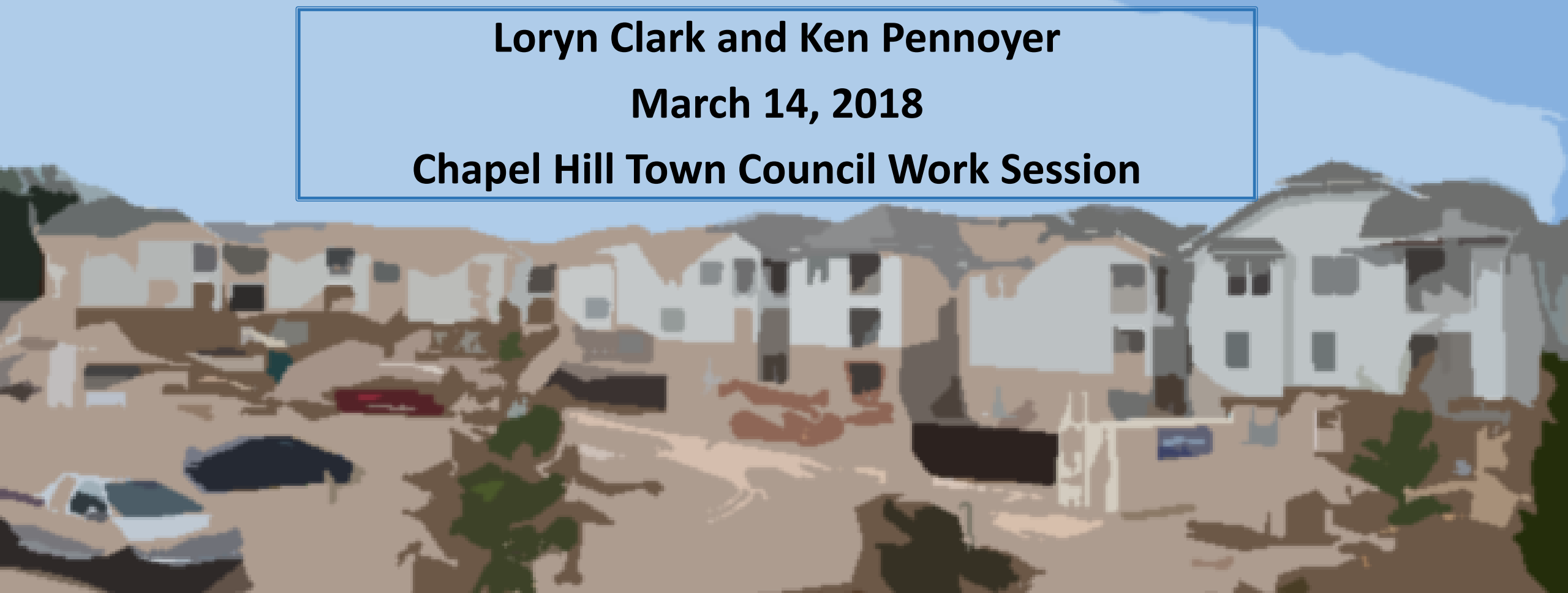


# Proposed Bond Referendum for Affordable Housing

**Loryn Clark and Ken Pennoyer**

**March 14, 2018**

**Chapel Hill Town Council Work Session**



# The Purpose of this Presentation

- Review of Affordable Housing Investment Plan
- Share information about bond process
- Answer Council Questions
- No Council Action Tonight

# Annual Affordable Housing Targets

**80**

Development



**55**

Preservation



# 5-Year Affordable Housing Targets

**400**

Development



**275**

Preservation



# Affordable Housing Investment Plan

## **Opportunity to:**

- Provide resources to achieve targets
- Develop funding priorities for the next 5 years to meet our targets
- Establish long term priorities for affordable housing efforts
- Consider new funding sources
- Identify funding for Town-initiated projects
- Collaborate with our non-profits, Towns and County



# Framework for an Affordable Housing Investment Plan

- **Approved by the Council on February 21, 2018**
- **Purpose:** Preservation & Development of Rental and Homeownership

