

Affordable Housing Ramp-up Plan Summary, Information, & Observations *FY25 Budget Retreat Agenda Discussion*

Please find below and attached the board adopted affordable housing budget (i.e., the “ramp up” plan where funding is increased each year until FY27 when the amount equals two cents on the tax rate). Thanks to Budget Director Emily Bradford for putting this summary together quickly and in an easy-to-follow format! This will be a helpful refresher to frame discussions on this topic. The FY24 budget includes the following:

- Ramp up for “affordable housing creation & preservation” (these funds are to be set aside for future use)
 - FY24 - \$32,884
 - FY25 - \$107,884
 - FY26 - \$182,884

- Partnership to End Homelessness – FY23 Request (Board allocated the FY23 budgeted but uncommitted affordable housing funds toward this request)
 - FY23 – \$43,292
 - FY24 and beyond - \$44,628

- The following requests remain unfunded (requests attached, note that the PEH request was sent as a PDF and as mentioned, is hard to read)
 - PEH – FY24 Expansion Request (\$51,475/yr)
 - IFC – FY23 request (\$43,518/yr)

Affordable Housing FY24-27 “Ramp-up” Plan:

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
O.C. Partnership to End Homelessness (FY23 Request)		\$43,292	\$44,628	\$44,628	\$44,628	\$44,628
Affordable Housing Creation & Preservation			\$32,884	\$107,884	\$182,884	\$258,884
Total Continuation	\$22,488	\$68,066	\$100,000	\$175,000	\$250,000	\$326,000

Information to Consider Relevant to Setting the Budget Retreat Agenda

- How the affordable housing discussion is structured for the retreat depends on the board’s feelings regarding the “ramp-up” plan. For instance, assuming the board is still comfortable with the timing and dollar amounts per category (OCPEH, New Unit Creation, etc.) with limited refinements likely, then funding for affordable housing could be a short and simple item at the retreat. *Thoughts from Mayor Bell:* Not sure we should save/fund per category, but as a whole in order to provide flexibility. Having categorized priorities is a good idea, but we need to be able to act on an opportunity when it presents.

If the board wants to scrap or make significant changes to the “ramp-up” plan then it would likely warrant an outside facilitator and/or using techniques such as Commissioner Ferguson suggested where the group works to identify gaps, opportunities, and creative approaches, then stress test them by looking for failure points to create a new plan with input from key stakeholders (i.e., Red Teaming). If the board would like to have a facilitator, then providing direction would be helpful (e.g., a subject matter expert in the affordable housing field or with other skillsets).

- Regarding the topic of how to pay for the plan, I believe it's premature to discuss it, so that's one less item needing discussion at the retreat. When, if, and how much to raise the tax rate to pay for the plan is an issue the budget team will evaluate while the recommended budget is being developed. The goal will be to find a way to defer raising the tax rate to fund it, at least until the next property revaluation cycle. Thus, the May/June budget discussions will be the time that decision will require board direction.
- Other affordable housing topics the board might want to consider discussing at the retreat or at future workshops:
 - High level overview from an affordable housing subject matter expert to help frame options (e.g., Habitat, CHT, CASA). This could include their insights regarding barriers, needs, potential projects and how the town board can influence new units.
 - Changes to the UDO that require, incent, and/or provide options for developers to increase the number of affordable units in future development (e.g., 15% of new units must be affordable).
 - This issue wouldn't have to be solved at the retreat, but rather directions provided to staff to bring back a report and options at a further date. This topic is important because it has the potential to have a significantly bigger impact on new affordable housing creation in town than the "ramp-up" plan.
 - *Observations from Mayor Weaver:* This will likely need to happen regardless during the UDO rewrite process. There's a variety of things/changes the board could consider such as incentives as mentioned in the bullet, changes that will make missing middle market rate housing less expensive to build, eliminating parking minimums and changing all to maximums.
 - Deep dive into Low Income Housing Tax Credit programs – provide board and staff a deeper understanding of how most affordable developments in NC are financed, which areas of town and projects are competitive, and how the town can assist partners in bringing forward competitive projects.
 - Other town-influenced affordable housing strategies and needs – demand side (credit repair, down payment assistance), supply side (land donation, infrastructure assistance, zoning, subsidies), preservation (code enforcement, repair programs), housing needs assessment. This could also discussions about the various affordable housing needs by level from 30% AHI to the "missing middle."
 - Options and priorities on how to use the funds being accrued from the "ramp-up" for housing creation. This could include small, medium, or larger projects. An example of a larger project may be saving to help create affordable units at the train station property since the land donation alone will likely not be sufficient to make a project viable.
- The board could decide to dedicate a major portion of the retreat to dive deeper into both the "ramp-up" plan and potential other topics. If so, then bringing in experts like Commissioner Ferguson suggested may be needed as that could be a big issue to tackle, especially considering it took a few years of discussion to agree on the ramp-up plan.

If board preference is to revamp the "ramp-up" plan and take a deep dive into even one of the areas listed above, we may want to consider cancelling all the other budgetary discussion items at the retreat, except for review of the community survey results, since our affordable housing discussions are usually time consuming, confusing, and hard to reach consensus. Part of the challenge of "moving the needle" is likely due to the complexity of the issue and how overwhelming it is when the country has a shortage of five to six million housing units. Affordable housing is an item we're all passionate about, it's frustrating to see the impact on our community, yet there are limited tools to effect noticeable change. Still, the "ramp-up" plan took 2+ years to arrive at and represents a huge commitment, likely one of the larger earmarks of property taxes in North Carolina relative to our size.

Looking to improve the effectiveness of policy tools is another example of how the town is taking this issue seriously. The board has spent more hours discussing affordable housing than just about any other issue. The point of these observations is to help us not lose perspective. Yes, there is a lot of work to be done, but maintaining balance so other issues don't get neglected is important, too. The board has the best vantage point to determine priorities and balance, thus the thoughts in this paragraph are intended to help the board reflect as you direct staff on how, where, and when to proceed.

Option to consider from Mayor Bell: *Schedule one or two work board sessions to deep-dive into affordable housing and reserve the board retreat discussion to the question of ramp up/funding levels as it could easily take up the entire retreat.*