



02-14-2024 Town Council Meeting Responses to Council Questions

ITEM #1: Update on Implementation of Town Affordable Housing Strategies and Tools and Mid-Year Progress

Council Question:

It would be very helpful to have a report from staff on the activity to date under Housing Choice given the relevance to the discussion around missing middle so that we can separate out the myths and hyperbole from reality and have a more data-driven discussion about it.

Staff Response:

Staff is not aware of any new development applications for missing middle housing that were submitted as a direct result of the Housing Choices text amendment.

One development proposal that was already underway when the Housing Choices amendment was adopted will benefit from the amendment's more streamlined review process and right-sized requirements. In early 2023, the owner of a 1/3-acre parcel roughly an 8-minute walk north of Downtown proposed to build a duplex behind an existing single-family home.

Under the pre-Housing Choices rules, this proposal would need approval by the Planning Commission and would need to provide on-site amenities like recreation space. The owner struggled to find room for the required recreation space and originally asked if a backyard deck would satisfy the requirement. The lackluster proposal for meeting the recreation space requirement highlighted the strain the requirement placed on small in-fill development. Under the new rules, a development with just three total units can be approved by staff and does not need to provide shared recreation space.

Council Question:

It would also be very helpful to have staff share relevant expert evidence that could inform our discussions - in this case, on the housing shortage and the relationship between new housing and existing housing costs - so that we are all operating from a shared set of facts.

Staff Response:

In addition to the [Projected Housing Needs](#)¹ report prepared by Rod Stevens in 2021, more recent reports have examined Chapel Hill's housing market:

- 1. The [2022 Housing Market Assessment](#)² prepared by SB Friedman as part of the Shaping Our Future project (see Pages 15-28).*

¹ <https://www.townofchapelhill.org/home/showpublisheddocument/50141/637715343396500000>

² <https://www.townofchapelhill.org/home/showpublisheddocument/51934/637938201842200000>



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2. The [16th Annual State of the Community Report – 2023 Databook](#)³ prepared by The Chamber for a Greater Chapel Hill-Carrboro (see Slides 112 – 141, PDF Pages 58 – 73).

Several reports published within the last year provide insights into the state of the national housing market:

1. The [America's Rental Housing 2024](#)⁴ report published by the Joint Center for Housing Studies of Harvard University.
2. The [State of the Nation's Housing 2023](#)⁵ report published by the Joint Center for Housing Studies of Harvard University.
3. A [July 2023 report](#)⁶ from the Congressional Research Service.

Council Question:

I would like more information about HOAs - what is required by the state, what is currently required by the town, and what we have the power to change. I want to understand if we have the ability to limit the powers/authority of an HOA or if that is totally regulated by the state. HOAs have been able to supersede local zoning ordinances, short-term rental ordinances, etc. I want to know if there is anything we can do about that type of thing.

Staff Response:

Towns do not have authority to prevent valid restrictive covenants from being enforced among property owners (or by HOAs with enforcement rights over neighborhood covenants).

Council Question:

In the Overview of the Low-Income Housing Tax Credit Program and the Town's Role in Supporting LIHTC Projects materials it states that "Staff have identified potential projects for at least the next 8 LIHTC consecutive application cycles." Can staff provide more insight into these identified 8 potential projects?

Council Question:

What are the potential projects that have been identified by staff for the next 8 LIHTC funding cycles?

Staff Response:

Town staff have worked to build a steady pipeline of potential projects that could apply for 9% LIHTC awards, in coordination with our local affordable housing partners. We have successfully

³ <https://growthzonesitesprod.azureedge.net/wp-content/uploads/sites/1111/2023/11/2023-SOTC-DataBook.pdf>

⁴ https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2024.pdf

⁵ https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf

⁶ <https://crsreports.congress.gov/product/pdf/R/R47617>



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secured 9% awards in 2022 (Trinity Court) and 2023 (Tanyard Branch Trace) and staff are aware of a 2024 application from one of our local housing partners that will request a conditional rezoning and AH funding from Council this spring.

