

BOARD OF ALDERMEN

ITEM NO. C(5)

AGENDA ITEM ABSTRACT MEETING DATE: September 16, 2008

TITLE: Request to Set a Public Hearing to Modify Affordable Housing Provisions

DEPARTMENT: PLANNING	PUBLIC HEARING YES _ NO <u>X</u>
ATTACHMENTS A. Resolution B. Draft ordinance	FOR INFORMATION CONTACT: Patricia McGuire – 918-7327 Mike Brough – 929-3905

PURPOSE

On June 26, 2007 the Board of Aldermen adopted Land Use Ordinance provisions to accept payments in lieu of units provided to meet the Town's affordable housing goal. A method for annually calculating a payment in lieu fee was included. Staff has identified some needed adjustments to this formula and schedule, has prepared a draft ordinance that would make these changes and offers a resolution setting a public hearing for the Board's consideration.

INFORMATION

The amendment to Section 15-54.1 of the Land Use Ordinance specified the following procedure for annual establishment of a payment in lieu fee:

- (1) The affordable housing payment in lieu fee shall be an amount established annually by the Board of Aldermen at the beginning of the fiscal year. This fee shall be established so that it roughly corresponds to the average subsidy required for an affordable housing agency to complete an affordable unit. In making this determination, the Board shall be guided by the following:
 - a. At the end of each fiscal year, each affordable housing agency that operates within the Chapel Hill-Carrboro School District will be asked to provide the town with a list of new affordable units within that district during that year and to specify for each such unit the dollar amount of subsidy needed to make such unit affordable. The subsidies considered will be inclusive, i.e. donated lots, discounted land, public funds, private funds, donated infrastructure, donated or discounted labor and materials, or other forms of subsidy and shall represent the difference between the appraised market value and the sales price, less any additional subsidies provided at the time of sale.
 - b. The per unit average of the subsidies will be calculated.
 - c. The per unit average will be multiplied by the average percent increase in the cost of new homes constructed in the Chapel Hill Carrboro area for that fiscal year, and the result will be the payment in lieu fee for the coming year.

Though the ordinance states that the Board will be guided towards establishing a fee that would approximate the subsidy needed to produce an affordable unit, a fairly detailed process was included. A few limitations of the specified process have been identified, detailed below:

- 1) Timing of fee adoption. The ordinance calls for the compilation of data that will be used to set a payment in lieu fee at the end of a fiscal year and for the Board of Aldermen to adopt the fee at the beginning of a fiscal year. Typically, annual fees such as this one are established as part of the budget process, with data compiled from January to March and a fee offered for the Board's consideration in the Fees and Charges Schedule in May. Staff suggests modifying the language in the ordinance to allow collection of data for a one-year period that would likely span from March of one year to March of the next year. This would allow compilation and inclusion of the fee with others when a fee schedule is adopted as part of the Board's action on the Town's annual budget.
- 2) Market adjustment. Since the fee is to be set each year based on the previous year's activity, a market adjustment is not needed.

The draft ordinance (*Attachment B*) would revise the provisions pertaining to setting the affordable housing payment in lieu fee by 1) modifying the timing of fee adoption to allow for data collection on a schedule consistent with the annual fee schedule update and, 2) removing the market adjustment calculation; the annual fee would result from the average subsidy alone.

It will be necessary to send the draft ordinance to the Planning Board and Orange County for review and to receive public comment prior to taking other action. Attachment A proposed a public hearing for October 28th. Should the Board of Aldermen make the noted changes, an amendment to the currently adopted fees and charges schedule would be scheduled for the November 11th meeting.

FISCAL AND STAFF IMPACT

Public hearing costs are associated with adoption of the resolution setting a hearing on an amendment to the text of the Land Use Ordinance to make changes associated with the formula and schedule for the affordable housing payment in lieu fee.

RECOMMENDATION

The staff recommends that the Board of Aldermen adopt the attached resolution regarding amendments to the formula and timing specified for the affordable housing payment-in-lieu fee (*Attachment A*).