



Town of Chapel Hill
405 Martin Luther King Jr. Blvd
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www.townofchapelhill.org

Affordable Rental Housing Strategy

Preface: Chapel Hill residents value an inclusive community and want to support a broad range of housing options affordable by all. Those unable to find affordable rental housing in Chapel Hill include people we encounter every day. They are, for example, teachers and teacher's aides, young entrepreneurs, senior citizens, people who serve us in restaurants and shops and doctor's offices, creative artists, nonprofit social workers, and people we know in many other essential positions. Increasing our stock of affordable rental housing furthers the Chapel Hill 2020 Comprehensive Plan's (2012) emphasis on the need for affordable housing as well as the Town's Affordable Housing Strategy (2011).

Goal Statement: The goal of the affordable rental housing strategy is to increase the quantity and quality of rental housing affordable to all who want to live in Chapel Hill by promoting the development of new units and preserving existing units.



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The unmet need for affordable rental housing

Most occupied housing units in Chapel Hill are renter-occupied: by one estimate (2011 American Community Survey), 11,640, or 54.2 percent of them. This is a much higher rate than the 39.7 percent renter occupancy for the Durham-Chapel Hill metropolitan statistical area as a whole.

A residential market study completed in 2010 estimated that between 2009 to 2014, approximately 1,257 new rental units would be needed to serve the Town's population:

- 706 serving households earning greater than 80 percent of the area median income (AMI)
- 290 serving households earning between 50 percent and 80 percent of AMI;
- 157 serving households earning between 30 percent and 50 percent of AMI;
- 104 serving households earning less than 30 percent of AMI.

Since 2009, the Town Council has approved development applications that include 539 rental units, all designed for households earning greater than 80 percent of AMI. The Town's inclusionary zoning ordinance cannot address rentals because of state laws against rent control.

EmPOWERment, Inc. and CASA are the only nonprofit housing providers actively working to preserve and create affordable rental units serving households earning less than 60 percent and 30 percent of AMI. Each receives substantial subsidy (HOME, CDBG, local funds).

In 2013, 30 percent of the area median income for a family of four in the Durham-Chapel Hill MSA is \$20,300; for a one-person household, 30 percent is \$14,250. Assuming that 30 percent of gross income can reasonably be applied to housing expenses, households at this income level can afford rents including utilities of approximately \$0 to \$500 (family of 4) per month.

At any given time, approximately 300 people are on the Town of Chapel Hill's public housing wait list and 1800 are on the housing choice voucher (Section 8) program waitlist. Demand far exceeds supply. Both programs mainly serve people with incomes of less than 30 percent of the AMI. Approximately 85 percent of households on the Section 8 waitlist have incomes below 30 percent of AMI; the waitlist has been closed for over two years, and the wait averages four to five years. Approximately 80 percent of households on the Town's public housing waitlist are in this income range; the average wait is around a year.

Another important target population in this income range is people who are disabled and homeless. Permanent supportive housing units provide this population both an apartment and essential services, such as mental health and physical health care. Demand for these units vastly outstrips supply, with approximately 50 people on waitlists in Orange County at any time. HUD requires communities that receive funding for homeless programs to calculate their unmet need for such housing each year. In 2013, using HUD's formula, Orange County determined that approximately 42 additional units of permanent supportive housing are needed.



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Policy framework, definitions, and broad implementation strategies

Prioritize affordable rental.

This strategy document reflects the Town's strong policy objective to facilitate the efficient production of affordable rental units and to work continuously to support rental housing availability for households of all income. This policy is part of a larger strategy to increase and support the availability of both rental and ownership affordable housing.

The most pressing need for affordable housing is for working families and individuals with incomes less than 80 percent of AMI. Creating new housing for these households in a timely manner requires a new clarity of regulations and a new process that is responsive to the needs of affordable housing funding sources and nonprofit providers. Benefits from a shortened process for approval of rental development applications with a 15 percent or more affordable housing component^[1] could extend to housing for 80-120 percent AMI households and households with greater income. The expansion of the rental housing market at all price ranges will provide increased price competition for existing and new rental units, a benefit to households at all income levels.

Strengthen the Town's resources devoted to affordable rental.

Maintaining a high priority on affordable rental housing will require dedicated attention beyond existing staff resources. As has been done with respect to economic development, the Town should elevate affordable housing (ownership as well as rental) to a level for which a senior staff position has responsibility. This staff member would have the duty to champion the need, to seek out new ideas, and to bring these ideas into conversation with housing providers, policymakers, and the community. Just as critically, this staff member would take the lead in implementing this strategy and would serve as point of contact for developers of affordable housing projects.

Consistent with the vision of an advisory board that focuses on affordable housing issues as discussed as part of Chapel Hill 2020, an affordable housing board should be created to advise the Council, staff, and developers on the full range of issues (for the ownership model as well as rentals) that arise with respect to affordable housing. The senior staff member with responsibility for affordable housing would work closely with this board.



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[1] Defined as on-site housing of 15 percent or more of the market rate units that will be for households with incomes less than 80 percent AMI.

Definitions

The Town recognizes two broad classes of need for affordable rental housing: (1) Rental housing that addresses the market at 80-120 percent area median income (sometimes called “workforce housing”) for which the expectation is that the private market will be the provider. (2) Subsidized rental housing that serves people earning up to 60 percent of AMI, a range that qualifies for the low-income tax credit program, and through the 80 percent AMI level for which various other subsidies (e.g., HUD entitlement dollars) are available. Public housing is an important component the subsidized portion of the housing continuum.

