

HR&A +



Town of Chapel Hill Affordable Housing Plan

Town Council Update

April 2023

DRAFT

Agenda

Introduction & Objectives

Housing Challenges

Existing Affordable Housing Programs

Potential Funding Strategies

Discussion & Next Steps

DRAFT

Draft



01

Introduction & Objectives

DRAFT

INTRODUCTION

HR&A is an economic development, real estate and public policy consulting firm working at the intersection of the public and private sectors.



WAKE FOREST HOUSING PLAN



MORRISVILLE PROGRAM DESIGN



NCDOT S-LINE TOD STUDY



WAKE CO. HOUSING PRESERVATION FUND



MECKLENBURG LAND STRATEGY



GoTRIANGLE ADVISORY



RALEIGH MUSEUM PLAN



DOWNTOWN DURHAM PLAN



GREENSBORO HOUSING PLAN



RALEIGH PARKS PROGRAMMING



CHAR-MECK HOMELESSNESS STRATEGY



RTP PLANNING

DRAFT

SCOPE OF WORK

HR&A has been engaged by the Town of Chapel Hill to create an affordable housing plan and investment strategy.

TASK 1 | Project Initiation & Management

TASK 2 | Existing Conditions Review

TASK 3 | Strategy Development

TASK 4 | Plan Drafting & Approval

Scope Objectives

- **Create a comprehensive affordable housing plan** to synthesize existing data, programs, and strategies.
- **Identify a range of new implementation tools and strategies** to support the Town's near-term affordable housing goals and complement ongoing Town initiatives.
- **Establish an investment strategy** to implement the affordable housing plan and address critical shortage of affordable housing in Chapel Hill.

DRAFT

WORK TO DATE

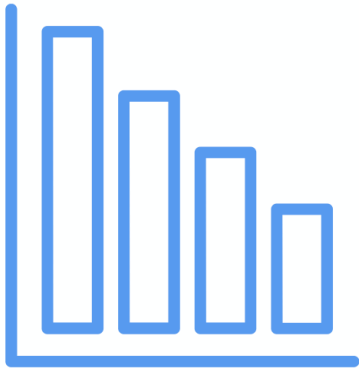
Our work to date has involved conducting an existing conditions analysis on the Town's affordable housing programs and policies, as well as identifying lingering housing gaps.

TASK 1 | Project Initiation & Management

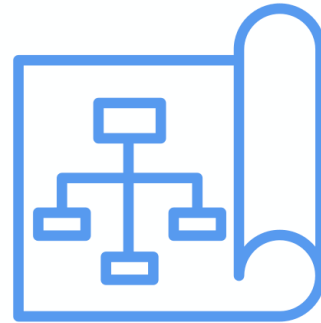
TASK 2 | Existing Conditions Review

TASK 3 | Strategy Development

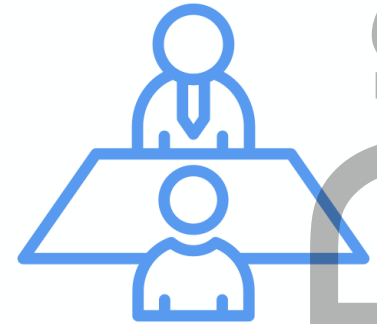
TASK 4 | Plan Drafting & Approval



Analysis of Town Programs and Funding Sources



Review of Previous Studies, Plans and Strategies



Interviews with Town Staff, Developers, and Providers

DRAFT

PRESENTATION OBJECTIVES

Today, we will confirm the Town's alignment with existing affordable housing conditions and preview strategies to sustain and enhance the Town's affordable housing programs.

Guiding Questions

- Does the Town plan to sustain its recent higher level of funding for affordable housing?
- If so, what funding tools should be considered?
- What existing housing tools might be expanded, and what tools might be added?

DRAFT

Draft



02

Housing Challenges

DRAFT

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 housing units 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

INCREASING RENTAL COST BURDENS

Limited housing options has **exacerbated housing cost burdens among renter households**, especially those 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**.

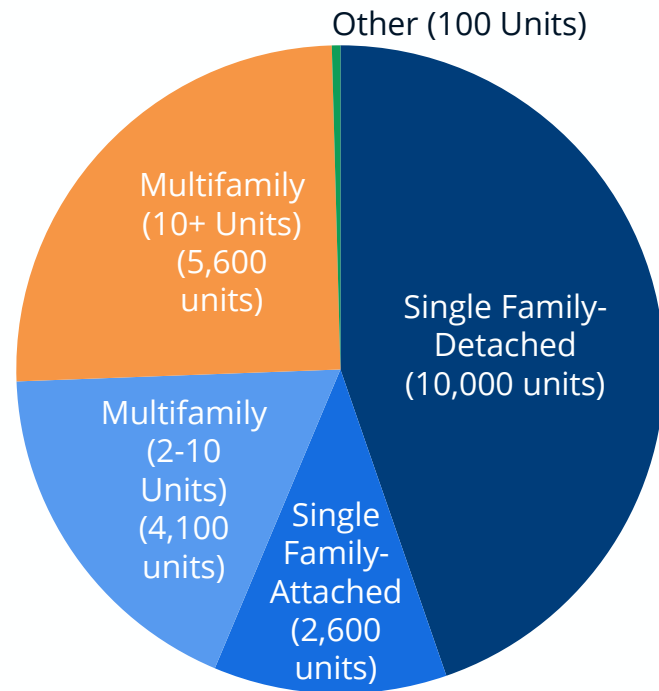
32%
Decrease in Black homeownership since 2010

