

**A RESOLUTION CONTINUING A PUBLIC HEARING ON A LAND USE  
ORDINANCE TEXT AMENDMENT MODIFYING THE INCOME LIMIT  
FOR AFFORDABLE UNITS AND THE PROPORTION OF AFFORDABLE UNITS  
NEEDED TO DETERMINE OTHER REGULATORY REQUIREMENTS**

**Resolution No. 104/2009-10**

WHEREAS, the Carrboro Board of Aldermen seeks to provide ample opportunities for the public to consider modifications to existing policies and regulations; and

NOW, THEREFORE BE IT RESOLVED that the Board of Aldermen continues a public hearing to May 25, 2010 allow additional time to develop refined strategy related to income limits and inclusion of units in development projects of "AN ORDINANCE AMENDING THE CARRBORO LAND USE ORDINANCE TO MODIFY THE INCOME LIMIT FOR AFFORDABLE UNITS AND THE PROPORTION OF AFFORDABLE UNITS NEEDED TO DETERMINE CERTAIN OTHER REGULATORY REQUIREMENTS."

**A RESOLUTION DESIGNATING BOARD OF ALDERMEN  
REPRESENTATIVES TO WORK WITH STAFF AND COMMUNITY MEMBERS  
ON REVISIONS TO AFFORDABLE HOUSING REGULATIONS  
Resolution No. 105/2009-10**

**BE IT RESOLVED:**

**Section 1. The Board hereby designates the following members to work with staff and community members on revisions to affordable housing regulations:**

- 1.**
- 2.**
- 3.**

**Section 2. This resolution shall become effective upon adoption.**

**\*\*DRAFT 11-12-09\*\***

**AN ORDINANCE AMENDING THE CARRBORO LAND USE ORDINANCE TO MODIFY  
THE INCOME LIMIT FOR AFFORDABLE UNITS AND THE PROPORTION OF  
AFFORDABLE UNITS NEEDED TO DETERMINE CERTAIN OTHER REGULATORY  
REQUIREMENTS**

**THE BOARD OF ALDERMEN OF THE TOWN OF CARRBORO ORDAINS:**

Section 1. Subsection 15-182.4 (a) of the Carrboro Land Use Ordinance is amended by replacing "fifteen" with "twelve and a half" in the first sentence.

Section 2. Subsection 15-182.4 (b)(1) of the Carrboro Land Use Ordinance is amended by replacing "80" with "65" in the first sentence.

Section 3. Section 15-54.1 is renumbered 15-50.1 and amended so that the term "fifteen" in subsection (a) is replaced with the term "twelve and a half," and the term "15 percent" in subsections (b) and (c) is replaced with the term "12.5 percent," and the number "0.15" is replaced with the number "0.125" in subsections (b)(1) and (c)(2).

Section 4. Section 15-188 is amended by rewriting subsection (j) to read as follows:

(j) A residential development that provides at least \_\_ percent of the maximum number of affordable housing units available under the provisions of Section 15-182.4 (Residential Density Bonuses for Affordable Housing) shall not be subject to the requirements of this section.

Section 5. All provisions of any town ordinance in conflict with this ordinance are repealed.

Section 6. This ordinance shall become effective upon adoption except that, with respect to any development application that has been accepted by the Town and is pending on the effective date of this ordinance, the applicant may choose to have the application processed under either the provisions of the Land Use Ordinance as they existed prior to the adoption of this ordinance or the provisions of the Land Use Ordinance as they are amended by this ordinance.



June 13, 2009

Mayor Mark Chilton and the Board of Aldermen  
Town of Carrboro

Re: Possible Revision to Affordable Housing Ordinance

**Board of Directors**

*Jim Tucker*  
President  
*Mary Bratsch*  
Vice President  
*Lisa Inman*  
Secretary  
*Michael Hansen*  
Treasurer

*John Cooper*  
*Laurin Easthom*  
*Gary Giles*  
*Jacquelyn Gist*  
*Pam Hemminger*  
*Brian Lowen*  
*Bruce Runberg*  
*Mary Jean Seyda*  
*Jonathan Weiler*

*Robert Dowling*  
Executive Director

**Funding Provided by:**

*Town of Chapel Hill*  
*Orange County*  
*Town of Carrboro*  
*Town of Hillsborough*

PO Box 307  
104 Jones Ferry Road  
Suite C  
Carrboro, NC 27510  
919.967.1545  
Fax 919.968.4030  
[www.ochlt.org](http://www.ochlt.org)

Dear Mayor Chilton and Members of the Board of Aldermen:

As the Board is aware, the current ordinance language asks developers to provide housing that is affordable to households earning 80% of the median income. When developers agree to meet this standard, the Land Trust (soon to be the Home Trust) must obtain subsidy funds to reduce the purchase prices to buyers typically earning about 65% of median income. The subsidies are needed to allow for a reasonable range of buyers to be able to purchase the affordable homes.