## 1. Eligible Activities

- Acquisition
- Home Repairs
- New Construction

## 2. Priorities

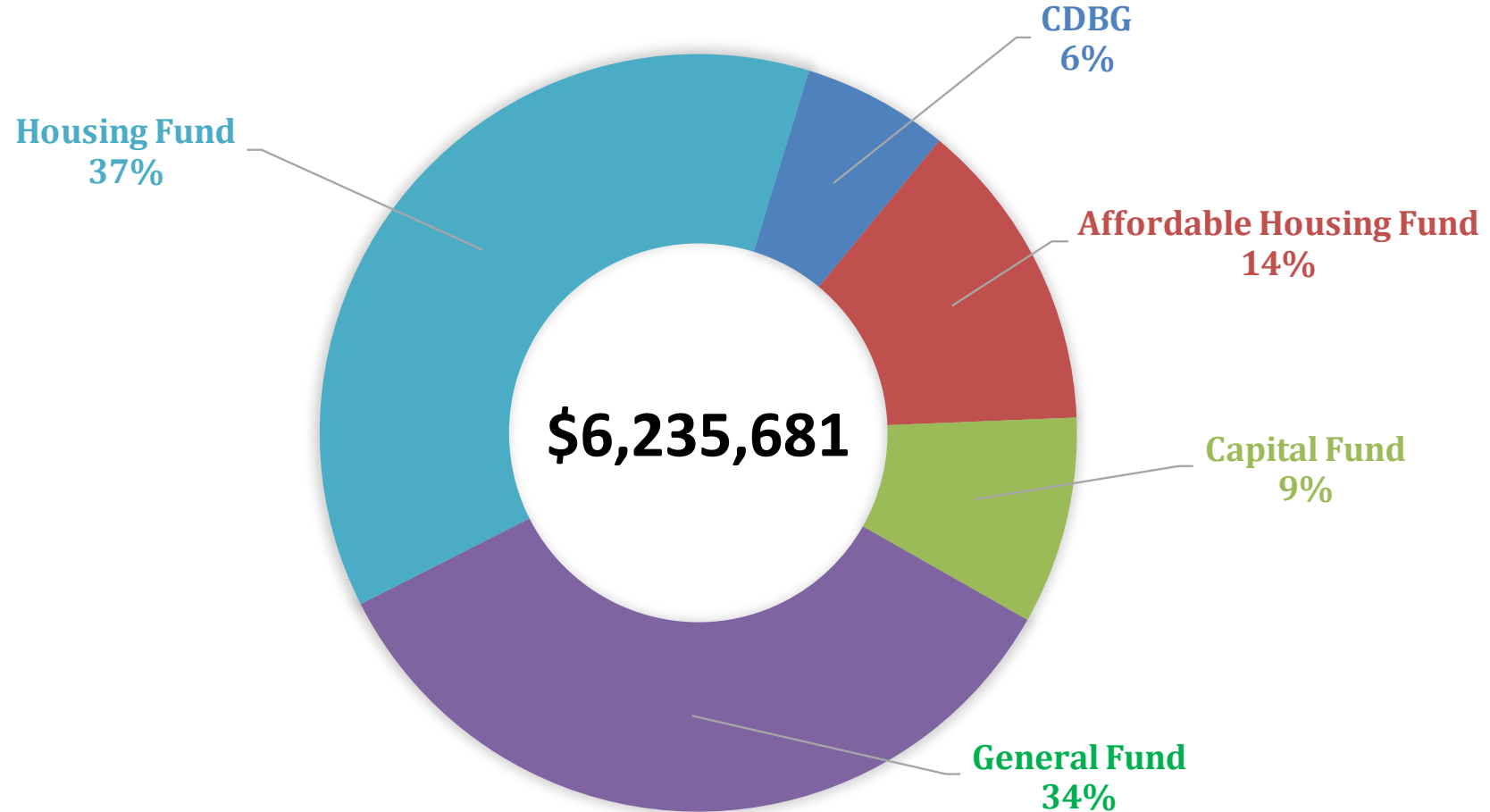
- Rental housing serving households less than 60% AMI
- Rental serving vulnerable populations
- Long-term affordability
- Located near transit services
- High leverage from other sources



**What is the current affordable housing funding from all sources?**

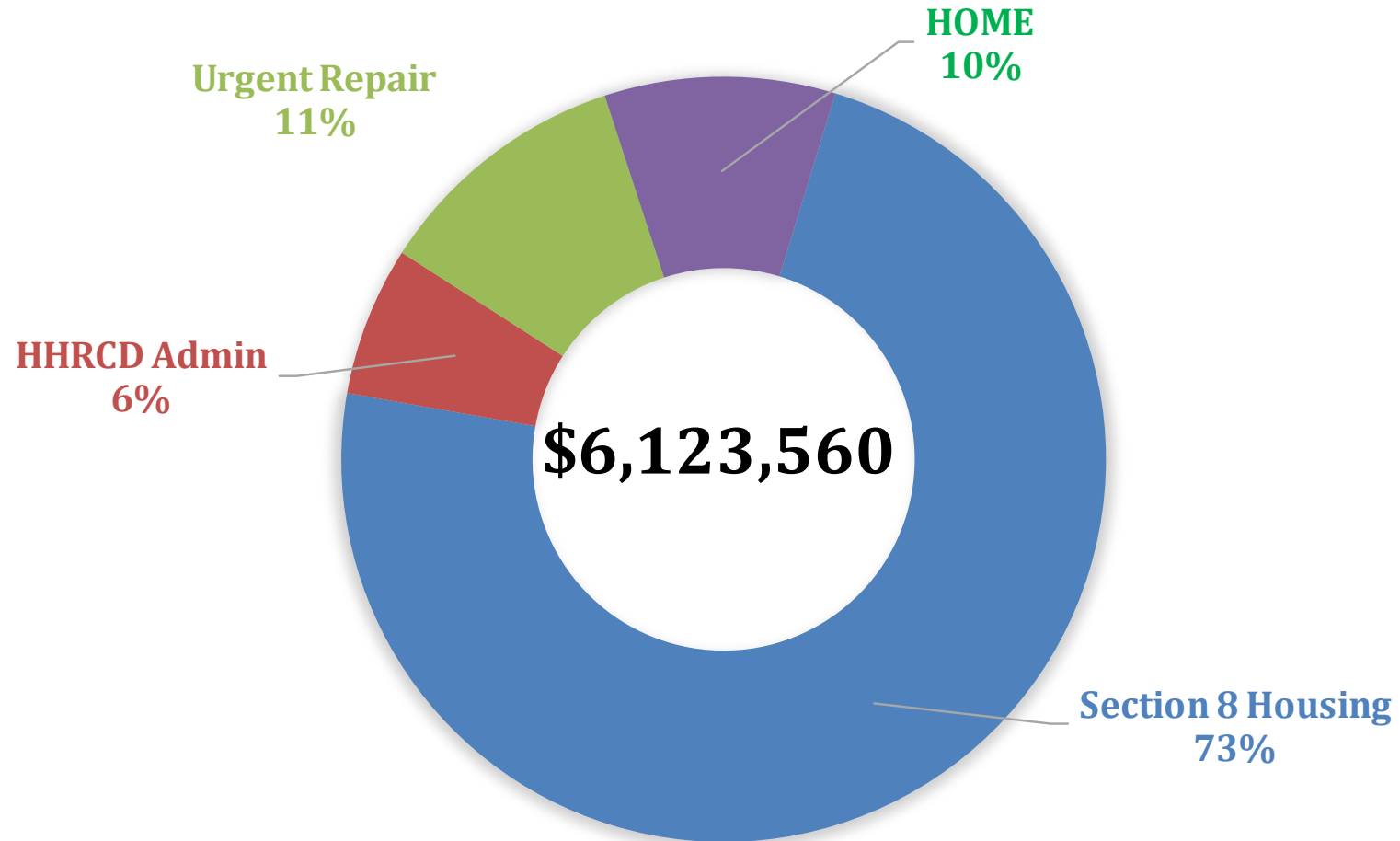
***State and Federal Affordable Housing Funding is funneled through Orange County and the Town of Chapel Hill***

