Charlotte City Council
Housing and Neighborhood Development Committee
Summary
September 24, 2014

COMMITTEE AGENDA TOPICS

I. **Community Development Block Grant Housing Support Requests**
II. **Gentrification Referral**

COMMITTEE INFORMATION

Council Members Present: Patsy Kinsey, Alvin Austin, John Autry, Ed Driggs

Staff Resources: Ann Wall, Assistant City Manager
Pamela Wideman, Neighborhood & Business Services
Pat Mumford, Neighborhood & Business Services
Rebecca Hefner, Neighborhood & Business Services

Meeting Duration: 12:00 PM – 1:30 PM

ATTACHMENTS

1. Agenda Packet – September 24, 2014
2. Presentation – Community Development Block Grant Housing Development Support
3. Presentation – Indicators of Neighborhood Change

DISCUSSION HIGHLIGHTS

Kinsey: Called the meeting to order and introductions of attendees. We have one item with action requested and the other is just for information as we continue to look at gentrification.

Wall: The Committee will be asked to consider the Community Development Block Grant (CDBG) funds that the City receives and their allocation to housing support services. Ms. Wideman will review some of the history and our recommendations for providing those housing support services to support housing in the Charlotte area.

Wideman: We have four requests today in four categories: multi-family rehabilitation, single-family rehabilitation, multi-family new construction, and Grier Heights' infrastructure. Think about it holistically in terms of neighborhood revitalization. The Council asked us to look at not only building new construction, but also preserving some of the existing affordable housing stock.

Presentation (CDGB Program)

The City is considered a participating jurisdiction, which means we receive an annual allocation based on the size of our city. When using CDBG funds for rental purposes, we look to serve those earning 60% or below Area Median Income (AMI). For home ownership, we are able to go to 80% of AMI.

Presentation (CDBG Funding)

We have a request for Habitat for Humanity in order to get them on a regular funding cycle. They have an existing contract for $375,000 for 35 houses and have already completed 24 housing units. The contract will run out in December, but due to schedules, we wanted to get this in front of Council.

Presentation (RFP Process)

Driggs: You are showing a total of $4M, in past years the annual total was $4.8M. Are we expecting a lower total funding amount or are we not allocating all the funding we expect to get in FY2015.

Wideman: We have some money from previous years that we needed to spend. We have a CDBG balance because we have retooled some programs and we honored the Council's request to allow some of our money for other projects. This will help us catch up with spending the dollars we have on hand.

Driggs: This is less than the prior year's total allocation. So we are not fully committing and we are expecting to get less money in the current year?

Wall: You are correct. This does not reflect the full CDBG allocation. We use the CDBG allocation for other projects, including Out-of-School Time. The requests for housing support reflect annual CDBG money, prior CDBG money, and the amount we can best handle.

Wideman: Presentation (Recommendations)

Savanah Woods will be doing a substantial rehabilitation to the property. Thomasborro/Hovis will be working with the Self-Help Community Development Corporation. For Habitat for Humanity, we generally contribute $10,000 per unit for rehabilitation with CDBG dollars and they contribute $5,000 per unit from other sources. For new construction, Antando Avenue is the completed portion of affordable units promised in the BrightWalk community. Charlotte-Mecklenburg Housing Partnership will be exceeding what they promised to deliver in terms of affordable

housing units. They are leveraging our funds with a 4% bond deal from the NC Housing Finance Agency. Grier Heights is about supporting infrastructure, similar to what you did at BrightWalk. The national test is for at least 51% of the area residents earn 80% or below of AMI.

Driggs: If we use federal funds, how does that impact those living in the places that are being improved or built? Does it translate to lower rents because a federal subsidy is being provided?

Wideman: Developers of affordable housing bear the affordable period on the home. It allows people to remain in an affordable home. As it relates to infrastructure, you could categorize these neighborhoods as distressed. They receive money that will help improve the infrastructure in that neighborhood.

Driggs: If we do rehabilitation on a house, how does the occupant of the house participate financially in that transaction? A Habitat homeowner earns about 50% or below AMI. A homeowner earning that amount does not have excess funds they would need to do the rehabilitation. The other way that this helps residents, Habitat can go in cheaper and more efficiently than a homeowner could afford to do. For multi-family, the affordability period will ensure that in communities where you need rental housing that there is some decent, safe, suitable rental housing.

Mumford: These programs allow rental rates to stay lower, but allow them to improve the units. This stabilizes the rent rate. For rehabilitation, we look at the equity in the home. If the person leaves the next year, some of that comes back.

