



# Comprehensive Affordable Housing Analysis

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**Town Council Work Session  
Town of Chapel Hill  
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# Recommendations

## 1. Target New Sites

Proactive effort to identify additional publicly-owned sites for affordable housing

## 2. Target Income Levels

Renter:  $\leq 60\%$  AMI (\$42,500, 4 Persons)

Owner:  $80\%$  AMI (\$56,550, 4 Persons)

# Recommendations

## 3. Funding Priorities

- Direct resources to highest priority projects
- Leverage to maximum extent possible

## 4. New Funding Tools and Resources

- New revenue sources/tools needed to upgrade public housing



# Priority Sites

## Highest priority sites:

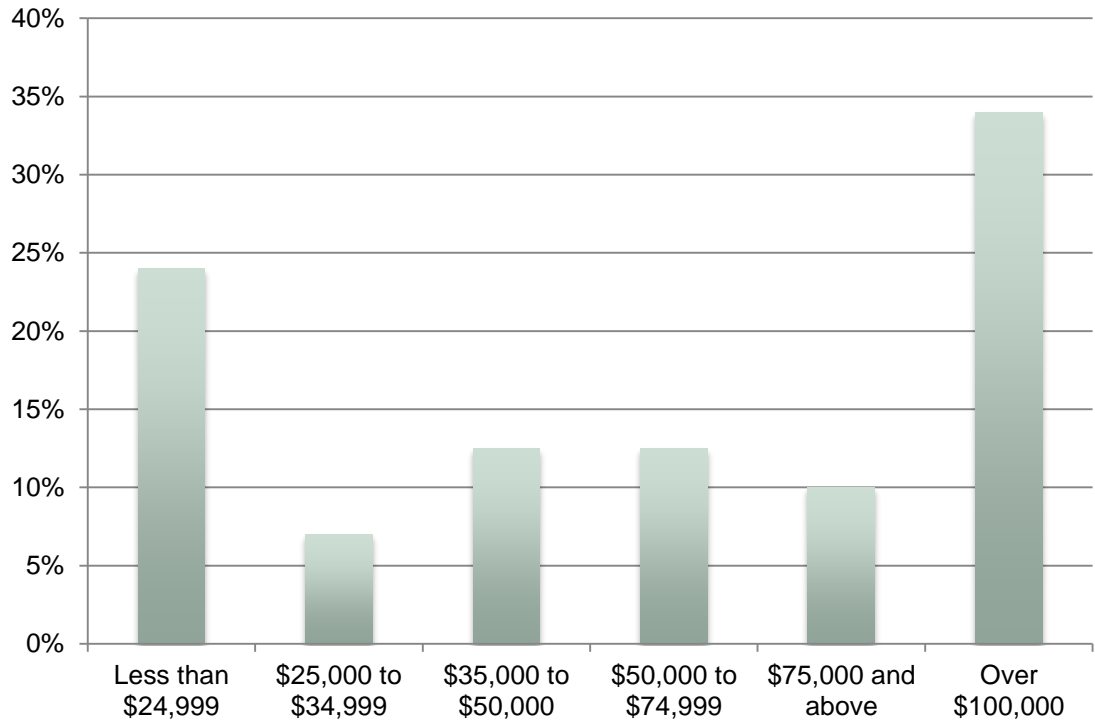
1. Public housing sites
2. Ephesus-Fordham district
3. Sunrise Road