## FY18 TOWN BUDGETED CONTRIBUTIONS TO AFFORDABLE HOUSING





## FY18 COUNTY BUDGETED CONTRIBUTIONS TO AFFORDABLE HOUSING\*



# Five-Year Affordable Housing Projections

Provider	Project Name	Units	Rental/ Ownership	Total Project Cost	Estimated Subsidy
Non-profits	(Various)	37	Rental	\$ 6,095,655	\$ 1,050,810
Non-profits	(Various)	154	Ownership	18,191,383	6,918,383
Town of Chapel Hill	2200 Homestead Road	130	Rental	16,345,185	5,000,000
Town of Chapel Hill	Northside – Public Hsg	80	Rental	7,272,000	1,813,000
<b>Total</b>		<b>401</b>		<b>\$ 48,979,223</b>	<b>\$15,857,193</b>

***G.O. Bonds can provide additional capacity and flexibility to implement the Affordable Housing Investment Plan***

**Could we accomplish our Affordable Housing investment goals without a bonds referendum?**

# Affordable Housing Cash Flow - Scenario 1

(adding one penny to the tax rate – no bonds)

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Existing “penny for housing”</b>	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000
<b>Additional penny on the tax rate</b>	800,000	812,000	824,180	836,540	849,000
<b>Total Available funding</b>	<b>\$1,488,000</b>	<b>\$1,500,000</b>	<b>\$1,512,180</b>	<b>\$1,524,540</b>	<b>\$1,537,000</b>
<b>Funding needs</b>	5,860,000	5,996,250	1,777,383	1,174,409	758,341
<b>Unmet needs</b>	4,372,000	8,868,250	9,133,453	8,783,321	8,004,663
<b>Percent of Target</b>	9.4%	18.8%	28.4%	38.0%	47.7%

# Affordable Housing Cash Flow - Scenario 2

(adding one penny to the tax rate for bond financing)

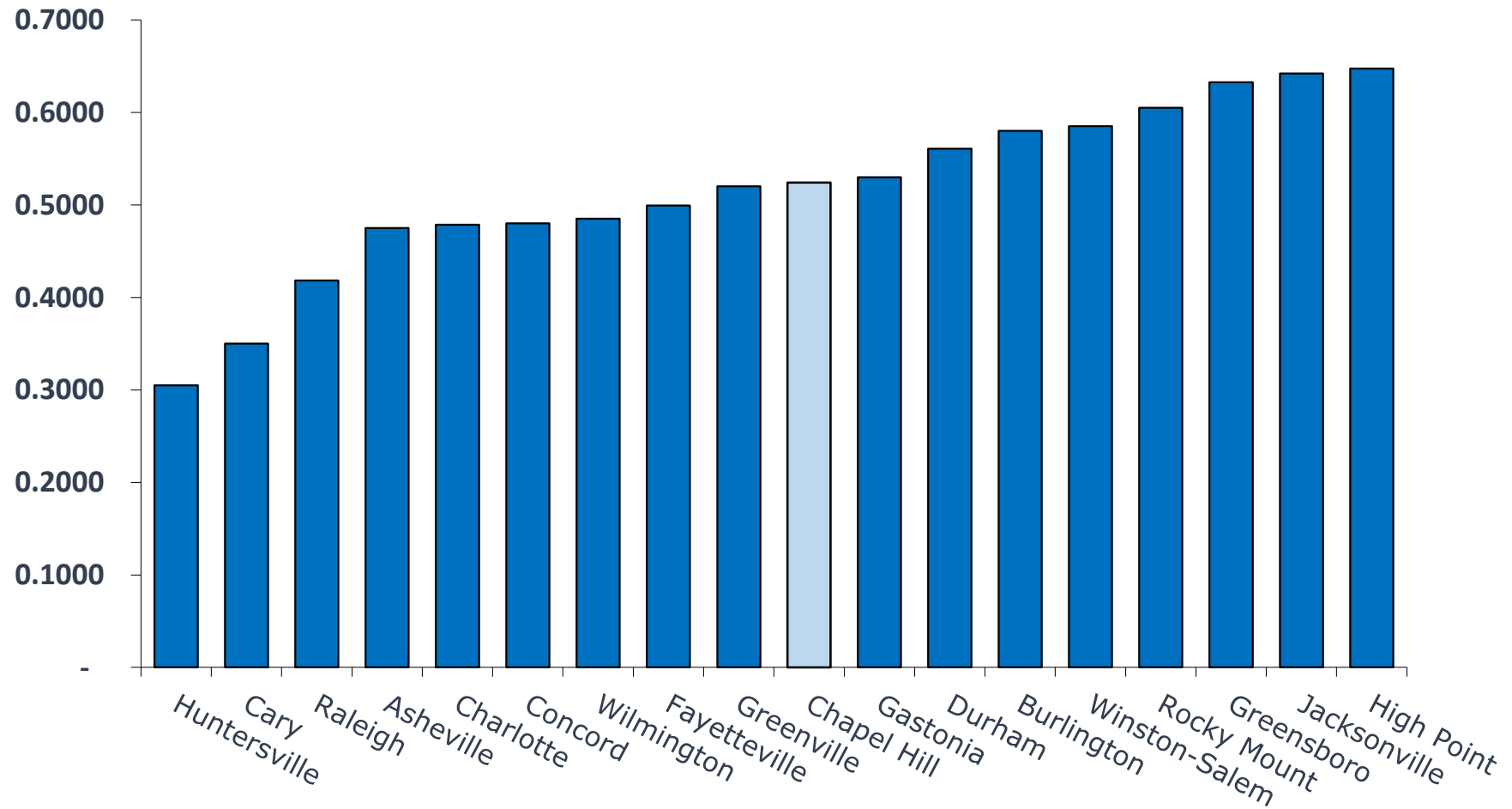
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Existing “penny for housing”</b>	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000
<b>Borrowing</b>	5,000,000	0	5,000,000	0	0
<b>Total Available funding</b>	<b>\$5,688,000</b>	<b>\$688,000</b>	<b>\$5,688,000</b>	<b>\$688,000</b>	<b>\$688,000</b>
<b>Funding Needs</b>	5,860,000	5,996,250	1,777,383	1,174,409	758,341
<b>Unmet Needs</b>	372,000	5,480,255	1,569,633	2,056,041	2,126,383
<b>Percent of Target</b>	35.9%	40.2%	76.1%	80.4%	84.8%

