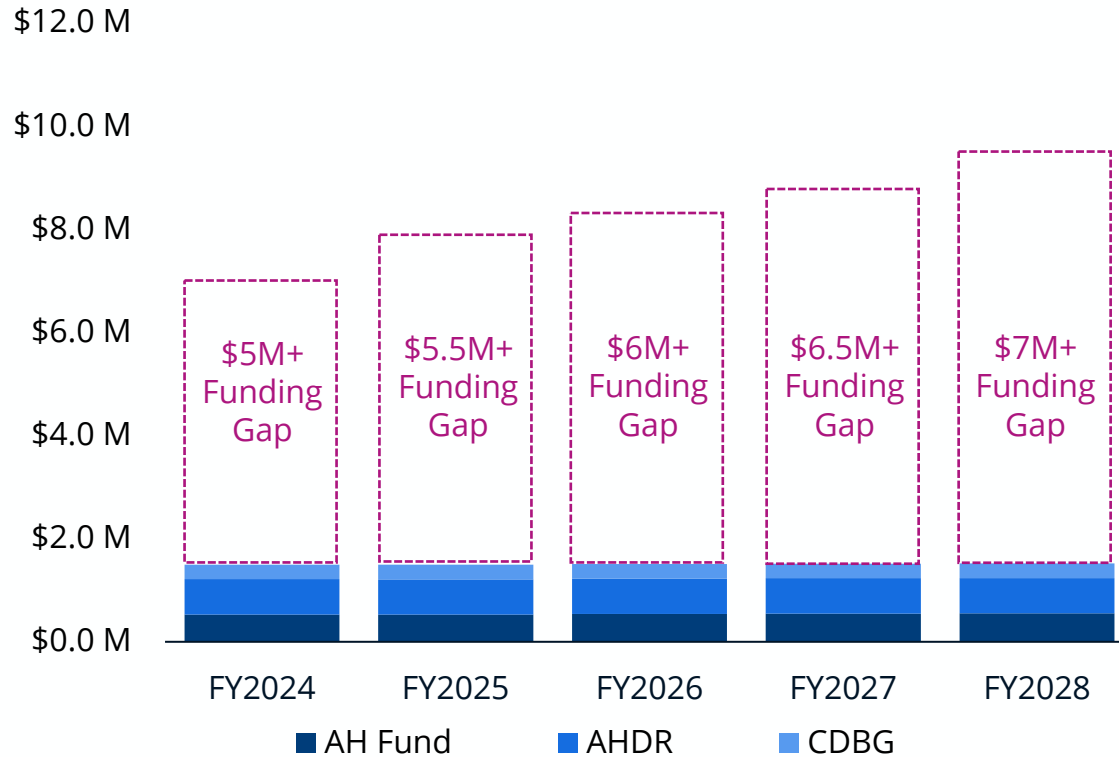
14. Align staffing capacity with existing and projected programming.

† Priority recommendation

INVESTMENT STRATEGY | FUTURE FUNDING NEEDS

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

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



Funding Challenges

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

\$30M

Funding gap to sustain affordable housing programs through FY 2028

INVESTMENT STRATEGY | FUNDING COMMITMENT

The Town of Chapel Hill should dedicate \$10 million each year over the next five years for affordable homes to address its affordable housing challenges.

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 incorporate multiple sources to fund its affordable housing programs that align with its broader set of public policy priorities and financial constraints.

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

GENERAL FUND

Increase allocation of General Fund dollars towards affordable housing.

HOUSING BOND

Issue another (larger) Housing Bond to support capital projects and other gap financing needs.

PENNY TAX

Increase property taxes incrementally to provide an annual allocation of funds for affordable housing.

OTHER SOURCES

Continue to leverage CDBG, HOME, and other county, state and federal funding sources.

PLAN OVERVIEW | PRIORITY RECOMMENDATIONS

There are many recommendations in the Housing Plan, but these five have the potential to have the greatest impact.

Refine the Town's inclusionary zoning ordinance and inclusionary housing policy .

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

Establish a revolving loan fund.

Sustain the recent level of gap financing to preserve or create homes for low-income renters.

Dedicate new, consistent sources of funding.



03

Recommendation

RECOMMENDATION

Tonight, Town Council will deliberate and vote to adopt the Town's Affordable Housing Plan and Investment Strategy.



**REDUCE BARRIERS
TO BUILDING
HOMES**



**EXPAND AND PRESERVE
AFFORDABLE
HOMEOWNERSHIP**



**EXPAND AND
PRESERVE AFFORDABLE
RENTAL HOUSING**



**INCREASE STAFF
AND FUNDING
CAPACITY**



PLAN OVERVIEW | DECREASE HOUSING SUPPLY BARRIERS

The Town should refine its inclusionary zoning ordinance and inclusionary housing policy to reflect current market trends and continue to promote the development of affordable homes.

