

MEMORANDUM

TO: Roger L. Stancil, Town Manager

FROM: J.B. Culpepper, Planning Director
Loryn Clark, Housing and Neighborhood Services Manager

SUBJECT: Response to Petition from the Inter-Church Council Regarding the Affordable Housing Fund

DATE: February 8, 2010

PURPOSE

The purpose of this report is to respond to a petition from the Inter-Church Council regarding a proposed change to the regulations of the Town's Affordable Housing Fund.

Adopting the attached resolution represents an expansion to the Town's affordable housing policies by allowing local funds to be used for affordable rental projects as well as homeownership projects.

We recommend that the Council adopt the attached resolution to modify the guidelines of the Town's Affordable Housing Fund to allow funds to be used for the renovation of affordable rental properties.

BACKGROUND

On January 28, 2002, the Council adopted guidelines for a Revolving Acquisition Fund. The Fund was created to: 1) provide non-profit affordable housing organizations a source of funds that could be accessed quickly to purchase properties that might otherwise be sold to higher income households or be used for relatively high cost rental housing; and 2) to preserve owner occupied housing for affordable housing purposes.

On March 26, 2007, the Council adopted a resolution to: (1) change the name of the fund to the Affordable Housing Fund; (2) allow the Fund to be used for the renovation of properties and to reduce the cost of housing to create affordable homeownership opportunities; and (3) require Council approval prior to providing grants of over \$40,000 for renovation or homeownership assistance expenses.

In June, 2007, the Council further modified the guidelines of the Affordable Housing Fund to include that if a home is not sold after it has been actively marketed for ninety days, the home could be sold to a household that has lived or worked in the Town or Orange County for six months.

The Fund was established with \$150,000 from the Housing Loan Trust Fund. Funds received by the Council for payments in lieu of affordable housing are also directed to this Fund. Currently,

there is approximately \$366,000 in available funds and there are funds expected to be received from Council-approved Special Use Permits with associated payment in lieu stipulations.

THE REQUEST

On January 11, 2010, the Council received a petition from the Inter-Church Council requesting use of the Affordable Housing Fund for renovation of the Chase Park and Elliott Woods affordable rental apartments. As stated in the letter from the Board Chair, Mr. George Lensing, the current guidelines of the Affordable Housing Fund require that funds be used for homeownership projects. Mr. Lensing requests that the Council consider modifying the guidelines so that funds can be used for affordable rental projects.

DISCUSSION

Expansion of policy

The Affordable Housing Fund was established to allow non profit organizations or the Town to purchase housing for affordable homeownership opportunities. At the time the Affordable Housing Fund was established, the work of the non profit affordable housing providers focused mainly on creating affordable homeownership opportunities. We have had discussions with affordable housing providers about the need to increase and improve the affordable rental housing opportunities in the community, and believe that it would be reasonable to use the Affordable Housing Fund for this purpose. The proposed change would allow the Inter-Church Council and other organizations that provide affordable rental housing to use this Fund.

Fiscal note

We note that the Affordable Housing Fund was established as a revolving loan fund that could be used to provide a short term loan to non-profit agencies for the acquisition of property. The original terms of the Affordable Housing Fund required that borrowed funds be repaid to the Town in 180 days. However, in 2007, the Council modified the terms of the Affordable Housing Fund to provide funds as grant for renovation expenses or to reduce the sales price of a home.

If the Council chooses to make these changes as proposed, funds used for renovation of rental property would also be provided as a grant and would not likely be returned to the Town. However, we believe that the proposed expansion of the allowable uses could be helpful in achieving the Council's affordable housing goals. We also note that the guidelines of the Affordable Housing Fund would continue to require that the property be used for permanently affordable housing.

NEXT STEPS

The current regulations require Council approval for requests for renovation expenses greater than \$40,000. We recommend that if the Inter-Church Council requests funds for renovation, we return to the Council with a specific proposal for consideration.

RECOMMENDATION

We recommend that the Council modify the guidelines for the Affordable Housing Fund to allow funds to be used for the renovation of affordable rental properties.

ATTACHMENT

1. Letter of Request from Inter-Church Council (p. 6).