The additional projects in the pipeline include projects our housing partners are leading as well as at least 6 parcels that Council have indicated support to pursue affordable housing development on. The Town-owned parcels include:

- *Two phases of development on the Legion Rd. parcel, on which Council [approved](#)⁷ designating 8-9 acres for affordable housing in December 2022.*
- *Redevelopment of the Craig-Gomains public housing community, which Council approved for redevelopment in FY 2019.*
- *A parcel at 200 Plant Rd that currently houses the Town's Department of Parks and Recreation. Council [authorized](#)⁸ exploring the parcel for affordable housing in October 2017.*
- *Parcels on Dogwood Acres Drive, which Council [prioritized](#)⁹ for affordable housing development in June 2018. Staff estimate this could be another two-phase LIHTC project.*
- *Town staff are also exploring additional parcels that are not currently competitive for a 9% LIHTC award but could support a 4% LIHTC award if the scoring rules for a 9% project do not change.*

Council Question:

The \$12 million referenced that will be needed in Town funds to achieve the one LIHTC project per year goal: is that in addition to the \$50 million proposed bond, or is that budgeted as part of what that bond would be spent on? If it's not part of the bond, where would that \$12 million come from?

The \$2-\$3 million per year mentioned for LIHTC housing as part of the Affordable Housing plan is the same as this 5-year \$12 million, correct?

Staff Response:

Yes, the \$12 million for LIHTC projects is included in the total \$50 million proposed bond. A key

⁷ <https://chapelhill.legistar.com/View.ashx?M=F&ID=11507568&GUID=184FEE9D-19C4-4CF0-B3F2-3CC2C1D3D173>

⁸ https://chapelhill.granicus.com/MetaViewer.php?view_id=21&clip_id=3299&meta_id=179331

⁹ <https://chapelhill.legistar.com/LegislationDetail.aspx?GUID=13618DD7-534B-4D67-8BD4-E1F9564701A1&ID=3531760>



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affordable housing strategy is to take advantage of the LIHTC funding as a primary source of building new affordable rental housing.

*And yes, the \$2-\$3 million per year for a LIHTC project is what's driving the \$12 million LIHTC need. (\$2-\$3 million per year * 5 years).*

Council Question:

What measures are we taking to ensure new affordable housing is well-integrated with market-rate housing, so as to avoid the concentration of poverty and all its ensuing ills?

Staff Response:

Chapel Hill has one of the highest area median incomes (AMI) in North Carolina and has a shortage of more than 2,000 affordable housing units. The need for affordable housing is everywhere in Town, especially in well-connected, transit accessible, amenity-rich neighborhoods where households are not dependent on a car and have access to affordable shopping options. Town staff consider location when assessing funding awards and development potential of Town-owned parcels.

The affordable housing projects currently under construction or in the pipeline are scattered around Town and are in well-located communities. Similarly, many funding sources, such as the Low-Income Housing Tax Credit (LIHTC) program, evaluate funding applications based on the proximity to amenities and services. The potential LIHTC projects listed above are both dispersed throughout the Town, are close to downtown, and are near transit, shopping, and services.

Our [affordable housing dashboard](#)¹⁰ maps the Town's inventory of subsidized affordable housing (i.e., income restricted housing) as of Winter 2023. As shown, these units are spread throughout the Town.

