

Amy Harvey

From: Roger Stancil
Sent: Friday, March 16, 2018 6:56 PM
To: Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins
Cc: Loryn Clark; Sarah Vinas; Nate Broman-Fulks; Ken Pennoyer; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Roger Stancil; Sabrina Oliver
Subject: FW: Council Questions related to an affordable housing bond
Attachments: Council questions - Affordable Housing Bond 3-16-18.docx

FYI

From: Loryn Clark
Sent: Friday, March 16, 2018 2:46 PM
To: Roger Stancil <rstancil@townofchapelhill.org>; Flo Miller <fmiller@townofchapelhill.org>
Cc: Sarah Vinas <svinas@townofchapelhill.org>; Nate Broman-Fulks <nbfulks@townofchapelhill.org>; Ken Pennoyer <kpennoyer@townofchapelhill.org>; Amy Oland <aoland@townofchapelhill.org>
Subject: Council Questions related to an affordable housing bond

Roger and Flo,

Below and attached are responses to questions that we have received over the past few weeks from the Council. Ken, Sarah, Nate and I have responded to the majority of the questions and thought it would be helpful to send to the Council today or over the weekend so they have information to consider before the 3/21 meeting. We are continuing to work on the remaining questions and hope to have responses to send out along with a draft power point on Monday, 3/19.

Loryn

Response to Council Questions – proposed November 2018 Affordable Housing Bond Referendum

Council Question: What would the bond be for? Not a list of potential projects like we have now, but what are we concretely asking the voters to agree to? Plant Rd, 2200 Homestead, buying the mobile home park land all over town? Land banking? Some could be for an opportunity fund, but we can't just say we want the voters to allocate millions of dollars for all TBD.

What's the plan for affordable housing with the bond, when and where are the projects we are planning, and what population/groups are those projects targeting?

Staff Response: On [February 21](#), the Council approved an investment plan framework that included eligible activities and priorities for bond funds. The approved eligible activities are:

- acquisition of property;
- home repairs and rehabilitation; and
- new construction.

The Council also approved the following priorities for use of funds:

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

If a bond referendum is approved, we would recommend allocating funds for the Town's projects: 2200 Homestead Rd, redevelopment of public housing sites and other Town-initiated affordable housing initiatives. Our preliminary estimates for Town investment in these projects are approximately \$7 million. The Council could consider issuing a Request for Proposals (RFP) from housing providers for the remaining funds according to the priorities listed above.

It is possible to use bond funds for to purchase land for land banking. Bonds issued for this purpose would be issued as taxable bonds and would carry a higher interest rate than tax-exempt bonds. This would not necessarily be cost prohibitive, but it should be factored into the decision making process.

Council Question: What are the tax implications for people at different AMIs? What "harm" does this do to people who are already in below area median mortgages? What does this do to affordability of CH for people who are not in subsidized housing, but who may be pushed out due to tax increases? What would this do to people at all different incomes and different tax brackets?

Staff Response: *Property owners would be impacted based on the value of their property and not their income. For example, for a house valued at \$350,000, an increase of one penny on the property tax rate is \$35 per year.*

Please see the spreadsheet shared by email on March 15 that can be used to calculate the tax impact of various scenarios by changing tax rate assumptions for each jurisdiction for a variety of property tax values.

Council Question: What would be the tax increase needed to support at \$15 million bond?

About 1.5 cents on the tax rate, depending on timing of issuance and the prevailing interest rates. Average annual debt service for \$15 million of bonds (20 year term @4%) would be \$1,070,325, assuming all bonds were issued at once. Level principal structured debt service declines over the term of the bonds so debt service in year one would be \$1,357,000 declining annually to \$784,000 in year 20. One penny on the tax rate generate about \$800,000 per year. It is more likely that the bonds would be issued in two or three installments thereby spreading reducing debt service costs in the near-term.

Council Question: What does this do to the overall tax rate of our residents in combination with the County tax increase? People don't know or care that they are separate, all they care about is how much they pay at tax time.

