Subject: Approve the Housing Advisory Board’s Recommended Funding Plan for the Affordable Housing Development Reserve.

Staff: 
Loryn Clark, Executive Director
Sarah Vinas, Housing and Community Planner

Department: 
Housing and Community

Overview: Recommendation for Funding Allocation from the Affordable Housing Development Reserve (AHDR)

Recommendation
The Housing Advisory Board recommends that the Council approve the allocation of funding outlined below from the Affordable Housing Development Reserve (AHDR) applications received in January 2015.

Key Issues
• On March 23, 2015, the Town Council approved the staff and Housing Advisory Board (HAB) recommendation to use the new affordable housing funds in the FY15 budget to establish an Affordable Housing Development Reserve.
• The AHDR is dedicated exclusively to the development and preservation of affordable housing and focus on four priority project areas:
  1. Land bank and land acquisition,
  2. Rental subsidy and development,
  3. Homeownership development and assistance, and
  4. Future development planning.

Overview of Second FY16 AHDR Funding Cycle
• The second FY16 AHDR Request for Proposals (RFP) was announced on December 2, 2015 and 5 applications were received by the January 25th deadline from:

     - Proposed Use of Funds: Affordability subsidy for home on Sunset Drive and in the Ramsley Development
     - Amount of Request: $57,000
     - Alignment with AHDR Priority Project Areas: Homeownership assistance
  2. Habitat for Humanity – Single-family Home Construction and Land Purchase
     - Proposed Use of Funds: To purchase a property on Lindsey Street and to extend water and sewer and build a home on a lot on McMasters Street in the Northside neighborhood.
     - Amount of Request: $55,000

1 http://chapelhill.granicus.com/MetaViewer.php?view_id=7&clip_id=2346&meta_id=102236
- Alignment with AHDR Priority Project Area(s): Homeownership assistance

3. **Habitat for Humanity** – A Brush with Kindness
   - Proposed Use of Funds: Complete five Brush with Kindness exterior and critical home repair projects in the Northside and Pine Knolls neighborhoods.
   - Amount of Request: $25,000
   - Alignment with AHDR Priority Project Area(s): Homeownership assistance

4. **DHIC** – Greenfield Commons Development
   - Proposed Use of Funds: New construction of 69 apartment homes for seniors with incomes less than 60% AMI.
   - Amount of Request: $450,000
   - Alignment with AHDR Priority Project Area(s): Rental subsidy and development

5. **EmPOWERment Inc.** – Purchase affordable rental on Shephard Lane
   - Proposed Use of Funds: Purchase of eight affordable rental units on Shephard Lane.
   - Amount of Request: $250,000
   - Alignment with AHDR Priority Project Area(s): Rental subsidy and development

**Housing Advisory Board Funding Recommendation**

- On February 29, 2016, the HAB voted 5-1 to recommend the following allocation of funding from the AHDR this funding cycle:
  1. Fund the following projects at the amount requested:
     - DHIC - $450,000
     - Habitat for Humanity (Single Family Home Construction and Land Purchase) - $55,000
     - Community Home Trust - $57,000
  2. Maintain the balance of funding in the amount of $42,790 in the Opportunity Fund, and thereby not recommend funding Habitat’s Brush with Kindness program or Empowerment’s proposal.

- The HAB did not recommend funding the two projects noted above for the following reasons:
  1. Habitat for Humanity Brush with Kindness
     - This project received a score of 76%, tied with EmPOWERment for the lowest score, using the established rubric approved by the HAB.
     - Some board members raised concerns about the lack of a long-term affordability component of this program.
     - There were not sufficient funds available within the AHDR to fund all projects and maintain the Opportunity Fund.
  2. EmPOWERment
     - The project received a score of 76%, tied with Habitat’s Brush with Kindness application for the lowest score, using the established rubric approved by the HAB.
- The application was incomplete as submitted. (Items missing: articles of incorporation and bylaws, documentation of the County’s reported funding commitment, signature of authorized agent on application).
- There were several issues with the pro forma and project budget:
  - The pro forma showed negative cash flow for the project
  - The rent escalations in the pro forma were higher than typical for this market
  - Proposed rents were not included in the project budget
  - Necessary building renovation costs were not included in the project budget
- The majority of the building under consideration for purchase is in the 50-year flood plain and is adjacent to Camelot Village, a neighborhood that regularly floods during severe weather events.
- There were not sufficient funds available within the AHDR to fund all projects and maintain the Opportunity Fund.

**Fiscal Impact/Resources:**
- $688,395 was allocated for this purpose in the FY16 budget, of which $200,000 was reserved for the Northside Neighborhood Initiative and $75,000 was allocated in the first funding cycle of this fiscal year.
- If the HAB funding recommendation is approved, the amount allocated thus far this fiscal year from the AHDR totals $562,000, leaving a balance of $42,790 in the AHDR Opportunity Fund.
- If approved, DHIC would repay the funds to the Town in 20 years.

