

# Current Resources for Affordable Housing



Town of Chapel Hill  
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## Town of Chapel Hill

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# Summary of Existing Affordable Housing Resources

The summaries below describe affordable housing resources currently available to the Town of Chapel Hill from federal, state and local housing programs.

## 1. HUD Formula Allocation

### CDBG

Table 1 summarizes HUD formula-based grant programs. Among these programs, only CDBG is administered exclusively by the Town and is available for use wholly within extended Town boundaries. According to HUD Expenditure Reports from fiscal years 2011 through 2013, the Town invested 50 to 63 percent of its CDBG allocation in housing related activities and 7 to 16 percent in housing related public facilities (rehabilitation of public housing units). This is well over twice the national rate of investment in housing, which ranged between 24 and 25 percent over this same period. The Town regularly taps CDBG to fund renovations at its public housing properties. We do not view such expenditures as an ideal use of the Town's CDBG allocation, particularly if these funds are not used to leverage other funding sources as part of a mixed-financing strategy. These expenditures highlight the need for a comprehensive public housing redevelopment strategy that will leverage outside resources.

The size of the Town's annual CDBG allocation is probably insufficient to leverage a major investment in affordable housing, especially given the Town's ongoing CDBG commitments. However, using the Section 108 program, the Town could borrow against future CDBG allocations, amassing sufficient funds to make strategically important affordable housing investments in amounts that exceed what is possible based on the Town's current annual allocation. The maximum Section 108 loan amount is up to five times the jurisdiction's latest approved entitlement amount, or approximately \$2 million, based on the Town's 2015 allocation of \$404,761.

## HOME

The Town is a member of the Orange County HOME Consortium, which is administered by The Orange County Housing, Human Rights, and Community Development Department (OCHHRCD). The Consortium appears to place a strong emphasis on homeownership initiatives, but it has recently provided funding to an 80-unit LIHTC development in Chapel Hill.

The Town is not eligible for a direct allocation of HOME funds. In order to qualify for a direct allocation, a jurisdiction must be eligible to receive \$500,000 under the HOME allocation formula (\$335,000 in years when Congress appropriates less than \$1.5 billion for HOME). According to the FY 2015 HOME Consortium Share Report, Chapel Hill qualifies for \$158,411.

**Table 1: HUD Formula Allocations**

Program	Administration	Geographic Area	2015 Amount	Town Share (estimated)
CDBG	Chapel Hill	Chapel Hill	\$404,761	100%
HOME	Orange Co. Consortium, Administered by the County	Countywide	\$311,832 + \$30,644 program Inc.	Approximately 49%

## 2. Town of Chapel Hill and Orange County Programs

### Penny for Housing

Penny for Housing was established in 2015 and is funded from the Town's general fund in an amount that is equivalent to approximately one penny on the tax rate. The Town Council has allocated \$688,395 to this program for each of the past two years. The funds must be used for the development of new affordable housing.

## Land and Property

The town maintains various property holdings that may be suitable for affordable and mixed-income residential development. In addition, many of the Town's public housing sites can support higher residential densities, presenting potential mixed-income redevelopment opportunities.

**Table 2: Chapel Hill Properties Suitable for Affordable Housing Development**

Property Location	Development Potential
2200 Homestead Road	Appx. 5 developable acres Appx. 50 units
200 Plant Road	45 affordable housing units <sup>1</sup>
Greentrack	18 acres for affordable housing. Part of 100 acres site jointly owned by CH, OC and Carrboro
Legion Road	8.5 acres 149 units of affordable housing <sup>2</sup>
Lot 3-West Franklin Parking lot (adjacent to 411West)	Mixed-use with 15 affordable housing units <sup>1</sup>
Lot 2-East Rosemary Parking lot	Mixed-use development with housing
Public Housing Sites	New unit development potential TBD

<sup>1</sup>January 12, 2015 memorandum: Asset Management Update.

<sup>2</sup>9% tax credits have been secured for 80 family units (Greenfield Place); a 9% tax credit application has been submitted for 69 units of senior housing (Greenfield Commons).