Driggs: I see the value of that. I am trying to understand how you would assign priorities.

Austin: Are these all the proposals that we received? In past we have had more proposals submitted. Do we fund all of those when they are submitted?

Wideman: Often we have Housing Trust Fund (HTF) proposals that we did not fund. The primary reason is that they have not received a tax credit from the state. Our equity is the least amount of equity needed when you look at a tax credit deal. We may not have funded because it exceeded the amount in the HTF for that allocation period. There are a number of criteria: the affordability period, proximity to amenities, or supporting our revitalization policy. There is a very prescriptive rule depending on the type of funding.

Autry: I see somewhere the affordability is 20 years or 40 years. Why the variation?

Wideman: The Antando affordability period is 40 years because it is new construction. In addition, it is associated with the state's criteria.

Driggs: The affordability period of 40 years, has associated with it the definition of what the requirement is, e.g., the occupants have to be within a certain income range and the cost to them cannot exceed a certain percent of their income. How does the developer comply with the affordability requirement?

Wideman: Every year HUD releases their affordability chart and the developer will base the rent on that number.

Driggs: Is there a test for what income range qualifies and how much of their income pays for rent. Depending on where you are in that income range the amount of rent you pay could vary.

Wideman: I would ask Julie Porter with the Housing Partnership to come down and answer this. The general rule of thumb is that people should not be paying more than 30% of their annual income for housing.

Porter: Every year they come out with the current median income for Charlotte. The rent may adjust slightly on an annual basis. If it is a tax credit unit, we will set the rents and everyone who qualifies for that unit pays that set amount. It is not dependent on that resident's particular income; it depends on what the unit is. We tie the subsidy or financing to the unit. Everyone in a 60% unit would be paying the same amount. If you have a 30% unit it may go down, but it stays static and does not vary based on individual income level.

Driggs: If someone is successful and starts earning more than the amount, do they have to move?

Porter: They have a period of 24 months that they would be able to stay in the unit. After that period, if they no longer qualify they would have to move.

Autry: How often does that happen? Is that an unusual change in the person's position?

Julie: It is not often we have to move someone out. They will normally self-select out. We provide homebuyer education with our rental population and so as their incomes rise they would be able to buy a home.

Motion by Mr. Autry: Approve the Community Development Block Grant housing support request and recommend approval by the City Council at an upcoming meeting. Mr. Austin seconded the motion. Vote: Unanimous (4-0)

<u>Gentrification Referral</u>

Wall: The next item is a follow up on the discussion about gentrification. At the last Housing & Neighborhood Development Committee meeting, we started a discussion on neighborhoods that might be in a place of gentrification. We have Rebecca Hefner, who does work on the Quality of Life data. She will present criteria we might use to evaluate neighborhoods going through gentrification. She will help us to identify those data points in the criteria. We are not asking for action today, but would like your thoughts on if this is the right place.

Mumford: I would like you all to think about this discussion around data. We have moved, with your direction, the Quality of Life Study into something that is much more dynamic.

Under Rebecca's leadership, we are gathering information in a way that can inform what we do to the benefit of our community. We have not had this in the past. Previously, the Quality of Life data was somewhat static. Now we have a great opportunity to analyze where we want to move the needle. What does that data inform and where do we want to go? There is so much data that it can be overwhelming. With your help, we need to focus on exactly what are those components that are important for us to track to see if it is going up or down. That will help us to allocate resources and get the best return on those resources. This is a different discussion around Quality of Life data.

Wall: When we look at this presentation about indicators of neighborhoods of change. This is focused on those items that relate to gentrification. We do have scheduled to come back to this Committee a more elaborate presentation about the Quality of Life data as a whole. Today we are focused on data related to neighborhood change.

Hefner: I have been working for one year on the Quality of Life Study. What I like to tell people about data is that data is not about answering questions, data is about asking the right questions. I will talk about the different indicators of neighborhood change.

Presentation (Neighborhood Change)

Autry: Vulnerability to change is an interesting term. How would you define that?

Rebecca: For your purposes, you would be the ones to define vulnerability. The displacement pressure would be high, there is an affordability issue and people will not be able to stay in the neighborhood. Another type might be that there is social tension as diversity increases within a neighborhood that might cause some vulnerability to that change. It looks at both the affordability and how the development plays out in the neighborhood.

Autry: And the social dynamics that it brings with it.

