



TOWN OF CHAPEL HILL NORTH CAROLINA

Meeting Date: 05/23/2018

MEMORANDUM

TO: Roger L. Stancil, Town Manager

FROM: Kenneth C. Pennoyer, Business Management Director
Amy Oland, Assistant Business Management Director
Loryn Clark, Executive Director Housing and Community

SUBJECT: 2018 General Obligation (GO) Affordable Housing Bond Referendum Adoption of Bond Order, Ballot Question and Referendum Details

Recommended Council Action

That the Council:

- Adopt the attached bond order.
- Adopt the resolution regarding publication of bond orders and details of the bond referendum.

Context with Key Issues

- On April 26, 2018, the Town's Finance Officer filed a Sworn Statement of Debt and a Statement of Estimated Interest with the Town Clerk as required by General Statutes. Copies of these statements are attached.
- On April 25, 2018, the Council introduced the bond order proposed for the November 6, 2018 referendum and adopted the resolution setting a public hearing on the bond order for May 9, 2018 and authorizing the filing of a sworn statement of debt by the Town's Finance Officer.
- On March 21, 2018, the Council adopted the Preliminary Findings Resolution for the November 2018 G.O. Bond Referendum. The Preliminary Resolution, among other things, established the Council's intent to proceed with a referendum in November 2018 to authorize the issuance of no more than \$10,000,000 of general obligation bonds for the affordable housing. The resolution also authorizes Town staff to proceed with the steps necessary to authorize the referendum.
- In the State of North Carolina public approval is required for the issuance of most municipal general obligation (G.O.) bonds. Public approval is gained through a public vote or referendum. Referendum questions for municipal G.O. debt are broken out into bond orders that authorize issuance of bonds for a particular purpose. Bond Orders are voted on individually. The referendum planned for November 2018 has a single bond order for affordable housing.
- The Town's Affordable Housing Investment Plan established a goal of developing 400 new affordable housing units and preserving 275 units in the next five years. In order to accomplish this goal the Town will to develop its own affordable housing projects and

seek to partner with non-profits who would develop projects that meet the Town’s criteria.

- The five-year affordable housing projections are shown in the following table. This reflects the most current survey of the need for affordable housing subsidies for planned projects. The total number of planned units is about the same as the Town’s five-year target to develop 400 new affordable housing units. The total subsidy needed is expected to be about \$15.8 million. Additional funding sources may include annual operating appropriations and grants from other government agencies.

Provider	Project Name	Units	Rental/ Ownership	Total Project Cost	Estimated Subsidy
Non-profits	(Various)	37	Rental	\$ 6,095,655	\$ 1,050,810
Non-profits	(Various)	154	Ownership	18,191,383	6,918,383
Town of Chapel Hill	2200 Homestead Road	130	Rental	16,345,185	5,000,000
Town of Chapel Hill	Northside – Public Hsg	80	Rental	7,272,000	1,813,000
Total		401		\$ 48,979,223	\$15,857,193

- State statutes require that bond orders come before the Council on two separate occasions. The first occasion is to “introduce the bond orders” which was completed March 21st and the second is for final action scheduled for May 23rd.

Explanation of Recommendation

- The actions needed to hold a general obligation bond referendum on November 6, 2018 include the following:
 - ✓ Publish notice of intent to file an application with the Local Government Commission (LGC) (Complete)
 - ✓ Make Legislative Committee filing (Complete)
 - ✓ File LGC application (Complete)
 - ✓ Council introduces Bond Orders, schedules public hearings and authorizes debt statement (4/25 Council Meeting)
 - ✓ File sworn statement of debt (before public hearing notice)
 - ✓ Publish notice of public hearings (April 29th)
 - ✓ Council holds public hearings on the bond orders
 - **Council adopts the bond order and sets the ballot question and referendum date (5/23 Council Meeting)**
 - Publish Bond Orders and notice of referendum (twice after 5/23)
 - Referendum (11/6/2018)

Bond order and Ballot Question

The attached bond order and ballot question are those recommended by Bond Counsel based on the language prescribed in the State Statutes. Neither staff nor Bond Counsel recommend adding or changing the wording of these documents.

Fiscal Note

- The Town's Debt Management Fund, created by Council in 2009 provides a dedicated source of funding for governmental (non-enterprise) Town debt. The affordable housing bonds will be repaid from the Debt Fund, however there is insufficient capacity in the fund to support the proposed affordable housing bond without an increase in the dedicated tax. Based on our assumptions concerning timing of issuance and interest rates, an ultimate increase in the Debt Fund tax of 1 penny will be sufficient to cover repayment of the bonds. The timing of the tax rate increase would coincide with the date of issuance of the bonds. Total interest and principal on the proposed bonds over the 20 year term is estimated to be \$14,516,050.
- If the bonds are authorized by the voters, the issuance of the bonds would require a separate Council action. Council would approve the timing of bond issuance, the projects that that would be funded with the bond proceeds and the timing of tax increases to cover the debt repayment.
- Depending on how the bonds are used, it may be necessary to issue a portion of the affordable housing bonds as taxable rather than tax-exempt. The decision to issue bonds for purposes that would require the bonds to be taxable would be made by Council. Taxable bonds have a higher interest rate than tax-exempt bonds and will cost the Town more for repayment.

Attachments

- Proposed Bond Order for Adoption
- Resolution Regarding the Publication of Bond Orders
- Description of Referendum Projects