Staff Response: *At this time we are not aware of the amount of a tax increase that Orange County might impose. If a bond referendum is approved in November, the Council would determine when to issue bonds and the timing of a tax increase.*

Assuming a successful referendum, the issuance of affordable housing referendum bonds will require an increase in the tax rate. How much that increase will be and when it will go into effect depends on a number of factors. We estimate that the maximum tax impact for a \$10 million bond would be one penny on the debt fund tax rate. The impact of that increase on any individual taxpayer would depend on the assessed value of their property. A one penny tax increase is one penny per \$100 of valuation. A property valued at \$350,000 would see a tax increase of \$35.

The need for affordable housing is not the only pressure on local tax rates. The increasing costs of providing Town core services and our ambitious capital program are exerting stress on the Town's existing tax rate. In addition, overlapping jurisdictions (County and School District) may in the near future increase their taxes. While it is impossible at this time to know exactly when and how much taxes of other jurisdictions may increase, it is possible to calculate the tax consequences of various scenarios based on reasonable assumptions. We have previously provided a spreadsheet to calculate the tax impact of various tax increase scenarios.

Council Question: Regarding the bond referendum, I would appreciate a five-year (or so) cash flow showing how much money we'll need to spend each year so that we can devise the most economically efficient way of generating those funds – operating funds, bonds, etc.

Staff Response: A five year cash flow was shared with the Council at its meeting on March 15 and distributed by email on March 16. During the meeting, we received a request to expand the cash flow will be provided prior to the March 21 Council meeting.

Council Question: For the affordable housing referendum discussion, I'd like to have a comparison of funding levels with and without the affordable housing bond. The current affordable housing funding sources at the town, county, state and federal levels, the gap for affordable housing.

Staff Response: Federal and state funds for affordable housing are allocated through the Town of Chapel Hill or Orange County.

The Town's expenditures for affordable housing projects in FY 18 is approximately \$6.2 million. This includes federal Community Development Block Grant funds, the General Fund (includes the Affordable Housing Fund, the General Fund, budget for Housing and Community) and federal Capital Grant and the Public Housing Fund that is dedicated to the operation and management of the Town's 336 public housing units.

Orange County budgeted approximately \$6.1 million for affordable housing in FY 18. This does not include the recent allocation of \$2.5 million of County Affordable Housing bonds.

We understand that the preliminary federal budget proposes to eliminate Community Development Block Grant and HOME Program funds. If that occurs, we would rely heavily on local and possibly state funding for affordable housing initiatives.

Council Question: Hudson Vaughan mentioned Northside's tax relief program that is supported by a grant. What grant? Is there a way we could scale that out to other neighborhoods and offer some relief for tax burdened homes?

Staff Response: The Jackson Center uses funds from a private foundation grant to support a tax relief program for qualified lower income residents in the Northside neighborhood.

Council Question: Can I please see a short summary of what the \$7million we need for public housing would pay for?

Staff Response: Funds proposed for two Town-initiated projects totaling \$7 million and estimated to produce 210 permanently affordable units is proposed as follows:

- \$5 million would be used for development of a mixed income development located at 2200 Homestead Road. Preliminary information about the project proposal can be found [here](#). At this stage, we envision that there would be affordable homeownership and rental housing options on this site.

- *We propose to use approximately \$1.5 million to redevelop one of the Town's public housing sites to increase the number of permanently affordable rental housing units in Chapel Hill. We are exploring financing options for this project and evaluating the condition of our public housing units to determine the development, redevelopment, and maintenance potential of our portfolio. We will provide more information to the Council in May when we present a Public Housing Master Plan.*

Council Question: How much of Orange County's Affordable Housing Bond funds have been spent in Chapel Hill?

Staff Response: Orange County has currently allocated \$2.5 million of the \$5 million affordable housing bond. Two of the four funded projects are located in Chapel Hill, for a total of \$847,833, or 34% of the total \$2.5 million allocation. Below is a table of the existing allocations.

Proposal	Award	Location	Project	Units	% of Total
CASA	\$ 636,533	Chapel Hill	Merritt Mill East	24	25.5%
EmPOWERment	\$ 211,300	Chapel Hill	116 Cole Street	1	8.5%
CASA	\$ 736,833	Carrboro	Merritt Mill West	24	29.5%
Habitat for Humanity	\$ 915,334	Hillsborough	Waterstone	24	36.6%
Total	\$ 2,500,000			73	100%

Council Question: How were the affordable housing annual and five-year targets developed? Is there funding available to support these targets?

