

Naturally Occurring Affordable Housing Rental Subsidy Program

GREAT NEIGHBORHOODS COMMITTEE
OCTOBER 21, 2020

1

Purpose

- ◀ **Naturally Occurring Affordable Housing (NOAH) Background and Examples**
- ◀ **Review proposed Naturally Occurring Affordable Housing (NOAH) Rental Subsidy Program**
 - Overview
 - Eligible Criteria
 - Pilot Project
- ◀ **Next Steps**

2

1

Background

◀ August 2018: Council adopted the *Housing Charlotte Framework* which recommended:

- Prioritizing large-scale NOAH properties
- Establishing a preservation fund to subsidize developer acquisition of NOAH
- Deploying resources to partner with developers to preserve at-risk NOAH properties with City subsidies

◀ March 2019: Council approved the *Guidelines for Preserving Naturally Occurring Affordable Housing (NOAH)*



Background (continued)

◀ What are NOAH's?

- "NOAH" stands for naturally-occurring affordable housing. They are existing apartment complexes and single-family homes that are unrestricted but affordable due to age, geography and other circumstances.

◀ How does NOAH preservation work?

- Properties are acquired by housing developers and other private-sector entities, and rehabilitated to ensure quality of life for existing and future residents.
- Developers seek City financial assistance. Affordability restrictions are placed at acquisition to limit rent growth and make units available to residents at specific income levels.
- Existing residents can continue to rent so long as they choose. Income qualifications only apply to new residents who are phased in as units become available over time.



Background *(continued)*

◀ Why does NOAH preservation make sense?

- Less expensive and faster to deliver than new construction.
- Can provide access to mixed-income, opportunity-rich neighborhoods.
- Mitigates loss of affordable units and displacement.

◀ How many NOAH's exist in Mecklenburg County?

- There are over 35,000 multi-family units in Mecklenburg County that were built before 1990, the vast majority of which were built in the 1970s and 1980s.

5



NOAH Preservation Examples

Sharon Oaks

- 98-unit property in the Oakhurst neighborhood
- Acquired in 2019 by Laurel Street Residential and Ascent Real Estate Capital
- Long-term deed restriction serving 48 units at 60% AMI, 10 units at 50% AMI and 20 units at 30% AMI

HillRock Estates

- 341-unit property in the Windsor Park neighborhood
- Acquired in 2020 by Roof Above with Ascent Real Estate Capital as operating partner
- Long-term deed restriction serving 96 units at 80% AMI, 160 units at 60% AMI and 85 units at 30% AMI

Wendover Walk

- 91-unit property located on Wendover Road
- Acquired in 2019 by Charlotte-Mecklenburg Housing Partnership
- Long-term deed restriction serving 24 units at 80% AMI, 38 units at 60% AMI and 9 units at 30% AMI

6

6

NOAH Rental Subsidy Overview

- ◀ **Goal: Create new long-term rent subsidies for 30% AMI households to live in high-quality NOAH projects.**
- ◀ City works with mission-oriented groups preserving NOAH to provide rental subsidy funding for 30% AMI households.
- ◀ Property owner agrees to set aside at least 15% of the property for 30% AMI households who don't have existing vouchers or other forms of rental assistance.
- ◀ City commits annual funding for the length of the property's deed restriction at an amount equivalent to the project's City property tax bill.
- ◀ Funding is administrated through a third-party non-profit housing services provider who identifies tenants and orchestrates the rental subsidy.

Eligibility Criteria

Deed Restriction

- ◀ Property owners must implement a long-term (20 years or longer) deed restriction on the property designating 100% of the units to be affordable to households at 80% AMI and below. The majority of units must be affordable to households at 60% AMI and below.
- ◀ The deed restriction must include 30% of the property to be made available to residents earning 30% AMI or below in aggregate, including households with existing vouchers of rental assistance.

Subsidy

- ◀ The non-profit will determine a rental subsidy amount that ensures eligible tenants only pay 30% of their income and the combined payment (tenant's rent + rental subsidy) does not combine to exceed the lessor of Fair Market Rent.
- ◀ Property owners must agree to distribute rental subsidy evenly across one-bedroom, two-bedroom and three-bedroom units (as applicable).

Displacement

- ◀ No existing property residents will be displaced by the program.
- ◀ New residents who qualify for the rental subsidy will be housed as units come available through natural turnover.

Pilot Project: Lake Mist Apartments

Property Overview

- **Housing Trust Fund Support: \$2,425,000**
- 144-unit property built in 1984.
- Walking distance to LYNX Blue Line station.
- Property currently under contract with closing targeted by end of 2020.
- 20-year Deed Restriction.
 - 43 units affordable to 30% AMI or less
 - 7 units affordable to 41%-50% AMI
 - 65 units affordable to 51%-60% AMI
 - 29 units affordable to 61%-80% AMI

Rental Subsidy Request

- Annual rental subsidy funding for 20 years equivalent to current City property tax bill (\$53,685; total 2020 tax bill is \$137,247).
- At least twenty-two (22) 30% AMI households (15% of property) served through program.
 - 4 one-bedroom units or more
 - 18 two-bedroom units or more
- Units will be set aside as they come available through natural turnover.



9



10

Mecklenburg County Property Taxes

◀ October 6, 2020, Mecklenburg County Board of Commissioners approved:

- \$2,104,737 – equivalent to its receipt of annual property taxes paid by Lake Mist pilot.
- 20-year rental income subsidy for 22 affordable rental units (30% AMI).
- Socialserve will administer the County's program for eligible tenants.

Next Steps

◀ Recommend City Council consideration at future business meeting