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## Building Permit Fee Waivers

Subsidized affordable housing developments are exempt from Town permit fees. Per the Town website, “In projects where assisted units comprise only a portion of the total number of units, the fee is reduced by the percentage of the total number of units that are assisted.” This includes inclusionary housing developments, which receive fee waivers for the affordable units.

## Inclusionary Zoning Unit production and In Lieu Fees/Affordable Housing Fund (AHF)

Prior to establishing an Inclusionary Zoning program in 2010, the Town used the special use permit process to negotiate affordable unit set-asides and in lieu fees with developers. The table below summarizes combined unit production and in lieu fee collections under both initiatives, providing totals for before and after the IZ program went into effect. The Town deposits in lieu fees into the Affordable Housing Fund (AHF), which currently has a balance of approximately \$50,000. The Town anticipates an in lieu payment of approximately \$800,000 within the next 12 to 18 months. Eligible AHF uses include land acquisition, renovation, homeownership assistance, new construction of affordable housing, and rental and utility assistance.

**Table 3: Inclusionary Zoning Unit Production and In Lieu Fees**

Inclusionary Zoning Unit production and In Lieu Fees								
	Projects	Total Units in Projects	Affordable Units Committed	# of Projects providing units	Affordable Units Sold to Date	In Lieu Fee Commitment	# of Projects Paying Fee	In Lieu Fees Received to Date
1995-2010	33	3,471	342	22	251	\$2,259,150	14	\$1,343,150
2011-2015	9	1,365	37	4	0	\$1,431,250	5	\$378,000
	42	4,836	379	26		\$3,690,400	19	\$1,721,150

Note: Three (3) projects between 1995 and 2010 provided a combination of units and paid fees.  
Source: Town of Chapel Hill report: Affordable Housing as Components of New Developments. December, 2015.

### 3. Public and Assisted Housing Programs

#### Public Housing

The Town manages and administers 336 public housing units distributed among 13 properties, including 30 units in Carrboro. The Town's 2014-15 Adopted Budget indicates that its public housing properties will require approximately \$6.7 million in renovations through 2029. Over recent years, the Town has tapped public housing reserve funds and CDBG to fund public housing renovations and repairs. Town staff report a current public housing reserve fund balance of approximately \$2 million. The 2013-14 and 2014-15 Adopted Budgets report public housing operating deficits of approximately \$46,000 and \$211,000, respectively. Town Budgets report such shortfalls as Appropriated Fund Balances in the revenue line item, and it is our understanding that Appropriated Fund Balances are funded from the public housing reserve fund. If not recently undertaken, the Town should complete an assessment of the physical needs and operational stability of its public housing portfolio. If warranted, the Town should develop a reinvestment plan, which may include RAD and 4% LIHTCs and gap funding provided by the Town and other government entities.

#### Housing Choice and Project-Based Vouchers

OCHHRCD manages 623 Section 8 Housing Choice Vouchers (HCV). According to the FFY 2015-2020 Five-Year Consolidated Plan, the number of landlords who accept Section 8 Housing Choice Vouchers has been steadily decreasing (Consolidated Plan, P. 145). The Town considers the decline in landlord participation in the HCV program to be a high-priority issue. Accordingly, the Town may want to have discussions with OCHHRCD about converting a portion of its HCV allocation to Project-Based Vouchers (PBVs). Such an initiative could be developed as part of an affordable housing production program that pairs PBVs with new construction or substantial rehab LIHTC development (9% and 4%).

