



Legislation Text

File #: [23-0358], Version: 1

Consider Approving the Recommended Funding Plan for Tanyard Branch Trace (Jay Street) Development.

Staff:

Sarah Osmer Viñas, Director
Nate Broman-Fulks, Assistant Director
Emily Holt, Affordable Housing Development Officer

Department:

Affordable Housing and Community Connections

Overview: This item provides an overview of the Affordable Housing and Community Connections staff recommendation to allocate up to \$1.95 million in funding to the Tanyard Branch Trace affordable housing development.



Recommendation(s):

That the Council adopt the resolution approving Tanyard Branch Trace (Jay Street) Development as the project selected for use of the 9% Low-Income Housing Tax Credit/Town Prioritized Project funding previously approved by Council in [November 2022 <https://chapelhill.legistar.com/View.ashx?M=F&ID=11464749&GUID=FE3F7401-18E1-45AB-8291-3FC898ED0FB7>](https://chapelhill.legistar.com/View.ashx?M=F&ID=11464749&GUID=FE3F7401-18E1-45AB-8291-3FC898ED0FB7).

Background

The Town's development partners, the Taft-Mills Group (TMG) and the Community Home Trust, submitted an affordable housing funding application to the Town for an up to \$1,950,000 loan to provide gap financing to support the potential Low Income Housing Tax Credit (LIHTC) project that will develop 48 affordable units on a Town-owned parcel on Jay Street. All the units will serve households earning 60% or below of the Area Median Income (AMI), including 12 units that will serve households at 30% or below AMI and 8 units that will serve households earning 50% or below AMI.

This request is supported by Town affordable housing policies and consistent feedback and action by the Town Council.

- In June 2018, Council prioritized the Town-owned Jay Street parcel as an affordable housing site and authorized the Town to pursue development there.
- In March 2021, the Town executed a Memorandum of Understanding with TMG to begin negotiating an agreement to develop the Jay Street site.
- In January 2022, the Town executed an Option to Ground Lease Agreement with TMG, conditioned on securing all financing, including LIHTC, and required permits.
- In April 2022, the Council approved a conditional rezoning of the Jay Street parcel that included the development of 48 affordable units.
- In November 2022, Council approved the allocation of \$2 million in affordable housing funding for a 9% LIHTC or other Town-prioritized project as part of the FY2023 Affordable Housing Funding Plan. At the time, staff shared with Council that the Jay Street project would be a likely candidate for use of this funding.
- To be as competitive as possible in this year's LIHTC application, which includes a tiebreaker for projects with the lowest average income targeting, TMG lowered the affordability mix of the project

so that all units will serve households earning 60% AMI or below.

Overview of Affordable Housing Recommended Funding Plan

- The Town Council approved \$2 million in funding for projects that are awarded a LIHTC award or other Town-prioritized projects.
- The Town and its developer anticipate the project to be highly competitive in this year's 9% LIHTC application round. Tanyard Branch Trace is the only project in Orange County that has an active application for a 2023 9% LIHTC award and has received a perfect site score from the North Carolina Housing Finance Agency (NCHFA).
- The project received the second highest score on the Town's Affordable Housing Funding Application Scoring Rubric of all applications received in FY2023.

Additional details on the Tanyard Branch Trace project and funding request are included in the attached application and item attachments.

Key Next Steps:

The final 2023 9% LIHTC application due on May 10, 2023 must include a binding letter of commitment for any anticipated Town funding. Notification of a LIHTC award is expected in August 2023. If the project receives a LIHTC award, the timeline to project completion by Spring 2026 is as follows:

- | | |
|----------------------------|---|
| • August 2023 | LIHTC Award |
| • Fall 2023-Spring 2024: | Final Drawings, Submit Permit Applications |
| • Spring 2024-Summer 2024: | Secure All Required Permits, Approvals, and Financing |
| • Summer 2024: | Construction Start |
| • Fall 2024-Winter 2026: | Construction |
| • Winter 2026-Spring 2026: | Lease-Up |

Fiscal Impact/Resources:

- The Town Council previously allocated \$2 million toward a LIHTC and/or prioritized project in November 2022; no additional resources are required at this time.
- Council approval of funding for this project is contingent on the project receiving a 2023 LIHTC award.