Driggs: One sign is when you have adjusted position of much higher priced houses with lower priced houses. The higher priced housing suggests that location is desirable and the lower priced housing becomes a target for redevelopment. I think there are many interesting instances in New York. For example, you look at first Brooklyn Heights and then it spreading into the upper westside. When I first moved there it was pretty run down, then restaurants blossomed and the rents shot up. I think a key indicator is if you look at real estate prices and you have a low rent older neighborhood that is in proximity to uptown and has many desirable attributes. What I like about the approach is that anticipatory aspect of characterizing vulnerability instead of waiting until problems manifest and people are being dumped out on short notice. We can be thoughtful about where intervention is indicated.

Hefner: Another part of this anticipatory approach is to pick through what are the population changes in Charlotte and how many people do you expect to come here? Who are they? What do they want? Part of that neighborhood change comes when a neighborhood is desirable. We need to think through what are people looking for in neighborhoods.

Presentation *(Location and Amenities)*

What makes a neighborhood attractive for residential locations, so people want to live there and/or attractive for real estate investment? This is part of the long cycle of changing preferences we have seen in the last 20-25 years. It is a shift back towards the city and the proximity to things. Not just center city, but where there are places of high job density. Some of the things that make a neighborhood attractive or making it the "happening place" at that moment are difficult to measure.

Presentation *(Real Estate Investment)*

Driggs: Is the metric we use the same as the increase in property value that serves as base for the property tax in the County's calculation?

Hefner: This corresponds to the value that is listed on the building permit and gets added to the property tax.

Presentation *(Public Investment)*
We can expect change to occur around areas where public investment is happening.

Presentation *(Housing)*
We need to think about two things. What is the investment potential of the neighborhood? In addition, what is the impact when investment takes place? Do they have a long-term affordability in place? As development pressure heightens, those might turn into market rate.

Presentation *(Neighborhood Capacity for Managing Change)*
There are tools that can help neighborhoods manage change. We look at historic patterns that created the neighborhoods and whether this is an area, where people were displaced to in the past. Community engagement includes the work the city is doing around investment, the options or opportunities for conflict resolution, and the capacity to help neighborhoods manage that change process.

Driggs: This was a great overview of all the dimensions. Is the intention to create a model where you have a bunch of variables corresponding to these factors and then you come up with a methodology for assigning numbers? Then you have some sort of algorithm for coming up with a gentrification vulnerability or probability score? That would be how we would identify the most vulnerable? Trying to understand what the finished product will be. Will it be a map that shows high-risk gentrification zones? You will have a big challenge in terms of trying to quantify all that.

Hefner: The challenge is to take all these factors and try to understand what question we trying to answer. There are a couple of models depending on what challenges we are trying to address. Yes, there is a methodology. You would look at what is the final number. It is important to look at some of the more qualitative components and assign weight up or down based on what other factors are coming into play. The methodology is not set in stone. I do not know what the final product will look like. You cannot predict change to the extent where you know where it is going to be rapid. You can say these are the

neighborhoods with an identified vulnerability or the conditions are right for some positive redevelopment and need to be concerned for neighborhood displacement.

Driggs: You touched on what I think is important; you do have to think about what you want it to do for you. We have to be thoughtful where we see a problem. What is it that you are trying to identify for us? We have criteria with historical and cultural significance. We think that opposing the economic forces of development makes sense because we want to protect our community and protect certain people in our community from the blindness financial incentives that drive economic growth. If that is what we want, are we working toward a data environment that highlights where the potential problem areas are? Are we trying to identify problems or just establish where rapid change is likely? That probably needs to go into the design of the model because if you are talking about data you are talking about assigning numbers to areas and they may not be helpful to us. There are some areas where development is going to happen, like Eastland and other areas we have places where a bunch of old houses are being displaced by hotels. Then active discussion arise as to what position does that put people in and what are their options in terms of living somewhere else. If you do all this work, I would want it to plug in to a policy process that we need to engage in.

Austin: I think data driven decision-making is the key. I am going to have some kind of gut feeling about what is occurring in my neighborhood, so how do we factor that in? Data is great, but I am going to want to engage because I already see things happening and we need to get in front of this.

