



**Preserving
Naturally Occurring Affordable Housing
(NOAH)**

Housing & Neighborhood Development Committee
January 16, 2019

Briefing Objectives

- ▶ Committee Referral
- ▶ Background
- ▶ NOAH Considerations
- ▶ Next Steps



Committee Referral

Charge:

On January 7, the development of a preliminary Naturally Occurring Affordable Housing (NOAH) policy recommendation for multifamily housing within 30-days to address how the City allocates funding for NOAH's in consideration with new construction, to include:

- *Considering the need for 30% AMI housing, what is the **AMI goal** for keeping people in housing in their neighborhoods when gentrification is inevitable*
- *What is the **level of funding** the city is willing to commit to NOAH's for project submission*
- *What are the **terms to be included in a funding request** to the City including a range for unit renovation cost; percent of funding in equity, loans and city funding; deed restrictions for eligibility*
- *Determine if there are **innovative ways to address funding** – tax reimbursement; permitting fees waiver*
- *Consider **geographical location** such that NOAH's are preserved that also offer expanded access to opportunity*

Background

- ▶ Most of Charlotte's existing affordable rental options, particularly options for households earning 60% – 80% of AMI, are large-scale NOAH
- ▶ The *Housing Charlotte Framework* identifies preservation of these NOAH properties as a key strategy in preserving affordability of existing rental housing options

What is a NOAH?

- ▶ Multi-family rental property 15 years or older
- ▶ In need of light to moderate rehabilitation
- ▶ Currently providing rents for households in AMI brackets that are at-risk relative to neighborhood dynamics
- ▶ Property can be rehabilitated to maintain quality of life for residents for 15 years or more
- ▶ Developments at risk of losing affordability in 5-years due to expiring deed restrictions

Where do we Invest NOAH funding?

- ▶ Neighborhoods experiencing transformative rent growth, property appreciation and population inflows which threaten historical income diversity
- ▶ Areas with proximity to jobs, schools, and/or transportation infrastructure.



What should NOAH Investments be used for?

- ▶ Address deferred maintenance and life safety issues
- ▶ Maintain rents with current AMI brackets through deed restrictions
 - ▶ Majority of rents should be at 80% AMI or below
 - ▶ Prioritize funding for units at 60% AMI and below consistent with other City policy objectives
 - ▶ Structure deed restriction terms of 10-15 years
 - ▶ Implement income qualifications for new residents
- ▶ Make at least 10% of units available to 30% AMI tenants with vouchers or other rental assistance
- ▶ Promote income diversity, when possible, through AMI mix or unrestricted units

What should be the guidelines for Housing Trust Fund Investments?

- ▶ HTF investments of \$10k - \$35k / unit with at least 3:1 leverage of private / public funds
- ▶ Per unit investment will depend on acquisition price, level of rehabilitation needed, and incomes served
- ▶ HTF investments to be structured as a repayable loan, subordinate to senior debt
- ▶ Complement with tax reimbursement strategy such as City tax grant to minimize HTF investment
- ▶ City investment conforms with typical project evaluation, including developer and management experience, financial strength, etc.

What timing issues should be considered?

- ▶ City participation committed within +/- 45 days of formal request
- ▶ Deed restriction put in place simultaneously with closing of City loan



Next Steps

- ▶ Continue the discussion with the Committee at the February meeting and report back to Council within 30 days