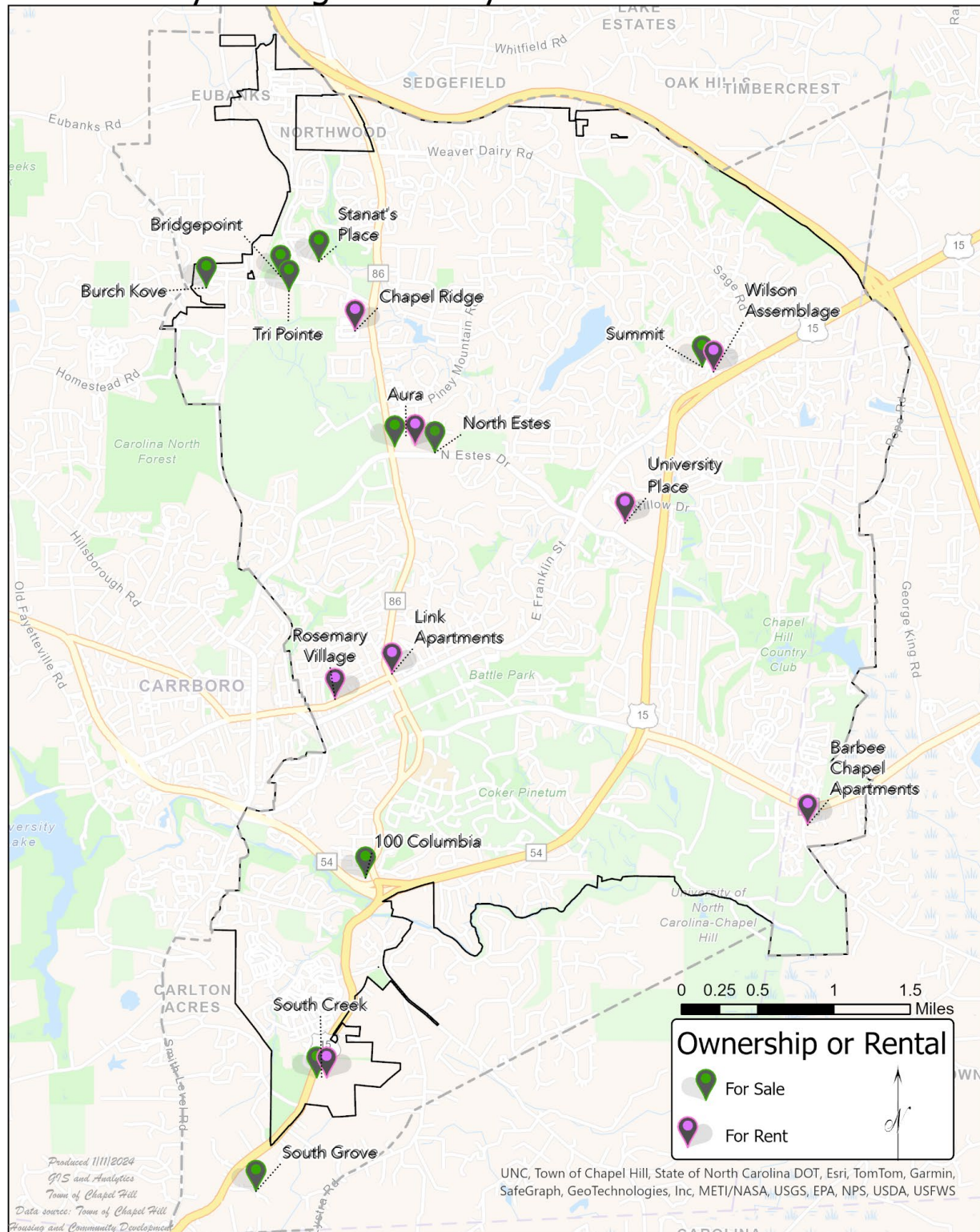
Another major source of the Town's new affordable housing units is through our inclusionary housing programs. By nature, these programs produce mixed income communities where about 90% of units are market rate. To date, 281 inclusionary units have been built and more than 500 have been approved in the last four years and are either under construction or in the development pipeline. The map on the following page shows the inventory of inclusionary units that are either available or in the pipeline to rent or purchase.

¹⁰ <https://www.chapelhillaffordablehousing.org/tracking-our-progress>



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Inclusionary Zoning Inventory





02-14-2024 Town Council Meeting Responses to Council Questions #2

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Council Question:

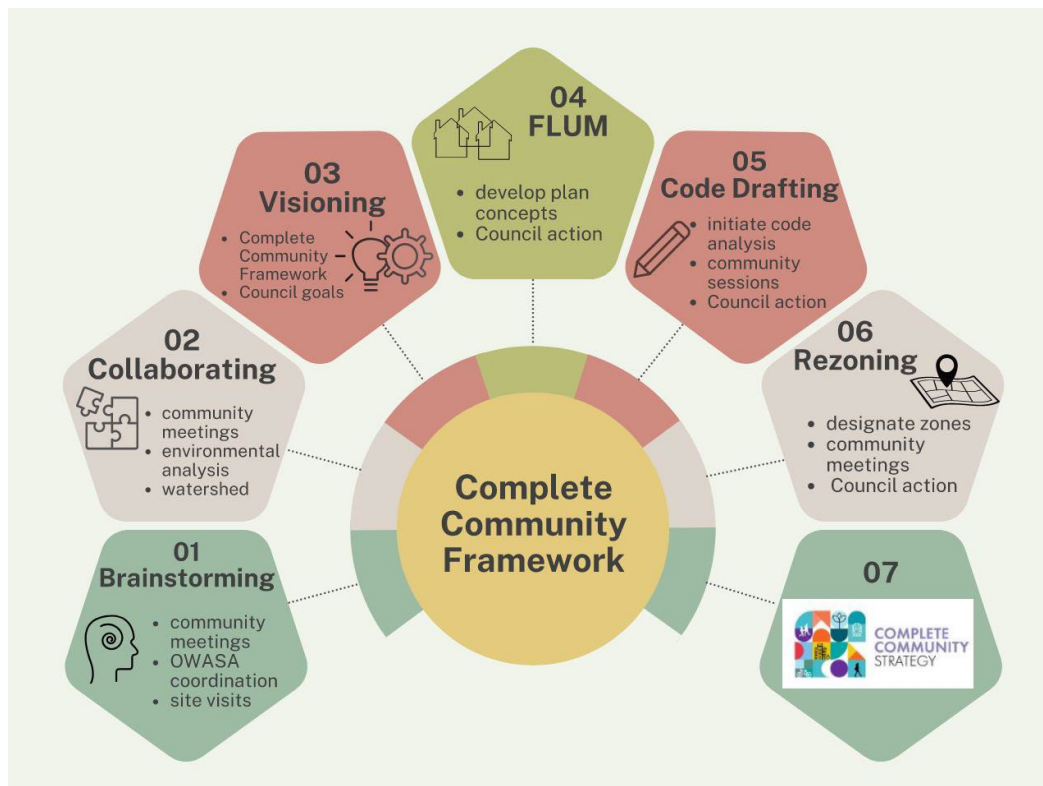
Do we have a preemptive rezoning of the land for WASAMPBA calendared? I'm hearing that the BOCC is more likely to approve if the rezoning is done before their vote

Staff Response:

The Town of Chapel Hill is not proposing preemptive rezoning of the land proposed for the expansion area at this time. Prior to pursuing rezoning to properties in this area, staff is proposing engagement with community members and hosting visioning efforts. This would be followed by updates to the Future Land Use Map to reflect the proposed vision and following this with code drafting to create zoning districts that will aid in creating the vision. Once these steps are completed, proposed rezoning could be considered.

The attached draft graphic provides guidance on steps in this process.

If any properties in the area are proposed for development during this time period, the development proposed would most likely need to proceed through a conditional zoning process for Council approval. The majority of the area is zoned Residential Low Density-1 (R-LD1) with limited opportunities for development.





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Council Question:

I don't understand the math on the housing bond. 50 million is supposed to produce 900 new affordable units and preserve 400 more?

If the per unit cost is 330k, which is the number I've been given, then we'd need 300 million to build just the 900 units. Where is that supposed to come from?

Staff Response:

The 900-unit count is based on the amount of Town subsidy needed to support development, not the total development cost. The Plan estimated per unit subsidy for a LIHTC project is \$25,000 per unit and \$55,000 for a non-LIHTC project. So, if we assume 350 LIHTC units in 5 projects over the next 5 years (70-unit projects), that would be about \$7 million for gap financing for LIHTC projects and about \$30 million for 550 non-LIHTC units.

The remaining \$12 million could support the preservation of units as well as administration of programs outlined in our Plan, including downpayment assistance, rental assistance, property tax assistance, relocation assistance, and repairs.