# *Issuance of Affordable Housing Bonds would require a tax increase*

**What impact would a tax increase have  
on Chapel Hill property owners?**

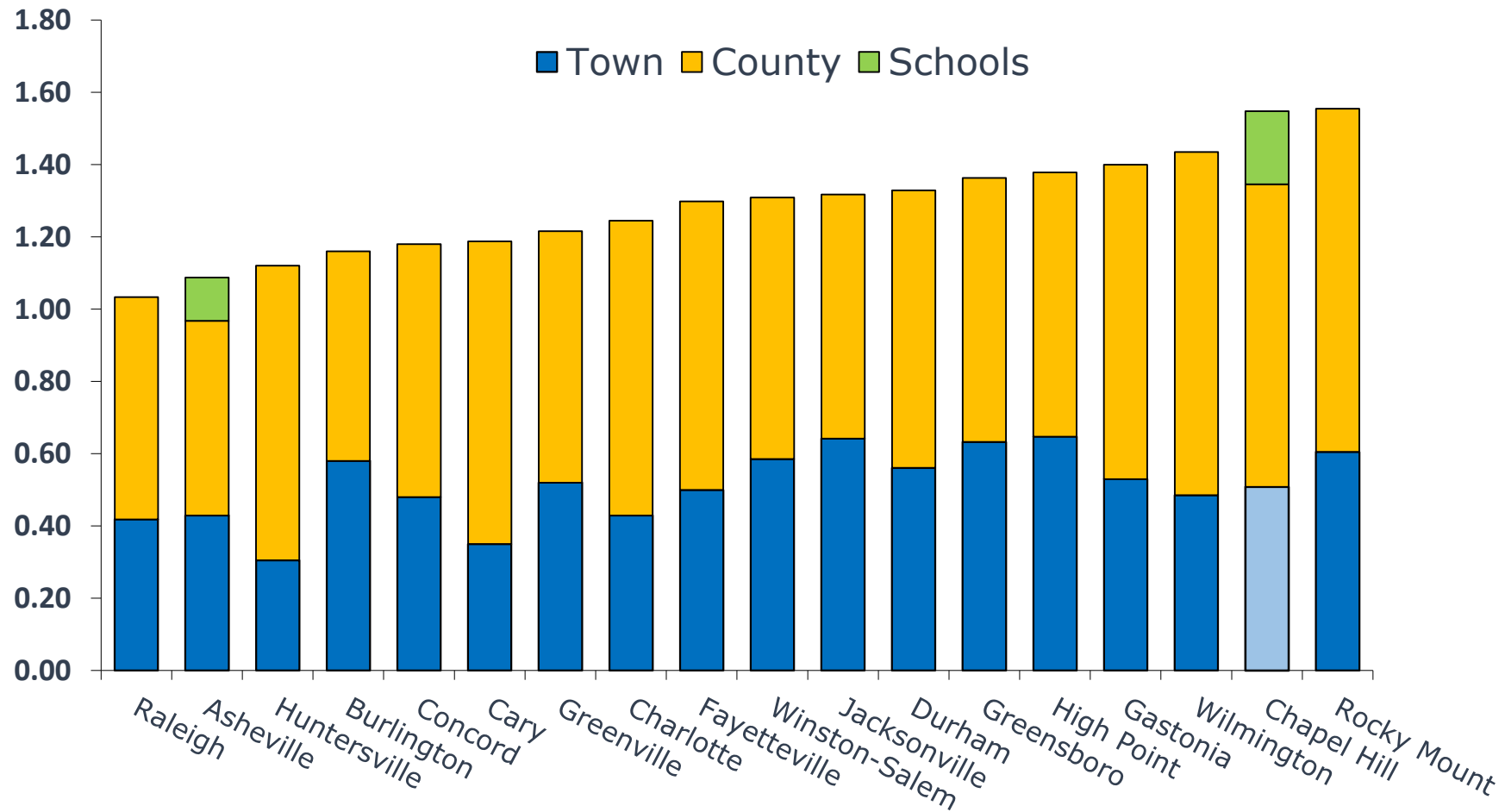
# Tax Rate

## NC Cities > 50,000 Population



# Property Tax Rate

## NC Cities > 50,000 Population (all jurisdictions)





# Chapel Hill Tax Bill Estimator

Chapel Hill Tax Bill Estimator	FY2018-19			
Assessed value of property	\$ 200,000			
	Rate*	Current Tax	Proposed Increase	Total
<b>Town Tax</b>	50.80	\$ 1,016.00		\$ 1,016.00
<i>Proposed Tax Increase</i>	-		\$ -	-
<i>Town Total</i>	50.80		0.0%	1,016.00
<b>County Tax</b>	83.77	1,675.40		1,675.40
<i>Proposed Tax Increase</i>	-		-	-
<i>County Total</i>	83.77		0.0%	1,675.40
<b>Schools Tax</b>	20.18	403.60		403.60
<i>Proposed Tax Increase</i>	-		-	-
<i>Schools Total</i>	20.18		0.0%	403.60
<b>Total All Jurisdictions</b>	<b>154.75</b>	<b>\$ 3,095.00</b>	<b>\$ -</b>	<b>\$ 3,095.00</b>
<i>Percentage increase</i>			0.0%	

*Council controls the timing of bond issuance and the associated tax rate increase*

