**MEMORANDUM**

TO: Roger L. Stancil, Town Manager

FROM: Loryn Clark, Housing and Community

SUBJECT: Affordable Housing Options for Discussion

DATE: November 13, 2014

The purpose of this memorandum is to provide affordable housing options for discussion during the Council’s Obey Creek Development Agreement negotiations by outlining approaches and policy guidance the Council has previously applied. This guidance includes statements and strategies included in the Affordable Housing Strategy and the Affordable Rental Housing Strategy. This information has also been shared with the applicant.

**OPTIONS FOR DISCUSSION**

The following are policies that the Council has used to achieve its affordable housing goals of permanent long-term affordability that could provide a reasonable starting point for tonight’s discussions.

1. Inclusionary Zoning Ordinance

The Inclusionary Zoning Ordinance mandates a set aside percentage of affordable housing for projects proposing five or more units/lots to provide 15% (10% in the Town Center) of the units at prices that are affordable to households earning between 65%-80% of the AMI. In exchange for providing affordable units, the Ordinance provides development bonuses, including density bonuses and floor area bonuses. The Ordinance includes options for the Council to approve alternatives that it determines are better in meeting the goals of the Comprehensive Plan than providing units on-site. Alternatives provided by the ordinance are:

* 1. dedicate land /units off-site
  2. provide a payment-in-lieu

*Recent example approved by the Council: The Courtyards at Homestead*

* 1. an alternative that provides or enables the provision of affordable housing in Town

*Recent examples approved by the Council: Ramsley Subdivision (will build a duplex serving 2 households earning up to 100% AMI), The Graduate (applicant voluntarily offered to provide affordable rental housing into a market-rate development)*

1. Affordable Housing Policy

The Affordable Housing Policy, adopted by the Council in 2000, states the Council’s expectation that any rezoning requests with a residential component will incorporate a 15% affordable housing feature with mechanisms to assure ongoing affordability. The policy was amended in 2009 to allow applicants to provide in-lieu fees or propose alternative options to satisfy this policy. Attachment 1 provides a summary of units and payments-in-lieu approved by the Council, the majority of which are a result of this policy.

Other Methods for Consideration

These are options that the Council has used or considered in the past that could support priorities previously identified by the Council:

1. Pursue Low Income Housing Tax Credit (LIHTC) or Tax Exempt Bond financing for rental development.

This could be pursued on the Obey Creek site or on an alternate site. This type of financing would provide long-term affordable rental units for a segment of our community that is currently underserved.

*Example:* Partnered with DHIC for Greenfield Place

* + Pursuit of LIHTC projects throughout Town is identified as a high priority in the Affordable Rental Housing Strategy.

2. Dedicate payment-in-lieu funds to support existing affordable housing strategies such as:

* Support approaches identified in the Northside and Pine Knolls Community Plan,
* Support community engagement and revitalization efforts underway in the Rogers Road neighborhood
* Create a local rental subsidy program
* Establish a second mortgage program,
* Establish a property acquisition fund
* Create major/minor single-family rehabilitation program,
* Provide funding for supportive housing initiatives
* Expand the Town’s transitional housing program

3. Provide a combination of payment-in-lieu/units on-site.

4. Partnerships with affordable housing providers.

It could be beneficial for the applicant to engage in conversations with affordable housing providers to determine if there are opportunities for partnerships and financing that might not be available to for-profit entities.

Additional Information

We offer the following excerpt from the Glen Lennox Development Agreement as a reminder that the Council is able to discuss alternatives very specific to this project. For example, the Council negotiated an affordable housing payment-in-lieu for the Glen Lennox Development Agreement based on an established rental payment option for long-term Glen Lennox residents.

“At any time within the term of this Agreement, a Developer Owner or a Parcel Owner, if applicable, can elect to pay a one-time payment to the Town in lieu of maintaining the fifteen percent cap of eligible Vested Renters on that Parcel (the “Vested Rental Payment”).

The Vested Rental Payment would be calculated by determining the number of Vested Renters occupying units on the Parcel at the time of election of the Vested Rental Payment option in relation to the total number of apartment units located on the Parcel.  The number of apartment units that would be needed to achieve the fifteen percent cap on the parcel would be subject to a one-time payment of $12,000.00 per unit per Parcel as the Vested Rental Payment for that Parcel.

If additional apartment units are constructed on the Parcel after the Vested Rental Payment has been tendered to the Town (the “Additional Units”) the Developer Owner or Parcel Owner of the Parcel at the time the Additional Units are constructed may elect a Vested Rental Payment as to the Additional Units in lieu of maintaining the fifteen percent cap for the Additional Units per Section 3(i) above.  Those Additional Units would each be subject to a Vested Rental Payment of $12,000.00 per unit per the calculation in Section 3(ii) above”*.*

Standard Special Use Permit Applications Stipulations

We typically include the following stipulations in SUP applications for rental developments:

* If a rental development is converted to an ownership condominium development, affordable units for ownership must be provided according to the Inclusionary Zoning Ordinance or other affordable housing policy in place at the time of conversion.
* If conversion to ownership occurred, Town Manager approval of an Affordable Housing Plan, to include the method for achieving long term affordability, would be required.

If the project includes an affordable rental component we would include language in the SUP to stipulate:

* Town Manager approval of an Affordable Rental Housing Plan;
* The maximum rent to be charged for the affordable units and the method used for determining rents;
* A requirement that the terms of the SUP be referenced in all future conveyances of an interest in any portion of the property covered by the permit; and
* Reporting and monitoring requirements.

Please let me know if I can provide any additional information.