HOMES ENTITLED THROUGH INCLUSIONARY ZONING ORDINANCE AND INCLUSIONARY HOUSING POLICY

~150 Affordable for-sale homes entitled since 2014

~130 Affordable rental homes entitled since 2014



Consider **geographic application** of inclusionary zoning ordinance and housing policy.



Amend set-aside, income, in-lieu fee, and other development requirements to increase participation.



Refine density and floor area bonuses and explore additional incentives (tax abatements, parking minimums, etc.)

EXPAND AND PRESERVE AFFORDABLE HOMEOWNERSHIP

The Town should dedicate consistent annual funding to provide low-income households with property tax relief.



Provide property tax relief to owner households earning **up to 50% AMI** and explore full or partial/capped rebate programs



Pilot property tax relief program in community or neighborhood **facing displacement pressures** or significant increase in tax bills



Collaborate with the Orange County Assessor's Office to identify inequities and discrepancies with assessment practices for long-term, lower-income homeowners.

EXPAND AND PRESERVE AFFORDABLE RENTAL HOUSING

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

QUICK STRIKE FUND

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

The developer prepares the property for development or refinance.

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

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



PRESERVATION LOAN FUND

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

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

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



INCREASE STAFF AND FUNDING CAPACITY

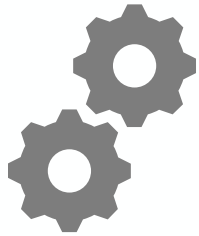
Chapel Hill has already committed a significant amount of funding for a community of its size. A commitment of \$50M over five years would put Chapel Hill in the top tier of towns and cities making strong and lasting commitments to affordable housing.

