



# LOCAL AFFORDABLE HOUSING FUNDING ALLOCATION STRATEGY



## Introduction

The Town has administered multiple sources of local affordable housing funding since 2002 to support the development and preservation of affordable housing. Initially, these sources were managed as separate funds, each with its own requirements and approval processes. Local funding sources include:

- Affordable Housing Fund (established in 2002)
- Affordable Housing Development Reserve (established in 2015)
- Affordable Housing Bond (established in 2018)

Additional information on the origin, eligible uses, application process, and other requirements for each of these funds is included in Attachment A: Affordable Housing Funding Sources Overview.

In 2025, at the direction of Council, staff implemented a unified affordable housing funding program that adheres to one set of priorities and eligibility requirements, and one allocation process. This document outlines the Town's allocation strategy and funding process for the Town affordable housing funding program. The guiding documents that were used to assemble the allocation strategy include: the [Affordable Housing Plan and Investment Strategy](#) (AHP) and the [2023-25 Council Strategic Focus Areas and Goals](#), and recommendations from the [Orange County Affordable Housing Coalition](#).

## Priorities

The Town's priorities for our local affordable housing funding program are:

- Rental housing for households earning less than 50% of the current Area Median Income (AMI)
- High impact projects, such as projects with more than 50 units and/or projects primarily serving populations with high housing barriers or historically marginalized populations.
- Shovel ready projects that can get units on the ground quickly once funding is allocated (within 3 years)
- Projects accessible to frequent public transit, particularly along the Bus-Rapid-Transit corridor.
- Projects with high leverage from other funding sources, including Low-Income Housing Tax Credit projects.

- Projects that incorporate environmentally friendly and sustainable building and site design

## **Eligible Activities**

### **1. Construction of New Affordable Housing**

Eligible activities will support the development of affordable housing for households earning up to 80% of the AMI for rental projects and up to 115% of the AMI for homeownership projects. Priority will be given to projects serving households with incomes below 50% AMI. Eligible activities would include pre-development costs, professional services, infrastructure costs, and construction costs.

### **2. Land Acquisition and Land Banking**

Eligible activities include the purchase of property to be used to create new or preserve existing affordable housing.

### **3. Rehabilitation and Redevelopment**

Eligible activities include minor or major rehabilitation to existing homes and communities occupied or to be occupied by low-income households.

### **4. Future Development Planning**

Eligible activities include strategic and master planning activities for specific areas to serve a community purpose. Funding could be used for pre-development costs, community engagement processes, and professional services for strategic and master planning.

### **5. Rental, Utility, and Relocation Assistance**

Eligible activities include providing financial assistance to low-income renters to reduce the monthly housing expenses for households earning less than 80% of the AMI. Funding could provide assistance paying rent, housing-related fees, utilities, or to support costs associated with relocation for households facing displacement or eviction.

\*NOTE: these activities are not eligible for Affordable Housing Bond Funding.

### **6. Financial Assistance to Homeowners**

Eligible activities include financial assistance to households earning up to 120% of the AMI, with a priority for households with incomes below 80% AMI, to help homeowners maintain their homes. Assistance could support downpayments or 2<sup>nd</sup> mortgages, or homebuyer education and counseling for potential first-time homeowners.

\*NOTE: these activities are not eligible for Affordable Housing Bond Funding.

## **Threshold Requirements**

Applicants must meet the minimum requirements outlined below to be eligible for the local affordable housing funding program:

- The proposed project activities must be completed within 3 years of the date funding is awarded.
- The applicant must demonstrate site control (if applicable).
- The proposed project site must be located within the Town of Chapel Hill limits or the Extra Territorial Jurisdiction (ETJ).
- The proposed project must fall within one of the priority project areas identified by the Town.
- The funding application is complete and submitted by the established deadline.

## **Allocation Process Core Components**

- Applicants will use the Town's Local Affordable Housing Funding Application.
- Town staff reviews and evaluates applications and provides a recommended funding plan to the Town Council for final review and approval.
- The schedule of funding release will consider federal Community Development Block Grant (CDBG) deadlines, North Carolina Low-Income Housing Tax Credit Application deadlines, as well as Town Council calendar and other relevant schedules that may arise. Funding may be released through an RFP process up to three times per year.

## **Funding Structure**

- In most cases, funding will be allocated as a loan to secure the Town's interest in supporting affordable housing. Loan terms, including loan period and any repayment requirements, will be determined on a project-by-project basis.
- The Town will provide guidance on typical expectations and considerations for loan terms in an Affordable Housing Funding Guide.
- Should any project that receives funding approval make substantial changes to the project (e.g., requests for additional funds, payment changes, changes in terms of funding commitment, units produced, timeline) from what was described in their funding application, the applicant must submit a memo outlining the change and the justification for the change to the Director of Affordable Housing & Community Connections (AHCC) for review and consideration by the Town Manager. The Town Manager and AHCC Director will determine whether the change requires Council approval.