DRAFT

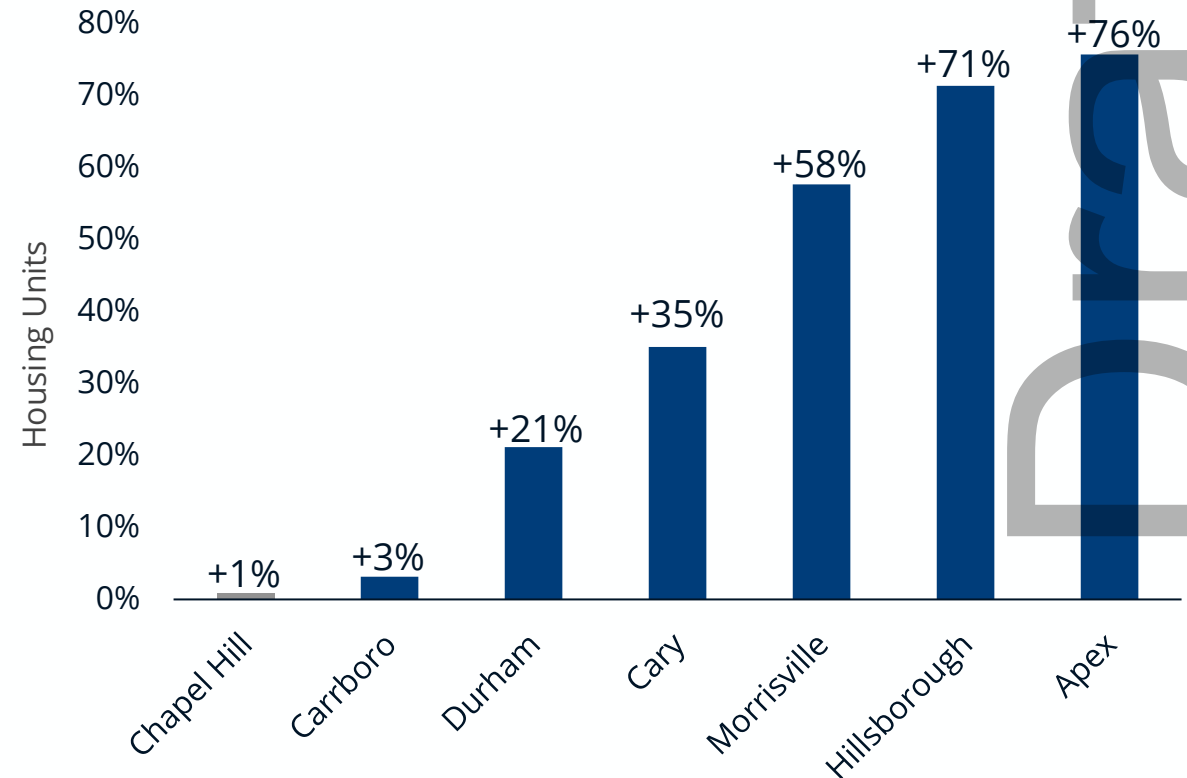
HOUSING CHALLENGES | LIMITED HOUSING SUPPLY

Low-density development patterns, constrained land availability, and public opposition to new development have resulted in limited housing production in Chapel Hill since 2010.

