



Affordable Housing

FY2024 Operating & Capital Budget

Issue Summary

Affordable housing is a top concern and challenge in many communities throughout the country. Just five years ago Hillsborough's budget included less than \$10,000 in this area. To advance progress on affordable housing, the town board adopted guiding principles in April 2022 to incrementally increase funding over several years to allocate the equivalent of two cents on the property tax rate to this need. This paralleled a request made by the Affordable Housing Coalition in Orange County to help prioritize affordable housing in an on-going and meaningful way.

Funding in FY22 was \$22,488 with \$68,066 budgeted for FY23. FY24 funding requests have been received from the Partnership to End Homelessness as well as the Inter-Faith Council (IFC) in Chapel Hill to support their shelter operations that are available to all in Orange County. The town board has also expressed a desire to retain the capacity to assist other entities in the creation of affordable units. Funds the town has used in the past to assist with various projects in Hillsborough are now exhausted, so rebuilding reserves to assist in this area is needed.

Key Decision Points

- How to reach the 2-cent equivalent?
 - One option is to absorb in FY24 to avoid a property tax rate increase this year, start phasing in next year, or select one year to increase the property tax rate accordingly. This is an important point to resolve since the current budget is not capable of absorbing this expense without corresponding cuts, deferments, or identifying a revenue source such as raising the property tax rate to cover the \$326,000 cost of the 2-cent commitment.
 - The budget includes a proposal to make annual steps to the 2-cent goal. FY24 includes a total of \$100,000, then it increases by about \$75,000 annually until FY27.
- Confirm or amend allocation to PEH of uncommitted FY23 funds (\$43,292). A budget assumption to continue these funds was made since they already had an existing engagement with the town.
- Provide FY23 funding to IFC?
- What to do about FY24 requests from PEH (an additional \$51,475) and IFC (\$43,518)?
- How much and when to start allocating towards the "Affordable Housing Creation Reserves" for unit development in Hillsborough?

Continuation Budget

Continuation Budget (included in FY24 budget)	FY22	FY23	FY24	FY25	FY26	FY27
Community Home Trust	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
HOME Funds Match	\$4,200	\$6,486	\$4,200	\$4,200	\$4,200	\$4,200
O.C. Partnership to End Homelessness (continuation)	\$15,788	\$15,788	\$15,788	\$15,788	\$15,788	\$15,788
Budgeted but Uncommitted Affordable Housing Funds*		\$43,292	\$44,628	\$44,628	\$44,628	\$44,628
Total Continuation	\$22,488	\$68,066	\$67,116	\$67,116	\$67,116	\$67,116

*OCPEH was identified by the board at the FY23 budget workshop as potential recipient of funds pending completion of audit

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
Total Funding	\$22,488	\$68,066	\$100,000	\$175,000	\$250,000	\$326,000

*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
Surplus/(Deficit)*	\$0	\$0	\$32,884	\$107,884	\$182,884	\$258,884

*Funds available for unfunded requests

Unfunded Requests

Expansion Requests (not funded)	FY22	FY23	FY24	FY25	FY26	FY27
O.C. Partnership to End Homelessness (FY24 - expansion for 6 areas)		\$0	\$51,475	\$51,475	\$51,475	\$51,475
Inter-Faith Council		\$43,518	\$43,518	\$43,518	\$43,518	\$43,518
Affordable Housing Creation Reserve Contribution		TBD	TBD	TBD	TBD	TBD
Total Expansion Requests	\$0	\$43,518	\$94,993	\$94,993	\$94,993	\$94,993

Affordable Housing Creation Reserve Fund

Affordable Housing Creation Reserve Fund	FY22	FY23	FY24	FY25	FY26	FY27
Anticipated Contributions to Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Anticipated Allocation of Reserve Funds	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Balance	\$0	\$0	\$0	\$0	\$0	\$0