

## **ITEM #8: Approval of the Affordable Housing Plan and Investment Strategy**

### **Council Question:**

The strategy has ambitious funding targets which may be difficult to meet. If funding remains at or near current levels, what would the impact on the strategy be?

### **Staff Response:**

*The investment strategy contemplates a funding level that would allow the Town to implement the proposed Affordable Housing Plan over the next five years (**\$50 million total or \$10 million/year**). To simply maintain the level of affordable housing activities that we have been implementing over the last several years and not do anything new would require **at least a \$30 million investment** over the next five years (\$6 million/year). Without any additional investment in affordable housing, the Town would not have sufficient funding to support many of the affordable housing projects in the pipeline, including Town-initiated and partner projects, and would be limited in our ability to implement the Affordable Housing Plan. For example, this year the Town has less than \$1 million available to support affordable housing, which will greatly impact what we're able to do.*

### **Council Question:**

We have heard from at least one outside "expert" that our policy of securing, on a voluntary basis, affordable units as part of the development review process may be counterproductive due to it inhibiting housing production overall, has the staff explored a strategy wherein this policy is changed or eliminated and instead a portion of the incremental tax revenues from new housing developments is allocated to the Town's affordable housing fund? Could they?

### **Staff Response:**

*The Affordable Housing Plan recommends that the Town explore ways to better incentivize the development of affordable units to better reflect market conditions (see recommendation 3). Town affordable housing staff have been involved in recent discussions with the LUMO Rewrite consultant team about how to better incentivize affordable housing into market rate residential projects. Our consultant team did explore the potential for use of a TIF as an affordable housing strategy. Their usage is limited in North Carolina, however, Chapel Hill could use a "synthetic TIF" to help finance affordable housing. HR&A recommends that the Town continue to explore the feasibility of incorporating a synthetic TIF as a funding source, though there are other funding sources and programs which are more impactful in delivering affordable housing.*

### **Council Question:**

Could an element of this strategy also include creation of an affordable housing clearinghouse that would provide "one-stop shopping" for those in need of AH?

**Staff Response:**

*In response to interest expressed by members of the Council, staff have been exploring this concept with Orange County and other partners and HR&A incorporated this into the Affordable Housing Plan (see recommendation 13 – Expand partnerships with regional collaborators). Implementation of a clearinghouse would require staff and financial resources and represents an exciting opportunity to build off of many foundational elements that are already in place in our county.*

**Council Question:**

How does the proposed \$10 million per year investment in affordable housing fit in with our five-year budget strategy? The May budget presentation showed a five-year strategy adding only \$18K/year to affordable housing, not the extra penny proposed on p. 14, or the increased penny in general fund allocation.

How does this budget request align with our 5-year budget strategy? I'd like to see how this is fiscally feasible instead of seeing departmental requests outside of the larger context of our budget.

**Staff Response:**

The affordable housing investment strategy came out of and is aligned with the 5-year budget process. The \$30M articulated in the Affordable Housing Plan to *sustain* operations is consistent with the budget projections included in our 5-Year Budget Strategy. Full implementation of the recommendations included in the AH Plan would require \$50M over the next 5 years, or \$10M per year. The \$18,000 per year for affordable housing included in the budget discussions this spring only reflected a modest increase in the Affordable Housing Development Reserve and did not address the full \$30M funding needed to sustain operations identified in the Five-Year Budget Strategy. This was noted by staff and shared with Council during our budget discussions.

**Council Question:**

Also, how do the bond requests (\$40M or \$29M) fit into our current bond capacity, and with the other bond funding we need to plan for?

**Staff Response:**

The bond amounts included in the Investment Strategy are intended to show Council that there are a variety of ways to get to \$50M in affordable housing funding. The mix of funding sources,

including the exact bond amount would need to be determined by Council through future discussions about debt capacity and other needs across the Town. The intent of the Affordable Housing Plan and Investment Strategy is to articulate what the Town's key affordable housing priorities are for the next five years and the resources required to execute those priorities. There will be multiple additional decision points along the way for the Council to consider.

**Council Question:**

When will we be having a big-picture discussion to start planning holistically for the next round of bond funding?

***Staff Response:***

The Manager will be scheduling a time for Council to continue big-picture discussions about bond funding in the coming months.

**Council Question:**

When are we having a housing policy discussion about what Mitch is pitching in terms of no inclusionary zoning and negotiation? Why are we voting on this before this huge policy discussion?

***Staff Response:***

One of the key recommendations of the Affordable Housing Plan is to evaluate and recalibrate our inclusionary zoning program, including those required by Council policy and negotiated by Council. This recommendation aligns with the very recent discussion with Mitch Silver about planning practices. Should Council approve the Affordable Housing Plan, staff would proceed with evaluating and recalibrating our Inclusionary Zoning and negotiation process, working closely with our legal counsel, Planning, Economic Development, and other Town departments.