

KEY ISSUE: AFFORDABLE HOUSING

PROPERTY ADDRESS	BUSINESS MEETING DATE	APPLICANT
2217 Homestead Road	December 5, 2018	Gurlitz Architectural Group, PA

SUMMARY

During the public hearing, the applicant proposed to voluntarily comply with the Inclusionary Zoning Ordinance (IZ). The Ordinance applies to for-sale developments that create 5 or more lots and requires an applicant to provide 15% of units as affordable. The Ordinance provides alternative methods for applicants to satisfy the affordable housing requirement including a payment-in-lieu, land dedication, dedication of existing units, and off-site construction. The applicant offered a \$315,000 payment to the Town in- lieu of providing housing on site. For satisfying the affordable housing requirement, applicants may choose to use a density bonus as well as floor area bonus offered by the Ordinance. The applicant proposes to use a portion of the floor area bonus offered as part of the IZ Ordinance to add additional square footage to the project. The applicant's offer of a payment-in-lieu is consistent with the Housing Advisory Board's recommendation.

Since the public hearing, the applicant has revised its proposal and offered to provide either a \$315,000 payment-in-lieu of providing units on site *or* an equivalent value of affordable units on-site.

If the Council wishes to pursue the applicant's offer to provide units on-site, we recommend that we work with the applicant and the Housing Advisory Board to further develop this option and return to the Council for further discussion on January 16, 2019. If the Council chose to accept affordable units on-site, all conditions, including the terms of affordability and monitoring requirements, would be incorporated into an Affordable Housing Performance Agreement between the Town and the applicant.

Based on the applicant's revised proposal, we identify the following options for the Council's consideration.

1. Payment-in-Lieu: The applicant has offered a payment-in-lieu of \$315,000 as recommended by the Housing Advisory Board. If the Council approves a payment-in-lieu of providing units on site, the funds would be available for eligible homeownership and rental housing activities identified in the guidelines of the Town's [Affordable Housing Fund](#).¹ Based on the average subsidy that the Town has historically provided for the development of affordable housing, we believe that this could support approximately 14 affordable units.
2. Affordable Units On-Site: The applicant has offered to provide affordable housing units on-site at a value equivalent to the \$315,000 payment-in-lieu recommended by the Housing Advisory Board. We have previously discussed with the Council the identified need for rental housing serving households earning less than 60% of the Area Median Income in the community.

Based on the lowest preliminary rental rate information provided by the applicant for a 1.5 bedroom unit (\$1,300 – \$1,700), and a capped value of \$315,000, this would provide almost 3, one-bedroom units on-site for a one person household earning less

¹ <https://www.townofchapelhill.org/home/showdocument?id=28455>

than 60% (\$33,900) of the Area Median Income (AMI). Raising the income level served to 80% (\$45,150) of the AMI would result in 7, one-bedroom units for 20 years for a one person household.

The applicant shared that the rental rate for 2-bedroom apartments would be \$2,400. Increasing the household size to two, the income level to 80% of the AMI (\$51,600), and a capped value of \$315,000 could result in 2 units on-site for a shortened affordability period of 10 years.

The Council could also discuss other options with the applicant, such as modifying the period of affordability, serving higher income levels, or increasing the capped value of the units. The Council could also consider other models. For example, the developer of Grove Park offered 6 units to the Town for \$1 per month for twenty-five years. Once built, the Town will be able to establish eligibility requirements and rental rates for the units.

Rezoning Affordable Housing Agreement

This is an application for conditional use rezoning. Staff is in the process of working with the applicant and owner to prepare a set of conditions agreeable to them that address affordable housing. These terms will be included in a document signed by the applicant and owner prior to the Council's voting on the rezoning request. The applicant may bring an agreement forward between the publishing of this memorandum and the December 5, 2018 Council meeting for your consideration.

If the terms offered by the applicant and owner are acceptable to the Town Council, the terms will be incorporated into the terms of the ordinance rezoning the property. If the proposed terms responding to the Town's affordable housing policy, which is part of the Town's Comprehensive Plan, are not found by the Council as meeting the expectations of the Council and the affordable housing policy, Staff will recommend the Council deny the rezoning application or continue this hearing to a date certain and ask the Applicant and Owner to consider an alternative approach to address this issue.