

HR&A +



Town of Chapel Hill Affordable Housing Plan

Town Council Update

June 2023

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Agenda

Introduction

Recommendations

Investment Strategy

Next Steps

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01

Introduction

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INTRODUCTION

Our objective today is to preview the contents of the Affordable Housing Plan & Investment Strategy and receive feedback from Town Council for the Plan.

April 26th Meeting

Present findings of existing conditions review, including:

- Affordable housing challenges
- Review of current programs and policies

Discuss preliminary strategic direction for the Affordable Housing Plan

Today's Meeting

Preview the Affordable Housing Plan and its recommendations.

Discuss feasibility and alignment of recommendations with Town capacity and priorities.

Guiding Questions

- Do the recommendations in the Plan align with the Town's affordable housing objectives?
- Do you foresee any funding, programming, or other challenges with implementing recommendations in the Plan?

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INTRODUCTION | PLANNING PROCESS

The Chapel Hill The Affordable Housing Plan and Investment Strategy was developed over a 6-month planning process.

January 2023

April 2023

May 2023

**EXISTING CONDITIONS
REVIEW**

**STRATEGY
DEVELOPMENT**

**PLAN DRAFTING
& APPROVAL**

STAKEHOLDER ENGAGEMENT

13 Stakeholder Interviews

- Town staff
- Affordable housing developers
- Local affordable housing providers

3 Presentations

- Town Council (4/26)
- Housing Advisory Board (5/9)
- Orange County Affordable Housing Coalition (5/12)

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INTRODUCTION | PLAN OVERVIEW

The Plan communicates the Town's strategic framework to address its housing challenges and identifies resources required to build on and expand its affordable housing successes.



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INTRODUCTION | PLAN APPROACH

The Plan will add to and refine the Town's existing affordable housing toolbox to increase impacts and pursue a comprehensive approach to address affordable housing challenges.



PUBLIC SUBSIDIES

The Plan recommends **sustaining and scaling public subsidy programs**, while identifying **new sources of public funding** and deploying funds for greater impacts.



LAND USE

The Plan recommends **increasing the Town's supply of 'missing-middle' housing** and **refining its existing regulatory tools** to remove barriers to increased housing supply.



TENANTS' RIGHTS

The Plan recommends **bolstering access to services to help low-income renters stay in their homes**.

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RACIAL EQUITY

The Plan will address **disparities and mitigate barriers to accessing quality affordable housing** through:

- Equitable deployment of public subsidies
- Inclusionary land use policies
- Enhanced tenants' rights protections

The Plan also provides guidance on **empowering residents most impacted by disparate housing impacts** in decision-making processes



02

Recommendations

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RECOMMENDATIONS | 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 homes 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

DECLINING RENTAL AFFORDABILITY

Rents have risen faster compared to incomes, **resulting in rising housing cost burdens among renter households 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

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RECOMMENDATIONS

The Plan includes recommendations for the Town to deploy funds and policies to address its housing challenges and increase racial equity over the next five years, guided by four goals.

EXPAND THE IMPACTS OF AFFORDABLE HOUSING FUNDING AND PROGRAMS

The Town should **dedicate consistent streams of funding** to support its affordable housing programs, establish tools that **increase the impacts of local funding**, and **align staff capacity and other resources** to maintain a high level of affordable housing services and development.

HELP LOW-INCOME RENTERS ACCESS STABLE AND AFFORDABLE HOUSING

Chapel Hill should **ensure low-income renters have access to affordable and secure housing** by expanding its rental assistance programs and bolstering tenants' rights while continuing to increase the supply of affordable rental homes.

INCREASE ACCESS TO HOMEOWNERSHIP

The Town should **expand its down payment assistance program, refine its inclusionary zoning policy and evaluate asset building initiatives** to increase homeownership opportunities in Chapel Hill.

ADDRESS HOUSING SUPPLY BARRIERS

Chapel Hill should continue to **pursue regulatory changes** to remove barriers to housing supply and **encourage new development** of housing to meet the needs of a range of residents.

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RECOMMENDATIONS | EXPAND FUNDING AND PROGRAM IMPACTS

The Town needs to sustain its higher level of affordable housing funding and programming and identify new funding sources to continue to support affordable housing.