**When would the bonds be issued and when would the tax increase go into effect?**

- *Council would have 7-10 years to issue all, some or none of the bonds*
- *Each bond sale can only be done through a separate Council action*
- *The increase in the Debt Fund tax needed for repayment of the bonds is based on the amount of bonds issued and the timing of issuance*
  - *Alternatively, Council can enact the tax increase in FY19 in anticipation of debt issuance and use new taxes to directly fund projects prior to debt repayment*

*The Town Currently has a significant but manageable amount of debt*

**Will issuance of Affordable Housing Bonds impact the rest of the capital program?**

# Debt Financing Plan Projects (FY18-FY23)\*

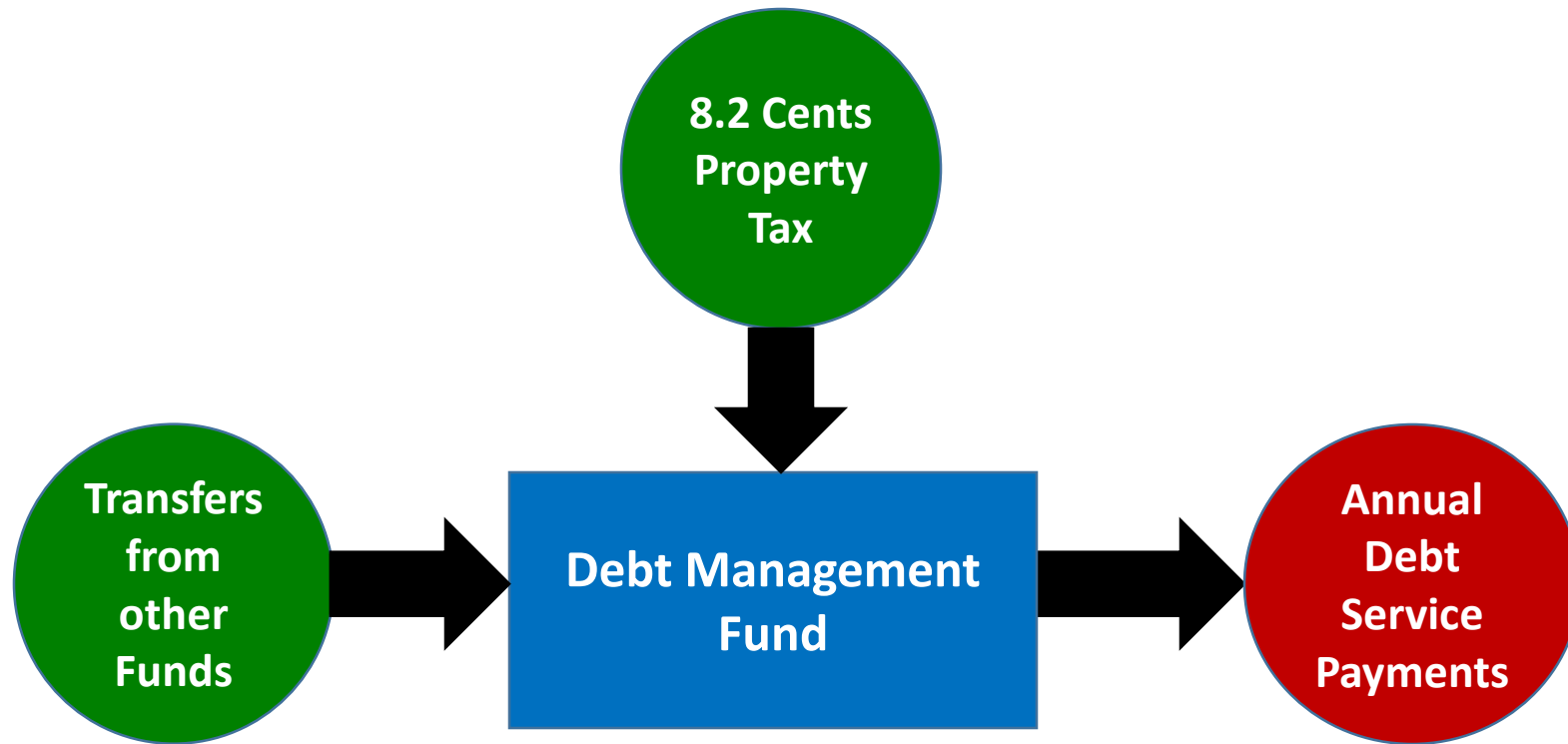
Projects	Cost
Streets & Sidewalks	\$ 13,200,000
American Legion Property	4,300,000
Municipal Services Center	31,400,000
EF (Blue Hill) Phase II Road Improvements	2,600,000
Wallace Deck (additional level)	2,400,000
<b>Total</b>	<b>\$ 53,900,000</b>

