

# Affordable Housing Framework

Board of Commissioners Retreat

February 17, 2024



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HILLSBOROUGH

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## Topics

- Defining the Problem
- Proposed Guidelines
- Affordable Housing Fund Ramp-up Strategy
- Relationship to Existing Policy
- Quarterly In-Depth Workshops
- Board Homework



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## Introduction

- In preparation for the board's discussion on affordable housing at the upcoming retreat, staff has prepared the attached materials and pre-retreat information request (i.e., homework) for Commissioners.
- The purpose of these advance materials is to try to frame and streamline the discussion and maximize the limited time allocated at the retreat for this very complex topic.



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## Defining the Problem

- Any approach to addressing the town's affordable housing goals should begin with defining the issues.
- The town does not currently possess good data on the scope and scale of affordable housing needs in town. The previously planned countywide housing study has been postponed until at least next fiscal year.
- Without data points on current supply, future needs, and what income levels have the highest need, the town may allocate resources to the wrong goal or strategies.



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## Defining the Problem

- Examples of needed data to focus efforts:
  - At what income levels is the town gaining or losing residents?
  - What type of housing stock do we have now compared to 5-10 years ago? What is the outlook for the next 5-10 years?
  - Where is the existing NOAH (Naturally Occurring Affordable Housing), and how does that compare with 5-10 years ago?

## Proposed Guidelines/Guardrails

- In order to maximize the use of the town's staff and financial capacity, the following guidelines or guardrails are proposed for the discussion regarding solutions:
  - Solutions should be **"Rightsized" for Hillsborough**
    - Hillsborough is a small town with limited staff resources and a constrained budget, operating in the restrictive North Carolina regulatory environment. Solutions from larger, better funded agencies and those from states that allow greater local government flexibility may not be applicable to the town's approach.
  - Solutions should be **lean and streamlined** to minimize administrative burden
    - The town does not have a full-time housing specialist or the capacity to add one in the near term, so programs with significant oversight and administrative requirements may be difficult to accomplish.
  - Solutions should focus on **what is most impactful**
    - Given the limited resources the town has to devote to affordable housing goals, a higher likelihood of success may depend on focusing on fewer goals and/or non-financial approaches. Affordable housing is a systemic national issue that cannot be solved by the town, so goals and efforts should reflect the things that are within our purview and ability to influence.

# Affordable Housing Ramp-up Strategy

## 2-Cent Funding Ramp-Up Option

Ramp-up to 2 cents for Affordable Housing (\$326,000)	FY22	FY23	FY24	FY25	FY26	FY27
Current Contributions	\$22,488	\$68,066	\$67,116	\$67,116	\$67,116	\$67,116
Ramp-up Contributions			\$32,884	\$107,884	\$182,884	\$258,884
<b>Total Funding</b>	<b>\$22,488</b>	<b>\$68,066</b>	<b>\$100,000</b>	<b>\$175,000</b>	<b>\$250,000</b>	<b>\$326,000</b>

\*2-Cents = \$326,000 in FY24 dollars

## Available Funding

Unassigned Funds (assumes 2-cent ramp-up)	FY22	FY23	FY24	FY25	FY26	FY27
Revenue: Continuation + Ramp-up	\$22,488	\$68,066	\$100,000	\$175,000	\$250,000	\$326,000
Expenditures: Continuation	\$22,488	\$68,066	\$67,116	\$67,116	\$67,116	\$67,116
<b>Surplus/(Deficit)*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$32,884</b>	<b>\$107,884</b>	<b>\$182,884</b>	<b>\$258,884</b>

\*Funds available for unfunded requests

- FY28 and beyond would continue to see funding at the \$326,000 or \$0.02 equivalent level.
- If the board approves of continuing this strategy, then more time can be focused on prioritizing the expenditures. If the board wishes to adjust the ramp-up strategy, staff can prepare an alternative schedule.

# Relationship to Existing Policy

- The Board adopted “Guiding Principles for Affordable Housing” in April 2022 ([Attachment A](#)), which also informed the development of the Comprehensive Sustainability Plan’s Housing & Affordability section ([Attachment B](#)).
- The identified action steps from those two documents are summarized on the following slides, with updated information added as available

## Relationship to Existing Policy

1. Plan for and monitor progress toward meeting housing needs in town
  - a) Participation planned in countywide housing plan in FY25
  - b) Participating in OCEPH funding based on FY25 budget request
  - c) Action plan, dashboard and other updates will need to wait until data is gathered
  