Recommendations

1. Dedicate new, consistent sources of funding.
2. Realign the Town's governance & funding processes for its local funding sources.
3. Establish a revolving loan fund.
4. Enhance partnerships with regional collaborators.
5. Align staffing capacity with existing and projected programming.

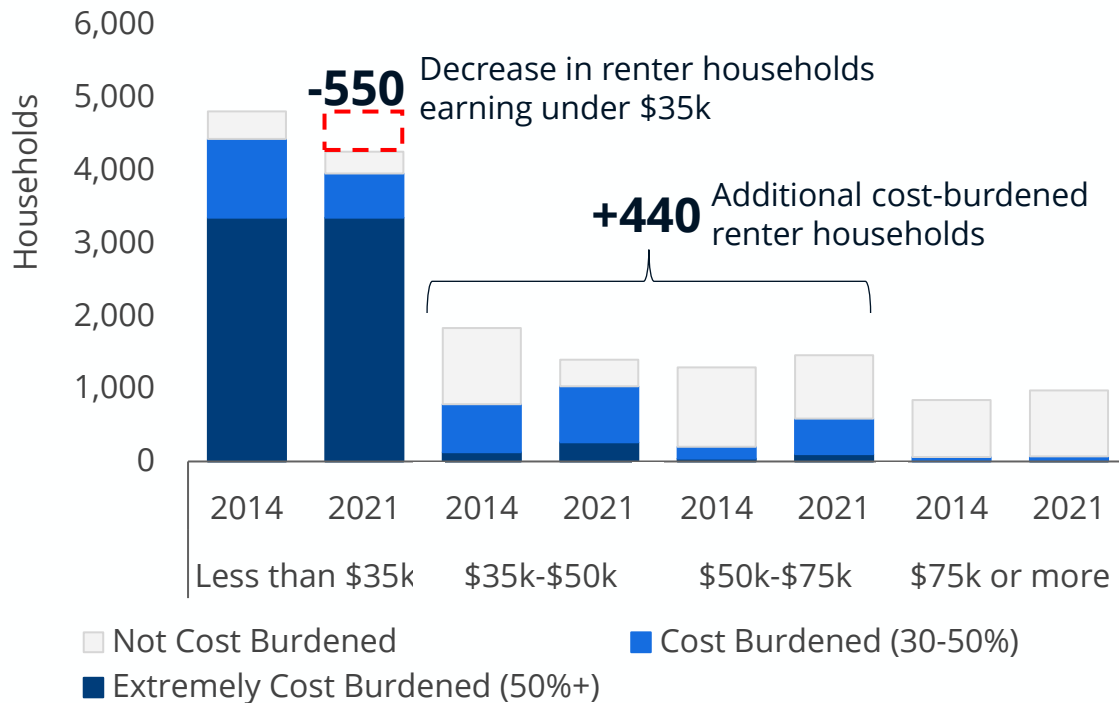
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RECOMMENDATIONS | HELP LOW-INCOME RENTERS REMAIN IN STABLE AND AFFORDABLE HOUSING

The Town has increased its supply of affordable rental housing but should help low-income renters cover housing costs and remain in their homes.