*\* Does not include enterprise debt*

# Debt Management Fund Capacity

• Capital Financing Plan for FY18-FY23	\$ 53.9 million
• Debt Fund Capacity	<u>45.9</u> million
<b>Capital Financing Gap</b>	<b><u>\$ 8.0</u> million</b>
Tax increase need to close the Gap	0.5 penny (FY19)
	0.7 penny (FY20)

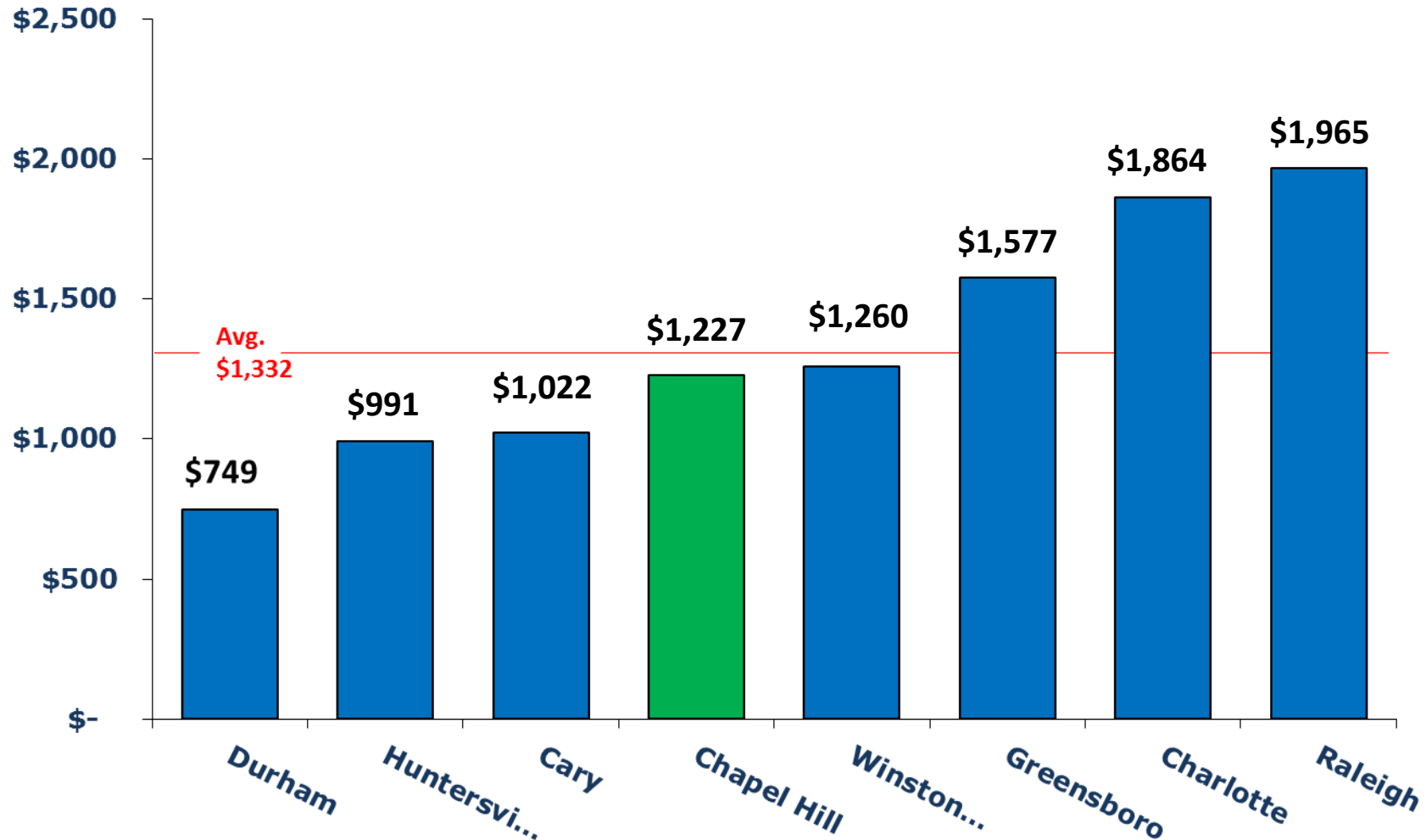
