

Dear Mayor Hemminger and Town Council members (Cc Manager Jones and Director Viñas),

I hope this message finds each of you well. We are writing on behalf of the Orange County Affordable Housing Coalition (<http://www.orangehousing.org/>), in order to share some thoughts on how the Town can and should continue to support development of affordable multifamily rental housing, which as you know is a critical part of the housing continuum for lower income community members.

The Low-Income Housing Tax Credit (LIHTC) is easily the most significant affordable rental housing production program in the country, but until recently was rarely used in Chapel Hill. There have been a total of 10 competitive LIHTC awards to Orange County (just 4 in Chapel Hill) for new construction in the last 30+ years. This compares to 30 such developments in Durham, 26 in Buncombe, 40 in Guilford, and 96 in Wake County. (You can look up multifamily funding awards by jurisdiction and/or by other criteria at <https://www.nchfa.com/rental-housing-partners/rental-developers/find-awarded-projects>.) We are happy the history of little LIHTC development in the county is changing, with Greenfield Place and Greenfield Commons (Legion Road) and Perry Place (Merritt Mill) as recent examples.

We hope that Carraway Village, Jay Street and Trinity Court will be additional examples of successful LIHTC development in the near future. While we are not familiar enough with the details of each of these three proposed projects to be able to comment on the proper financing approach and sequencing to maximize impact and minimize local subsidy required, we do want to share some general thoughts presuming they will all be LIHTC developments. It's important to understand several responsibilities of the Town to support developments that utilize LIHTC as a funding source:

- In order for LIHTC developments to move forward successfully, **the Town needs to provide several key commitments, without which the LIHTC application cannot be submitted and a full year will be lost (for 9% LIHTC) waiting for the next annual application cycle:**
  - Execute a written option to purchase or other valid form of site control before the preliminary tax credit application deadline (**1/21/22, the likely deadline for next calendar year for 9% LIHTC applications**). Such options will include various contingency to ensure that the developer only has the right to purchase provided a LIHTC award is received, long-term affordability protections are imposed, et al.
  - Ensure that sites have the necessary zoning in place before the full tax credit application deadline (**5/13/22, the likely deadline for next calendar year for 9% LIHTC applications**).
  - Provide evidence of needed local subsidy, if any, through a written commitment in place before the full tax credit application deadline (**also 5/13/22**).

Once the LIHTC funding award is made, which is usually August, there will be additional expectations of the Town—e.g., the Town will need to be sure that all its site/building review and inspection processes are well-coordinated to meet the tight deadlines for placing the developments in service.

- Although in most years Orange County is unlikely to receive more than one 9% (competitive) LIHTC award, it is possible the county could receive two awards, and this possibility is higher this year because of a tie-breaker criterion that may not exist in future years and favors counties with little LIHTC recent production; Orange County has one of the lower production rates in the state. Furthermore, **it is always good public policy to support the submission of more than one project's 9% LIHTC funding application annually** to increase the odds of winning an award given competition from other communities and the potential for any single funding application not to succeed in any given year for any number of reasons. Most jurisdictions that consistently deliver LIHTC developments submit two or often more competitive applications every year; developers should understand that they may not be the only application in the county, as this is the case in most communities where they work.
- **Local subsidy—in the form of soft debt, donated land, and more—is critical to development of affordable multifamily rental housing, as with other affordable housing.** 9% LIHTC projects generally require the least local subsidy per unit for affordable housing targeting renters because they provide a significant amount of tax credit equity, while 4% (non-competitive) LIHTC requires significantly more local subsidy but opens the door to many more units being created over time given that at present North Carolina has more 4% LIHTC capacity than it has funding applications for those projects. Both 4% and 9% are important tools to utilize for our community.

Please let us know if we can provide any additional information as you continue to learn about what the Town can do to increase the success of its housing partners. For example, the OCAHC includes four nonprofit partners who have developed or are in the midst of developing LIHTC projects—DHIC, CASA, Self-Help, Community Home Trust—and can help address any questions or concerns. Affordable housing development requires leadership, expertise, land, and subsidy; you have the power to continue to provide each of these key ingredients and we look forward to supporting your efforts.

Presuming that the Town wants to have developers submit 9% tax credit applications for both Jay Street and Trinity Court, **we look forward to your vote on January 12th to grant site control to the developers** to allow that to happen in the 2022 LIHTC 9% funding cycle.

Dan Levine, 2021-2022 Co-Chair

Jennifer Player, 2020-2021 Co-Chair