Staff Response: The Town's affordable housing targets were developed in 2017 utilizing a methodology commonly used by local government organizations. We looked at both historic data on the Town's development and preservation results, as well as projections for what is in the pipeline for Town and nonprofit partner projects. Council vetted these targets in the context of our discussion of the Affordable Housing Investment Plan at a work session on [October 4, 2017](#) and subsequent Council work session on [February 7th, 2018](#) and business meeting on [February 21, 2018](#). The Investment Plan includes information on financial tools that will allow the Council to reach our established affordable housing targets, including an affordable housing bond and other tools. These tools are consistent with those recommended by the [Rosen Comprehensive Affordable Housing Study](#), as well as recommendations from the Town's adopted [Affordable Rental Housing Strategy](#) and [Affordable Housing Strategy](#).



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From: Roger Stancil
Sent: Tuesday, March 20, 2018 11:41 AM
To: Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins
Cc: Loryn Clark; Sarah Vinas; Ken Pennoyer; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Roger Stancil; Sabrina Oliver
Subject: Other support Town provides to affordable housing

Some Council Members asked about ways we support affordable housing projects other than subsidies. Two ways are the waiver of Town development fees for affordable housing projects and providing land to our partners for development of affordable housing projects. We learned that we do not have a system in place that tracks waived development fees for affordable housing. We are working with planning and inspections to establish a system so we have this information available.

Therefore, we have estimates for waived development and inspections fees for affordable housing projects over the past three years:

Northside Neighborhood Initiative projects	\$	18,000
DHIC		92,000
CASA		39,000
Merin Road		<u>10,000</u>
Total estimate:		\$159,000

We are finalizing the list of property donated to agencies for affordable housing but here is what we have so far:

- 311 Caldwell Street (Habitat, 2016)
- Greenfield Place/Commons – Legion Road (DHIC, 2016)
- Scarlett Drive and Legion Road (Community Home Trust, 1999)
- 8 lots in Culbreth Park (Habitat, 1990)

Please let me know if this is helpful and responsive. We will continue to develop a system to better track fee waivers.

From: Roger Stancil
Sent: Tuesday, March 20, 2018 5:22 PM
To: Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins
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Subject: Council Questions: Item 6: Affordable Housing Bond
Attachments: AH 20year Projection (2).xls

I believe I have captured all your questions below. Please let me know if I missed something. Because there are quite a few, I numbered the questions for reference

Council Question 1: What are our repayment options other than a tax hike?

Staff Response: *In order to pay for affordable housing bond debt service without a tax increase we would need to defund some other similar sized capital project(s) or take away funding from some other general Fund operating program. The options are:*

- *Remove capital projects from our financing plan that have the same dollar amount as affordable housing bonds (\$10 million). Given the fact that our capital financing plan has an \$8 million gap, there is only one project large enough to make up the difference if defunded and that is the Municipal Service Center.*
- *Take the funds that are currently dedicated to affordable housing projects (\$688,000) and use those funds for debt service (this would still leave us about \$150,000 per year short in the near-term).*
- *Find \$800,000 of cost reductions in the Town's operating budget. This approach is not likely without serious service reductions.*

Council Question 2: At our February work session, a chart on housing subsidies listed the 2200 Homestead Road project at \$200,000. At the presentation on March 14, the chart had bumped up the subsidy to \$5 million. From the onset, the project was presented to us as the town donating land the and UNC building the units. Has that changed, and if so, why, and what is our expected contribution to the project?

Staff Response: *The projected subsidy need for 2200 Homestead Road has increased for two key reasons: 1) after receiving community input to increase the density on this site, the total number of units increased from 60 to 130 units, increasing project costs; and 2) based on recent conversations with UNC Horizons staff, we are not sure that a partnership that anticipated receiving substantial grant funds for the construction costs would work on this site. We continue to work with the Horizons staff to determine if a partnership is possible. We included \$5M in the projected Town subsidy needed but it could be less if we are able to identify new partners and sources of funds.*

Council Question 3: Would you give examples of projects you're thinking of on the Proposed Priorities list on p. 55. We have targets for new and renovated housing units. Would you specify how the \$10 million bond would be used specifically to meet those targets? I understand that opportunities may come up -- Habitat mentioned a new subdivision that has yet to come before council -- and you want to keep your options open. But I'd like to know what you see in the pipeline and how the \$10 million could be used.