## Sites for future discussion:

1. Greene tract
2. Legion Road



# Household Income Distribution



Source: 2014 American Community Survey 5-year estimates



# 2016 Income Limits

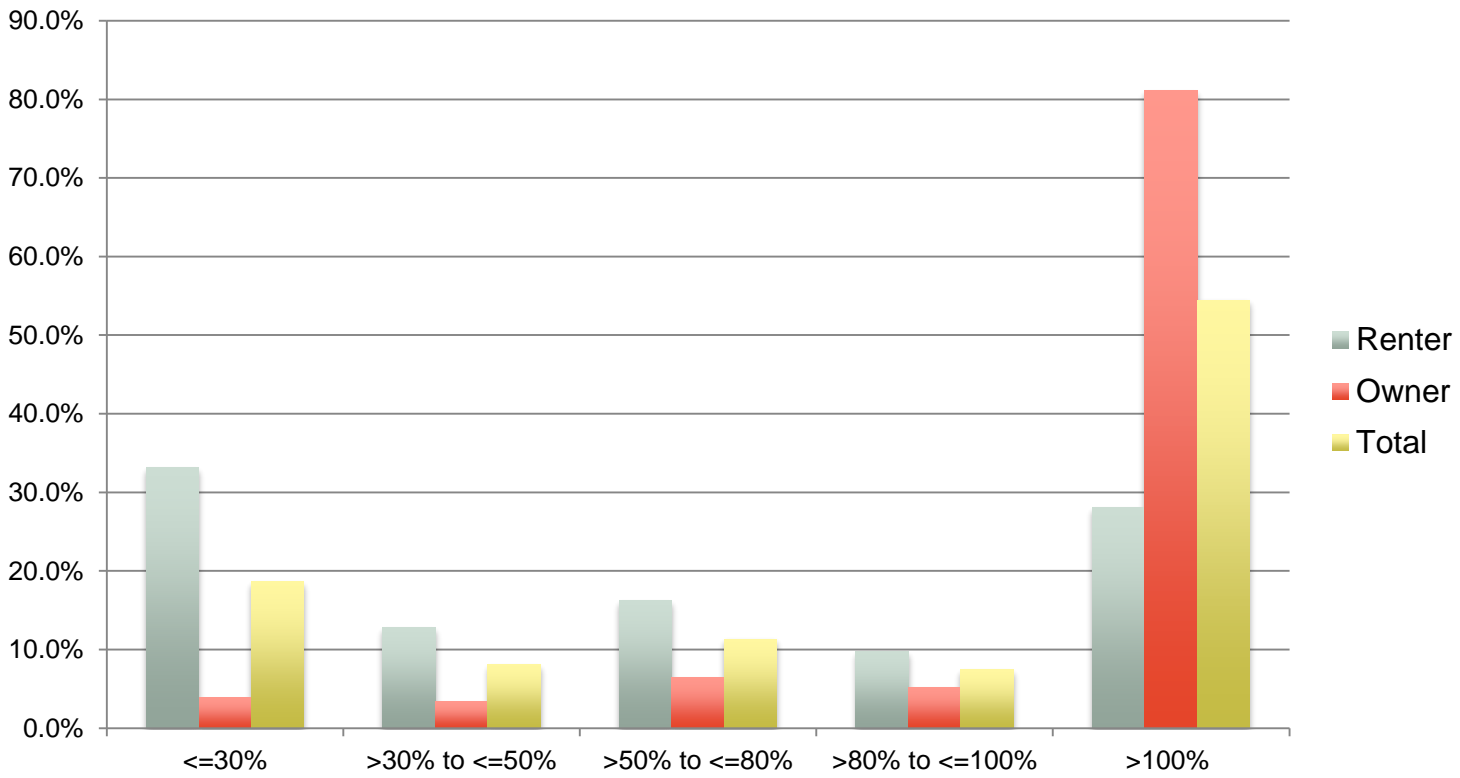


HH Size	30% AMI	50% AMI	60% AMI	80% AMI	100% AMI	120% AMI
1 Person	\$14,850	\$24,750	\$29,700	\$39,600	\$49,500	\$59,400
2 Persons	\$17,000	\$28,300	\$33,950	\$45,250	\$56,550	\$67,850
3 Persons	\$20,160	\$31,850	\$38,200	\$50,900	\$63,650	\$76,350
4 Persons	\$24,300	\$35,350	\$42,400	\$56,550	<b>\$70,700</b>	\$84,850
5 Persons	\$28,440	\$38,200	\$45,800	\$61,100	\$76,350	\$91,650
6 Persons	\$32,580	\$41,050	\$49,200	\$65,600	\$82,000	\$98,400

AMI = Area Median Income

Based on HUD 2016 income limits for Durham-Chapel Hill HMFA. HUD 2016 MFI is \$74,900; very low income limits and above are effectively based on MFI of \$70,700.