AFFORDABLE HOUSING FUNDING IN CHAPEL HILL AND PEER COMMUNITIES

	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

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



GOVERNANCE CHALLENGES

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



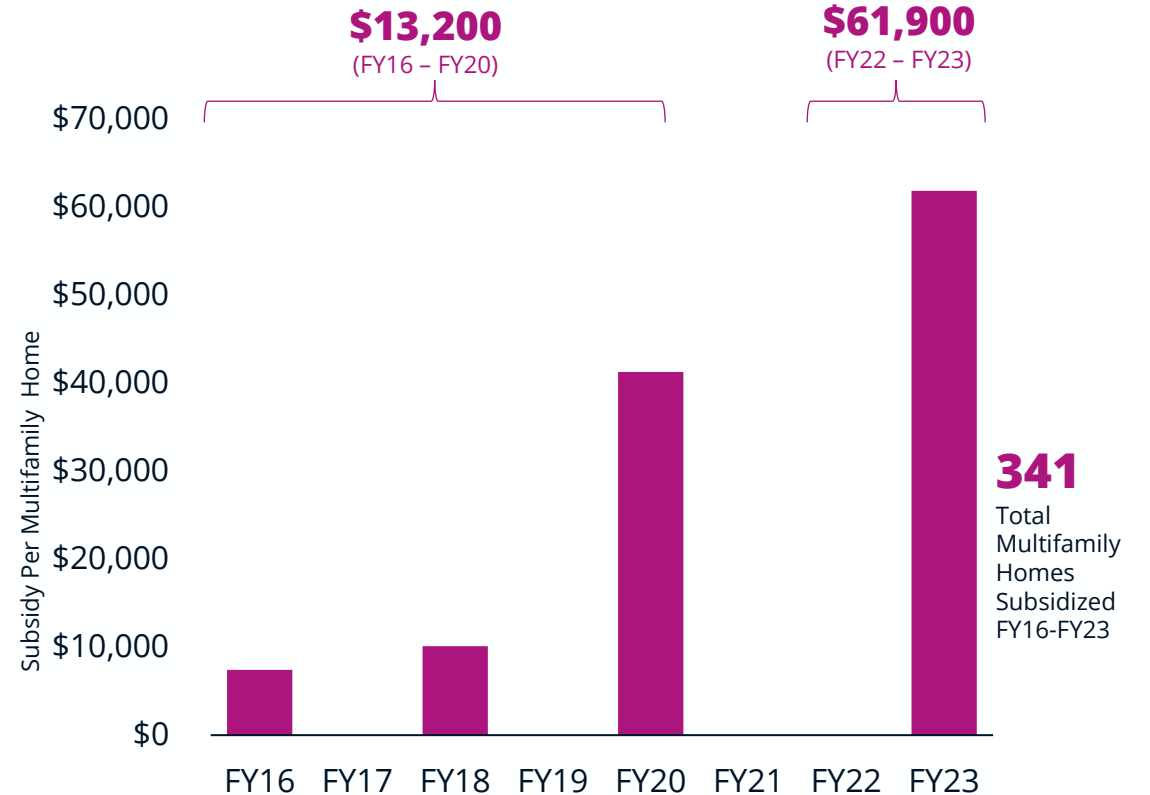
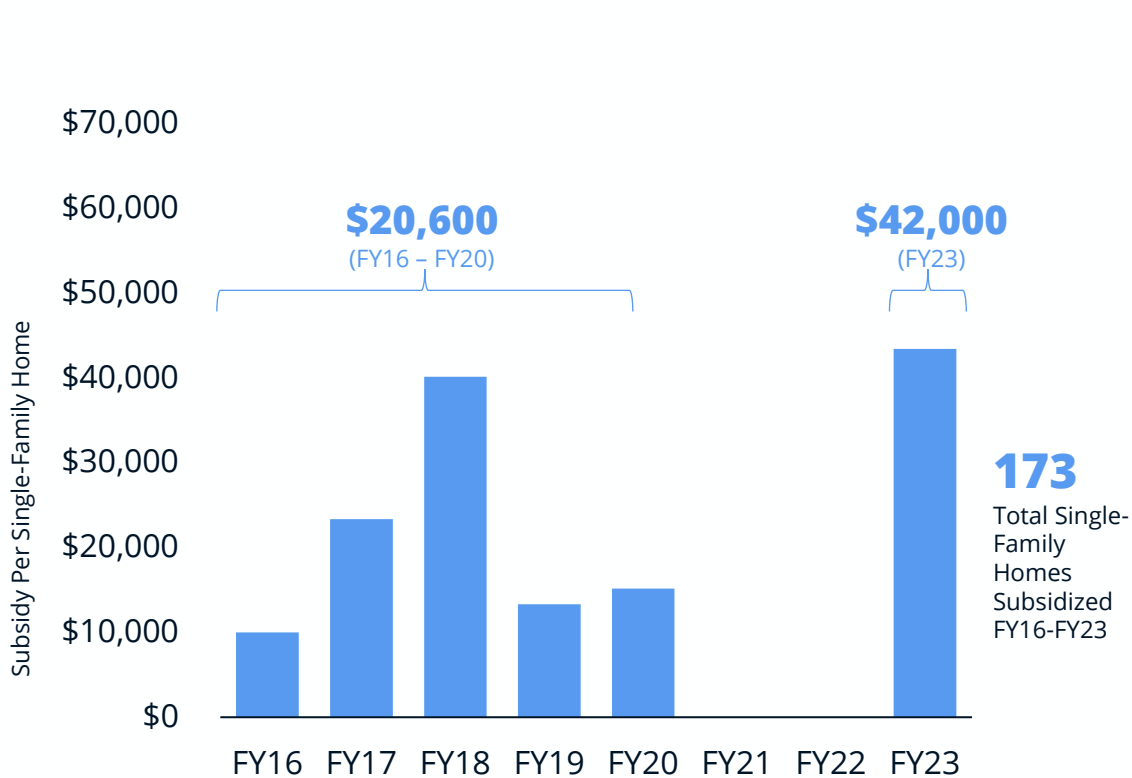
RECOMMENDED CHANGES

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

FUTURE FUNDING NEEDS

Higher amounts of gap subsidy will be needed going forward as development costs rise.