EXISTING HOUSING STOCK BY TYPE IN CHAPEL HILL 2021



CHANGE IN HOUSING UNITS BY MUNICIPALITY 2010 - 2021

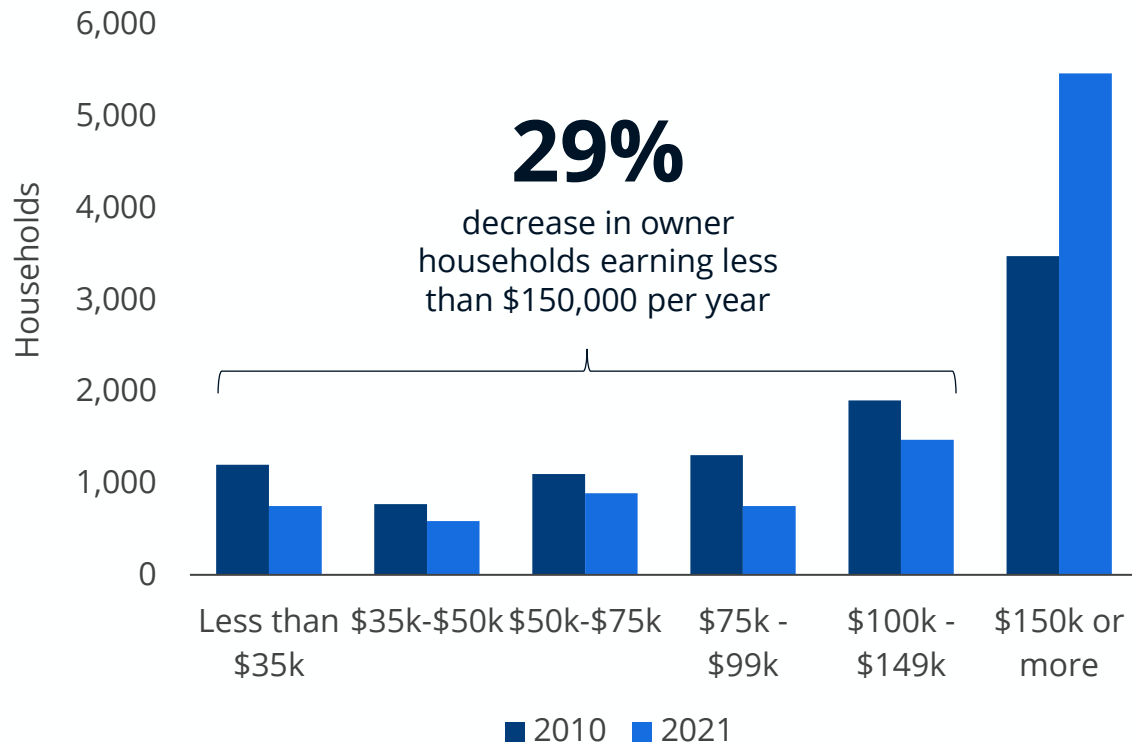


DRAFT

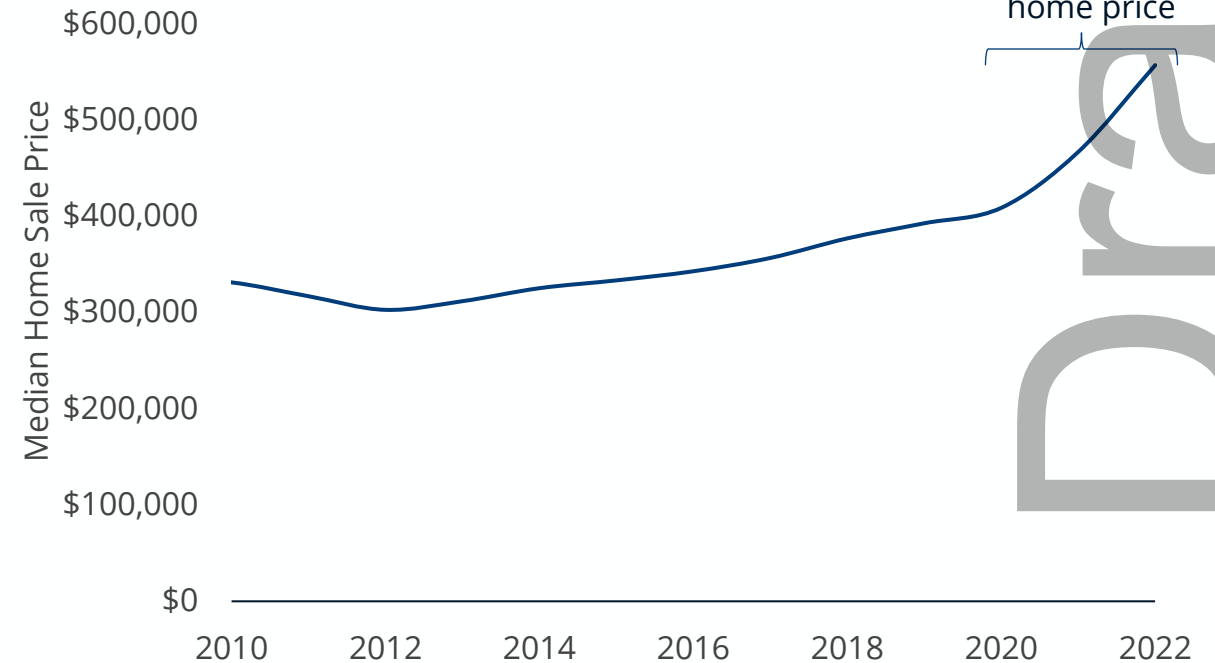
HOUSING CHALLENGES | DECREASING HOMEOWNERSHIP OPPORTUNITIES

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

HOMEOWNERSHIP BY INCOME LEVEL (2010 & 2021)



MEDIAN HOME PRICE (2010 - 2022)

