

Amy Harvey

From: Jeanette Coffin
Sent: Wednesday, September 13, 2023 1:32 PM
To: Dustin Mills
Cc: Adam Searing; Amy Ryan; Camille Berry; Jeanne Brown; Jess Anderson; Karen Stegman; Michael Parker; Pam Hemminger; Paris Miller-Foushee; Tai Huynh; Amy Harvey; Ann Anderson; Carolyn Worsley; CHRIS BLUE; James Baker; Loryn Clark; Mary Jane Nirdlinger; Ross Tompkins; Sabrina Oliver; Shay Stevens
Subject: FW: Support Letter - Agenda Item 23-0639
Attachments: Chapel Hill Affordable Housing Bond Support Letter (9-13-23).pdf

Thank you for your correspondence with the Town of Chapel Hill. The Mayor and Town Council are interested in what you have to say. By way of this email, I am forwarding your message to the Mayor and each of the Council Members, as well as to the appropriate staff person who may be able to assist in providing additional information or otherwise addressing your concerns.

Again, thank you for your message.

Sincerely,

Jeanette Coffin



Jeanette Coffin
Office Assistant
[Town of Chapel Hill Manager's Office](#)
[405 Martin Luther King Jr. Blvd.](#)
[Chapel Hill, NC 27514](#)
(o) 919-968-2743 | (f) 919-969-2063

From: Dustin Mills <dustin@taftmillsgroup.com>
Sent: Wednesday, September 13, 2023 12:24 PM
To: Town Council <mayorandcouncil@townofchapelhill.org>
Subject: Support Letter - Agenda Item 23-0639

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Mayor Hemminger & Members of Town Council:

Attached, please find a Letter of Support in regards to Agenda Item 23-0639 on tonight's agenda. If you have any questions, please feel free to respond to this email or I can be reached directly at 252-916-2691.

Thanks you in advance for your review and consideration.

Warmest Regards,
Dustin Mills

Dustin T. Mills, MBA, MSc.
President



A Division of Taft Family Ventures

P.O. Box 566 | Greenville, NC 27835

631 Dickinson Avenue | Greenville, NC 27834

252-916-2691 (C)

Visit our website: www.taftmillsgroup.com



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September 13, 2023

Mayor Pam Hemminger & Town Council Members
405 Martin Luther King Jr. Boulevard
Chapel Hill, NC 27514

**RE: Affordable Housing Plan, Investment Strategy
 And Housing Bond Letter of Support
 Agenda Item: 23-0639**

Dear Mayor Hemminger & Members of Town Council:

Please strongly consider supporting the Affordable Housing Plan and Investment Strategy up for discussion on tonight's agenda. Like many other municipalities nationwide, affordable housing options in Chapel Hill are scarce and the skyrocketing demand far outpaces the supply. If proactive measures are not taken soon, the social damage caused by a lack of safe, well-located and affordable housing will be irreversible. The Town of Chapel needs to make a BOLD statement in support of affordable housing by seeking the approval of a \$50 million dollar housing bond. If approved, this bond would be a catalyst for the future development of thousands of affordable housing units.

I write to you today as a member of Chapel Hill's Housing Advisory Board and a twenty-seven-year veteran of the affordable housing industry. In my professional career, I am the co-founder of Taft-Mills Group, a Greenville, NC-based developer of affordable housing. My firm has completed, is actively under construction or has secured funding to develop more than 2,400 affordable housing units across a three-state footprint during the past seven years. During my career, I have overseen the development of more than 5,000 affordable units in six states that represents a more than \$1 billion dollars in community investment. I can tell you that the lack of affordable housing opportunities in Chapel Hill is, in my opinion, as concerning as any municipality that I have worked in during my career.

The development of affordable housing faces many hurdles that often prevent or deter developers like me from entering a market. Land scarcity, zoning challenges, community opposition, municipal hurdles, increasing construction costs, rising interest rates and finite local, state and federal funding resources all serve as contributing factors that make the development of affordable housing a monumental task. Our firm, for example, was selected to develop the town-owned Jay Street parcel. We had to navigate a costly and extended municipal approval process, participate in more than twenty-five mostly contentious public meetings and seek supplemental funding from the town to make the Jay Street deal financially feasible. We are excited that we were able to secure tax credits that, along with the supplemental town funding, will bring this community to fruition. However, the proposed development, once completed, will add just 48 units to the housing stock and will have taken more than five years to complete when the units are delivered. During this five-year development window, countless more residents will have found themselves in need of affordable housing.