Mumford: You are correct. This is not the old way of categorizing neighborhoods and pushing down labels to people. We are suggesting that they are quantifiable, but really highlight the qualitative things that need to be discussed. It is a participatory opportunity with the community. Data is data, neither good nor bad. We begin to put those labels on it. We want to bring information to a community that we see trends, pressures and opportunities going in this direction. We do not want to tell you whether that is good or bad for you. Is this is coming, what does the neighborhood feel they want or direction they want to take? What are some policies in place to redirect those natural market forces? People may fully embrace the change that is coming to a neighborhood and we want to augment that with other policy objectives. We want to stay away from saying that this information tells us a neighborhood is good or bad. It opens up a conversation with the neighborhoods, neighborhood leaders and elected bodies. Some neighborhoods do not want to be like other neighborhoods. We need to be able to use this information to open up dialogue, increase the engagement and decide on a much smaller geography what you want the outcome to be. That would then bring us to policy objectives.

Hefner: It is about problem definition, but also about neighborhoods defining the problem or challenge. These are the kinds of data available to help understand what is happening and provide an analysis that gives that insight into what can be done.

Autry: We are not trying to find a single one size fits all solution for the challenges of the community, but may be able to develop an “object oriented development” so we will have several different depending on the problems or desires of the community.

Driggs: If you define as your goal the early identification of neighborhoods that could require policy attention, then this tool could be used to make more objective decisions. If working well, it will produce information that aligns with what Mr. Austin was talking about if it identifies areas and provides basis for showing where we have more urgent or imminent issues and helps us allocate resources and address problems. That is when the tool is most useful.

Mumford: Rebecca has done an outstanding job of looking at this data and asking if it can be better. We cannot track everything and need to be sensitive to community expectations. The data world is changing rapidly. We can get information at a smaller geographic level, but we are not at a block-by-block or parcel-by-parcel level.

Autry: Neighborhoods look at small area plans. This has potential to have a different impact on how those areas are developed. Maybe it could help jump start some of those plans that have not been done over the years, but that were promised.

Mumford: We have been talking a lot about the small area plans. Years ago, the plans were delivered as aspirational, but there was no funding. Now we want to resurrect those plans and see how there might be a way to get some funding through coordination with the CIP geography and Neighborhood Investment Plan.

Kinsey: I think data and information is good, but it comes down to the human aspect. Those elected from a district know the vulnerable neighborhoods. It takes political will of Council to make some tough decisions if they want to save some of our older neighborhoods and prevent some gentrification.

Wall: We are trying to confirm some speakers for the next meeting and may need to change the date of the next meeting. We are looking at October 8 or October 29. If October 29 works for everyone, we will shoot for October 29.

Driggs: Can we put the names of the speakers on the agenda?

Meeting adjourned.

City Council
Housing and Neighborhood Development Committee

Wednesday, September 24, 2014
12:00 p.m.
Charlotte-Mecklenburg Government Center
Room – 280

Committee Members: Patsy Kinsey, Chair
Alvin "Al" Austin, Vice Chair
John Autry
Ed Driggs
LaWana Mayfield

Staff Resource: Ann Wall, Assistant City Manager
Pamela Wideman, Deputy Director, Neighborhood & Business Services

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AGENDA

I. Community Development Block Grant Housing Support Requests (Action Requested)
The Committee will be asked to consider approving Community Development Block Grant Housing Support Requests and recommend their approval by the City Council, at an upcoming meeting.

II. Gentrification Referral (No Action Required)
In April 2014, City Council referred the issue of gentrification to the Housing & Neighborhood Development Committee for additional study. Neighborhood & Business Services staff will present criteria from the Quality of Life Study that can be used to identify neighborhoods at risk of experiencing gentrification.

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NEIGHBORHOOD & BUSINESS SERVICES

Community Development Block Grant Housing Development Support

September 24, 2014

Housing & Neighborhood Development Committee

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Briefing Objectives

- Community Development Block Grant (CDBG) Funding Requests
- FY2015 CDBG Funding Recommendation
  - Multi-Family Rehabilitation
  - Single-Family Rehabilitation
  - Multi-Family New Construction
  - Grier Heights Infrastructure
- City Council Action Request

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CDBG Program

- The Community Development Block Grant (CDBG) program provides communities with resources to address community development needs. Annual allocations are provided on a formula basis to local governments based on local population.
- Funds are used to provide decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons.
- The primary program goal is to increase stock of quality rental housing units serving households earning 60% ($38,500) or below Area Median Income (AMI).