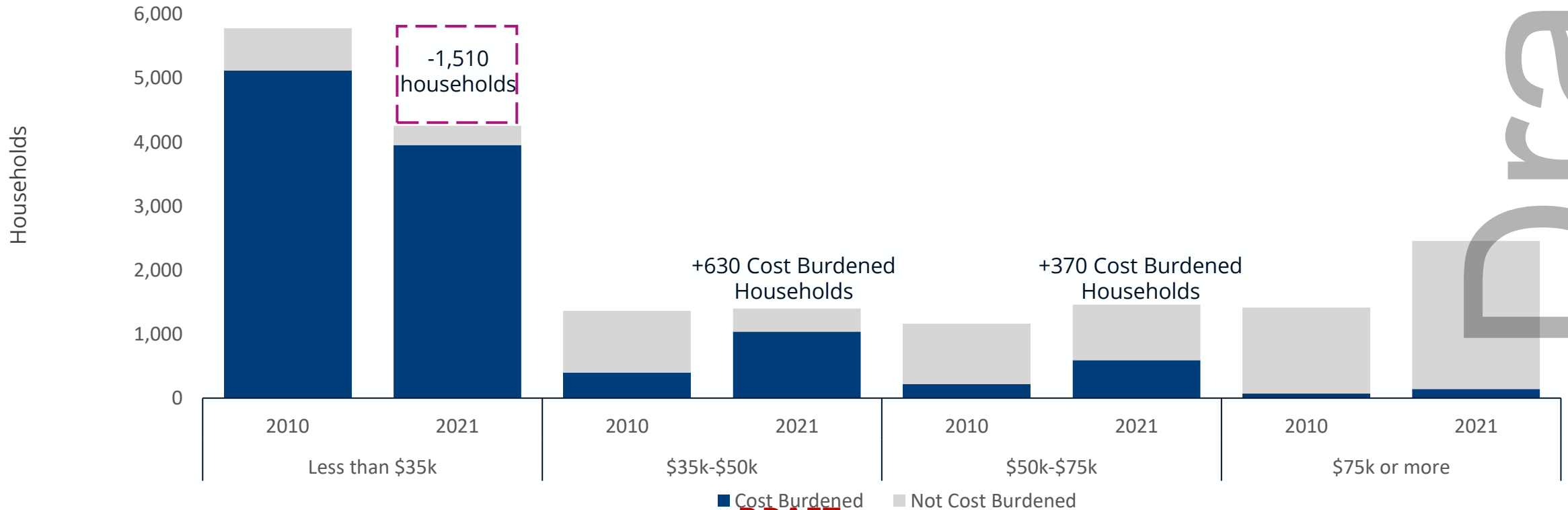


DRAFT

HOUSING CHALLENGES | INCREASING RENTER COST BURDENS

Housing cost burdens have increased among Chapel Hill renters, especially for households earning under \$75,000 who have limited housing options within the town.

COST BURDENED RENTER HOUSEHOLDS BY INCOME (2010 & 2021)



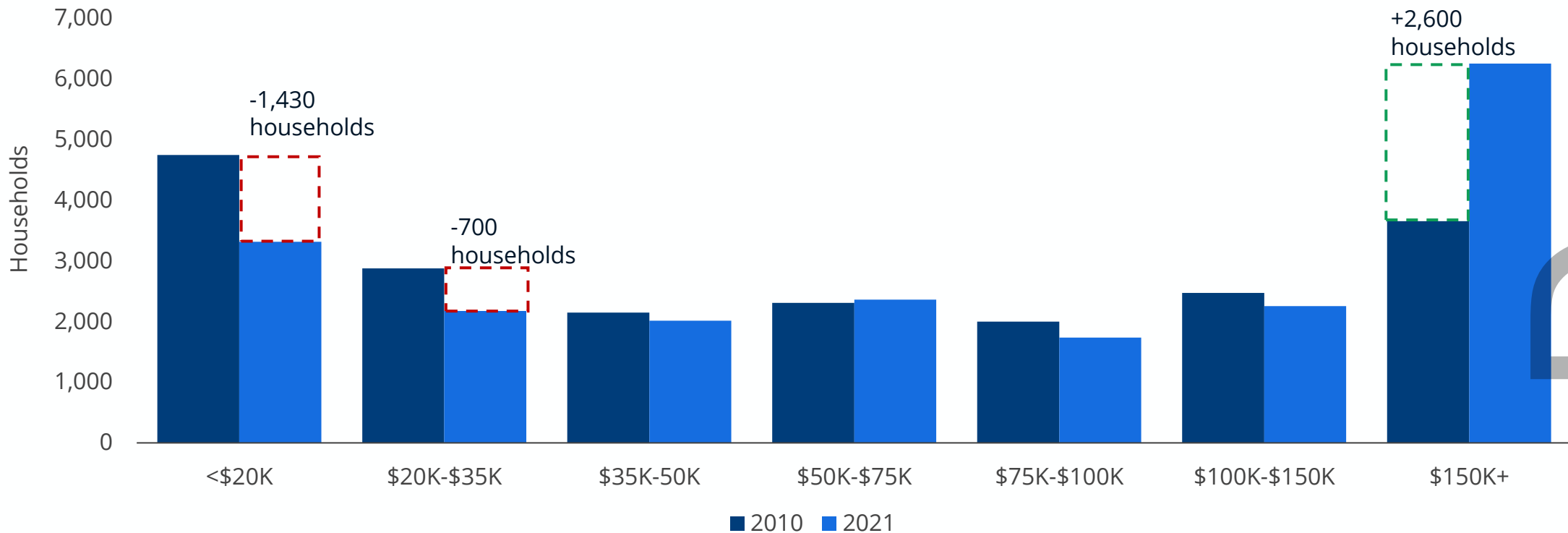
Source(s): ACS 5-Year Survey 2010 - 2021