Staff Response: *During the February 7 presentation at a Council Work Session, we shared a list of projected units to be developed and preserved provided by the Town and our non-profit partners. The projects have not been submitted to the Town or evaluated by staff though they provide examples of the types of projects that could be funded through a bond and what is in the pipeline. Examples of projects would include: redevelopment of one of the Town's public housing sites; acquisition of property in Northside and Pine Knolls; rehabilitation of existing homes in Northside and Pine Knolls; and subsidy for units created through the Town's Inclusionary Zoning Ordinance, construction of new units.*

Council Question 4: What is the plan for AH sustainability? After 5 years, what do we do to finance AH projects? What is the long-term planning here, and how does this bond fit into that? Are we just planning to continue to pass bonds/raise taxes every 5 years, or is there something else?

Staff Response: *The Town staff is working with the Council to refine the Strategic Plan. The prototype has been affordable housing. The Five Year Plan is the short to medium term plan. We have not yet established longer term plans. The thought is that we will use our experience in implementing the Affordable Housing Investment Plan over the next few years to inform our strategies and decisions going forward. There are many variables outside of the Town's control that can impact our affordable housing efforts, not the least of which is whether the federal government will continue to fund existing programs. At this time we feel that moving beyond the five-year planning horizon would not be terribly helpful because of the level of uncertainty involved in the long-term.*

Council Question 5: I need to understand pros and cons of each funding approach. Important to take bigger context, particularly since County is pursuing tax increase.

Staff Response: *Below, please find a chart that identifies some of the pros and cons of a use of GO Bonds and the pay-go method to fund the affordable housing investment plan:*

Using GO Bonds to Fund the Affordable Housing Investment Plan - Pros & Cons

Pros	Cons
Provides funds when needed to implement large scale projects that might not be feasible otherwise	Long and involved administrative process for a G.O. bond referendum
The borrowing would be relatively inexpensive due to the Town's high credit rating and the bonds being tax-exempt bond	A tax increase will be needed to repay the debt because the Debt Fund does not have available capacity
Provides an opportunity for voters to express their support for the bonds and the tax increase	Borrowing money costs more in the long-run due to interest costs.
Flexibility - Council can decide when to issue bonds during the 7-10 years of authority	These bonds will add to the Town's already significant debt load
Spreads costs over 20 year period that matches the useful life of the improvements	The obligations for debt repayment will continue for a 20 year period
\$10 million of bonds plus current funding can achieve 85% of the Five-year target	Additional bonds may be needed after the \$10 million is exhausted

Using Pay-Go to Fund the Affordable Housing Investment Plan - Pros & Cons

Pros	Cons
Does not add additional long-term debt and does not create obligations for future debt service payments	Need to increase tax rate to augment the current dedicated \$688,000 annual affordable housing funds in order to make significant progress on targets
Does not require a referendum and avoids the potential for a "no" vote	Cash flow will not be sufficient to address large-scale projects identified in the Five-year Investment Plan
Provides a steady predictable revenue stream sufficient to address small to medium scale projects	May need to set aside large amount of annual cash flow for several years to address large-scale projects
Achieves about 50% of the Five-year investment plan with a one penny dedicated tax increase	Achieves about 50% of the Five-year investment plan with a one penny dedicated tax increase (11 years to complete the plan)
Council can adjust the dedicated tax to meet changing cash flow needs in order to fund the Investment Plan	Limited flexibility to address opportunities not included in the plan

Council Question 6: There are other projects that the Town has commitments to that aren't on the list provided on bond projects (ie - Rogers Road Sewer project, Fire Station construction) – can staff add these to the list?