# Income Distribution by Percent of AMI



Source: HUD CHAS data for 2008 to 2012



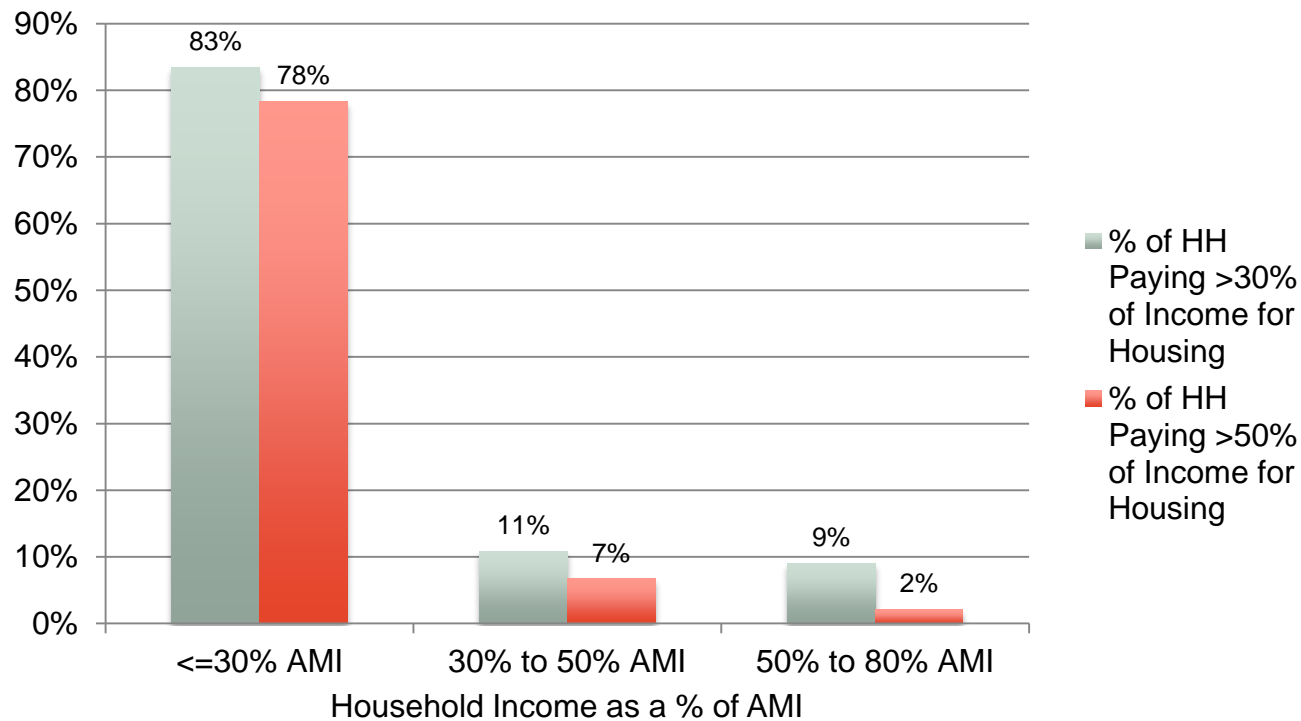
# % of Households by Tenure

	Owner	Renter
Chapel Hill	48.6%	51.4%
Carrboro	38.5%	61.5%
Durham	49.9%	50.1%
Raleigh	53.2%	46.8%
North Carolina	64.2%	35.8%
United States	63.1%	36.9%