COST BURDENED RENTER HOUSEHOLDS BY INCOME 2014 - 2021



Recommendations

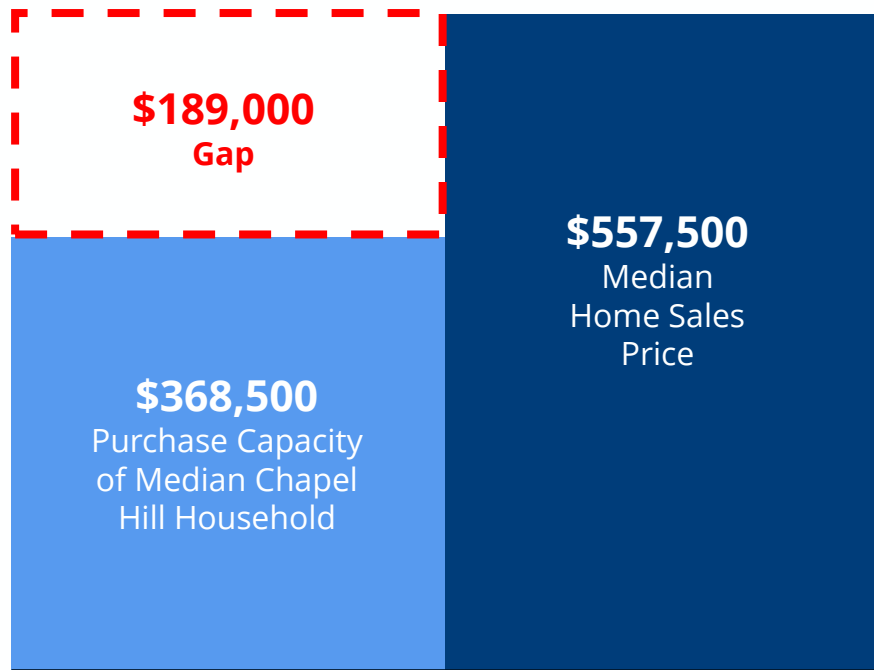
- Continue to provide gap financing to preserve and create homes for low-income renters.
- Expand local rental assistance programs to increase services to low-income Town renters.
- Engage and educate low-income renters on tenants' rights to complement regional legal services.

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RECOMMENDATIONS | INCREASE ACCESS TO HOMEOWNERSHIP

The Town should expand the eligibility and assistance available under its down payment assistance program to serve more households Townwide.

HOME PURCHASE CAPACITY (2022)



Purchase Capacity

Median Home Price

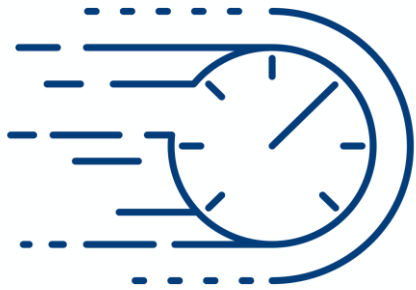
Recommendations

9. Expand the Town's down payment assistance program to help moderate-income households purchase homes in Chapel Hill.
10. Refine the Town's inclusionary zoning policy to better incentivize the development of affordable for-sale homes.
11. Explore programs to help lower-income households build assets for homeownership.

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RECOMMENDATIONS | DECREASE HOUSING SUPPLY BARRIERS

The Town is currently advancing several important regulatory and zoning changes to increase housing supply.





**Expedited Permit Review
For Affordable Housing
Development Projects**



**LUMO Text Amendment
to Allow 'By-Right'
Development of
Missing-Middle Housing**

SINGLE-FAMILY AFFORDABILITY BY HOUSING TYPOLOGY

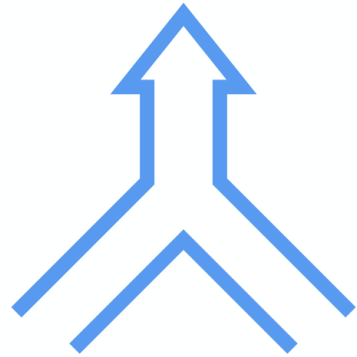
	 Single-Family Detached	 Townhouse
Cost to Purchase	\$750K	\$450K
Minimum Household Income	\$150,000+	\$90,000- 100,000
Household AMI Level	200%+ AMI	100-120% AMI
Monthly Mortgage₁	\$3,500+	\$2,000-2,400

[1] The mortgage payment includes, principal interest, insurance and taxes. It assumes a 10% down payment, and an interest rate of 6%

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RECOMMENDATIONS | DECREASE HOUSING SUPPLY BARRIERS

Chapel Hill should continue pursuing regulatory changes to remove barriers to housing supply and encourage new development of housing.



