

# BOARD OF ALDERMEN

ITEM NO. B (1)

## AGENDA ITEM ABSTRACT MEETING DATE: September 9, 2008

TITLE: **Affordable Housing Special Revenue Fund Administrative Process and a Modification of the Approved Use of the Funds**

<b>DEPARTMENT:</b> Economic and Community Development	<b>PUBLIC HEARING:</b> YES __ NO <u>X</u>
<b>ATTACHMENTS:</b> A. Resolution B. Affordable Housing Special Revenue Fund Guidelines	<b>FOR INFORMATION CONTACT:</b> James Harris 918-7319

### PURPOSE

The purpose of item is to present to the Carrboro Board of Aldermen a proposed administrative process for the use Affordable Housing Special Revenue Fund resolution approved on June 26, 2007, and to amend the list of uses to include emergency single family projects for citizens at 80% or less of the area median income.

### INFORMATION

This fund was created to advance the Town of Carrboro goal of increasing the stock of affordable, safe and decent housing within the Town and its planning jurisdiction. The resolution approved June 26, 2007 established a special revenue fund so that the Town could have flexibility in how the funds are used. Payments to the fund, made by developers, in lieu of providing affordable housing under the applicable provisions of the Land Use Ordinance, will be deposited into the fund in addition to other revenues such as grants, donations, loans, interest payments, or other contributions that are received.

Currently, per the June 2007 adopted resolution, the money from the fund may be used in the form of grants or deferred loans for the following purposes:

1. To guarantee the payment of loans or subsidize the interest rate on loans made by financial institutions to qualified individuals for the purpose of acquiring or rehabilitating affordable housing (such guarantees shall not extend beyond funds available in the Affordable Housing Special Revenue Fund);
2. To provide direct deferred payment loans to qualified individuals to supplement loans made by financial institutions for the purpose of acquiring or rehabilitating affordable housing;
3. To purchase land for the conveyance to nonprofit affordable housing agencies;
4. For down payment, earnest money, or first options on properties to be made available to low or moderate income families or individuals, by nonprofit agencies that are in the business of meeting the housing needs of such families or individuals;
5. To pay some or all of the expenses associated with the construction of affordable housing;
6. To acquire developed properties suitable for resale to qualified low and moderate buyers;
7. To pay some or all of the pre-development costs (such as feasibility studies, appraisals, land options and preparation of an application) for projects to be developed for the purpose of providing rental or owner-occupied affordable housing;
8. To provide grants to organizations for land trust projects that guarantee long-term affordability of property through a 100-year renewable ground lease.

9. To provide permanent subsidies to reduce the sale price of existing housing units as well as new homes developed under the Town's affordable housing policies. Restrictive covenants, and/or other mechanisms would be required from affordable housing agencies.

When this original list of uses was approved consideration was not given to a need that often arises from our low and moderate citizens. From time to time, citizens will have emergency needs for repairs to their homes that cannot be addressed by existing non-profits if the funds in the rehabilitation category of their budgets have been exhausted or the funds just do not exist. As a part of finalizing the fund's administrative process it is requested that a modification is made to include emergency repairs to single family homes for citizens with low to moderate incomes. Making these funds available for such purposes would give staff the ability to offer much needed assistance for issues such as failing existing sewer lines, failing heating or other emergency housing problems that cannot be addressed due to a lack of funds. Continued ownership and maintenance of the unit in the stock of affordable units will be required during the payback period for any loans or for a designated time associated with any grants.

An administrative process for managing the fund must be adopted by the Board of Aldermen prior to any expenditure being made from the special revenue fund. A summary of the proposed administrative process is as follows:

- The Fund will be administered by the Economic and Community Development Department in accordance with generally accepted accounting practices. The fund will be publicized through the media, by word of mouth by non profit agencies, web sites, other housing specialists in neighboring jurisdictions and other appropriate venues.
- The applicant ( an individual or non profit) will be required to submit a memorandum to the Economic and Community Development Department containing the following information: 1) The purpose of the request, 2) a complete description of the project to include the location, address and jurisdiction, as well as, if applicable, what problem will be solved, 3) The applicant should provide a discussion of the project showing how the project meets program criteria, who and how many beneficiaries there are, and documented income data to support the need for funding.
- This information will be evaluated by staff and a recommendation for approval or denial will be made to the Board of Aldermen. All appropriate legal documents needed to secure the Town of Carrboro's interest will prepare by the Town Attorney and after execution be recorded in the office of the Register of Deeds in Orange County.

### **Fiscal Impact**

Town staff will need to refine billing and collection procedures and determine what accounting software exists currently to accommodate the various possibilities for administering the Affordable Housing program. At this time, it is believed we have the financial software tools available and that it is a matter of staff research and time to implement the accounting for this program. The Town Attorney will also be needed to draft associated legal documentation as needed.

### **Recommendation**

Town Staff recommends approval of the inclusion of emergency project funding for individuals who meet the income criteria of being below 80% of the area median income. It is further recommended that the Board approve the suggested criteria and the proposed administrative process with the understanding that it may be necessary to come back in the future to tweak the process.