

BOARD OF ALDERMEN

ITEM NO. (2)

AGENDA ITEM ABSTRACT

MEETING DATE: Tuesday, November 23, 2010

TITLE: Continued Public Hearing on an LUO Amendment Modifying Income Level for Affordable Housing and the Proportion of Affordable Limits Needed to Determine other Regulatory Requirements

DEPARTMENT: PLANNING	PUBLIC HEARING: YES <u>X</u> NO <u> </u>
ATTACHMENTS: A. Resolution B. Draft ordinance C. Planning Board recommendation	FOR INFORMATION CONTACT: Patricia McGuire, AICP – 918-7327

PURPOSE

A draft ordinance that makes changes to the income limit and proportion of affordable units was prepared in follow-up to a request from Robert Dowling of the Community Home Trust in 2009. Staff has identified possible revisions to LUO provisions and review procedures and recommends the Board adopt the attached resolution directing further action.

INFORMATION

Background information on this item is available at
http://www.townofcarrboro.org/BoA/Agendas/2010/02_23_2010_A3.pdf and
http://www.townofcarrboro.org/BoA/Agendas/2010/03_09_2010.htm.

Description of the draft ordinance

The draft ordinance includes the following changes to affordable housing provisions in the Carrboro Land Use Ordinance:

- 1) Section 15-182.4, enacted in 1999, establishes the residential density bonus for affordable housing. This ordinance modifies the percentage desired from fifteen to twelve and a half in the statement expressing the Town's policy goal for the provision of affordable housing within all new residential developments.
- 2) Within this same section, the draft ordinance revises the income limit, upon which the sale price for an affordable housing unit will be based, from 80 percent of the area median income to 65 percent of the area median income.
- 3) Section 15-54.1 describes the process by which payments can be made in lieu of providing affordable housing units. This section also specifies that whenever a project does not include fifteen percent affordable units, a review meeting with the Board of Aldermen is required. The draft ordinance changes the policy reference and applicable thresholds in this section from fifteen percent to twelve and a half percent.
- 4) Section 15-188 (j) allows the substitution of affordable units for the 25 percent size limited housing otherwise required. The draft ordinance changes the percentage to 69 percent of affordable units that could be allowed under Section 15-182.4.

The affordable housing provisions in Carrboro's Land Use Ordinance do not require inclusion of affordable units. Rather, they state a goal and provide a means for achieving the goal. Projects that do not assist in achieving the goal follow a different process – namely, the affordable housing review meeting and the need to provide 25 percent size limited units – but are otherwise treated the same in the development review process. Though the current definition of affordability in Section 15-182.4 references the 80 percent of the median income level, the specific language states “the appropriately sized affordable housing unit must be offered for sale or rent at a price that does not exceed [*emphasis added*] an amount that can be afforded by a family whose annual gross income equals 80 percent of the median gross family income....” Though this has been interpreted to mean that units should be priced at a point affordable to families at 80 percent, the ordinance language allows flexibility.

Discussion

The Town utilizes a number of land use and funding strategies that are known to support local supplies of affordable housing. Among these are the permissibility of a wide range of housing types in residential and most commercial zoning districts, fee waivers, density bonuses/open space reduction, reduced parking requirements, maintenance of an affordable housing revenue fund that has supported rehabilitation of existing homes, and support for the Orange Community Land Trust. The Town has expedited the review of a permit for a project seeking affordable housing tax credits, and has extensive experience with the Home Consortium efforts, including local rental cost subsidy vouchers and emergency home repairs.

In the region, Carrboro's housing stock is fairly unique, with a higher proportion of non-owner occupied, primarily multi-family style, units. This means that any costs or programs that are paid for locally directly affect a smaller pool of resident –homeowners. Additionally, most development projects in Carrboro are fairly small in size, with less than a hundred homes, meaning that internal subsidies for affordable units are again spread over a small pool of market-rate units. Further action to incentivize or require the provision of housing units that are price- or income-limited must be comprehensive and fair.

In addition to an ongoing concern about providing units for affordable to low- and moderate-income residents, staff notes that there have been discussions of the need to ensure a supply of housing for residents at other income levels as well. National trends and forecasts suggest that actions to ensure a good supply of smaller, attached housing would be beneficial to existing and future residents, and assist with the maintenance of a stable tax base. In a Town such as Carrboro, where housing unit values make up the bulk of the real property tax base, this seems of particular importance. The stock of housing that is term-limited (either permanently or for a specified period of time) for affordability is estimated to total 250 units. This does not include units that are made available to residents via the Section 8 rental voucher program, nor does it in any way represent an assessment of the affordability of existing single or multi-family housing.

Comprehensive information on housing supply and demand in Carrboro is not currently up to date as it derives from either the 2000 U.S. Census or the HOME Consortium Consolidated Plan of 2005. With the shift in demographic data collection to the American Community Survey, detailed housing information was not collected as part of the 2010 U.S. Census earlier this year. Population data from the 2010 Census will be released in December, with later releases scheduled for the first half of 2011. Carrboro, as a community of less than 20,000 population, is expected to be part of the ACS data release in 2010.

Staff has noted that the current draft ordinance may not go far enough to establish a balance between the provision of affordable units and the bonus market-rate units. Information provided by members of the development community regarding the difficulties faced in including affordable units that are being voluntarily provided within new developments reveals the extent to which the current and proposed system would benefit from additional tweaks. On its face, the mathematical substitution of one percentage for another sounds simple and good. Developers involved in most of the projects with affordable units under this model indicate otherwise.

Staff has sought information on approaches used elsewhere and is aware of these, but finds that the lack of information on the existing local circumstances and, beyond the 15 percent affordable housing goal included in Vision2020, a similar limited understanding of the community's interest and perception of this matter to make the selection of a substitute strategy challenging. The current slow economic conditions continue to provide a window of opportunity during which further information should be gathered on the need, supply, and opportunities related to affordable housing, the appropriate levels of affordability the Town might choose to define, and methods for expediting project review, such as broadening of the fee waiver structure, or adjusting the time or process of development review. On a somewhat related note, staff has suggested previously that the period during which size limited units could not be expanded should be increased. Staff also recommends that further exploration of changes to affordable housing include re-assessing the size limitations, with the expectations that either a greater percentage, or a greater diversity of size-limited houses be specified.

In summary, it may be noted that the existing ordinance provisions appear to provide flexibility that has not been fully explored or utilized in the course of project approvals. The current economic climate and the timing of data updates regarding housing characteristics suggest that spending additional time to consider this matter before adopting changes would be beneficial. Staff has prepared a resolution that directs follow-up (*Attachment A*).

STAFF AND FISCAL IMPACT

Staff time is associated with further ordinance revisions.

RECOMMENDATION

The staff recommends that the Board of Aldermen adopt the attached resolution (*Attachment A*).