The Low-Income Housing Tax Credit ("LIHTC") program is the single biggest generator of affordable housing in the United States. In North Carolina, the North Carolina Housing Finance Agency ("NCHFA")

oversees the allocation of tax credits and facilitates the highly competitive process. Unfortunately, non-metro counties like Orange County are only eligible to secure one (1) 9% credit (the most financially beneficial tax credit) allocation annually. The average 9% allocation represents less than 72 units. Simply stated, the amount of units that can be funded through the LIHTC program will never meet the need of the residents of Chapel Hill. That's a concern that absolutely cannot go unaddressed.

An alternative to the 9% LIHTC program is the 4% LIHTC program coupled with tax-exempt bonds to finance the development of often larger affordable housing communities. The average 4% LIHTC bond deal typically delivers +/-180 units AND is significantly less competitive than the aforementioned 9% LIHTC allocation process. The challenge, however, is that the 4% LIHTC bond deals often require local sources of supplemental support to make the deals financially feasible. When communities financially support 4% LIHTC bond deals, they see a significant increase in the number of affordable units that are produced in those respective communities.

By supporting the \$50 million-dollar affordable housing bond, the Town of Chapel Hill will have funds available that could potentially be leveraged to create more than 2,500 units over the next five years. That represents a impactful increase in the supply of affordable housing units and shows a commitment by the Town of Chapel Hill to proactively address the housing crisis that exists within the community today.

During the past three years, in addition to developing more than 600 hundred units through the 9% LIHTC program, my firm has developed 720 - 4% affordable housing units in communities adjacent to or near Chapel Hill. Each of the four communities highlighted below were structured as 4% LIHTC tax-exempt bond deals and would not have been financially feasible but for the significant local contributions made by the respective municipalities.

Community Name	City	Units	Municipal Contribution
Walnut Trace	Raleigh	180	\$ 2,250,000
Arlington Trace	Greenville	180	\$ 6,000,000
Townsend Trace	Greensboro	180	\$ 3,550,000
Cedar Trace	Durham	180	\$ 6,900,000
TOTAL		720	\$ 18,700,000

Many of the counties surrounding Orange County who have previously approved bonds for the development of affordable housing and are now seeing the fruits of that labor in the form of completed (or under construction) units. Durham County (\$95mm), Wake County (\$80mm), Richmond, VA (\$80mm), Charlottesville, VA (\$100mm) and Washington, DC (\$100mm) have all made significant financial commitments to help increase the availability and supply of affordable housing units. Chapel Hill must take a **BOLD** and **FINANCIALLY SIGNIFICANT** step in addressing the significant lack of affordable housing in the community.

The Town of Chapel Hill has a history of supporting affordable housing development whether it be through rezonings, utilizing town-owned land for development or through providing financial support. The proposed bond sizing should be, at a minimum, \$50 million dollars. A \$50 million commitment would have a near-term significantly positive impact on the proposal and eventual development/construction/completion of affordable housing units to serve many low-income families. Keep in mind that 2,500 units will likely serve more than 5,000 actual individuals when it's all said and done. That's 5,000 members of the community who today are struggling to find a safe, well-located, affordable place to call home.

Presently, with previous commitments in place, the Town of Chapel Hill has less than \$1 million dollars available to support newly proposed affordable housing communities. In assuming a +/- \$2-million-dollar supplemental funding “gap” need for one annually funded 9% deal and a +/- \$4 million-dollar supplemental funding “gap” need for one annually funded 4% deal (assume one 4% deal per year), the Town of Chapel Hill needs to anticipate a +/- \$6 million-dollar annual funding need. Securing one 9% and one 4% deal per year could potentially add approximately 252 units annually to the affordable housing supply, which would result in more than 1,200 new units over the next five years. The aforementioned scenario is a relatively safe assumption from a production and LIHTC funding probability standpoint.

The benefit of providing significant supplemental funding commitments to 4% LIHTC bond deals (in addition to one annual 9% deal) is that they (the 4% deals) are not capped at one deal per county like the present 9% program. The result is that if “gap” funding is available to support and encourage additional 4% (larger unit count) deals, the impact on supply could be significantly better than one 4% deal per year. In this scenario, it is not unrealistic to envision a path to more than 2,500 units (5,000+ individuals) added to the housing stock over the next five years.

Thank you in advance for your consideration of the Affordable Housing Plan and Investment Strategy.

**PLEASE BOLDLY AFFIRM CHAPEL HILL’S COMMITMENT
TO THE DEVELOPMENT OF AFFORDABLE HOUSING
BY SUPPORTING A \$50 MILLION BOND!!**

Warmest Regards,

A handwritten signature in dark ink, appearing to read 'D. Mills', with a stylized, cursive flourish at the end.

Dustin T. Mills, MBA, MSc.
President, Taft-Mills Group
Board Member, Town of Chapel Hill Housing Advisory Board