DRAFT

HOUSING CHALLENGES | DISPLACEMENT PRESSURE

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

**CHANGE IN TOTAL HOUSEHOLDS BY INCOMES
(2010 - 2021)**

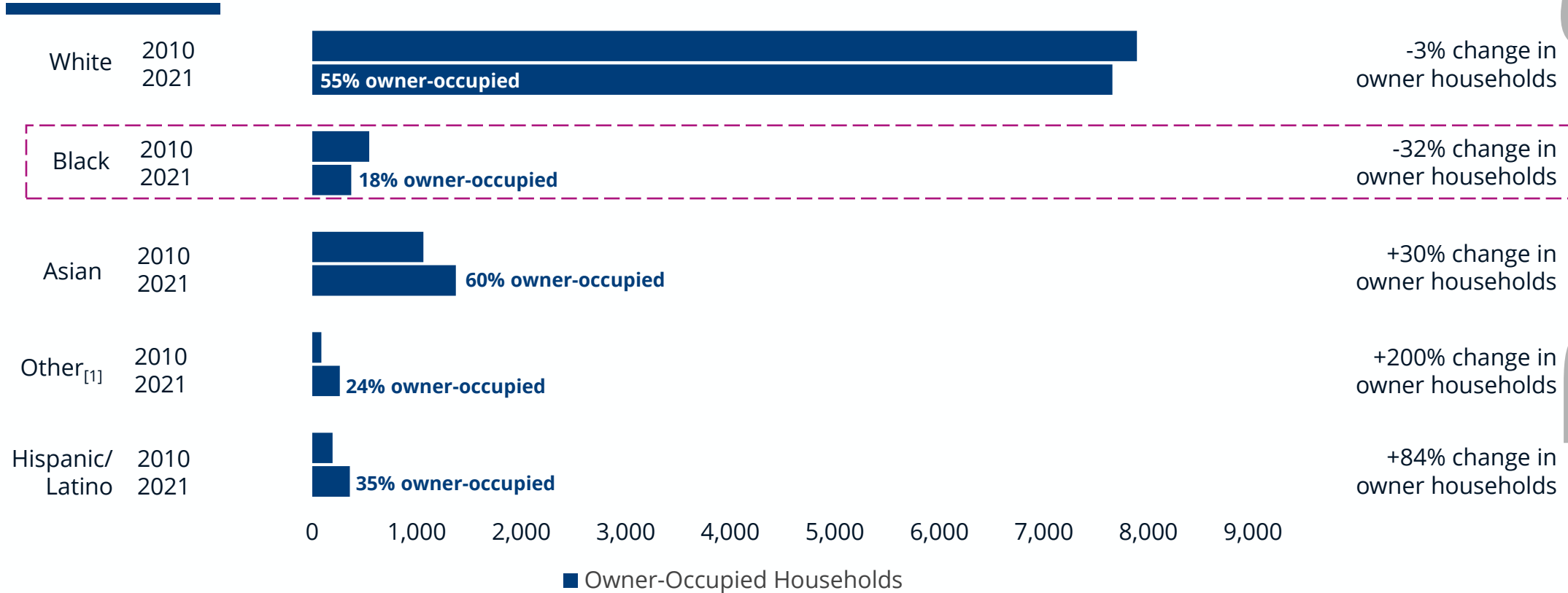


DRAFT

HOUSING CHALLENGES | DISPLACEMENT PRESSURE

Rising housing costs and displacement pressures have disproportionately impacted Chapel Hill's Black population, particularly in historic neighborhoods like Northside and Pine Knolls.

CHANGE IN OWNER-OCCUPIED HOUSEHOLDS BY RACE (2010 - 2021)



[1] Includes American Indian & Alaskan, other, and two or more races census categories

DRAFT

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

Draft



03

Existing Affordable Housing Programs

DRAFT

EXISTING TOWN PROGRAMS, POLICIES AND FUNDING SOURCES

The Town deploys a robust set of partnerships, programs and policies, and funding sources for a community of its size.