# Debt Fund Capacity



**Parking Fund**  
**Ephesus Fordham TIF**

# Debt Benchmark

## Debt Per Capita – AAA Rated Peer Group

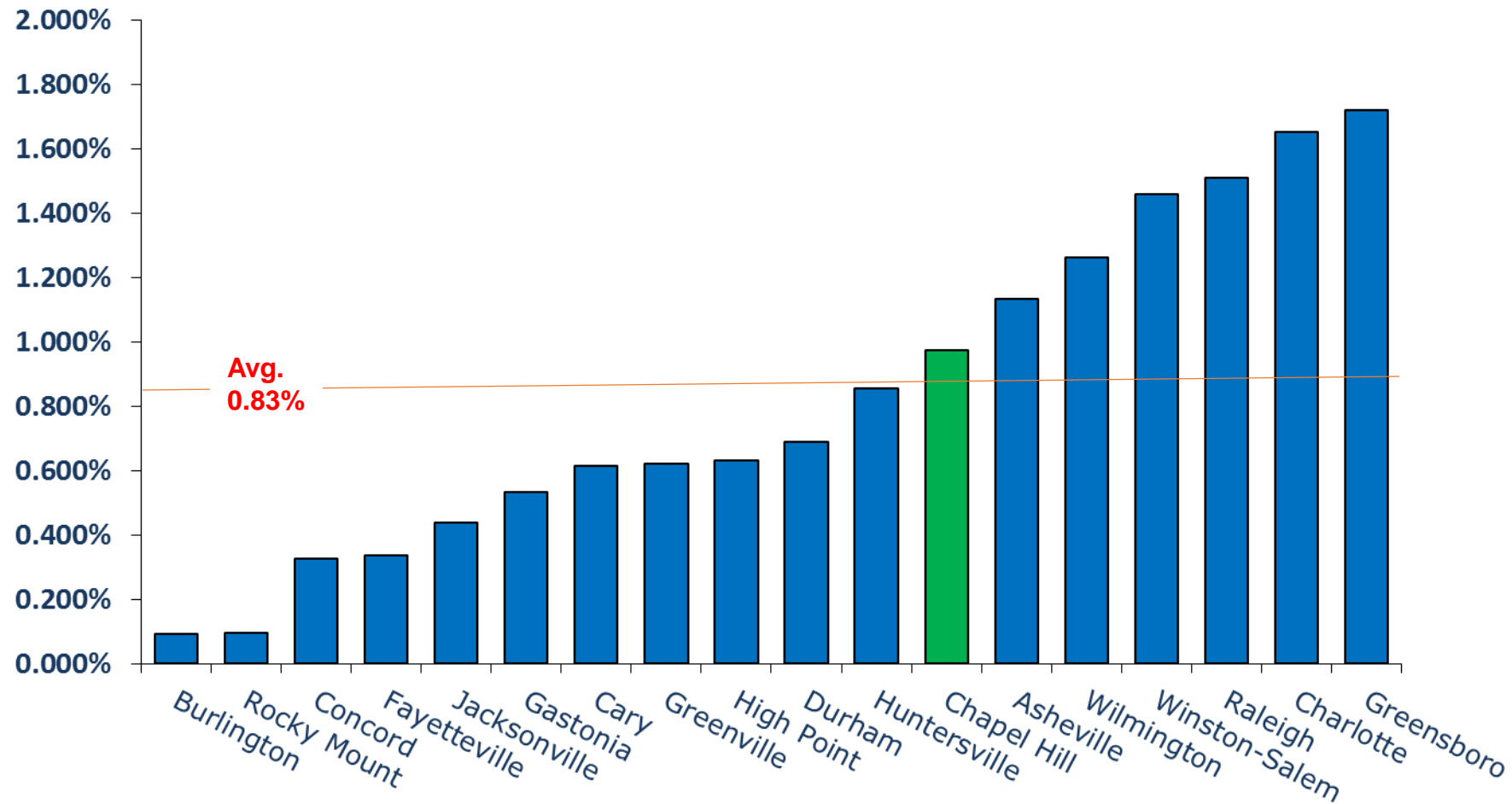


Source: Local Government Commission Debt Analysis 6/30/17



# Debt Benchmark

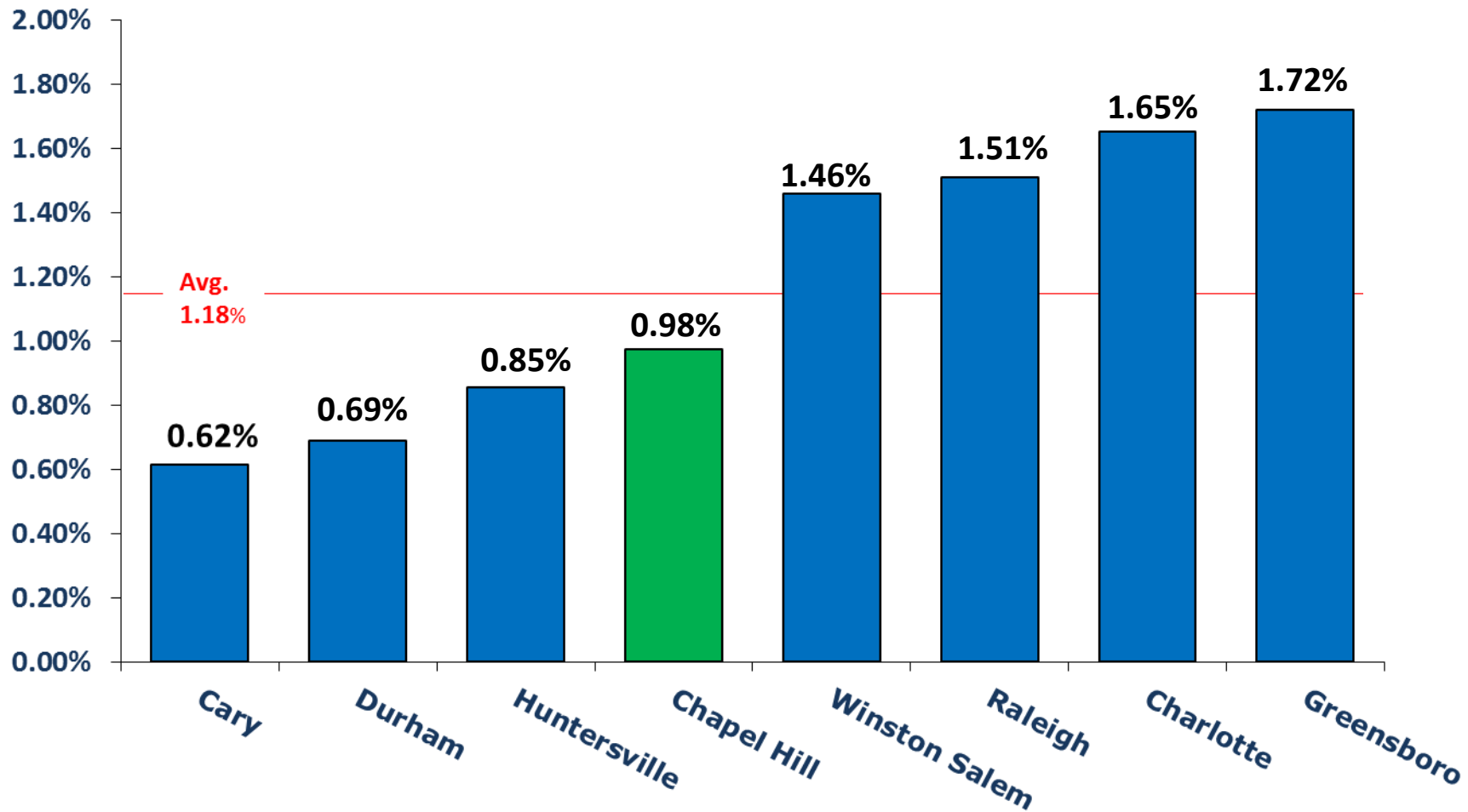
## Debt to Assessed Value Ratio – Cities > 50,000 Population



