

Chatham County

Affordable Housing Advisory Committee

Draft Meeting Minutes

October 21, 2021

6:00 pm – 7:30 pm

Virtual ZOOM Meeting

Committee Members Present: Susan Levy, Richard Poole, Alirio Estevez, Anita Badrock, Carolyn Huggins, John Foley, Linette Tyson, Kyle Shipp, Pamela Baldwin

Absent: Chip Price, Victoria Navarro, Bob Schmidt

Other: Stephanie Watkins-Cruz (Chatham County), Bryan Thompson (Chatham County), Erika Brown (TJCOG), Richard Angino (Third Wave Housing)

1. Welcome

Ice breaker for the group: What is your favorite Halloween candy?

2. Public Comment

There was no public comment.

3. Adopt Meeting Minutes

The meeting minutes for September 16, 2021, were reviewed. Richard Poole suggested making the following changes – add Foley to John Foley’s name mentioned in minutes as well as making more clear the item mentioning Triangle J Council of Governments and Rebuilding Together applying for grant funding. Richard Poole made a motion to approve the minutes with changes, Anita Badrock seconded. The minutes were approved with changes unanimously.

4. Special Presentation: Richard Angino, Third Wave Housing – LIHTC Developer

Richard Angino, owner of Third Wave Housing, a LIHTC developer that has developed projects in Chatham County, including the Retreat at Pittsboro and the Henry Siler School redevelopment, joined the group to share information from the perspective of a LIHTC developer. Richard Angino, with other housing advocates in the Winston Salem area, created Folks for Good Housing in Winston Salem. This is an advocacy group interested in creating affordable housing in that area and they are currently planning a City-wide meeting to discuss housing.

Mr. Angino shared information about Henry Siler School, a 44 unit property, with 8 adaptive reuse units and two new construction properties with one and two-bedroom units. These units are approximately 50% AMI for Chatham County with rents between \$390 and \$675. The Retreat at Pittsboro has 44 one and two-bedroom units with rents between \$355 and \$725. Both are Low Income Housing Tax Credit properties.

Mr. Angino showed the difference in rental rates and rental income for a LIHTC property such as the Retreat at Pittsboro, which indicated that the rent of an affordable property is about 50% of what you could collect for a market rate property, given the decrease in rent between the two. Expenses between the two properties are essentially the same, however there is a more of a management fee for market rate properties and more real estate taxes for that type of property as well. Net operating income for affordable housing properties is significantly lower than market rate housing, requiring additional income/subsidy to offer lower rents. Market rate properties have a much higher net operating income, resulting in a higher value of the property than for an affordable housing property. There is currently a market for market rate properties to be developed and sold to another owner, which we see happening across Chatham County.

Mr. Angino went on to speak about the tools that local governments and developers have to develop affordable housing, including refunding taxes for affordable housing properties. Refundable taxes allow the developer to essentially borrow against the future value of the property and get a higher mortgage. However, in order for this to work, the tax refund must be for the period of the loan (so if the permanent loan is 15 years, so must be the length of time the taxes are refundable). Mr. Angino mentioned the that land banking or donation of land for development of affordable housing is not nearly the biggest cost to develop – a lot of the cost is site work, which has been increasing more and more. It’s important that the land that a locality can provide is near utilities or already has access to utilities to decrease the potential cost of site work for the property.

Below is a screenshot of the presentation that illustrates how an annual tax refund at different rates will allow a developer to receive additional loan amount to assist with development costs.

Tools - Refundable Taxes					
Annual Tax Refund (for 15 years):	\$ 10,000	\$ 20,000	\$ 30,000	\$ 40,000	\$ 50,000
Mortgage Payment with 1.2 Debt coverage rate:	\$ 8,333	\$ 16,667	\$ 25,000	\$ 33,333	\$ 41,667
Interest rate	5.0%	5.0%	5.0%	5.0%	5.0%
Additional Loan Amount with Refundable Taxes:	\$ 129,362	\$ 258,724	\$ 388,087	\$ 517,449	\$ 646,811
Typical Number of Units:		48	48	84	84
Amount per unit:		\$ 5,390	\$ 8,085	\$ 6,160	\$ 7,700

Mr. Angino mentioned that NC Housing Finance Agency’s Workforce Housing Loan Fund was previously something that developers could rely on to assist with access to low-cost financing,

though this tool is not currently one that developers can assume they will have access to. Mr. Angino mentioned that there are also other tools to help offset local fees in order to reduce costs for developing affordable housing. He mentioned that there are potentially grants and subsidies for system-wide costs, such as detention ponds, lift stations, or other costs that may be unforeseen by developers. These costs can significantly contribute to the cost of development.