LOCAL COLLABORATIONS

- Northside Neighborhood Initiative
- IFC Social Services
- Master Leasing Pilot Program

POLICY INITIATIVES

- Inclusionary zoning
- Zoning code update allowing 'missing-middle' homes
- Expedited permit review
- Manufactured Homes Action Plan

LOCAL FUNDING SOURCES

- Affordable Housing Fund
- Affordable Housing Development Reserve
- Affordable Housing Bond (one-time)

REGIONAL PARTNERSHIPS

- Community Home Trust
- HOME Consortium
- Orange County Partnership to End Homelessness
- Affordable Housing Local Government Collaborative
- Orange County Home Preservation Coalition

TOWN-LED PROGRAMS

- Employee Housing Program
- Transitional Housing Program
- Town-Initiated Development

DRAFT

FEDERAL FUNDING SOURCES

- CDBG
- HOME (County Administered)
- HOME ARP
- ARPA (one-time)
- HUD (Public Housing only)

PILLARS OF AFFORDABLE HOUSING

The Town's housing programs and policies fall into four key pillars.



**Fund Affordable
Housing Projects**



**Initiate Development
& Preservation**



**Own & Manage
Housing**

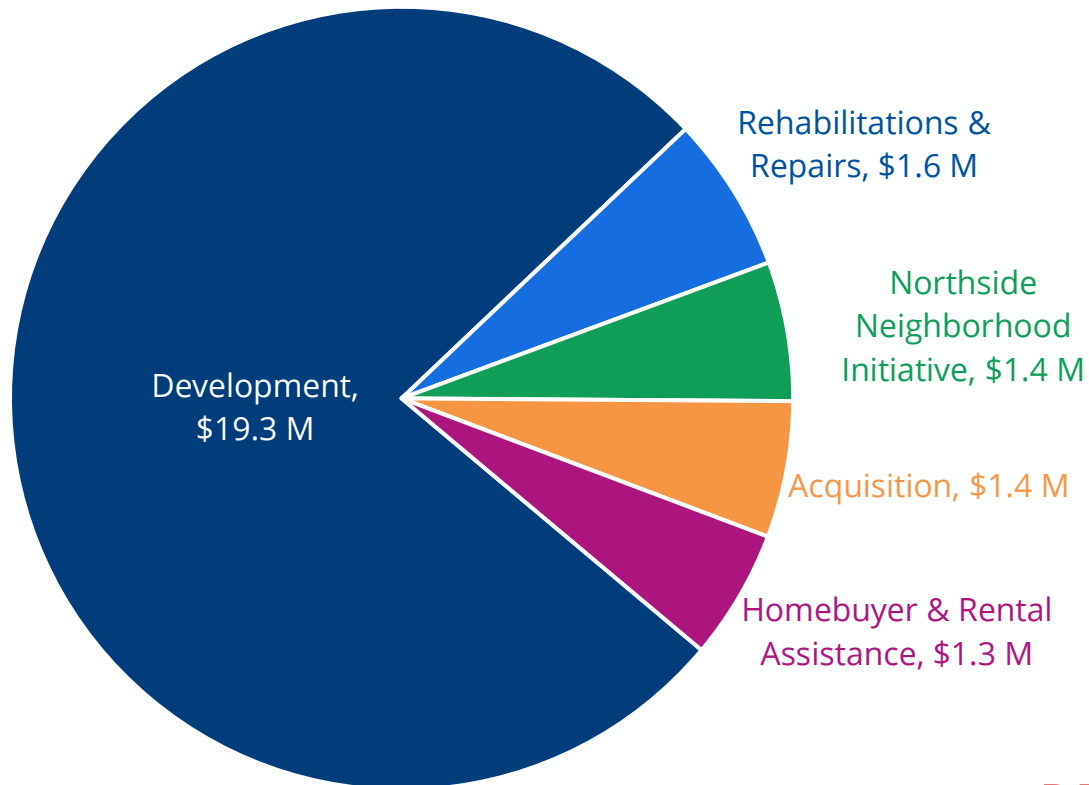


DRAFT

FUNDING AFFORDABLE HOUSING PROJECTS | FUNDING ALLOCATIONS

The Town has allocated over three-quarters of its affordable housing grant funding in the past decade towards gap financing, which subsidize development costs for housing projects.

GRANT ALLOCATIONS FOR AFFORDABLE HOUSING FY 2014 – FY 2023



\$25.1 M

Funding contributed since 2014

77%

Funding allocated towards gap financing grants for development projects

DRAFT

INITIATE DEVELOPMENT & PRESERVATION | LOW-INCOME HOUSING TAX CREDIT PROJECTS

The Town relies on a combination of public land and gap subsidy to support the creation of affordable homes, especially to deliver Low-Income Housing Tax Credit (LIHTC) projects.