In developments such as the Butler, which the Board approved in 2008, we will need approximately \$24,000 per unit to reduce the price at which we sell the 1BR condominiums. The story is similar for Roberson Place, The Alberta, Claremont II and Ballentine. If all of these developments get built, we will need more than \$900,000 of subsidy to sell all the affordable units.

Aldermen Coleman approached me and asked if it might make more sense to request fewer units from developers (meaning fewer than 15% ) but asking for homes to be provided to the Home Trust at a price that is affordable to households earning 65% of median income.

After thinking about this and looking at spreadsheets to determine how this might work, I believe that Aldermen Coleman's idea has true merit and is very worth exploring. I realize the Board is about to go on summer break, but I would ask that the Board consider investigating this alternative. Given our already substantial need for subsidy funding, this modification to the ordinance could offer a preferable alternative.

I would be happy to work with the Town staff to examine this proposal during the summer if that would be amenable to the Manager. Thank you for your consideration of this proposal.

Sincerely,

Robert Dowling  
Executive Director

- 6.13** The town should review all vacant municipally owned land for the purpose of making unneeded tracts available for housing programs.
  - 6.14** The town should continue to advocate for inclusionary zoning techniques to increase the local stock of affordable housing.
  - 6.15** The town should pursue the development of density bonus provisions for projects incorporating environmentally sensitive development and building practices.
  - 6.16** With our growing population of senior citizens, the town should support the creation of more housing that allows our senior citizens to interact fully with the larger community. Senior access to public transit will become an increasingly important concern.
  - 6.17** The town should interact with non-profit groups that work to provide affordable housing, including but not limited to the Land Trust, Orange Community Housing Corporation, Empowerment Inc., and Habitat for Humanity.
  - 6.18** A minimum of 15 percent of the residential units in any residential development should meet the affordability criteria specified in Section 15-182.4 of the Carrboro Land Use Ordinance.
-

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Date: November 13, 2009

To: Carrboro Planning Board  
From: Robert Dowling  
Re: Changes to affordable housing density bonus

Thank you for the opportunity to address your questions about the proposed revisions to the affordable housing density bonus. I believe you have already seen my June 13, 2009 memo to the Board of Aldermen, which supported a review of the ordinance. Since June I have come to believe that the Town's affordable housing incentives and bonuses warrant review for two reasons:

1. As outlined in my June letter, asking developers to provide homes at lower prices reduces or eliminates our need to obtain subsidy. Since subsidy funds are limited, reducing the need for subsidy may better enable us to sell affordable homes.
2. The changes in the housing market during the past 18 months have altered the equation for developers and builders. Their ability to absorb losses on affordable homes is dramatically diminished from 2004, '05 and '06. This change from a seller's market to a buyer's market has reduced profit margins and impacted how developers view the affordable housing provisions in the ordinance.

As background, we have been implementing inclusionary housing policies in Chapel Hill and Carrboro since 2001. During that time we have learned a great deal about how these policies work and how they can be improved. In our view, a successful program provides housing that is affordable to households earning less than 80% of median income – and this housing should remain affordable and well maintained over time. Ideally, the affordable homes held in the Home Trust are considered to be community assets that will serve generations of low-wealth households.

With regard to my June letter, I believe that asking developers to provide 15% of the units at 80% of median income is equivalent to 12.2% of the units at 65% of median income. That percentage is derived from a simple formula:  $65 \text{ is to } 80 \text{ as } x \text{ is to } 15$ . It is important to understand that developers (I'll use this term to encompass both developer and builders) lose money on every affordable home they provide to the Home Trust. If they agree to sell homes to households earning 80% of the median income, their selling price will range from perhaps \$85,000 to \$125,000. In most cases, their selling prices are well below their costs, perhaps by \$80,000 or more.

If we ask developers to sell homes that are affordable at 65% of median income, we are lowering their selling price, increasing their loss and effectively asking them to absorb the public subsidy that is typically required to sell an affordable home.

Even if market conditions had not changed, I would argue that the required percentage of affordable units should be reduced if we are asking developers to provide homes at reduced prices. To be clear, reducing the percentage of affordable homes to 12.2% is equitable and warranted if we are asking developers to sell homes that are affordable to households earning 65% of median income.

If the Planning Board and the Board of Aldermen agree with this assertion, then the ordinance should be revised accordingly. This change would have the following impact if a developer is proposing to build a total of 50 units:

- The 15% affordable housing requirement is 7.5 units under the current ordinance, which will be rounded to 7 homes. A payment-in-lieu will be paid for the fraction. These homes will be priced to be affordable to households earning 80% of median and each home will require \$20,000 or more of subsidy.
- If we revise the ordinance such that 12% of the homes are to be affordable at 65% of median, the developer would produce 6 homes, all of which would be affordable without subsidy.
- In this example we would be trading 1 affordable unit for about \$100,000 or more of essential subsidy.

However, given my second point above, it would be prudent to examine the affordability provisions of the ordinance in the context of the new realities in the housing market. Since there are two parts of the ordinance that deal with affordable housing, we should look at how each of those is impacted by the current housing situation. The initial ordinance language that attempted to encourage the provision of affordable housing was the affordable housing density bonus. The second attempt was the ability of developers to provide 85% of the units that would have been required to be built if the developer was subject to the size-restricted provision in the ordinance.

