



TOWN OF CHAPEL HILL NORTH CAROLINA

MEMORANDUM

TO: Roger L. Stancil, Town Manager

FROM: Kenneth C. Pennoyer, Business Management Director
Loryn Clark, Executive Director Housing and Community

SUBJECT: November 2018 Bond Referendum Preliminary “Findings” Resolution

Recommended Council Action

- That the Council adopt the Preliminary Resolution stating Chapel Hill’s intent to proceed with a referendum for affordable housing general obligation bonds.

Context with Key Issues

- In the State of North Carolina public approval is required for the issuance of most municipal general obligation (GO) bonds. Public approval is gained through a public vote or referendum. Referendum questions for municipal GO debt must be broken out into bond orders that authorize issuance of bonds for a particular purpose. The amount of a bond order is the maximum amount that can be borrowed. Each Bond Order is voted on individually. The proposed November 2018 referendum considers only one bond for \$10 million for affordable housing.
- In support of the Chapel Hill 2020 theme of Create a Place for Everyone, in October 2017 and in February 2018, staff shared with the Council projections and targets for affordable housing development and preservation as well as a draft framework for an affordable housing investment plan. We also reviewed potential new revenue sources for affordable housing and identified an affordable housing general obligation bond as the primary revenue source to support the investment plan. Based on the Council’s affordable housing goals, projections, identified housing needs, we suggested that the Council pursue authority to issue up to \$10 million of affordable housing G.O. bonds through the referendum in November 2018.
- On February 21, the Council adopted a resolution approving a tentative affordable housing bond referendum plan as follows:

Proposed Eligible Activities: (serving households up to 120% of the Area Median Income)

- **Property and Land Acquisition:** Funds in this category would be available to purchase property or land to be used for affordable housing throughout the community. The goal of this eligible activity would be to create inclusive, mixed-income neighborhoods.
- **Home Repairs/Comprehensive Rehabilitation:** Home repair and comprehensive rehabilitation funds would be used to preserve existing owner-occupied or rental housing throughout Town, with a focus on properties located in

the Northside, Pine Knolls, and Rogers Road communities. The objective of this program would be to repair major housing code and structural problems.

- **Construction of New Affordable Units:** Funds would be used to create new affordable housing opportunities for rental or homeownership throughout the community. Funds could be provided in exchange for guaranteeing housing affordability such as 25 years for rental development and 99 years for homeownership development.

Proposed Priorities:

- Rental housing serving households less than 60% Area Median Income;
 - Rental serving vulnerable populations;
 - Long-term affordability;
 - Located near transit services; and
 - High leverage from other sources.
- As previously discussed with the Council, we would propose to use affordable housing bond funds to support Town-initiated affordable housing projects. At this time we have identified two projects: mixed income development at 2200 Homestead Road and the redevelopment and of the Town's public housing sites.
 - We envision that funds would also be available to housing providers to develop and preserve affordable housing opportunities. We would develop a process for review of proposed projects that could include issuing Requests for Proposals for these projects.

Explanation of Recommendation

- The Preliminary Resolution, among other things, establishes the Council's intent to proceed with a referendum in November 2018 to authorize the issuance of general obligation bonds for the uses and amounts shown above. The resolution also authorizes Town staff to proceed with the steps necessary to authorize the referendum. The Preliminary Resolution is a required step in the process of authorizing a general obligation bond referendum. After approval of the Preliminary Resolution, the actions needed to hold a general obligation bond referendum on the November 6, 2018 include the following:
 - Publish notice of intent to file an application with the LGC
 - Make Legislative Committee filing
 - File LGC application
 - Council introduces Bond Order and schedules public hearing (5/9 Council Meeting)
 - Publish notice of public hearing
 - Council holds public hearing; adopts bond orders and sets ballot questions and referendum date (5/23 Council Meeting)
 - Publish Bond Orders and notice of referendum (twice)
 - Referendum (11/6)

Fiscal Note

- The Town's Debt Management Fund will be the source of repayment for the proposed affordable housing bonds. Due to limited capacity in the fund and the number of large-scale projects currently planned, it is expected that an increase in the Debt Management Fund dedicated property tax will be needed. In other words, the repayment of any affordable housing bonds will need to be funded through an increase in the tax rate.
- It is most likely that the bonds will be issued in two or more installments separated by a year or more, as various projects move through the planning and design phases at different times. Based on this issuance scenario, it is estimated that a one penny increase on the Debt Management Tax rate will be sufficient to repay \$10 million of affordable housing bonds. For a typical Chapel Hill property owner with property values at \$350,000, a one penny tax rate increase would be \$35 per year.