LIHTC PROJECTS DELIVERED AND ENTITLED IN CHAPEL HILL SINCE 2017

Greenfield Place



- **Lead Developer:** DHIC
- **Year Built:** 2017
- **Units:** 80
- **AMI:** 0-60%
- **Subsidy/Home:** \$7,440
- **Town Resources:** Land; AHF (\$145,000); AHDR (\$450,000)

Greenfield Commons



- **Lead Developer:** DHIC
- **Year Built:** 2019
- **Units:** 69
- **AMI:** 30-60%
- **Subsidy/Home:** \$16,667
- **Town Resources:** Land; AHDR (\$1.15M)

Trinity Court



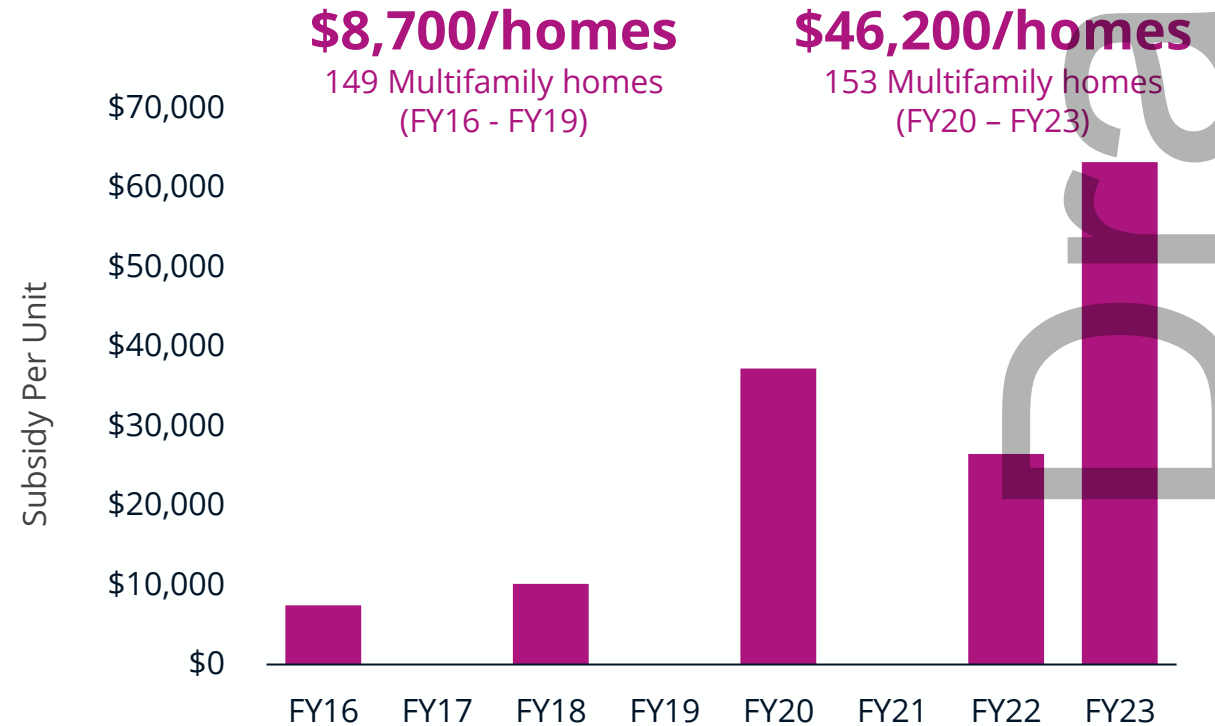
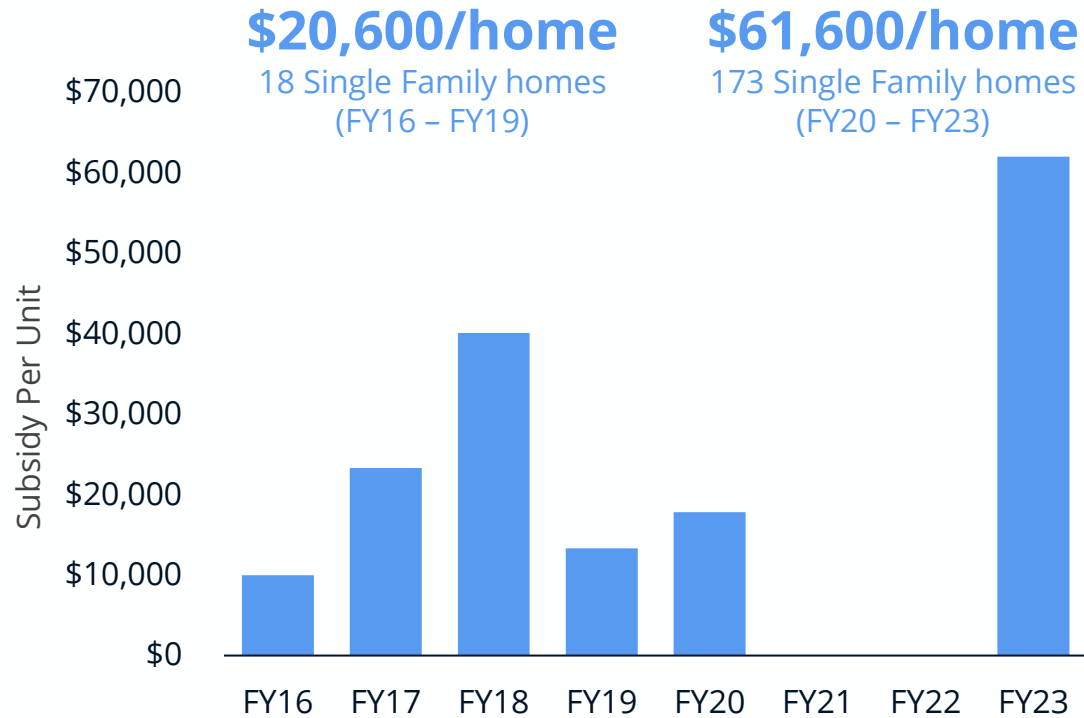
- **Lead Developer:** CHP
- **Year Built:** In-Progress
- **Units:** 40
- **AMI:** 0-30%
- **Local Subsidy/Home:** \$29,400
- **Town Resources:** Land; AHDR (\$200,900), ARPA (\$500,000), Bond (\$474,800)