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CDBG Funding

Fiscal Year 2014	$4,865,370
Fiscal Year 2013	$4,416,652
Fiscal Year 2012	$4,358,311
Fiscal Year 2011	$5,195,468
Fiscal Year 2010	$4,782,038

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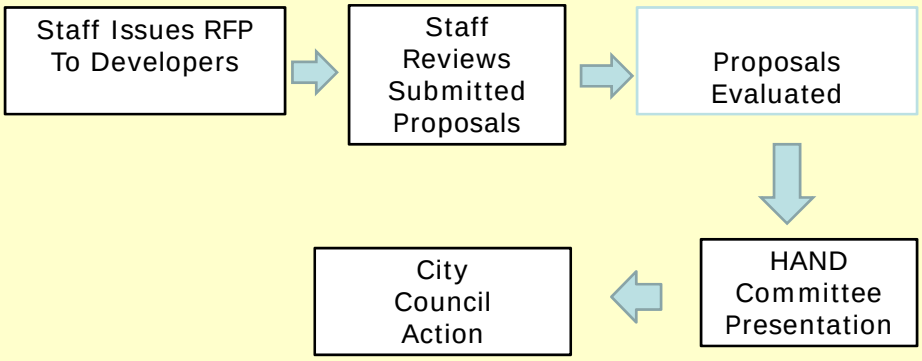
CDBG Funding Request

In July 2014, Staff issued a CDBG funding Requests and received the following proposals for funding consideration:

- Multi-Family Rehabilitation
- Single-Family Rehabilitation (Habitat for Humanity)
- Multi-Family New Construction
- Grier Heights Infrastructure Improvements to support new construction

Request for Proposal Process



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Funding Summary

Multi-Family Rehabilitation - Heritage Park - Savannah Woods - Thomasboro/Hovis	$2,444,002
Habitat for Humanity - Single Family Rehabilitation	$375,000
Multi-Family Construction - Atando Avenue Apartments	$500,000
Grier Heights Infrastructure	$750,000
Total	**$4,069,002**

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Multi-Family Rehabilitation Funding Recommendations

Heritage Park

- District 5
- Units: 151
- AMI: 128 units ≤ 60%
  23 units ≤ 30%
- CDBG Funding: $650,802
- Total Cost: $7,906,770
- Affordability: 20 years
- Leverage: 1:12
- Developer: Sandlewood Affordable Housing, LLC

Heritage Park

Heritage Park

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Multi-Family Rehabilitation Funding Recommendations

Savannah Woods

- District 1
- Units: 49
- AMI: 49 units ≤ 60%
- CDBG Funding: $1,465,200
- Total Cost: $3,465,200
- Affordability: 20 years
- Leverage: 1:2
- Developer: Charlotte Housing Authority

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Multi-Family Rehabilitation Funding Recommendations

Thomasboro / Hovis

- District 2
- Units: 21
- AMI: 21 units ≤ 60%
- CDBG Funding: $328,000
- Total Cost: $1,018,000
- Affordability: 20 years
- Leverage: 1:3
- Developer: NCBK Delphen Property Investments, LLC

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Single-Family Rehabilitation Funding Recommendation

Habitat For Humanity

- Units: 35
- AMI: 35 units ≤ 60%
- CDBG Funding: $375,000
- Total Cost: $547,500
- Leverage: 1:1

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Multi-Family New Construction Funding Recommendation

Atando Avenue Apartment

- District 2
- Units: 130
- AMI: 130 units ≤ 60%
- CDBG Funding: $500,000
- Total Cost: $17,046,319
- Affordability: 40 years
- Leverage: 1:34
- Developer: CMHP

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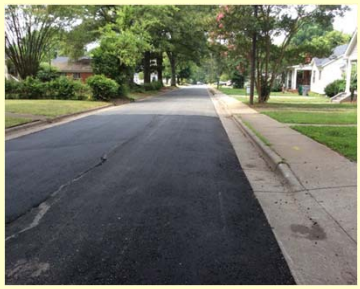
Grier Heights Infrastructure

- This project will provide infrastructure along the following streets:
  - Eastside of Orange Street from McVay Street to Dunn Avenue
  - Southside of Dunn Avenue from Orange Street to Heflin Street
  - Westside and Eastside of Heflin Street from Dunn Avenue to McVay Street
- This project supports single family housing development under construction by Crossroads CDC and Self Help CDC.

Grier Heights – Existing Conditions



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Grier Heights – Existing Conditions

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Grier Heights – Improvements

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Next Steps

- Provide a dinner briefing to City Council on October 27, 2014.
- Request Council's approval on November 10, 2014.

