

# Affordable Housing Development Reserve (AHDR)

## Allocation Strategy

### Introduction

The Town Council allocated new funding for affordable housing in the budget for fiscal year 2014-15. Rooted in existing plans and strategies, and based on guidance from Town Council, staff drafted a proposed allocation strategy for use of this funding.

Staff proposes that these funds be used exclusively on development and preservation of affordable housing and that their use align with the strategy statement of the Town's Affordable Housing Strategy:

The Town of Chapel Hill's goal is to increase the availability of and access to housing for households and individuals with a range of incomes, from those who are homeless to those in middle-income households. The Town of Chapel Hill will work with for-profit and non-profit housing providers to offer a variety of housing opportunities that will promote socioeconomic diversity; provide individuals with the ability to remain in Chapel Hill through different stages in their lives; and support employee recruitment and retention.

Priority will be given to rental projects that serve households with incomes 60% and below the Area Median Income (AMI) and homeownership projects that serve households with incomes 80% and below the AMI.

The guiding documents that were used to put together this allocation strategy include the [Affordable Housing Strategy \(AHS\)](#), the [Affordable Rental Housing Strategy \(ARHS\)](#), the [Northside and Pine Knolls Community Plan \(CP\)](#), the [2014-16 Council Goals](#), and recommendations from the Orange County Affordable Housing Coalition.

### Priority Projects

#### **1. Land Bank and Land Acquisition**

Description: A land bank is a mechanism by which property can be strategically acquired, assembled, and redeployed to serve a community purpose, with a goal of creating inclusive, mixed income neighborhoods.

Related Strategies and Goals:

- a. Fund land bank to acquire land for future affordable housing (rental and ownership) development. (ARHS)
- b. Acquire and preserve vacant land along transit corridors for future affordable development. (ARHS)
- c. Address the development pressures of the Pine Knolls and Northside neighborhoods by supporting a housing and cultural preservation program in the neighborhoods. (ARHS)

Eligible Activities: Property and land acquisition and associated program expenses with emphasis in Northside and Pine Knolls neighborhoods and along transit corridors.

## **2. Rental Subsidy and Development Program**

Description: Eligible projects support the development of rental housing opportunities for households earning less than 80% of the AMI or providing subsidies to reduce the monthly housing expenses for households earning less than 80% of the AMI. The 80% AMI threshold reflects the Town's priority to support housing for people at a range of income levels, but priority will be given to those with incomes below 60% AMI.

Related Strategies and Goals:

- a. Establish useful incentives to encourage development of affordable rental units in all target income ranges. (ARHS)
- b. Identify other properties that may be appropriate for redevelopment and encourage the production of affordable rental units through the use of incentives. (ARHS)

Eligible Activities: Security and utility connection fee assistance program, rental subsidy program, gap subsidies to developers to provide affordable units, new or redeveloped rental housing construction.

## **3. Home Ownership Development and Assistance Program**

Description: The Town's Affordable Housing Strategy states a goal of increasing the availability and access to housing for households and individuals with a range of income, from those who are homeless to middle-income. Eligible projects support the development of owner occupied housing opportunities to create and preserve affordable housing opportunities for households earning up to 120% of the AMI. Priority will be given to those with incomes below 80% AMI.

Related Strategies and Goals:

- a. Address the development pressures of the Pine Knolls and Northside neighborhoods by supporting a housing preservation program in the neighborhoods. (AHS)
- b. Middle Income/Workforce Housing Second Mortgage Assistance Program. (CP)
- c. Major and minor rehabilitation of existing housing. (CP)

Eligible Uses: Programs involving new construction, renovation, and redevelopment of existing units and second mortgage assistance programs.

## **4. Future Development Planning**

Description: Eligible projects include strategic and master planning activities for specific areas to serve a community purpose, with a goal of creating inclusive, mixed income neighborhoods.

Related Strategies and Goals:

- a. Partner for ambitious development that includes affordable rental on Greene Tract. (ARHS)
- b. Initiate future development planning for the Greene Tract with ownership partners. (Council Goal 2016)

Eligible Activities: Pre-development costs, community engagement programs, and professional services for strategic and master planning.

### **Funding Allocation Process**

- Accept applications three times per year (approximately every 4 months), synching funding application deadlines with existing processes.
  - February, award in April
  - June, award in September
  - October, award in January
- Application review process to be coordinated by Town staff with review and recommendation of the Housing Advisory Board. Final review and approval required by Council.
- Funds typically will be allocated on a reimbursement basis once projects have been completed.
- Evaluation of applications will be based on a scoring rubric.
- During each evaluation period, the Housing Advisory Board and the Council will consider retaining a portion of the annual appropriation for an “opportunity fund” that is reserved for future large-scale/highest priority projects.