**Streamline Entitlements
Processes And Reduce
Upfront Development Costs**



**Launch Formal Education and Outreach
Campaign to Bolster Community Buy-in
for Housing Development**

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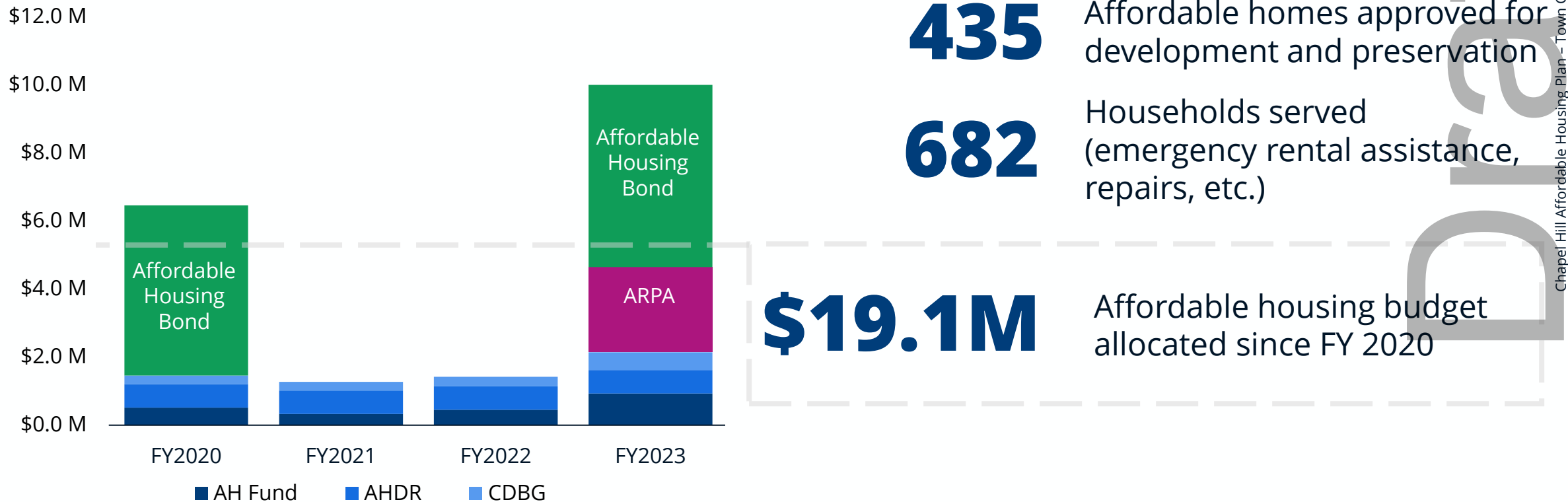
Investment Strategy

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INVESTMENT STRATEGY | RECENT FUNDING TRENDS

The Town has invested local money to support its affordable housing goals since 2019, and allocated more than \$10 million for affordable housing during this fiscal year.