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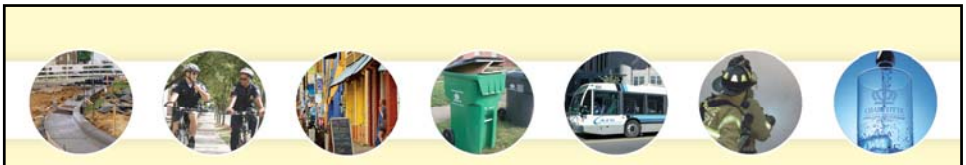

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Indicators of Neighborhood Change

September 24, 2014

Housing & Neighborhood Development Committee

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Neighborhood Change

- Neighborhood change is wide-spread and varying and becomes a challenge when:
  - Pace is rapid
  - Displacement pressure is great
  - No vision or disagreement about vision for a neighborhood
- To identify where challenges may arise, we must:
  - Understand where change is currently happening and why
  - Examine research to identify relevant variables
  - Analyze neighborhood capacity to manage change

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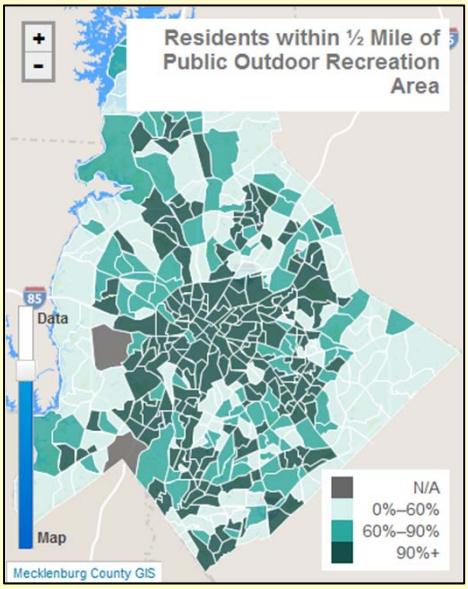
Demographics & Diversity

- Median household income / Income diversity
- Racial/ethnic diversity
- Owner-occupancy
- Household structure:
  - Senior head of household
  - Families with children
- Educational attainment

Location and Amenities

- Proximity to:
  - Jobs
  - Transit
  - Public outdoor recreation (parks, greenways)
  - Grocery store
- Walkscore
- Neighborhood school assignment
- What we can't measure



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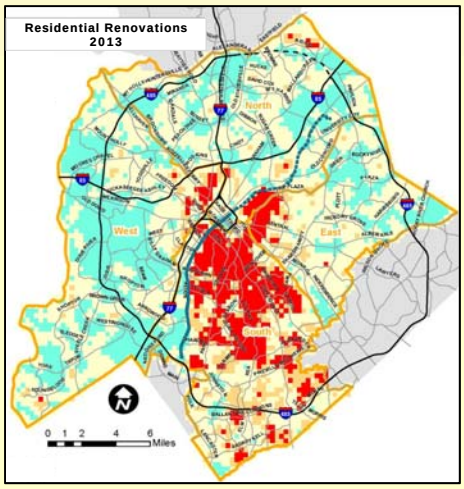
Real Estate Investment

- Real estate investment:
  - Housing price appreciation
  - Change in median gross rent
  - Residential construction activity
  - Commercial construction activity



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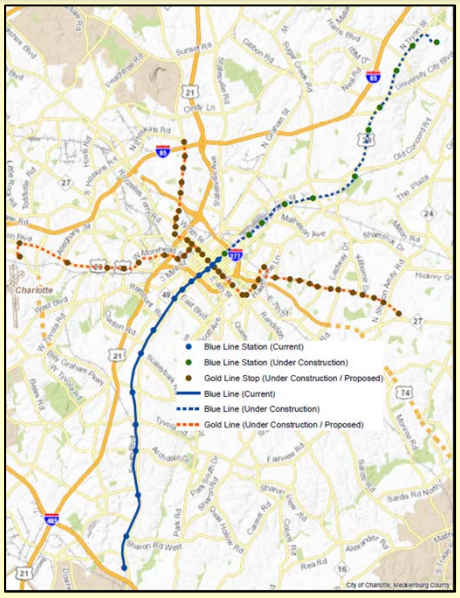
Public Investment

- Transit Lines
- Greenways/ Cross-Charlotte Trail
- Community Investment Plan and Comprehensive Neighborhood Investment Plan Areas
- Others



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Housing

Investment Potential

- Vacant housing
- Age and types of housing stock
- Housing value per square foot
- Large property owners

Impact Assessment

- Median gross rent
- Housing cost burden
  - Renters
  - Owners

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Neighborhood Capacity for Managing Change

- "What's in the ground?"
- Neighborhood organization strategic planning
- Area Plans
- Zoning overlay districts
- Community engagement
- Community Relations Committee

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