Staff Response:

Capital Projects in the Five-Year Funding Plan (FY18-FY23):

- Streets & Sidewalks \$ 13.2m
- American legion 4.3m
- Municipal Services Cntr. 31.4m
- EF (Blue Hill) Phase II 2.6m
- Wallace Deck 2.4m

Total \$ **53.9m**

Note: The debt service for the projects listed above will be paid from the Debt Management Fund which currently has about \$45.9 million of capacity

Capital Projects not in the Five-Year Funding Plan

- Solid Waste Facility \$ 5.2m
- Fire Station No. 3 3.5m
- Fire Station No. 4 3.5m
- Cultural Arts 3.4m
- Varsity Theater 3.5m
- Affordable Housing 10.0m
- Old Town Hall 2.5m

Total \$ **31.6m**

Other Obligations:

Rogers Road – the Town is committed to paying 43% of the debt service for County borrowing for the Roger's Road Sewer Project. The annual payments are as follows:

- FY19-FY32 \$204,947
- FY32-FY36 175,077

The Town has \$1,058,000 set aside to pay this obligation, enough to make the first 5 years of payments.

OPEB - The Town has a long-term obligation to pay post-retirement health insurance benefits for eligible employees hired before 2010. In order to pre-fund this liability the Town has been setting aside funds in an irrevocable trust. The funding plan calls for increasing the annual contribution to the trust by 20% until the contribution equals the actuarially required contribution (ARC), which is the contribution needed to achieve full funding within 30 years. The scheduled contribution for FY19, for all funds, is \$1,157,069.

Council Question 7: While I have no interest in delaying the timeline and extensive work already done by the staff on the affordable housing bond, I am mindful of the comments made by housing partners at the last Council meeting regarding: the extent of critical unmet needs; the portion of the bond already assumed to be committed to Town projects; the possible underestimation of the cost to produce a new affordable unit at \$22,000; the list of projected projects already totals close to \$16 million and isn't necessarily comprehensive. Does Town staff feel our other sources of AH funds will be adequate to meet (some of) these additional priority needs/costs? Are we realistically able to consider an increased bond amount at this stage or would that delay the timeline and ability to get a bond on the ballot in November?

Staff Response: Our thought is that we will use our experience in implementing the Affordable Housing Investment Plan over the next few years to inform our strategies and decisions going forward.

If the Council continues to allocate funds for the Affordable Housing Development Reserve there would continue to be \$688,000 available each year to fund eligible affordable housing projects. There could also be funds available in the Affordable Housing from payments-in-lieu of affordable housing from private development, the Orange County Affordable Housing Bond, and federal CDBG and HOME funding if the federal government continues to fund these programs. Depending on the Town's debt capacity, additional bond referenda could be issued. We will also continue to work with partners that are able to leverage Town funds and identify private resources for development costs such as Low Income Housing Tax Credits, and funding from foundations. We know these additional funds would not address all of Town's affordable housing needs, though to date we have made progress with creating new housing opportunities using funding that has been available.

The dollar amount specified in the referendum is a not-to-exceed number and the Council could decide to increase that amount by specifying a change in the dollar amount in the motion to adopt the preliminary resolution.

Council Question 8: Regarding the bond referendum, I would appreciate a five-year (or so) cash flow showing how much money we'll need to spend each year so that we can devise the most economically efficient way of generating those funds – operating funds, bonds, etc.

Staff Response: A five year cash flow was shared with the Council at its meeting on March 15. During the meeting, we received a request to expand the cash flow for twenty years. An updated version is attached.

Council Question 9: What does our total bill on \$10 million of debt look like with interest over 20 years? I understand that interest rates change, but just a general estimate would be helpful.

Staff Response: Total debt service payments would be about \$14 million.

Council Question 10: I noticed in your presentation that Rocky Mount has the highest taxes and the lowest debt — is that a strategy? Does that mean they are paying for everything outright rather than borrowing, and if so, why would that be a good idea?

Staff Response: Probably not a deliberate strategy. Rocky Mount has about \$2 million in pay-go funding each year which is about double what we include in our operating budget. It could be that they simply are not building new facilities and are spending more money on maintenance costs. Although Rocky Mount does not have much GO debt they do have a significant amount of revenue debt (\$42 million) which does not show up in the benchmarks because it is considered self-supporting debt. Also, Rocky Mount's credit rating is several rungs lower than that of Chapel Hill's which makes it more expensive for them to use debt.

It's not a good idea to use pay-go exclusively if you are making major investments in capital improvements unless you have a huge amount of cash on hand, which we do not. Very few governments have the resources to pay for projects like the Library Expansion or the Town Operations Center in cash and it would be impractical to raise tax rates by large amounts to pay cash for major capital projects. We use debt to finance our capital program for the following reasons:

- To smooth spikes in costs associated with large-scale projects.

