



Legislation Text

File #: [18-0241], Version: 1

Consider Adopting a Preliminary Resolution Stating Chapel Hill's Intent to Proceed with a November 2018 Affordable Housing Bond Referendum.

Staff:

Kenneth C. Pennoyer, Director
Loryn Clark, Executive Director

Department:

Business Management Department
Housing and Community

Overview: In support of the Chapel Hill 2020 theme of creating a place for everyone, staff drafted an affordable housing investment plan. The plan includes projects that are planned for development by the Town and projects shared by our non-profit partners that could be selected through an RFP process. Staff identified General Obligation (G.O.) bonds as the most effective and efficient funding source to support the investment plan. Adopting a Preliminary "Findings" Resolution is a required step in the process of authorizing a general bond referendum. The proposed referendum, for up to \$10.0 million of Affordable Housing Bonds, would be scheduled for November 6, 2018. The amount of the proposed referendum is based, in part, on the target number of affordable housing units and the estimated subsidy per unit.



Recommendation(s):

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

Decision Points:

- The creation of more affordable housing is consistent with Council Goals and the Chapel Hill 2020 Plan. Finding reliable funding sources for affordable housing projects that are both flexible and cost-effective is problematic. G.O. bonds can provide sufficient funds to support major affordable housing projects while giving Council the latitude to issue debt only when needed at a cost lower than other types of borrowing.
- Issuing G.O. Bonds requires voter approval through a referendum. A successful referendum would authorize the Town to issue G.O. bonds in the amount of and for the purpose stated in the bond order. Actual issuance of authorized G.O. bonds would be authorized through a separate Council approval process. Prior to issuance of any new G.O. bonds, the source of repayment must be identified. The default repayment source is the Town's authority to levy additional property tax for the purpose of debt repayment. Issuance authority gains through referendum lasts seven years with an additional three-year extension with the approval of the LGC.
- 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 described above. The resolution also authorizes Town staff to proceed with the steps necessary to authorize the holding of the referendum.

Key Issues:

- The Town's Affordable Housing Development Reserve, supported by an annual allocation of about \$688,000, is designed to support affordable housing projects and initiatives. The decision not to pursue a bond referendum would create greater demand for these funds and significantly delay major projects, especially the Town-initiated projects located at 2200 Homestead Road and

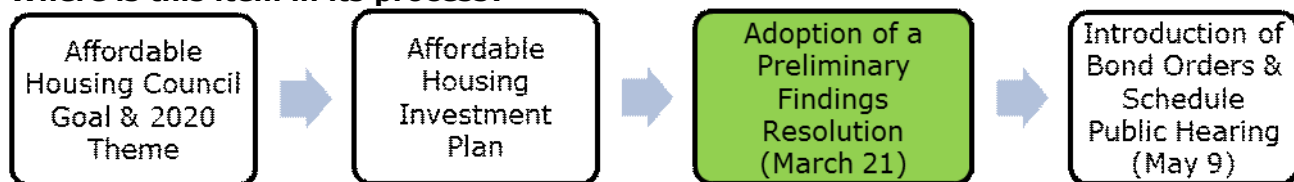
redevelopment of public sites, and make it more difficult to pursue opportunities to partner with non-profits.

- The issuance of \$10 million of Affordable Housing G.O. Bonds will require an increase in the Debt Management Fund tax rate in order to repay the bonds. Staff estimates that one penny on the tax rate, implemented as needed over time, will be sufficient to support the repayment of \$10 million in new housing bonds debt. An alternative to issuing bonds would be to simply add a penny to the tax rate and use the funds generated each year to augment the Affordable Housing Fund. The potential downside to this strategy would be inability to fund major affordable housing projects or multiple projects simultaneously.







Fiscal Impact/Resources: 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, repayment of affordable housing bonds would need to be funded through an increase in the tax rate.

An ultimate one cent increase on the Debt Management Fund tax rate, implemented as bonds are sold, should be sufficient to repay \$10 million of affordable housing bonds.

Where is this item in its process?



Council Goals:

| | | | | | |
|-------------------------------------|---|------------------------------|--------------------------|---|----------------------------------|
| <input checked="" type="checkbox"/> |  | Create a Place for Everyone | <input type="checkbox"/> |  | Develop Good Places, New Spaces |
| <input type="checkbox"/> |  | Support Community Prosperity | <input type="checkbox"/> |  | Nurture Our Community |
| <input type="checkbox"/> |  | Facilitate Getting Around | <input type="checkbox"/> |  | Grow Town and Gown Collaboration |



Attachments:

- Resolution
- Notice of Intent for Publication
- Staff Memorandum

A RESOLUTION STATING THE INTENT TO PROCEED WITH A REFERENDUM ON GENERAL OBLIGATION AFFORDABLE HOUSING BONDS (2018-03-21/R-4)

WHEREAS --

The Town Council has determined that issuing general obligation bonds would be a desirable part of the Town's affordable housing strategy.

The issuance of these bonds is subject to the approval of the Town's voters at a bond referendum. This resolution is the Council's first formal step toward placing these bonds before the voters.

BE IT THEREFORE RESOLVED by the Town Council of the Town of Chapel Hill, North Carolina, that the Council makes an initial determination to proceed with a referendum on November 6, 2018, for Town general obligation affordable housing bonds in the maximum amount of \$10,000,000. The Town will use bond proceeds to pay capital costs of providing housing for persons of low and moderate income, together with related financing and other necessary or incidental costs.

BE IT FURTHER RESOLVED that Council makes the following findings of fact in support of its determination:

(1) The proposed capital expenditures are necessary and expedient for the Town.

(2) The amount of bonds proposed is adequate and not excessive for the proposed purpose. Although affordable housing needs in the community exceed the \$10,000,000 in proposed bonds, this is an appropriate amount of bonds given the other aspects of the Town's affordable housing strategy, the Town's other budget and capital needs, and the Town's financial resources.

(3) The Town's debt management and budgetary and fiscal management policies have been carried out consistently in accordance with the law.

(4) The Council estimates a maximum potential tax rate impact to the Town for repaying the bonds of approximately 1.0 cents per \$100 of assessed valuation. The actual tax effect will depend on the final amount borrowed, the financing term, and the interest rates on the bonds when sold. The Town will work to minimize the tax rate impact, in a manner consistent with moving ahead with the purposes and addressing other Town needs.

BE IT FURTHER RESOLVED, as follows:

(a) The Council directs the Finance Officer to proceed with the authorization of the referendum, including proceeding with an application to the North Carolina Local Government Commission (the "LGC") for its approval of the proposed bonds. The Council appoints the Finance Officer as the Town's authorized representative with respect to the LGC application process.

(b) The Council directs the Town Manager, in collaboration with the Clerk, to publish a notice of the Council's intent to apply to the LGC for approval of the bonds. This notice must be in the form

prescribed by statute and consistent with this resolution.

(c) The Council authorizes all Town representatives to take all further action as they may consider desirable for accomplishing the purposes of this resolution. The Council ratifies all prior actions of Town representatives in this regard. This resolution takes effect immediately.

This the 21st day of March, 2018.

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

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

RECOMMENDATION: That the Council adopt the Preliminary Resolution stating Chapel Hill's intent to proceed with a referendum for general obligation bonds.