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FOLLOW-UP REPORT

CITY COUNCIL

OCTOBER 10, 2012

AFFORDABLE HOUSING STRATEGY DISCUSSION

Follow-Up Report
October 10, 2012
Affordable Housing Strategy Session

This document is provided as a follow-up to the October 2012, City Council Affordable Housing Strategy Session. According to the findings of the Below Market Needs Housing Assessment Study, there is a deficit of about 15,000 units at an affordable rental rate for persons earning between 30% and 50% of the area median income.

During the October 10, 2012 meeting, City Council discussed the following:

- Composition of the Charlotte-Mecklenburg Coalition for Housing
- Housing Locational Policy Exemptions
- The need for earlier notification to Council and surrounding neighborhoods when City funding is requested for the development of affordable housing
- Possible affordable housing strategies that could be used to expand and increase the supply additional affordable housing throughout the City, based on the findings of the Below Market Needs Housing Assessment.

Composition of the Charlotte-Mecklenburg Coalition for Housing

The Charlotte-Mecklenburg Coalition for Housing (Coalition) is a community based board charged with implementing the Ten-Year Plan to End and Prevent Homelessness (Plan). The Coalition is 15-member board jointly appointed by the City of Charlotte and Mecklenburg County with the following industry representation:

City Appointments	County Appointments
Non-Profit (Mayor)	Public Safety (Sherriff/Jail)
Corporate/Economic Development (Mayor)	Education
Faith-Based (Mayor)	Human Services
Community	**Ex-Officio Members (Non-Voting)**
Affordable Housing	Neighborhood & Business Services Director
Donor	Charlotte Housing Authority (CEO)
Financial	Community Support Director (County)
Real Estate	
Legal	

Council expressed concerns about Coalition members being eligible to receive Housing Trust Fund Awards and that the Coalition board be expanded to include additional neighborhood representatives.

Coalition Members Eligibility to Receive a Housing Trust Fund Award

The City Attorney has advised based on a review of the City Council's board conflicts policy that it would not be a conflict of interest for a member of the Coalition Board to be someone from a company that may potentially benefit from a Housing Trust Fund Award. This determination is

further supported by the fact that the Coalition makes recommendations only, not the actual award of Housing Trust Funds. Nevertheless, a Coalition Board member whose company has submitted a proposal would need to recuse him or herself from all discussions and voting related to such proposal.

The process for Housing Trust Fund (HTF) awards is as follows:

1. The Coalition makes recommendations on HTF categories (i.e. tax credit Allocation, Supportive Services, and Acquisition)
2. Neighborhood & Business Services (NBS) staff issues a request for proposals
3. Developers submit proposals
4. Staff reviews and evaluates each proposal
5. In an effort to achieve the maximum leverage of local funds against State funds, recommended awards are consistent with site scores assigned by the North Carolina Housing Finance Agency
6. Recommended HTF awards are presented and approval and a recommendation is requested by the Council's Housing & Neighborhood Development Committee (Committee)
7. NBS staff presents the Committee's recommendation to the Council
8. NBS staff issues a letter of commitment to the North Carolina Housing Finance Agency on behalf of the developer for tax credit developments

Coalition Composition

One option for additional neighborhood representation would be to appoint citizens based on Neighborhood & Business Services (NBS) service delivery areas. NBS operations are delivered by four teams in geographical service areas – Northeast, Northwest, Southeast and Southwest. This approach allows NBS to better align with the Charlotte-Mecklenburg Police Department (CMPD) and other partners to collectively address issues and maximize resources to improve the overall quality of life in our community.

One individual from each of the four service areas could be appointed by City Council. Individuals wishing to represent service area neighborhoods could apply through the Charlotte City Clerk's office. Initial terms would be for one year and subsequent terms would be for three years. Based on Council adopted policy for appointments to Boards and Commissions, the Mayor normally appoints one-third of the membership and the Council appoints two-thirds of the membership.

Housing Locational Policy Exemptions

Council approved the Housing Locational Policy (HLP) on March 28, 2011. The HLP includes exemptions for senior citizen developments and developments for the disabled population. The policy exemptions allows these types of developments to be constructed anywhere throughout the City, with proper zoning. During the October 10, 2012 session, Council discussed the possibility of removing the current exemptions.

The current policy exemptions assist in the provision of housing for senior citizens and the disabled populations:

Housing for senior citizens:

1. Addresses the housing deficit for this population as identified in the preliminary findings of the recently released Below Market Housing Needs Study.
2. Provides adequate and quality housing for senior citizens in independent living communities among their peers in close proximity, to transportation, grocery, pharmacy and other necessary retail services.
3. Allows senior citizens to age in place and continue to maintain their existence in communities where they are often invested and are long-time residents.
4. Does not negatively impact the school system, because there are no school-aged children living in these developments.