Source: 2014 American Community Survey 5-year estimates

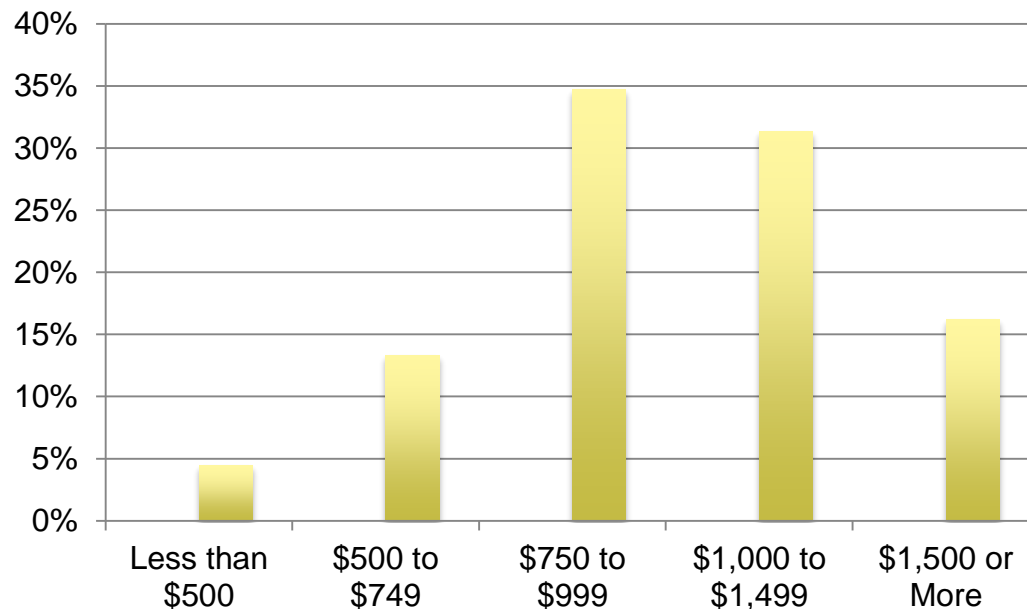


# Cost-Burdened Households



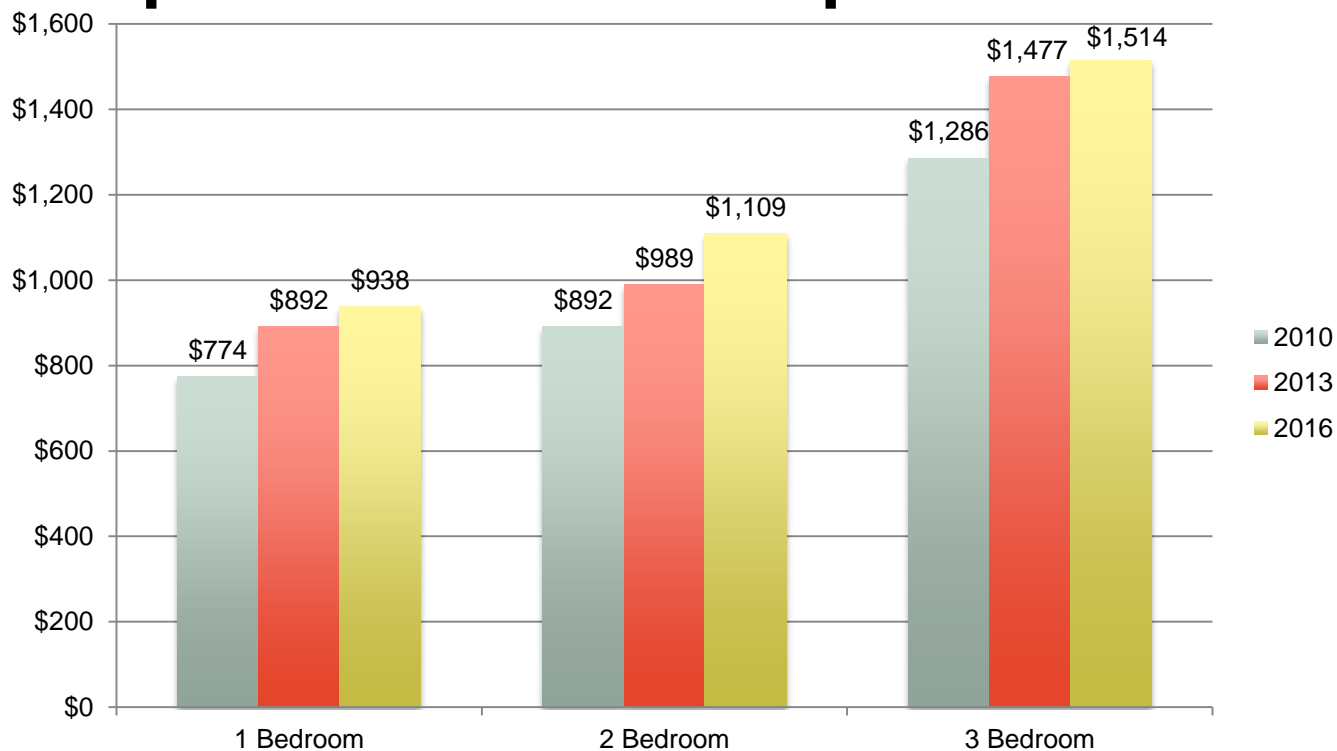
Source: HUD CHAS data for 2008 to 2012

# % Distribution of Rental Units by Rent Paid in 2014



Source: 2014 American Community Survey 5-year estimates

# Average Rent at Selected Apartment Properties



Source: Surveys of selected apartment properties by Town of Chapel Hill and DRA

# Market and Affordable Rents



	2016 Average Affordable Rent <sup>1</sup>				2016 HUD FMRs <sup>2</sup>	2016 Ave. Apt. Rent <sup>3</sup>
	30% AMI	50% AMI	60% AMI	80% AMI		
1 BR	\$305	\$587	\$719	\$985	\$796	\$938
2 BR	\$384	\$702	\$861	\$1,180	\$937	\$1,109
3 BR	\$439	\$807	\$991	\$1,359	\$1,262	\$1,514

<sup>1</sup>Assumes 1.5 persons per bedroom, per tax credit standards.