- *Providing cash up-front to implement large scale projects.*
- *Matching benefits of the projects financed by the bonds with the people who will be paying for those benefits. In other words, taxpayers will be paying off the debt through taxes over the term of the debt which coincides with the useful life of the projects.*
- *Takes advantage of low interest rates as a triple-A rated credit issuing tax-exempt bonds. (note: some uses of affordable housing bonds may not be eligible for tax exempt status and therefore those bonds would carry a higher interest rate)*

Council Question 11: Is there any way the Town can raise property taxes on a sliding scale (no increase below \$200,000 valuation, one cent at \$200,001 - \$350,000, two cents on \$350,000 and up)? If we can't do this - why not?

Staff Response: *The state constitution requires that the property tax rate be applied uniformly within a jurisdiction.*

Council Question 12: Were the Council to be interested in a \$15 million affordable housing bond, would it be possible to include in the referendum a prohibition on drawing down the last five million before five or six years have elapsed?

Staff Response: *Not in the referendum, in which the voters authorize Council to borrow money and pay it back with taxes, but Council would certainly decide every borrowing and could impose that check on itself.*

Council Question 13: Did staff contemplate \$15 million of affordable housing bond, following last week's meeting and public comment or at any point? Would there be any implications for repayment options at \$15 million?

Staff Response: *Yes, staff evaluated a \$15M bond. A \$15M bond would require about 1.5 cents on the tax rate, depending on timing of issuance and the prevailing interest rates. Average annual debt service for \$15 million of bonds (20 year term @4%) would be \$1,070,325, assuming all bonds were issued at once.*

We did not include the \$15 million in the draft resolution for the following reasons.

- *The bond proceeds and the existing dedicated funding would provide \$13.44 million toward affordable housing projects over the next 5 years. While this amount is not the entire \$15.8 million identified in the projection, it is 85% and we do not anticipate that the Town will be the only entity providing the estimated needed subsidy.*
- *The Town currently has a manageable debt load and a triple A credit rating, however our capital plan calls for the issuance of \$53.9 million of debt within the next 5-years to fund high priority projects. Based on our revenue projections we can only afford to issue about \$45.9 million, leaving a gap of \$8 million. This is why issuance of Affordable Housing bonds necessitates a tax increase to pay the debt service. There is simply no capacity currently available.*

So why not just make it a 1.5 cent tax increase to support \$15 million instead of a 1 cent tax increase to support \$10 million? Two reasons:

- *It is highly likely that the Town and the County will be contemplating tax increases for FY19. There is a limit to how much tax rates can be raised in one year, and we are trying to be sensitive to the fact that taxpayers may see multiple tax rate increases. It is important to remember that in this referendum we will be asking voters to vote to increase their own taxes.*
- *Our debt issuance plans for the next 5 years will push our debt levels much higher and we will be approaching a point that could jeopardize our ability to react to unforeseen needs, which could also endanger our bond rating. We are trying to be prudent in how we manage our remaining debt capacity and \$5 million is a lot of money when you already have a capital funding gap.*

Additionally, Council could hold a second affordable housing referendum at some point in the future when the bonds from the first are exhausted. That is assuming that the first referendum is approved by voters and we are able to identify resources to repay future bonds.

If Council decides that a \$15 million referendum is necessary they can specify a change in the dollar amount in the motion to adopt the preliminary resolution.

Council Question 14: Over what period of time would the increase on the Debt Management Fund tax rate be implemented, assuming that a \$10 million affordable housing bond is passed?

Staff Response: *The increase could be timed to correspond to the issuance of the bonds which is dependent on the cash flow needs of the funded projects. A preliminary survey of likely projects suggests that most of the funds would be needed in the first two years after authorization. Assuming a successful referendum in November of 2018 and issuance of half of the authorized bonds (\$5 million) in Spring of 2019, a tax increase of ½ penny would be needed in FY20 and a second ½ penny tax increase would be needed in FY21 or FY22. The tax increase would need to be in place for about 20 years to correspond to the term of the proposed bonds.*

Council Question 15: On p. 56, it is indicated how much a property owner with property values at \$350K would pay. What about at other property value levels, such as \$100K and \$200K?