Implementation

Implementation will require concerted effort from policymakers, Town staff, members of the non-profit and for-profit development community, and the community at large. The Town should build on the following broad implementation strategies as it continues address the problem of affordable rental housing creatively and opportunistically.

1. To reduce barriers to market entry for all levels of affordable rental housing, the Town must work proactively to create new development standards, or modify existing standards or processes, and regularize its expectations. These changes to existing processes should allow more decisions regarding affordable housing developments (rental and ownership) to be addressed at the staff level.
2. Because the citizens of Chapel Hill value inclusivity and have expressed the need for greater housing affordability, an element of the strategy for affordable rental should include the dedication of tax dollars to the cause.
3. Increasing the supply of affordable rental housing should be a Council Goal, and toward that end, the staff should maintain an accountability system that tracks the implementation of this strategy, with regular reports provided to Council.
4. To facilitate affordable rental development in the subsidized ranges, the Town must work proactively with nonprofit housing providers to pursue funding opportunities from all identifiable funding sources, public and private, ranging from HUD to local foundations and employers.



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5. The Town should encourage market-rate developers to partner with nonprofit housing providers to serve the subsidized rental market when opportunities arise.
6. Recognizing that affordable rental is a regional issue, the Town should maintain ongoing collaborations with Carrboro, Orange County, Hillsborough, Durham County, and other area jurisdictions.
7. As the largest employers in Chapel Hill, UNC-Chapel Hill and UNC Health Care are stakeholders of particular importance. The Town should make consistent efforts seek collaborative solutions with both organizations for the affordable rental needs of their employees.
8. The Town's efforts to grow the commercial tax base, generating increased property and sales taxes, contribute to a holistic strategy to support affordable rental and all affordable housing.
9. A cohesive communications strategy is essential to maintain community support for these efforts. Keeping the need for affordable rental housing in front of the community needs to be part of a larger message about housing affordability. The communications strategy should involve the Town Council, Town committees and staff, and citizen advocates.
10. The Town should continue to draw upon UNC-Chapel Hill's academic and research resources to identify proven and novel approaches to spurring the development and preservation of affordable rental and all affordable housing.



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Short-term, mid-range, and long-range implementation strategies

Short-term strategies (0 – 2 years)

- a) Pursue a Low-Income Housing Tax Credit (LIHTC) project on Town-owned land.
- b) Identify an additional publicly or privately owned “opportunity site” suitable for 2015 Tax Credit application.
- b) Establish with tax dollars a new dedicated revenue source for affordable housing, including rental, for example .01 on the tax rate.
- c) Dedicate senior staff support for implementing this strategy.
- d) Initiate high level conversations with UNC and UNC Health Care.
- e) Create a shortened review process for rental development applications with a 15 percent or more subsidized affordable housing component.
- f) Use the LUMO development revision process to initiate regulatory changes to facilitate approval of affordable rental in all target income ranges, for example:
 - i) Revise the LUMO to facilitate multifamily units in appropriate locations by right.
 - ii) Revise the zoning atlas to facilitate more multifamily and compact development projects.
 - g) Establish useful incentives to encourage development of affordable rental in all target income ranges, for example:
 - i) Increased density by right and shorter approval time frame for developments that include units up to 80 percent AMI.
 - ii) All of the above plus fee reimbursements and expedited review for subsidized rental developments that include units up to 60 percent AMI.
 - h) Implement expedited review process for subsidized affordable housing developments (rental or ownership).
 - i) Identify other properties that may be appropriate for redevelopment and encourage the production of affordable rental units through the use of incentives.
 - j) Create a resource data base for affordable housing by December 2013.
 - k) Establish performance measures and an evaluation system to monitor progress by spring 2014.



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Mid-range strategies (2-5 years)

Continue to work on all items in short-term strategies.

- l) Pursue and actively campaign for an affordable housing bond for Chapel Hill. Arguments for the bond should be clear and particular, reflecting this affordable rental strategy and broader specific housing goals.
- m) Partner for ambitious development that includes affordable rental on Greene Tract.
- n) Acquire and preserve vacant land along transit corridors for future affordable (rental and ownership) development.
- o) Partner to purchase, rehabilitate, and hold older inexpensive apartment complexes.
- p) Create incentives for reuse of existing property as affordable rental housing.
- q) Fund land bank to acquire land for future affordable housing (rental and ownership) development.
- r) Explore redevelopment of park & ride lots, underused open space, and other “found” land.
- s) Provide rental subsidies for households earning less than 60 percent AMI.
- t) Integrate the strategies of managing the Town’s public housing units into the broader planning for the continuum of affordable housing. Enhance the Town’s transitional housing program to support households that are able to move out of public housing communities.
- u) Seek legislative authority to ban landlord discrimination on the basis of income source (e.g., Section 8 vouchers).

Long-range strategies (5 + years)

Continue to work on all items in short-term and mid-range strategies.

- v) Continue to pursue low-income housing tax credit projects throughout the Town.
- w) Evaluate existing and establish new revenue sources for affordable housing.
- x) Explore the feasibility of development of new public housing units.