<sup>2</sup>For Durham-Chapel Hill.

<sup>3</sup>Based on surveys of selected apartment properties.

# Growth in Incomes, Rents and Prices



	2000	2010	2013	2015	00-10	10-15	00-15
AMI	\$62,800	\$66,500	\$67,700	\$67,400	0.6%	0.3%	0.5%
2 BR Rent	N/A	\$887	\$989	\$1,109	N/A	4.6%	N/A
Median Sales Price	\$242,500	\$322,800	\$320,000	\$330,000	2.9%	0.4%	2.1%

US median rent increased 3.0% annually from 2000 to 2010 and 2.3% annually from 2010 to 2014.





# Median Home Sales Prices



Community	December 2015 Median Sales Price
Chapel Hill	\$313,000
Carrboro	\$235,000
Hillsborough	\$221,000
Durham	\$177,000
Raleigh	\$202,00

Source: Zillow

# Affordability of Existing Homes

	50% of AMI		80% AMI		100% AMI	
	Affordable Price	% of Sales	Affordable Price	% of Sales	Affordable Price	% of Sales
2 BR	\$74,100	0%	\$197,700	61%	\$241,600	84%
3 BR	\$86,400	0%	\$217,200	20%	\$265,900	42%
4 BR	\$125,300	0%	\$250,500	0%	\$285,900	4%

Percent of sales by price range based on analysis of sales data for Chapel Hill for the 4<sup>th</sup> quarter 2015 from CoreLogic.



# Affordable Housing Stock

	Number of Properties	Number of Units
Public Housing	13	336
LIHTC <sup>1</sup>	2	87
HUD PBRA <sup>2</sup>	4	35
Inclusionary Housing	26	200*
<b>Total</b>	<b>45</b>	<b>658*</b>

<sup>1</sup>Low Income Housing Tax Credit program.

<sup>2</sup>HUD Project-Based Rental Assistance, including Section 8, RAP, Section 202 and Section 811.

\*Community Home Trust owns at least 200 units.

Sources: Town of Chapel Hill; National Housing Preservation Database

# Existing Local Revenue Sources for Housing

Source/Program	Annual Amount	Administered by
CDBG	\$387,702 (FY 2016)	Chapel Hill
HOME	\$311,411 (FY 2016)	Orange Co.
Penny for Housing (AHDR)	\$688,395 (FY 2016)	Chapel Hill
Inclusionary Housing In Lieu Fees (AHF)	Varies	Chapel Hill



# Development Prototypes

Note: These are for illustration only

	Prototype 1 Ephesus Fordham	Prototype 1 w/ Density Bonus	Prototype 2 Craig-Gomains		Prototype 3 Legion Road	Prototype 3 w/ Density Bonus
<b>Total Housing Unit Count</b>	136	170 25% Density Bonus	60	40	575	719 25% Density Bonus
<b>Tenure (Renter/Owner)</b>	Rental	Rental	Rental	Owner	Rental	Rental
<b>Total Site Area (Acres)</b>	3.40 Acres	3.40 Acres	2.80 Acres	4.20 Acres	36.00 Acres	36.00 Acres
<b>Density (Units Per Acre)</b>	40	50	21	10	16	20
<b>Approximate Building Stories</b>	5 Stories	6 Stories	2 Stories	2 Stories	4 Stories	4 Stories

Source: Town of Chapel Hill, DRA





# Development Prototypes

Note: These are for illustration only





	Prototype 4 Greene Tract		Prototype 5 Sunrise	
Total Housing Unit Count	40	60	45	45
Tenure (Renter/Owner)	Rental	Owner	Owner	Owner
Total Site Area (Acres)	6.30 Acres	11.70 Acres	23.40 Acres	15.60 Acres
Density (Units Per Acre)	6	5	2	3
Approximate Building Stories	2 Stories	2 Stories	2 Stories	2 Stories