Staff Response: *On March 15, we shared a spreadsheet that can be used to calculate the tax impact of various scenarios by changing tax rate assumptions for each jurisdiction for a variety of property tax values. The increase for a house valued at \$200,000 would be \$20 per year, the increase for a house valued at \$100,000 would be \$10 per year. This assumes that the tax rate would be increased by 1 penny to support \$10 million of Affordable Housing Debt.*

Council Question 16: At our February work session, a chart on housing subsidies listed the 2200 Homestead Road project at \$200,000. At the presentation on March 14, the chart had bumped up the subsidy to \$5 million. From the onset, the project was presented to us as the town donating land and UNC building the units. Has that changed, and if so, why, and what is our expected contribution to the project?

Council Question 16a: How realistic are our projections for the town projects that are being proposed? Where did those numbers come from/how did we arrive at approx \$7mil for public housing and 2200 Homestead?

Staff Response: *Staff has been working with consultant David Paul Rosen and Associates to provide their financial analysis expertise for the two Town projects. The analysis to date provides different scenarios based on several factors including total unit counts in the development, income levels served, and potential use of Tax Credits. The figures are as accurate as they can be given that we are in early stages of development of both projects and some conditions have changed.*

The projected subsidy need for 2200 Homestead Road has increased for two key reasons: 1) after receiving community input to increase the density on this site, the total number of units increased from 60 to approximately 130 units increasing project costs; and 2) based on recent conversations with UNC Horizons staff, we are not sure that a partnership that anticipated receiving substantial grant funds for the construction costs would work on this site. We continue to work with the Horizons staff to determine if a partnership is possible. We included \$5M in the projected Town subsidy needed, which is a conservative estimate. The subsidy could be less if we are able to identify new partners and sources of funds.

The estimated Town contribution was provided based on redevelopment of one of the Town's public housing sites to create 80 affordable units and provides estimates based on funding sources such as 4% or 9% Tax Credits or HUD's Rental Assistance Demonstration (RAD) program and serve households earning between 30% and 60% of the area median income.

Council Question 17: Would you give examples of projects you're thinking of on the Proposed Priorities list on p. 55. We have targets for new and renovated housing units. Would you specify how the \$10 million bond would be used specifically to meet those targets? I understand that opportunities may come up -- Habitat mentioned a new subdivision that has yet to come before council -- and you want to keep your options open. But I'd like to know what you see in the pipeline and how the \$10 million could be used.

Staff Response: *During the February 7 presentation at a Council Work Session, we shared a list of projected units to be developed and preserved provided by the Town and our non-profit partners. The projects have not been submitted to the Town or evaluated by staff though they provide examples of the types of projects that could be funded through a bond and what is in the pipeline. Examples of projects would include: redevelopment of one of the Town's public housing sites; be acquisition of property in Northside and Pine Knolls; rehabilitation of existing homes in Northside and Pine Knolls; and subsidy for units created through the Town's Inclusionary Zoning Ordinance, construction of new units. In total, including the Town's projects and our non-profit partners shows that funds would be used to create 247 new rental units and 154 units for homeownership with an estimated subsidy need of \$15.8 million.*

Council Question 18: We have a list of projects that our non-profit partners would like funded; how are those projects being evaluated, and when?

Staff Response: *The list of projects and estimated subsidy was prepared for the Affordable Housing Summit to show the projects our partners have in the pipeline. We used this information in our evaluation of an affordable housing bond as one factor to consider as we developed a bond amount. When this list was first presented in the fall and updated for your February Work Session, we stated that the agencies had not made requests of the Town for subsidy. If they are submitted we would follow the approval process established for the funding source. For example, Community Development Block Grant requests are reviewed by a committee, then forwarded to the Council for approval. Affordable Housing Development Reserve applications are reviewed by the Housing Advisory Board and their recommendation is forwarded to the Council for approval.*

Council Question 19: We obviously have an AH plan, but what is the plan for the bond? If there is not one, will we develop one before it goes on the ballot? What would be our focus areas and what parameters/criteria would we use to decide on projects? I could imagine a tiered supplement design where we put a ceiling on the amount of subsidy per unit we will give for each AMI range (so 80-100%AMI would get up to X amount of subsidy, 60-80% AMI could get up to X amount of subsidy, etc).