**Where is this item in its process?**

| Town Received applications to the AHDR 1/25/16 | Housing Advisory Board Review of Applications & Rec. 2/9/16 | Funding Recommendation Presented to Town Council, Council Action 3/21/16 | Funding awarded to selected projects |

**Council Goals:**

| ☒ | Create a Place for Everyone | ☒ | Develop Good Places, New Spaces |
| ☐ | Support Community Prosperity | ☒ | Nurture Our Community |
| ☐ | Facilitate Getting Around | ☐ | Grow Town and Gown Collaboration |

**Attachments:**
- Resolution
- Affordable Housing Development Reserve Allocation Strategy
A RESOLUTION APPROVING FUNDING FROM THE AFFORDABLE HOUSING DEVELOPMENT RESERVE (AHDR) (2016-03-21/R-7)

WHEREAS, the Council allocated $688,395 for affordable housing in the fiscal year 2016 budget; and

WHEREAS, the Council approved the establishment of an Affordable Housing Development Reserve (AHDR), which established the processes and parameters for dispersal of this affordable housing funding.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill to approve the Housing Advisory Board’s recommended funding plan for the AHDR January 2016 funding cycle as follows:

- DHIC - $450,000
- Habitat for Humanity (Single Family Home Construction and Land Purchase) - $55,000
- Community Home Trust - $57,000

BE IT FURTHER RESOLVED that the Council approve the Housing Advisory Board’s recommendation that the balance of funding in the amount of $42,790 be maintained in the Opportunity Fund for future large-scale projects.

This the 21st day of March, 2016.
Affordable Housing Development Reserve (AHDR)

Allocation Strategy

Introduction

The Town Council allocated new funds for affordable housing in the budget for fiscal year 2014-15. Rooted in existing plans and strategies, and based on guidance from Town Council, staff drafted a proposed allocation strategy for use of these funds.

Staff proposes that these funds be used exclusively on development and preservation of affordable housing and that their use align with the strategy statement of the Town’s Affordable Housing Strategy:

The Town of Chapel Hill’s goal is to increase the availability of and access to housing for households and individuals with a range of incomes, from those who are homeless to those in middle-income households. The Town of Chapel Hill will work with for-profit and non-profit housing providers to offer a variety of housing opportunities that will promote socioeconomic diversity; provide individuals with the ability to remain in Chapel Hill through different stages in their lives; and support employee recruitment and retention.

Priority will be given to rental projects that serve households with incomes 60% and below the Area Median Income (AMI) and homeownership projects that serve households with incomes 80% and below the AMI. ($53,900 for a household of 4)

The guiding documents that were used to put together this allocation strategy include the Affordable Housing Strategy (AHS), the Affordable Rental Housing Strategy (ARHS), the Northside and Pine Knolls Community Plan (CP), the 2014-16 Council Goals, and recommendations from the Orange County Affordable Housing Coalition.

Priority Projects

1. Land Bank & Land Acquisition

   Description: A land bank is a mechanism by which property can be strategically acquired, assembled, and redeployed to serve a community purpose, with a goal of creating inclusive, mixed income neighborhoods.

   Related Strategies and Goals:
   a. Fund land bank to acquire land for future affordable housing (rental and ownership) development. (ARHS)
   b. Acquire and preserve vacant land along transit corridors for future affordable development (ARHS).
   c. Address the development pressures of the Pine Knolls and Northside neighborhoods by supporting a housing and cultural preservation program in the neighborhoods (ARHS).

   Eligible Activities: Property and land acquisition and associated program expenses with emphasis in Northside and Pine Knolls neighborhoods and along transit corridors.
2. **Rental Subsidy and Development Program**

   Description: Eligible projects support the development of rental housing opportunities for households earning less than 80% of the AMI or providing subsidies to reduce the monthly housing expenses for households earning less than 80% of the AMI. The 80% AMI threshold reflects the Town’s priority to support housing for people at a range of income levels, but priority will be given to those with incomes below 60% AMI.

   Related Strategies and Goals:
   a. Establish useful incentives to encourage development of affordable rental in all target income ranges. (ARHS)
   b. Identify other properties that may be appropriate for redevelopment and encourage the production of affordable rental units through the use of incentives. (ARHS)

   Eligible Activities: Security and utility connection fee assistance program, rental subsidy program, gap subsidies to developers to provide affordable units, new or redeveloped rental housing construction.

3. **Home Ownership Development and Assistance Program**

   Description: The Town’s Affordable Housing Strategy states a goal of increasing the availability and access to housing for households and individuals with a range of income, from those who are homeless to middle-income. Eligible projects support the development of owner occupied housing opportunities to create and preserve affordable housing opportunities for households earning up to 120% of the AMI. Priority will be given to those with incomes below 80% AMI.

   Related Strategies and Goals:
   a. Address the development pressures of the Pine Knolls and Northside neighborhoods by supporting a housing preservation program in the neighborhoods. (AHS)
   b. Middle Income/Workforce Housing Second Mortgage Assistance Program. (CP)
   c. Major and minor rehabilitation of existing housing. (CP)

   Eligible Uses: Programs involving new construction, renovation, and redevelopment of existing units and second mortgage assistance programs.

4. **Future Development Planning**

   Description: Eligible projects include strategic and master planning activities for specific areas to serve a community purpose, with a goal of creating inclusive, mixed income neighborhoods.

   Related Strategies and Goals:
   a. Partner for ambitious development that includes affordable rental on Greene Tract. (ARHS)
b. Initiate future development planning for the Greene Tract with ownership partners. (Council Goal 2016)

Eligible Activities: Pre-development costs, community engagement programs, and professional services for strategic and master planning.

**Funding Allocation Process**

- Accept applications three times per year (~ every 4 months), synching funding application deadlines with existing processes.
  - February, award in April
  - June, award in September
  - October, award in January
- Application review process to be coordinated by Town staff with review and recommendation of the Housing Advisory Board. Final review and approval required by Council.
- Funds typically will be allocated on a reimbursement basis once projects have been completed.
- Evaluation of applications will be based on a scoring rubric.
- During each evaluation period, the Housing Advisory Board and the Council will consider retaining a portion of the annual appropriation for an “opportunity fund” that is reserved for future large-scale/highest priority projects.