DRAFT

FUNDING CHALLENGES | DEVELOPMENT SUBSIDIES

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

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



DRAFT



04

Potential Funding Strategies

DRAFT

ADDITIONAL APPROACHES TO ADDRESS HOUSING NEEDS

To sustain and expand on Chapel Hill's affordable housing programs and goals, the Town will need to incorporate additional local funding sources and financing tools.

PENNY TAX

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

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.

LOAN FUND

Create self-replenishing funding pool to support land acquisition, construction, and preservation.





FUNDING SOURCES

FINANCING TOOLS

DRAFT

IMPACTS OF INCREASING FUNDING ON HOUSING CHALLENGES

Additional local funding can enhance the Town's rental and homebuyer assistance programs while allowing the Town to provide sufficient subsidies for developing affordable housing.

LIMITED HOUSING SUPPLY		Though increasing development subsidies can help bridge funding gaps for new development projects, existing zoning patterns favoring lower-density housing and limited land availability will continue to challenge housing development.
DECREASING HOMEOWNERSHIP OPPORTUNITIES		The Town and its partners will be better equipped to provide homeownership opportunities for lower-income households with increased funding allocations towards down payment assistance programs.
INCREASING RENTAL COST BURDENS		The Town can enhance its ongoing rental assistance efforts while dedicating funding for emergency rental housing assistance with an increase in local funding.
ONGOING DISPLACEMENT PRESSURE		An increase in dedicated funding will allow the Town to support local partners and ongoing initiatives with neighborhood preservation through land banking and property acquisitions , among other programs.

DRAFT



05

Discussion and Next Steps

DRAFT

DISCUSSION

Town Council's input tonight will inform our approach in evaluating and finalizing implementation strategies.

Guiding Questions

- Does the Town plan to sustain its recent higher level of funding for affordable housing?
- If so, what funding tools should be considered?
- What existing housing tools might be expanded, and what tools might be added?

DRAFT

Draft

NEXT STEPS

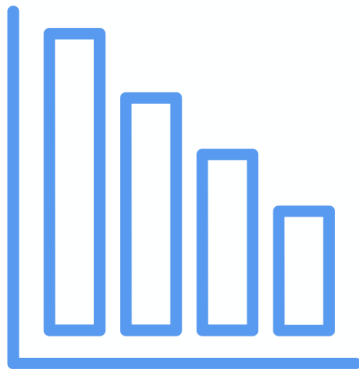
The next phase of our work will involve drafting the affordable housing plan and collecting feedback from key stakeholders, including the Housing Advisory Board (5/9) and the public.

TASK 1 | Project Initiation & Management

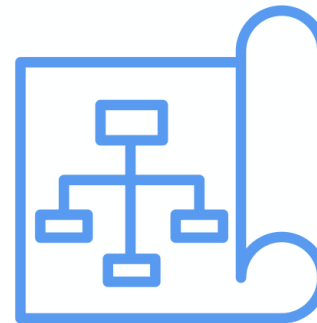
TASK 2 | Existing Conditions Review

TASK 3 | Strategy Development

TASK 4 | Plan Drafting & Approval

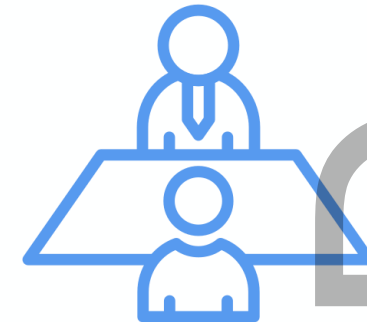


Analyze Additional
Financing Tools



Draft Affordable Housing
Plan + Investment
Strategy

DRAFT



Collect Feedback from the
Public and Key
Stakeholders



DRAFT