**Table 4: Public and Assisted Housing**

<b>Public Housing</b>	
Administration	Town of Chapel Hill
Public Housing Units	336 units, 13 properties
<b>Public Housing Revenues</b>	
HUD Operating Subsidy	\$1,153,556
Tenant Rents	\$830,256
Other	\$2,100
Appropriated Fund Balance	\$105,909
Total Revenues	\$2,091,821
<b>Housing Choice Vouchers</b>	
Administration	OCHHRCD
Tenant-Based HCV Units	623
Project-based	6
Special Purpose	0

Source: 2015-16 Adopted Budget

Table 5 below shows the FY 2016 Fair Market Rents (FMR) for the Durham-Chapel Hill metro FMR area. To the extent that Chapel Hill experiences low HCV utilization as a result of higher market rents compared to the FMR area as a whole, the Town and OCHHRCD should consider future participation in HUD'S Small Area FMR program (SAFMR). Note that the program is not currently open to new participants, but in June 2015, HUD published an Advanced Notice of Proposed Rulemaking. At the bottom of Table 5, we show hypothetical FMRs that would apply under an SAFMR regimen for various Chapel Hill zip codes. The hypothetical FMRs in zip codes 2716 and 2717 range between 15% and 20% higher than the FMRs currently applicable to the Durham-Chapel Hill FMR area.

**Table 5: Fair Market Rents**

<b>FY 2016 FMRs for the Durham-Chapel Hill FMR Area</b>					
	<b>Efficiency</b>	<b>1-Bedroom</b>	<b>2-Bedroom</b>	<b>3-Bedroom</b>	<b>4-Bedroom</b>
	\$639	\$796	\$937	\$1,262	\$1,405
<b>FY 2016 Hypothetical Small Area FMRs for Chapel Hill</b>					
<b>Zip Code</b>	<b>Efficiency</b>	<b>1-Bedroom</b>	<b>2-Bedroom</b>	<b>3-Bedroom</b>	<b>4-Bedroom</b>
<b>27514</b>	\$660	\$810	\$940	\$1,270	\$1,370
<b>27515</b>	\$660	\$810	\$940	\$1,270	\$1,370
<b>27516</b>	\$730	\$890	\$1,030	\$1,390	\$1,500
<b>27517</b>	\$780	\$960	\$1,110	\$1,500	\$1,620

#### **4. Orange County Programs**

In November 2016 Orange County voters approved a \$5 million bond to support affordable housing in the County. This follows a \$4 million bond for affordable housing approved by Orange County voters in 2001.

#### **5. North Carolina Housing Finance Agency Programs (NCHFA)**

NCHFA administers the LIHTC program, multifamily tax exempt revenue bond program (with 4% LIHTCs), the Rental Production Program (RPP) and the Workforce Housing Loan Program (WHLP). In order to qualify for RRP and WHLP, a development must receive a 9% LIHTC award from NCHFA.

As indicated in Table 6 below, between 1994 and 2015 NCHFA awarded LIHTCs to three affordable housing developments in Chapel Hill. Based on DRA's review of NCHFA LIHTC awards since 2000 and the HUD LIHTC database, there has never been a 4% LIHTC development in Chapel Hill. NCHFA records suggest that the State as a whole deploys very little of its private activity volume cap into multifamily housing. Additionally, according to recent annual reports published by the Council of Development Finance Agencies, more than 90 percent of the State's private activity volume cap goes unused. In 2013 for example, the State received

\$926 million in new volume cap but issued only \$37 million in bonds, including \$6 million in multifamily housing bonds.

**Table 6: Low Income Housing Tax Credits**

<b>NCHFA Low Income Housing Tax Credits</b>				
2015 Estimated Statewide LIHTC Allocation				\$23,000,000
Chapel Hill LIHTCs Projects Placed In Service: 1987 to 2014				
<b>Year</b>	<b>Project Name</b>	<b>Type</b>	<b>Total Units</b>	<b>Affordable Units</b>
1994	Dobbins Hill	9%, New Const. Family	55	55
2008	Dobbins Hill Ph. II	9%, New Const. Family	32	32
LIHTC Projects Recently Approved by NCHFA				
2015	Greenfield Place	9%, New Const. Family	80	80

## 6. Federal Home Loan Bank Affordable Housing Program (AHP)

The Federal Home Loan Bank of Atlanta, whose district includes North Carolina, makes competitive AHP grant awards of up to \$500,000 for affordable housing. Since 2012 it has made 31 awards in North Carolina totaling more than \$12 million. The only project in Chapel Hill to receive an AHP award during this period was the Community House Transitional Shelter, which received \$500,000 for the construction of 69 rental units.