Since the density bonus is voluntary, if the formula does not create sufficient incentives to developers, they will not make use of the bonus and affordable units will not be developed. The density bonus requires that 50% of the bonus units are to be affordable. The other 50% of the bonus units can be market-priced units. If developers cannot count on earning more on the market units than they will lose on the affordable units, then there is no incentive to make use of the density bonus. I believe that most developers do not make use of the density bonus, which has been fairly ineffective in generating affordable homes.

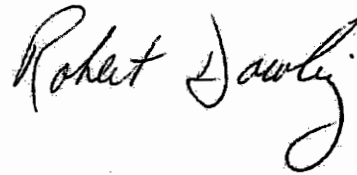
Since the size-restricted units are mandatory, but can be replaced with a lower percentage of affordable units, this part of the ordinance warrants careful review. In fact, this is the section of the ordinance that would have to be amended to reduce the percentage of units required when providing affordable homes rather than size-restricted units.

It is essential, that as we undertake this review of the ordinance, that we are clear about our objectives. In my view, our goal should not be to maximize the number of affordable homes that are built. But rather, to maximize the number of homes that will successfully address the needs of the community. This may mean accepting fewer units at lower

prices, or fewer units that meet higher construction standards. It may also mean foregoing units in favor of a payment-in lieu.

In any case, the ordinance should not ignore the realities of the market. Certainly, developers will be responding to ordinance requirements based upon market conditions. The last thing we want to do is incent developers to build cheap affordable homes that will be a burden to homeowners and the surrounding community in the decades ahead.

I would ask the Planning Board to consider these remarks as input in crafting a policy that produces affordable homes that best serve low-income households in our community for decades to come. I will attend the Planning Board meeting on November 19<sup>th</sup> and I'll be happy to elaborate on this discussion.

A handwritten signature in cursive script that reads "Robert Dawley". The signature is written in dark ink and is positioned to the right of the main text block.



**ORANGE COUNTY PLANNING & INSPECTIONS DEPARTMENT**

**Craig N. Benedict, AICP, Director**

**Administration  
(919) 245-2575  
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**306F Revere Road  
P. O. Box 8181  
Hillsborough, NC 27278**



**TRANSMITTAL DELIVERED VIA EMAIL**

November 9, 2009

Patricia J. McGuire, AICP  
Planning Administrator  
Town of Carrboro  
301 W. Main St.  
Carrboro, NC 27510

Dear Trish:

Thank you for the opportunity to review the following ordinance amendments received by us on October 23, 2009 and proposed for town public hearing on November 24, 2009:

- Actual notice to the owners of the affected parcels
- Adjustments in income levels and other requirements associated with affordable housing units
- Allow 5.110 uses in B-4 zoning district

We find no inconsistency with the adopted *Joint Planning Area Land Use Plan* on these proposed amendments but we offer the following comments:

1. Regarding the amendments on noticing the owner of affected parcels: We presume Town staff has analyzed this issue and has reasons for suggesting the language as proposed, but we offer the idea that requiring the property owner's signature on a rezoning application could be a more simple way to address this issue. Also, in Section 5.(j), the last sentence refers to a "city-initiated" amendment; should this be "town-initiated"?
2. Regarding the changes to affordable units: We applaud that although the Town is reducing the percentage of affordable homes required by 2.5%, the income limits for which the home will be considered affordable is considerably lower than the existing 80% of median income. This should have a positive effect on affordability issues in

the Town. In the draft Ordinance, the Section numbers appear to be incorrect as there are two sections labeled "Section 3." In the first Section 3, it appears that "12 percent" should actually be "12.5 percent."

If you have any questions, please let me know.

Sincerely,



Perdita Holtz, AICP  
Planning Systems Coordinator

cc: Frank Clifton, Orange County Manager  
Craig Benedict, AICP, Orange County Planning Director



TOWN OF CARRBORO

PLANNING BOARD

301 West Main Street, Carrboro, North Carolina 27510

RECOMMENDATION

THURSDAY, NOVEMBER 19, 2009

Land Use Ordinance Text Amendment related to modifying affordable housing provisions

Motion was made by Barton and seconded by Seils that the Planning Board recommends that

- 1) the Board of Aldermen accept the staff recommendation and continue the public hearing on this matter to February at the soonest, and;
- 2) Staff and the Board of Aldermen take into consideration the Carrboro Vision 2020 goal to include 15 percent affordable housing units in all new residential development, and determine the desired housing stock and affordability.

VOTE: **AYES:** (6) Barton, Carnahan, Fritz, Poulton, Seils, Warner; **ABSENT/EXCUSED:** (5) Bell, Clinton, Cook, Paulsen, Shoup; **NOES:** (0); **ABSTENTIONS:** (0)

Matthew Barton Sep Nov. 19, 2009  
 (Chair) (Date)