TOWN SUBSIDIES PER HOME ALLOCATED FOR AFFORDABLE FOR-SALE AND RENTAL UNITS FY 2016 – FY 2023

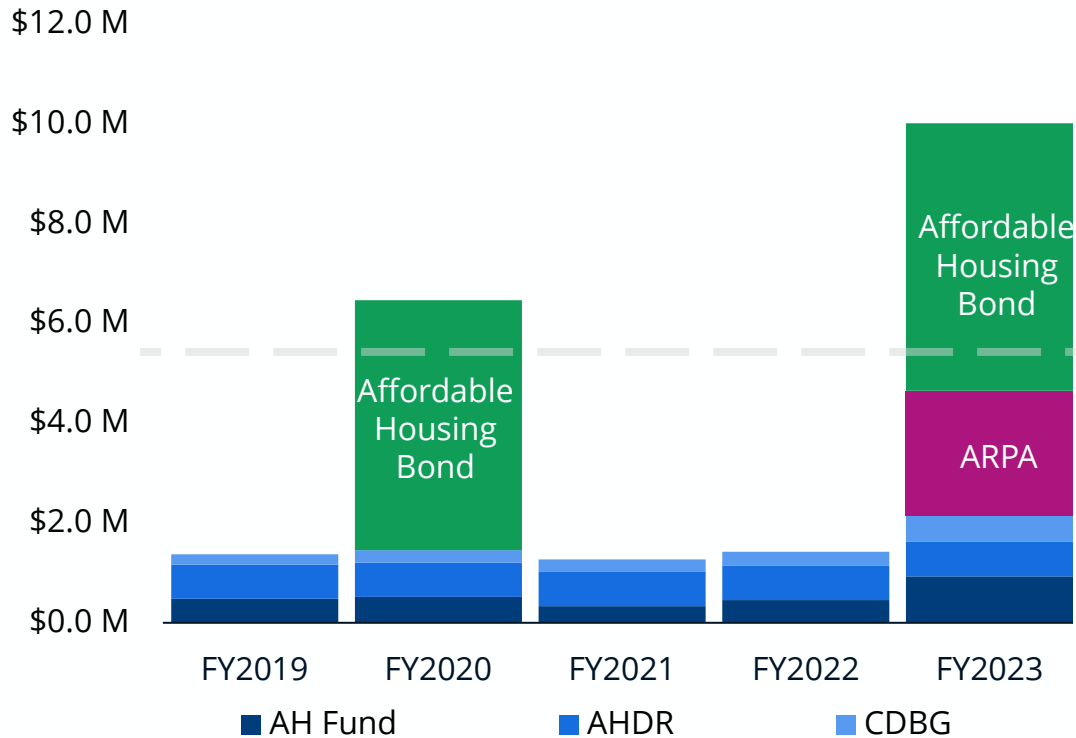


Source(s): Town of Chapel Hill

PLAN OVERVIEW | TOWN RESPONSE

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.

FUNDING SOURCES FOR TOWN AFFORDABLE HOUSING PROGRAMS AND POLICIES FY 2019 – FY 2023



131 Affordable homes developed

924 Affordable homes preserved

800+ Pipeline affordable homes through 2028

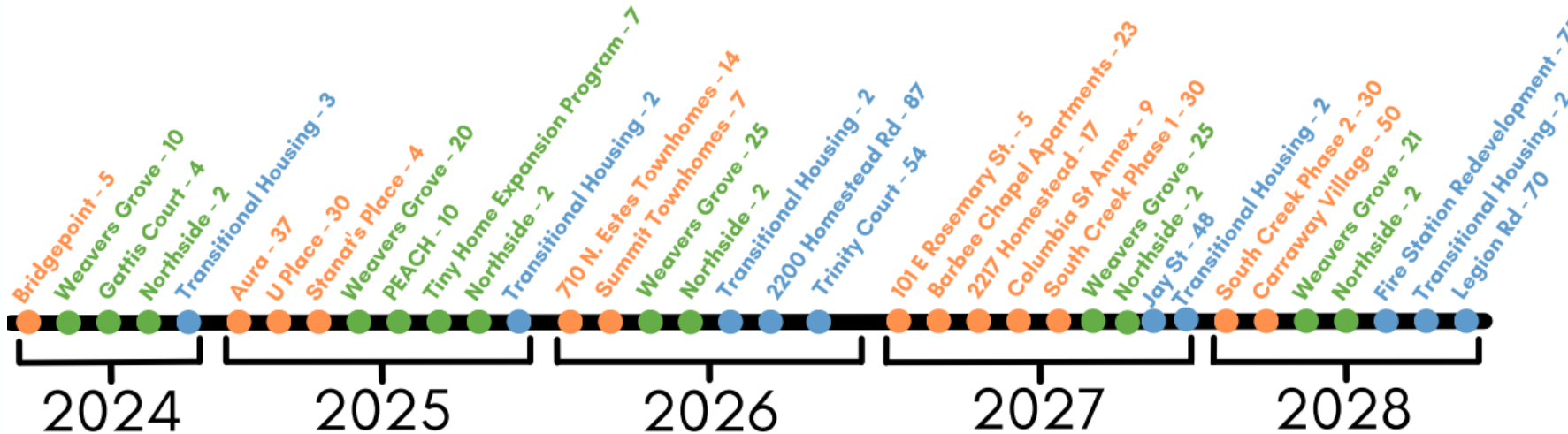
\$21.6M Affordable housing budget allocated since FY 2019

AFFORDABLE HOUSING PROJECT PIPELINE



Affordable Housing Project Pipeline

Projected Completion Date



- Town Initiated
- Partner Project
- Inclusionary Housing

Updated: July 2023