FUNDING SOURCES FOR TOWN AFFORDABLE HOUSING PROGRAMS AND POLICIES FY 2020 – FY 2023

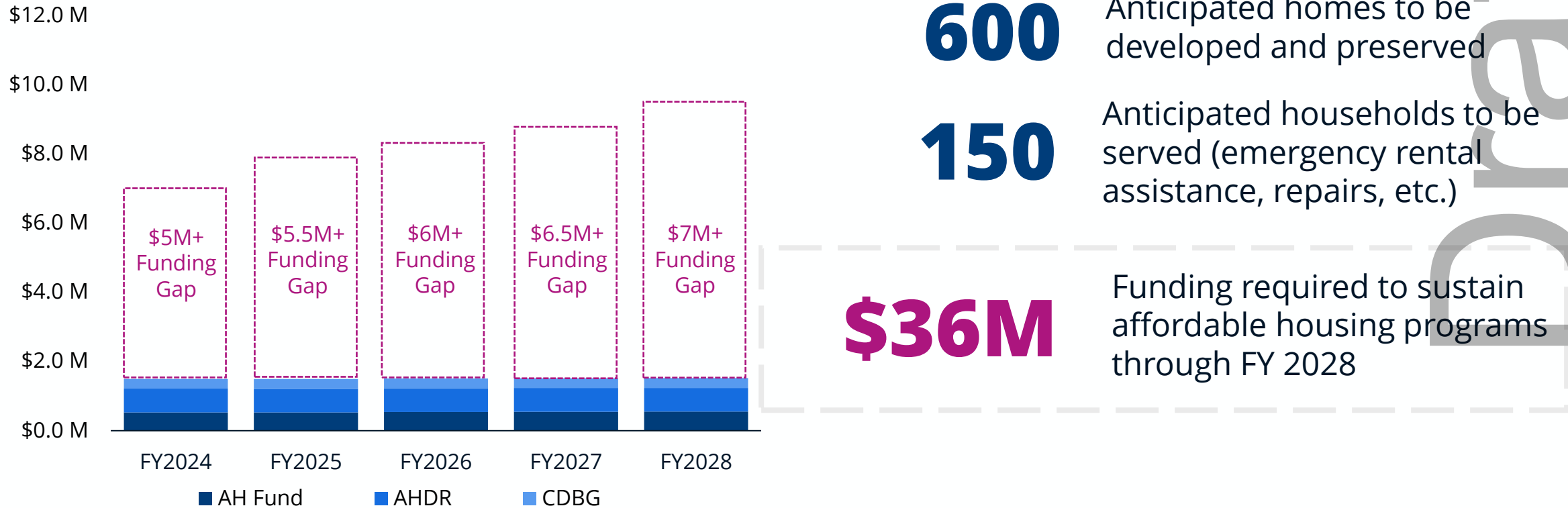


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INVESTMENT STRATEGY | FUTURE FUNDING NEEDS

The Town will need to allocate approximately \$36 million over the next five years just to match its current affordable housing production level.

FUNDING SOURCES FOR TOWN AFFORDABLE HOUSING PROGRAMS AND POLICIES FY 2024 – FY 2028



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INVESTMENT STRATEGY | FUNDING COMMITMENT

To implement the recommendations outlined in the Plan, the Town will need to dedicate \$10 million annually towards affordable housing over the next five years.

POTENTIAL FIVE-YEAR IMPACTS OF LOCAL SPENDING ON AFFORDABLE HOUSING

\$36 million

Funding required to **sustain** Town's housing programs over the next five years

600+
Homes
Preserved
or Built

150+
HHs
Served

\$50 million

Funding required to **incorporate recommended changes** to Town's housing programs over the next five years

900+
Homes
Preserved
or Built

200+
HHs
Served

[1] Projected funding impacts assumes up to \$25,000 per home for LIHTC Gap financing, \$55,000 per home for additional development gap financing, up to \$60,000 per household for downpayment assistance and homebuyers counseling, up to \$1,400 per month per household for up to six months of rental assistance and up to \$10,000 per household for repairs.

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INVESTMENT STRATEGY | GUIDING PRINCIPLES

The Town should pursue a combination of a new, larger affordable housing bond and a two-cent tax to fund its affordable housing programs for the next five years.

POTENTIAL FUNDING SOURCES FOR A FIVE-YEAR COMMITMENT OF \$50 MILLION

\$29M Bond, Two-Cent Tax, Increase General Fund commitment to \$2M annually



\$41M Bond, No General Fund increase



■ Bond

■ Penny Tax

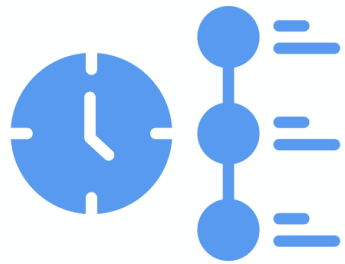
■ General Fund Allocation

■ CDBG

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INVESTMENT STRATEGY | IMPLEMENTATION NEEDS AND TIMING

The Investment Strategy should be used to inform the Town on prioritizing its implementation of Plan recommendations.



**Implementation
Timeline
and Steps**



**Lead and
Supporting
Partners**



**Required
Resources**



**Performance
Metrics**

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04

Discussion & Next Steps

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DISCUSSION

Town Council's input tonight will ensure that the Plan is in alignment with the Town's affordable housing goals for the next five years.

Guiding Questions

- Do the Plan recommendations align with the Town's affordable housing objectives?
- Do you foresee any funding, programming, or political challenges with implementing recommendations in the Plan?

Next Steps

We will incorporate revisions to the Plan and anticipate bring the plan for adoption in early September.

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