Mr. Angino also presented example of a proposed “cottage court” concept that he is working on in Winston-Salem, based on the 2bdr apt model except with a SFH design – a porch, open space, reduced parking. These units will be market rate affordable, not subsidized. Units will be for sale. Richard Poole asked whether Mr. Angino was able to share anything about conversations he has had with Chatham Park developers. Mr. Angino stated that he has heard that they would like to build 400-500 affordable units and have been working with towns to meet that desired number.

5. Town, County, and Staff Updates

Pittsboro

Kyle Shipp, Town Commissioner, noted that the Affordable Housing Ordinance will be presented, and a public meeting held this coming Monday, October 25th, and will be voted on at that meeting. Susan Levy noted she appreciated the focus on lower-income housing targeting less than 60% AMI and would like to see something similar in the Chatham Park Housing Element draft as well. Susan also mentioned that it seemed like the property tax rebates were key to affordable housing developers making a project financing feasible. However, the Town’s attorney does not currently feel it is possible to include the fee rebate in the existing ordinance language. Anita Badrock mentioned that she is interested in knowing more about the special assessments that will be charged by Chatham Park because those can be crippling and expensive for residents of the affordable housing units.

Pamela Baldwin, Town Commissioner, also clarified that the proposed Chatham Park Housing Element is that the Town would create a non-profit organization to manage and administer funds allocated from the Chatham Park Housing Element, as well as funds provided through the Town’s Affordable Housing Ordinance. Currently, as the Element draft exists, it states that if the Housing Trust is not in place within a certain amount of time, the requirements for affordable housing is paused until the Trust is in place. Kyle Shipp noted that he suggested the timeline for having the Trust be in place was his suggestion so that there was some pressure on the Town to make that creation of the Trust a priority. Stephanie Watkins Cruz also noted that it might be possible for the Town to create a Housing Trust Fund rather than a full non-profit organization in order to get the funds and use them in a timely fashion.

Susan Levy stated that the Community Home Trust may be an option to assist with some of the administration, monitoring, and compliance, this may be a good way to ensure long-term affordability. Without speaking for the organization, there may be a willing partner in the organization to consider that as an option. Stephanie stated that she had chance to research more the home trust model and knows that the level of subsidy needed to produce a long-term

affordable unit is actually more feasible than the cost of the subsidy required for a low-income tax credit unit that is produced. It may make sense for the Town to have some pre-identify partners to help feasibly implement the creation of affordable housing rather than creating the Trust, committee, etc. And then later looking for development and management partners in the community.

Stephanie Watkins Cruz noted that with the idea of the land donation, it would be a good idea to see a map of potential areas of land donation prior to allowing that as an option for Chatham Park, which is included as an option within the Housing Element as well. This is particularly important because the potential for affordable housing is significantly increased if the property is located near amenities and existing utilities.

John Foley stated that the proposed amount of 480 affordable units is a large number – potentially 10 properties similar to the Retreat at Pittsboro. Erika Brown notes that the 5% current requirement for affordable housing seems low compared to other communities that have similar. Susan Levy also felt this was too low and would like them to consider a minimum of 10% affordable housing requirement. Note that townhomes and other types of housing can be included in the multifamily units that are proposed to be built within the element. Richard Poole also stated that he would like to see more than 5% requirement for affordable housing units and also would like there to be more focus on the low-income households, such as 30% AMI.

John Foley is interested in creating a letter and submitting it to Town of Pittsboro with thoughts on both the Town's ordinance as well as the proposed language for the Chatham Park Housing Element. Kyle Shipp and Pamela Baldwin both mentioned that it might be good to submit letters as individual letters of the AHAC board.

Carolyn Huggins noted that when she was in Maryland, she saw houses outside of a planned unit development that were considered affordable housing and that they did not have the same access to amenities as the market rate properties. This created a sense of a second-class citizen. This is in regard to the possibility of land donation or creating units outside of the proposed Chatham Park community, as outlined as a potential possibility within the Housing Element.

Siler City & Goldston

No updates from Siler City or from Goldston.

Staff Updates

Stephanie noted that if the members could please respond to a work session invitation so that they can be fully scheduled. The next AHAC meeting will be held Thursday, November 4, 2021 where the Committee will review and score Housing Trust Fund applications.

Richard made motion to adjourn the meeting. Kyle seconded. The meeting was adjourned unanimously at 8:02pm.