Source: Local Government Commission Debt Analysis 6/30/17

# Debt Benchmark

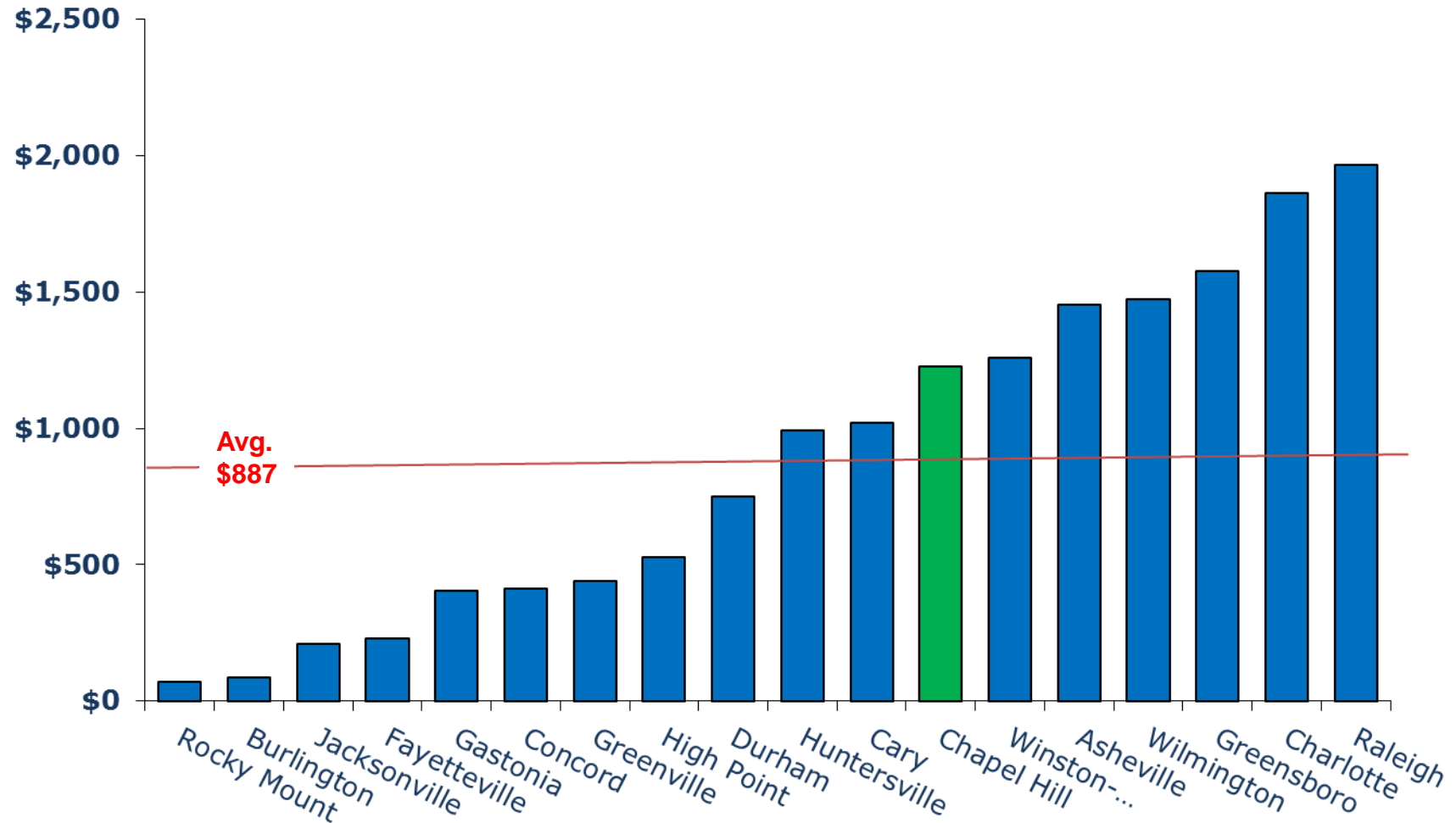
## Debt to Assessed Value Ratio – AAA Peer Group



Source: Local Government Commission Debt Analysis 6/30/17

# Debt Benchmark

## Debt Per Capita – NC Cities >50,000 Population



Source: Local Government Commission Debt Analysis 6/30/17

# Affordable Housing Bond Referendum Schedule (November, 2018)

	Event	Date
1.	Initial Council discussion of potential priorities	February 7, 2018
2.	Determine tentative referendum plan (general purposes and amounts)	February 21, 2018
3.	<b>Council adopts preliminary resolution</b>	<b>March 21, 2018</b>
4.	Council introduces bond order and schedules public hearing	April 25, 2018
5.	Hold public hearing; adopt bond order; formally set ballot question and referendum date	May 9, 2018

# Discussion Points

- Is there any additional information you need before you consider the preliminary resolution on March 21?

