A RESOLUTION MODIFYING THE GUIDELINES OF THE AFFORDABLE HOUSING FUND (2014-09-29/R-8)

WHEREAS, on January 28, 2002, the Town Council established an Affordable Housing Fund to preserve owner-occupied housing in Chapel Hill for affordable housing purposes.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council modifies the guidelines of the Affordable Housing Fund to read as follows:

“Eligible Uses

The Affordable Housing Fund may be used to:

1. Provide loans to non-profit organizations to be used to purchase existing properties. Funds may be used in the following manner:
   a. To exercise the Town’s right of first refusal on existing properties;
   b. To provide funds to non-profit organizations to purchase properties within the Chapel Hill city limits, especially in the Northside and Pine Knolls neighborhoods and in situations where the Town has a right of first refusal. Funds may be used for acquisition costs, first options, or earnest money. Funds used for first options shall be structured as a loan to the non-profit agency and must be repaid to the Town upon sale of the property to a qualified buyer. If the non-profit agency does not purchase the property, the funds must be repaid to the Town by the non-profit agency.

2. To provide funds to non-profit organizations to be used to renovate properties and prepare them for sale or rent to qualified households earning less than 80 percent of the area median income;

3. For homeownership assistance to reduce the sales price of new and existing homes so that they will become more permanently affordable; and

4. To pay the Town’s local match contribution for federal affordable housing grants; and

5. For the construction of new affordable housing for sale or rent.

6. For rental and utility assistance, including security deposits for housing and utility services, for eligible households within Chapel Hill city limits.

Eligibility

Properties must be sold or rented to qualified households earning less than 80 percent of the median income by household size as determined by the U. S. Department of Housing and Urban Development. Eligible households must live or work in Orange County for one year prior to using the Fund. If a home is not sold after being actively marketed for 30 days, the requirement to live or work in Orange County for one year shall be waived.

For senior citizens (age sixty or older) who wish to purchase Community Home Trust condominiums: (1) the first time homebuyer requirement would be waived; and (2) with new construction condominium projects, once the Town issues a Certificate of Occupancy for a unit,
the requirement that a senior citizen buyer live or work in Orange County for one year prior to purchasing the property would be waived.

**Terms and Security of Town Funds**

**Acquisition:** Funds provided for acquisition of property shall be used to provide interest-free financing to qualified non-profit organizations. Funds shall be repaid to the Town upon sale of the property to a qualified homebuyer within 180 days of purchase.

Organizations using the Affordable Housing Fund for acquisition of property shall execute a Promissory Note and Deed of Trust to the Town for the amount of the loan. Organizations shall also execute a Performance Agreement with the Town for the use of funds. Upon sale of the property to a buyer, the Town’s funds shall be repaid and the Promissory Note and Deed of Trust will be cancelled.

**Homeownership Renovation:** Funds provided for renovation expenses or to reduce the sales price of homes for homeownership will be provided as a grant as long as the property is owned by an eligible household, earning less than 80 percent of the area median income. If the future resale price of the home, as determined by a resale formula, is unaffordable to a household earning less than 80 percent of the area median income, then before taking any action, the non-profit will consult with the Town Council.

Upon sale of the property to a qualified buyer, Buyers are required to execute documents that: (1) require that the property be used as the Buyers primary residence; and (2) provide a right of first refusal to the Town or a designated non-profit agency.

**Rental Renovation and New Construction:** Funds provided for the renovation of affordable rental property or the construction of new housing will be provided as a grant as long as the property is rented by an eligible household earning less than 80 percent of the area median income. Organizations shall also execute a Performance Agreement with the Town for the use of funds.

**Permanent Affordability:** Restrictive covenants and/or other related instruments must be provided which will provide, to the extent legally possible, that the properties remain affordable permanently.

**Rental and Utility Assistance:** Funds provided for rental and utility connection expenses will be provided to households earning less than 80 percent of the area median income and meets other criteria established through specific administrative program guidelines. The Town Manager or his/her designee may approve reimbursement of funds to organizations for rental and utility connection assistance that has already been provided on behalf of eligible households. Funds could be provided directly to landlords on behalf of eligible households or provided to an organization that will administer the funds on behalf of eligible households. Any funds that are not used for this purpose shall be returned to the Town.

BE IT FURTHER RESOLVED that any program income from the sale of homes acquired shall be returned to the Affordable Housing Fund to finance future eligible projects.
BE IT FURTHER RESOLVED that the Council authorizes the Town Manager or his designee to approve specific requests for acquisition of property in accordance with the Affordable Housing Fund guidelines.

BE IT FURTHER RESOLVED that Council approval is required for requests for housing renovation or homeownership assistance in excess of $40,000.”

BE IT FURTHER RESOLVED that the Council allocates $10,000 for a utility and security deposit assistance program as described in the attached memorandum.

BE IT FURTHER RESOLVED that the Council authorizes reimbursement of funds to the Community Empowerment Fund for $1,500 from the Affordable Housing Fund for costs incurred for security and utility deposits for two households displaced by the GSC policy decision to no longer accept Section 8 vouchers.

This the 29th day of September, 2014.