Housing for the disabled population:

1. Provides permanent supportive housing with needed on-site supportive services
2. Provides more efficient use of community resources
3. Extends the life of chronically homeless individuals.

Council's major concerns about the current exemptions are:

1. Due to by-right land entitlements, developers are not required to inform the surrounding neighborhoods of proposed developments, therefore Council members and affected neighborhoods do not receive advance notification of a proposed development.
2. Due to land costs and availability, these developments are not geographically dispersed throughout the City.

Possible solutions include:

1. Maintain the exemptions, but strengthening the HTF guidelines to make it a mandatory requirement of developers to inform Council members and the surrounding neighborhoods about their plans for developments to serve the senior citizens and disabled populations when seeking City funding.

2. Eliminate all exemptions from the HLP, requiring proposed developments to be constructed only in permissible areas in order to receive City funding.

3. Continue require developers to request a waiver from the City Council if seeking to develop in a non-permissible area.

Earlier Notification to Council and Surrounding Neighborhoods for City Funding Requests

During the October 10, 2012 meeting, Council members expressed a desire to receive earlier notification of potential affordable housing developments in their districts and that developers make the surrounding property owners aware of a potential affordable housing development.

Staff will revise the City of Charlotte Housing Trust Fund Loan and Grant Guidelines to include a requirement for proposed developers to provide notification to the Council at the submission of the preliminary tax credit application. NBS staff and the proposed developer will also jointly engage affected communities before recommended developments are presented to the Council for funding consideration. For proposed developments that are not seeking a tax credit award, developers will be required to provide notification to the Council and surrounding community at the time of requesting City funding.

Affordable Housing Strategies

At the October 10, 2012 Affordable Housing Session, Mayor Foxx outlined several possible strategies for addressing affordable housing and requested that staff bring back additional information about each strategy. Below is staff preliminary work on each strategy with the inclusion of estimated costs for each.

1. **Permanent Supportive Housing for the Chronically Homeless:**
   The U.S. Department of Housing and Urban Development considers an individual chronically homeless if he or she has a disabling condition and has been continuously homeless for a year or more, or an individual has a disabling condition and has had at least four episodes of homelessness in the past three years.

   There is an estimated 800 chronically homeless individuals. Approximately 100 individuals have been housed, leaving an approximate 700 chronically homeless individuals in our community.

   Population Served:
   Permanent Supportive Housing would provide housing for chronically homeless individual at or below 30% of the area median income.

   Benefits:
   - Extend life of chronically homeless individuals
   - Serve 400 of the 700 identified chronically homeless individuals
   - Address temporary shelter backlog
   - More efficient use of community resources
     - According to recent data, the average annual bill per chronically homeless participant was $37,000 when living in a temporary shelter. In contrast, the average annual cost to house and support a chronically homeless individual through Urban Ministry Center's Housing Works program (includes Moore Place and the scattered-site program) is $13,983. This reflects housing costs (rental subsidy, utilities), case management, and additional support services, which includes client transportation and emergency assistance with clients' basic needs such as food, Rx co-pays, etc.

- Provide on-site supportive services
    - On-Site supportive services may include case management, legal services, life skills assessment, employment training, health care access, and mental health and substance abuse counseling

Development Geography:
- Must meet zoning requirements
- Access to frequent bus transportation
- Access to pharmacy and grocery stores

Funding Source:
- Housing Trust Fund

Estimated Capital Costs:
- $26,000,000 over 8 years
    - 1 facility of 85 units would be built every two years x 8 years = 340 units
    - $6,500,000 per facility x 4 facilities over 8 years = $26,000,000

Through the use of the Housing Trust Fund, the City would provide capital funding for the construction of four permanent supportive housing facilities. Operating costs and supportive services would be provided by Mecklenburg County, the Charlotte Housing Authority, and Homeless Service Providers.

2. **Tax Credit Development:**
The Low-Income Housing Tax Credit program is an indirect Federal subsidy granted to States used to finance the development of affordable rental housing for low to moderate income households, thereby increasing the supply of affordable housing in communities. According to the recently released Below Market Housing Needs Assessment Study, there is an existing need for quality, affordable housing for households earning 60% and below the area median income.

Through the use of the Housing Trust Fund, capital funding dollars would be made available to developers receiving a North Carolina Low-Income Tax Credit Award from the North Carolina Housing Finance Agency (NCHFA) for the construction of new or rehabilitated multi-family housing developments.

Population Served:
Low-Income Housing Tax Credit Developments serve households earning 60% and below the area median income.

