



Legislation Text

File #: [23-0820], Version: 1

Consider Approving the Proposed Affordable Housing Loan Fund (AHLF).

Staff:

Sarah O. Viñas, Director
Emily Holt, Affordable Housing Manager

Department:

Affordable Housing and Community Connections

Overview: Staff has made progress in developing an Affordable Housing Loan Fund (AHLF) and recommends that the Town make a funding contribution to support the establishment of the AHLF.



Recommendation(s):

That the Council receive the update and consider approval of the funding recommendation for the Affordable Housing Loan Fund.

Overview of the Affordable Housing Loan Fund

UNC Health Founding Funding Commitment

- In [June 2023 <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=6263204&GUID=324D8D78-6E3B-4034-92F6-E4CF85B2F0A4>](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=6263204&GUID=324D8D78-6E3B-4034-92F6-E4CF85B2F0A4) Town Council approved a conditional rezoning to allow UNC Health to develop a new Medical Office Campus at Eastowne.
- As part of that rezoning, UNC Health committed to a \$5 million contribution for the acquisition, preservation, and creation of affordable housing in Chapel Hill as a 20-year, 0% interest loan.
- As conveyed to Council during the Eastowne discussions, the loan will provide seed funding for a larger Affordable Housing Loan Fund to support affordable housing in Chapel Hill. The Fund will be created at the direction of the Town and will be administered by a third-party Fund Administrator selected by the Town.

Progress to Date on Creating the AHLF

- Staff released a Request for Proposals in September and received one response from Self Help Ventures Fund.
- Staff is negotiating an agreement with Self-Help to administer the AHLF. Self-Help is a leading national Community Development Financial Institute (CDFI) with extensive lending and underwriting experience as well as affordable housing development experience in NC and the Triangle area. Self-Help is currently the fund administrator for three other affordable housing loan funds in the Triangle area (Wake County, Durham and Greensboro).
- Staff identified Town resources to complement UNC Health's founding contribution, as outlined below.
- Staff provided an update to the Housing Advisory Board (HAB) at their November meeting. The HAB unanimously voted to support the staff recommendation that Council dedicate \$715,000 to the AHLF.

Parameters of the AHLF

- The AHLF will be used for acquiring, preserving, and constructing affordable housing in the Chapel Hill town limits and its Extra-Territorial Jurisdiction.
- The AHLF will support two lending products to support the approved uses:

- **Short-term, revolving bridge loans (up to 5 years)** to help acquire or maintain affordable multifamily rental properties or property for future affordable housing development. This product is targeted towards existing Naturally Occurring Affordable Housing (NOAH) and subsidized housing (e.g., LIHTC properties) approaching the end of its affordability restrictions
- **Permanent gap financing (15-year term)** to support acquiring, rehabilitating, constructing or refinancing existing affordable housing to ensure long-term affordability.
- The Fund Administrator will oversee the review, evaluation, and underwriting of all funding applications and the monitoring of all loans issued. The Fund Administrator will provide regular updates on the performance of the fund against the established outcomes and goals, as determined in a future performance agreement with the Town.

Proposed Town Funding Commitment

- Staff recommend that the Town commit \$715,000 as additional seed funding to the AHLF to complement UNC Health's contribution.
- Staff recommend that the Town's funding match the terms of the UNC Health commitment as a 20-year, 0 percent interest loan.
- The Town's contribution will serve as additional seed funding and will be non-recourse such that the Town will not be reimbursed for any loan defaults. Staff recommend that the Town draw the funding from the following sources:
 - Affordable Housing Fund
 - General Fund
 - Affordable Housing Development Reserve
- The anticipated Fund Administrator estimates that the seed funding to the AHLF will leverage additional private dollars at a ratio of 2.5:1. As proposed, the \$5 million UNC Health commitment could result in a fund total of \$17.5 million. An additional \$715,000 in Town funding could result in a fund total of \$20 million.

Anticipated Impact of the AHLF

- The anticipated Fund Administrator estimates that a \$20 million fund will support at least 600 affordable housing units and will deliver \$44 million in total lending and leverage over \$33 million in conventional financing within 20 years.
- In today's market, the typical permanent loan could on its own support a project serving households earning between 80 percent and 100 percent of Area Median Income (AMI). Projects serving households earning below 80 percent AMI would likely require substantial supplemental gap financing to be financially feasible.

Next Steps

- Town and Self-Help draft and execute agreement to administer fund - Winter-Spring 2024
- Self-Help conducts outreach to potential investors and borrowers - Spring 2024
- Town/Self-Help launch fund, close on third-party funders - Summer 2024
- First loan closings - as early as December 2024
- Full fund deployment - December 2028 (Year 5)
- Completion of 20-year fund term - Summer 2044
- Staff will provide regular updates to Council on loan activity and impact in our Affordable Housing Quarterly Reports.



Attachments:

- Resolution
- Housing Advisory Board Recommendation

**A RESOLUTION APPROVING TOWN FUNDING FOR THE AFFORDABLE HOUSING LOAN FUND
(2023-11-29/R-7)**

WHEREAS, in June 2023, the Council of the Town of Chapel Hill approved a conditional zoning for UNC Health to develop a medical campus on six parcels totaling approximately 50 acres located at 100, 200, 300, 400, 500, 600, 700, 800, 901 and 998 Eastowne Drive; and

WHEREAS, the Eastowne Conditional Zoning included a condition related to Community Benefits that UNC Health will contribute \$5 million dollars to support a revolving loan fund product for acquisition, preservation, and creation of affordable housing in the Town limits of Chapel Hill; and

WHEREAS, the establishment of an affordable housing loan fund is included as a recommendation in the Affordable Housing Plan and Investment Strategy that Council adopted in September 2023; and

WHEREAS, the establishment of an affordable housing loan fund is a goal in the Affordable Housing Preservation Framework that Council adopted in October 2019.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council hereby approves the commitment of \$715,000 to supplement the UNC Health commitment in the creation of an affordable housing loan fund. The commitment would come from the following sources:

- Affordable Housing Loan Fund
- General Fund
- Affordable Housing Development Reserve

This the 29th day of November, 2023

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

PRESENTER: Sarah O. Viñas, Affordable Housing and Community Connections Director

RECOMMENDATION: That the Council receive the update and approve the funding recommendation for the Affordable Housing Loan Fund.