2. Develop and adopt policies that contribute to meeting identified affordable housing needs
  - a) Guiding Principles adopted by board and incorporated into Comprehensive Sustainability Plan
  - b) Created Affordable Housing Fund and "ramp-up" funding plan enacted by the Town Board
  - c) Assistant Town Manager serving as staff lead on affordable housing efforts to ensure high-level attention and cross-departmental coordination
  - d) Creation of Affordable Housing Fee-in-lieu program and housing trust fund will be contemplated as part of overall UDO rewrite

## Relationship to Existing Policy

3. Invest in public projects that contribute toward meeting housing needs in town
  - a) Donation of Collins Ridge land to CASA has been completed, and CASA LIHTC application has been submitted
  - b) Initial Hillsborough Station concept plans for development of the area around the train station includes reservation of property for affordable housing
  - c) Based on feedback from the proposed in-depth discussions, staff will work to identify appropriate town-owned and private sites for affordable housing
  
4. Participate in partnerships and programs that provide security and stability for homeowners and renters
  - a) Staff and Board participation in Orange County Home Preservation Coalition, Local Government Affordable Housing Collaborative, Orange County Affordable Housing Coalition, Orange County Partnership to End Homelessness
  - b) Staff completed UNC School of Government Affordable Housing Seminar

## Relationship to Existing Policy

5. Participate in partnerships & programs that contribute to meeting identified future housing needs
  - a) Staff has started participation in the Orange County Affordable Housing Coalition
  
6. Adopt development regulations that contribute to meeting identified affordable housing needs
  - a) Upcoming UDO rewrite will address topics such as density bonuses, affordable housing FILO programs, missing middle, ADU and cottage-type housing options
  - b) Hillsborough Station Transit Oriented Development will prioritize affordable housing opportunities and options for multi-modal transit
  - c) Proposed in-depth discussions will provide insight on removing administrative barriers and maximizing effective LIHTC applications
  
7. Engage with community groups and individuals on topics and decisions that contribute to housing needs and affordability

## Quarterly In-Depth Workshops

To fully explore the different aspects of a comprehensive affordable housing strategy, staff proposes a series of quarterly in-depth workshops on the following topics to allow for the board, staff, community and affordable housing providers to come together for education and action.

## Q1 – Partner Input

- The town would invite several developers to discuss challenges that exist for their projects in town, and how the board may make administrative improvements to better facilitate affordable housing development.
- Participants could include Habitat for Humanity, CASA, Community Home Trust, Central Pines Regional Council, market-rate developer(s), and the Orange County Housing Preservation Coalition.
- Topics could include regulatory barriers, future planned projects, developer needs and other policy recommendations to influence the generation of new units.
- Feedback from this session would be incorporated into both the upcoming UDO rewrite as well as any short-term text amendments that can be adopted to speed up adoption of helpful policies. This group would also be invited to participate as stakeholders in the UDO rewrite.



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## Q2 – Low Income Housing Tax Credit (LIHTC) Program

- Focus on educating the board, staff and community on the LIHTC program.
- Topics would include an overview of the program, available funding and scoring, identification of appropriate sites in town for competitive applications and feedback from a tax credit developer on the process and how the town can best help with competitive projects.



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## Q3 – Other Strategies

- Focus on strategies (other than direct financial subsidy) that the town may use to address affordable housing needs:
- Topics could include:
  - ✓ Demand Side Strategies – credit counseling and repair, down payment assistance, housing choice vouchers
  - ✓ Supply Side Strategies – land donation, infrastructure participation, zoning, prioritized reviews
  - ✓ Preservation – code enforcement, home repair programs, weatherization programs



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## Q4 – Funding Strategy/Prioritization

- This session, ideally held after the others and after some data gathering has been completed, could focus on how to allocate the town's limited annual allocation.
- Given the other topics listed above, the primary options for focused allocations are:
  - ✓ New unit generation (Include funds for property purchases?)
  - ✓ Preservation of existing units
  - ✓ Emergency Housing Assistance/Homelessness Prevention



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## Board Homework

- **Please respond by February 12<sup>th</sup> so that staff can adjust the retreat materials as needed**
  - What topics are missing from the planned retreat discussion?
  - Are the proposed quarterly work sessions covering the right topics? Anything that needs to be added or removed?
  - What opportunities are there for the retreat discussion to get off course?
  - Given the information provided, what do you think is the most effective use of time at the retreat?



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## What to Expect at the Retreat

- At the retreat, the discussion will start with a few “Think, Write, Share” exercises to get board members oriented to shared issues and concerns and focused on high-priority topics
- The Board can then provide feedback on the recommended in-depth workshops, funding strategy or other topics raised in the “board homework”



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