Attachments:

- Resolution
- Draft Staff Presentation
- Recommended Funding Plan Overview Tanyard Branch Trace
- Tanyard Branch Trace Funding Application
- FY2023 Approved Affordable Housing Funding Plan
- FY2023 Affordable Housing Funding Application Scores

A RESOLUTION APPROVING UP TO \$1.95 MILLION TO TAFT MILLS GROUP FOR THE TANYARD BRANCH TRACE (FORMERLY JAY STREET) AFFORDABLE HOUSING DEVELOPMENT PROJECT (2023-04-26/R-6)

WHEREAS, on [June 20, 2018 <https://chapelhill.legistar.com/View.ashx?M=F&ID=6331688&GUID=F33634A5-0A6F-4270-92F4-990A14E0C494>](https://chapelhill.legistar.com/View.ashx?M=F&ID=6331688&GUID=F33634A5-0A6F-4270-92F4-990A14E0C494), the Council prioritized the Town-owned Jay Street parcel as an affordable housing site and authorized the Town to pursue development on the Jay Street site; and

WHEREAS, on [September 18, 2019 <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4135814&GUID=964ED0B2-5590-4A53-A7A5-E09507E79EB5&Options=ID|Text|&Search=jay+street>](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4135814&GUID=964ED0B2-5590-4A53-A7A5-E09507E79EB5&Options=ID|Text|&Search=jay+street), the Council heard the feasibility report on development potential for prioritized Town-Owned affordable housing sites, including Jay Street; and

WHEREAS, on [November 13, 2019 <https://chapelhill.legistar.com/View.ashx?M=F&ID=7881855&GUID=5DDDF984-71BF-4B7A-B863-30DDE7FFC84C>](https://chapelhill.legistar.com/View.ashx?M=F&ID=7881855&GUID=5DDDF984-71BF-4B7A-B863-30DDE7FFC84C), the Council authorized the Town Manager to seek an affordable housing partner for Town-owned land on Jay Street and begin negotiating an agreement under which the parties would prepare a proposed development project; and

WHEREAS, on March 5, 2021, the Town executed a Memorandum of Understanding with Taft-Mills Group to establish the terms and conditions for negotiating an agreement to develop Jay Street; and

WHEREAS, on [June 21, 2021 <https://chapelhill.legistar.com/View.ashx?M=F&ID=9506551&GUID=0F494F8B-1646-4091-9FCB-FAFACE5FF7B9>](https://chapelhill.legistar.com/View.ashx?M=F&ID=9506551&GUID=0F494F8B-1646-4091-9FCB-FAFACE5FF7B9), the Council provided feedback on the concept plan for Jay Street; and

WHEREAS, on [January 12, 2022 <https://chapelhill.legistar.com/View.ashx?M=F&ID=10400945&GUID=74AC7208-ED62-4F0B-A9B6-0BA66FE61CC1>](https://chapelhill.legistar.com/View.ashx?M=F&ID=10400945&GUID=74AC7208-ED62-4F0B-A9B6-0BA66FE61CC1), the Council of the Town of Chapel Hill authorized the Town Manager to execute an option to ground lease agreement with Taft-Mills Group for the Jay Street site; and

WHEREAS, on [April 27, 2022 <https://chapelhill.legistar.com/View.ashx?M=F&ID=10853948&GUID=F019F050-11B3-4C27-8199-3CE3E27487A4>](https://chapelhill.legistar.com/View.ashx?M=F&ID=10853948&GUID=F019F050-11B3-4C27-8199-3CE3E27487A4), the Council approved the rezoning of the Town's Jay Street property from R-3 to R-SS-CZD and the accompanying site plan for 48 affordable units; and

WHEREAS, on [November 16, 2022 <https://chapelhill.legistar.com/View.ashx?M=F&ID=11464749&GUID=FE3F7401-18E1-45AB-8291-3FC898ED0FB7>](https://chapelhill.legistar.com/View.ashx?M=F&ID=11464749&GUID=FE3F7401-18E1-45AB-8291-3FC898ED0FB7), the Council approved a funding plan allocating \$2,000,000 toward a 9% Low Income Housing Tax Credit (LIHTC) or Prioritized Project; and

WHEREAS, based on the merits of the funding application, Town staff are recommending Town Council approve \$1,950,000 in funding for the Tanyard Branch Trace affordable housing development project.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council approves the recommended allocation of funding:

1. Taft-Mills Group - Tanyard Branch Trace - up to \$1,950,000

BE IT FURTHER RESOLVED that the Tanyard Branch Trace funding award is contingent on the project receiving a 9% Low Income Housing Tax Credit award in 2023 by the North Carolina Housing Finance Agency.

This the 26th day of April, 2023.

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

PRESENTER: Nate Broman-Fulks, Affordable Housing and Community Connections
Assistant Director

RECOMMENDATION: That the Council adopt the resolution approving up to \$1.95 million to Taft Mills Group for the Tanyard Branch Trace Affordable Housing Development Project.