Source: Town of Chapel Hill, DRA

# Economic Incentives

- 9% Low Income Housing Tax Credits (LIHTC)
- 4% LIHTC with Tax-Exempt Bonds
- HUD Rental Assistance Demonstration (RAD) Program for Public Housing
- Tax Increment Financing
- Density Bonus
- Sale or Lease of Public Land for Market-Rate Development

# Economic Incentives Analyzed by Prototype

- 
 ■ Ephesus Fordham: Tax Credits/Bonds, Density Bonus
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 ■ Craig Gomains: Tax Credits/Bonds, RAD, Tax Increment Financing, Sale/Lease of Owner Parcel
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 ■ Legion Road: Tax Credits/Bonds, Density Bonus
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 ■ Greene Tract: Tax Credits/Bonds



# Summary of Per Unit Subsidy Requirements

Note: These are for illustration only

Owner Housing Prototypes at Alternative Income Levels Town of Chapel Hill, 2016			
Prototype	80% of AMI	100% of AMI	120% of AMI
4.b. Greene Tract TH <sup>1</sup> Two-Bedroom Three-Bedroom	\$50,500	\$4,500	\$0
	\$89,800	\$38,600	\$0
5.a. Sunrise SFD <sup>2</sup> Two-Bedroom Three-Bedroom	\$81,600	\$35,600	\$0
	\$114,300	\$63,100	\$0
5.b. Sunrise TH <sup>1</sup> Two Bedroom Three Bedroom	\$4,500	\$0	\$0
	\$30,000	\$12,100	\$0

<sup>1</sup>Development costs include no land costs.

<sup>2</sup>Development costs include market land cost/value estimated at \$40,000 per unit.

Source: DRA





# Summary of Per Unit Subsidy Requirements<sup>1</sup>

Note: These are for illustration only

Renter Housing Prototypes with and without Tax Credits Town of Chapel Hill, 2016			
Prototype	No Tax Credits (Unleveraged)	4% Tax Credits with Tax-Exempt Bonds	9% Tax Credits
1. Ephesus Fordham <sup>2</sup>	\$147,600	\$78,800	\$5,200 <sup>5,6</sup>
2a. Craig-Gomains Rental <sup>3,4</sup>	\$75,000	\$33,700	\$0
3. Legion Road <sup>2</sup>	\$105,900	\$50,900 <sup>5</sup>	\$6,000 <sup>5</sup>
4a. Greene Tract Rental <sup>3</sup>	\$76,000	\$28,600	\$0

<sup>1</sup>Represents weighted average per unit gap across all unit sizes.

<sup>2</sup>Development cost includes market land cost/value estimated at \$25,000 per unit.

<sup>3</sup>Development cost includes no land cost for these publicly-owned parcels.

<sup>4</sup>Gap is after tax increment loan and proceeds from potential sale of owner parcel for no tax credit and 4% tax credit scenarios. Sale proceeds from the owner parcel are not needed to eliminate the gap for 9% tax credit scenario.

<sup>5</sup>Projects exceed project size limits for the Central Region of 80 units for 9% tax credits and 200 units for tax-exempt bond projects and would have to be phased, reduced in size, or split between market-rate and affordable developments meeting size limits for financing purposes.

<sup>6</sup>Hard construction costs may exceed development cost limits, earning negative points for 9% credits.

Source: DRA





# Recommended Next Steps

1. Explore new revenue sources and land use tools
2. Prepare strategic and capital plan
  - Priority sites and programs
  - Estimated local subsidy dollars/tools
  - Leveraged financing sources
  - Timing over next 5 to 10 years

# Recommended Next Steps

## Public Housing Sites

1. Prepare RAD Application to HUD
  - Select site for initial submission
  - Prepare financing pro forma
  - Select developer partner
  - Secure investor/lender letter of interest
2. Prepare public housing master plan

# Recommended Next Steps

## Sunrise Road

1. Continue to work with Habitat, property owner and developers to create feasible development program for site



# Recommended Next Steps

## Ephesus Fordham District

1. Identify property owner interest
2. Assess competitiveness for 9% tax credits
3. Identify potential incentives
4. Assist with land use planning and financial feasibility assessment



# Recommended Next Steps

## Greene Tract

Continue discussions/planning with Orange County and Carrboro

## Legion Road

Remain open to opportunities to include affordable housing





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