Benefits:
- Aligns and leverages local funding with State supported and funded developments
- Addresses identified deficit of affordable units
- Assists with geographical dispersion throughout the City
- Allows states to prescribe design standards and require properties be developed by experience developers, ensuring quality of construction and management

Development Geography:
- Permissible areas as defined by the HLP unless City Council grants a waiver
- Land must meet zoning requirements
- Developers must inform City Council and surrounding property owners if City funding is requested

Funding Source:
- Housing Trust Fund

Estimated Capital Costs:
- $24,000,000 over 8 years
    - $1,500,000 per development x 2 developments of 120 units = 240 units per year
    - 2 developments per year x 8 years = $3,000,000 per year
    - $3,000,000 per year over 8 years = $24,000,000

3. **Land Banking for Affordable Housing Development:**
Land banking is employed by municipalities and used as a mechanism to acquire vacant properties for public good and is commonly used to provide land for the development or redevelopment of affordable housing.

The City and its public agency partners such as Mecklenburg County and Charlotte-Mecklenburg Schools own various parcels of land throughout the City. These parcels might be possible resources for the development of affordable housing. Partners could consider transferring or selling their land, at a reduced rate, to the City for land banking purposes, where affordable housing would ultimately be developed.

Population Served:
- Families and Seniors earning 60% and below the area median income
- Chronically homeless individuals earning 30% and below the area median income

Benefits:
- Mitigate cost escalation of prime locations
- Assist with geographical dispersion
- Could potentially allow students to live closer to where they attend school

Development Geography:
- Land must meet zoning requirements
- Permissible areas as defined by the Housing Locational Policy

Funding Source:
- Housing Trust Fund

Estimated Costs:
- $15,040,000 over 8 years
  - Land Costs in permissible areas = $235,000 per acre
  - 8 acres is required for the development of 120 units = 8 acres x $235,000 = $1,880,000
  - 1 development per year over 8 years = $1,880,000 x 8 = $15,040,000

4. **Local Neighborhood Stabilization Program:**
A local Neighborhood Stabilization Program would be modeled after the national program. The local program would allow for the redevelopment of blighted, abandoned, vacant and foreclosed residential structures.

There are a number of single and multi-family foreclosed properties within the City of Charlotte. This program would be made available to non-profit developers to acquire/rehabilitate and re-use these properties to increase the supply of affordable housing throughout the City.

Population Served:
Families and Seniors earning 80% and below the area median income because of the single-family homeownership component.

Benefits:
- Stabilize neighborhoods
- Generate private investment
- Reduce vacant/foreclosed homes and improve housing quality
- Leverage local dollars against private investment

Development Geography:
- Neighborhoods with significant foreclosed/vacant properties
- Blighted neighborhoods

Funding Source:
- CDBG and Housing Trust Fund

Estimated Capital Costs:
Multi-Family Rehab
- $12,000,000 over 8 years
  - $10,000 per unit in a development of 150 units = $1,500,000 per year
  - 1 development per year over 8 years = $12,000,000

- Single-Family Rehab
- $3,000,000 over 8 years
  - $15,000 per unit x 25 units per year = $375,000 per year
  - 25 units per year over 8 years = $3,000,000

5. **Rental Subsidy Program:**
   A local rental subsidy program could provide an additional source of support for households with incomes too low to pay full market rate rent from their own resources. A rental subsidy program would pay the owner of a multi-family housing development or an agency the difference between the tenant's contribution (30 percent of adjusted income) and the monthly rental rate over a pre-determined period of time with the ultimate goal of moving the family to self-sufficiency.

   Population Served:
   Families earning 50% and below the area median income

   Benefits:
   - Stabilize neighborhoods
   - Generate private investment
   - Reduce vacant/foreclosed homes and improve housing quality
   - Leverage local dollars against private investment

   Geography:
   - Scattered-site

   Funding Source:
   - HOME

   Estimated Costs:
   - $1,920,000 over 8 years
     - $400 per month x 12months = $4,800 per year
     - $4,800 x 50 = $240,000
     - $240,000 per year over 8 years = $1,920,000

Summary
The following chart details the estimated costs and results if housing strategies are implemented:

Strategy	Estimated Costs (eight years)	Funding Source	Potential Units (eight years)
Permanent Supportive Housing	$26,000,000	HTF	340
Tax Credit Development	$24,000,000	HTF	1,920
Land Banking	$15,040,000	HTF	960*
Local Neighborhood Stabilization	$12,000,000 (multi-family) $ 3,000,000 (single-family)	HTF and CDBG	1,200 200
Rental Subsidy	$ 1,920,000	HOME	133
Total	**$81,960,000**		**4,753**

*The Land Banking Strategy does not include any additional subsidy

The proposed strategies equal a $17,243 per unit cost, which is below the 10 year average cost of $26,000 per unit, over the life of the Housing Trust Fund.