Staff Response: *The general plan is to use bond funds to support eligible projects and priorities that the Council approved on February 21. As for criteria and parameters for projects, we worked with the Housing Advisory Board to develop a scoring rubric for use of Affordable Housing Development Reserve funds that has been beneficial so far and could create something similar to use of bond funds. We have not previously established a maximum subsidy amount for projects based on Area Median Income served and could discuss this idea with the Housing Advisory Board for their feedback.. We would also want to consider other factors that impact the amount of subsidy required for a project such as the model used to achieve affordability (i.e. land trust, Habitat model, Empowerment model), housing prices, and a buyer's income.*

Council Question 20: If we have to decide on the amount tomorrow night or can we just set wheels in motion for bond referendum and decide on amount in a few weeks?

Staff Response: *An option for the Council would be to amend the resolution R4 in your packet to say "maximum amount of \$15,000,000". That \$15,000,000 would be a "not to exceed" number and the Council can reduce that amount before the referendum or simply only issue the amount a future Council determines the Town can afford to repay if there is resistance to the 1.5 cent tax increase for debt service once all bonds are sold. You can also decide to wait until another election opportunity to hold the bond referendum. Action Wednesday night is only required to establish a referendum for November 2018.*

Council Question 21: What does a \$15M bond look like for taxpayer? What would be different in the info you provided for the \$10M bond?

Staff Response: *Ultimately debt service equivalent to 1.5 cents versus 1 cent would be required.*

Affordable Housing Funding 20 Year Projection - \$10 million Bonds Scenario

Debt Fund Revenues		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
1	Existing Funding	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000	\$ 688,000
2	New Dedicated Penny (DS)	800,000	812,000	824,180	836,543	849,091	861,827	874,755	887,876	901,194	914,712	928,433	942,359	956,495	970,842	985,405	1,126,702	1,143,602	1,160,756	1,178,168	1,195,840	1,213,778
3	Bond Proceeds	5,000,000	5,000,000																			
4	Total Funding Available	6,488,000	6,500,000	1,512,180	1,524,543	1,537,091	1,549,827	1,562,755	1,575,876	1,589,194	1,602,712	1,616,433	1,630,359	1,644,495	1,658,842	1,673,405	1,814,702	1,831,602	1,848,756	1,866,168	1,883,840	1,901,778
5	Debt Service	441,000	910,350	889,560	868,770	847,980	827,190	806,400	785,610	764,820	744,030	723,240	702,450	681,660	660,870	640,080	596,610	575,820	555,030	534,240	536,130	263,340
6	Subsidy Needs	5,860,000	5,996,250	1,777,383	1,174,409	758,341	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Available Funds		\$ 187,000	\$ (219,600)	\$ (1,374,363)	\$ (1,892,999)	\$ (1,962,229)	\$ (1,239,592)	\$ (483,238)	\$ 307,028	\$ 1,131,402	\$ 1,990,084	\$ 2,883,277	\$ 3,811,186	\$ 4,774,021	\$ 5,771,993	\$ 6,805,317	\$ 19,073,264	\$ 20,329,046	\$ 21,622,772	\$ 22,954,700	\$ 24,302,410	\$ 25,940,848
New Debt Service																						
7	Year 1 (\$5 million)	441,000	431,550	422,100	412,650	403,200	393,750	384,300	374,850	365,400	355,950	346,500	337,050	327,600	318,150	308,700	299,250	289,800	280,350	270,900	261,450	
8	Year 3 (\$5 million)		478,800	467,460	456,120	444,780	433,440	422,100	410,760	399,420	388,080	376,740	365,400	354,060	342,720	331,380	297,360	286,020	274,680	263,340	274,680	263,340
9																						
Debt Service		\$ 441,000	\$ 910,350	\$ 889,560	\$ 868,770	\$ 847,980	\$ 827,190	\$ 806,400	\$ 785,610	\$ 764,820	\$ 744,030	\$ 723,240	\$ 702,450	\$ 681,660	\$ 660,870	\$ 640,080	\$ 596,610	\$ 575,820	\$ 555,030	\$ 534,240	\$ 536,130	263,340