

Naturally Occurring Affordable Housing City-wide Rental Subsidy Program

GREAT NEIGHBORHOODS COMMITTEE

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Briefing Objectives

- ◀ Naturally Occurring Affordable Housing (NOAH) Background and Examples
- ◀ Lake Mist Pilot Program Update
- ◀ Proposed Program Overview
 - Program Goal
 - Program Eligibility
 - Program Subsidy
 - Property Owner Requirements
- ◀ Program Forecasting
- ◀ Next Steps

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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)

◁ **November 9, 2020:** Council approved pilot NOAH Rental Subsidy Program, and consideration of a citywide program



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.

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Background (continued)

◀ What is the need for new local Rent Subsidies?

- The majority of low-income households do not have access to tenant-based vouchers to allow them to afford housing.
- Average rents:

# Bedrooms	Average Rent ¹	Maximum rent affordable for 30% AMI ²	Difference
1 BR	\$1,152	\$405	\$747
2BR	\$1,314	\$443	\$871
3 BR	\$1,488	\$481	\$1,007

1. 2021 Average Contract Rent per Apartment Index

2. 2021 rent limits as defined by HUD (published by Novogradac), with estimated utility allowance of \$100 (1BR) \$125 (2BR) and \$150 (3BR).

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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

Pilot Project: Lake Mist Apartments (November 2020)

◀ Property Overview

- **Housing Trust Fund Support: \$2,425,000**
- 144-unit property built in 1984.
- Walking distance to LYNX Blue Line station.
- **20-year Deed Restriction.**

◀ Rental Subsidy

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



Current Subsidy Status:

- **8 households currently housed**
- **Full absorption by September 2022**

Avg. Tenant Payment	\$285
Avg. City Subsidy Contribution:	\$240
Avg. County Subsidy Contribution	\$375

NOAH Rental Subsidy Program

- ◀ Goal is to create new long-term rent subsidies for 30% AMI households that do not have existing vouchers or other rent subsidies to provide opportunities for these households to live in high-quality NOAH developments.
- ◀ Accomplished by working with mission-oriented developers and groups that are committed to preserving NOAH and serving low-to-moderate income households.

Program Eligibility

- ◀ Mission-oriented owners of quality multi-family NOAH developments located in the city limits are eligible to participate, with emphasis on areas that are at risk of conversion to higher rents and the threat of displacement of low-and-moderate income residents.
- ◀ Owners must have demonstrated financial, management and maintenance history, including confirmed replacement reserves and a history of reinvesting in properties in their portfolio.

Program Eligibility (cont'd)

- ◀ Property must be older than 15-years, well-maintained and on property tax rolls.
- ◀ All Program requirements (long-term deed restrictions, AMI targeting, etc.) must be met, including alignment with adopted NOAH preservation guidelines and other City priorities and policies.
- ◀ While participation is anticipated to most often be in conjunction with other City financial support, such as Housing Trust Fund allocations, this is not required.

Program Rental Subsidy

- ◀ City commits annual funding for the length of the property's deed restriction at an amount not to exceed the project's City property tax bill.
- ◀ The rental subsidy can only pay the difference between what the resident household can afford (30% of their income) and the lesser of the property's asking rent or Fair Market Rent.

Program Rental Subsidy (cont'd)

◀Funding is administrated through a third-party non-profit housing services provider who identifies tenants and orchestrates the rental subsidy. Funding will only be drawn as subsidies are needed.

Property Owner Requirements

- ◀20-year or greater deed restriction allocating a minimum of 80% of all units to residents earning 80% AMI and below, with majority of units set aside for 60% AMI and below.
- ◀Set aside a minimum of 10% of units for participation in the Program, with a goal of 15%. These units will serve households at 30% AMI that do not have existing vouchers or other forms of rental assistance.
- ◀Overall, at least 20% of property's units must be set aside for 30% AMI and below households across all voucher and rental subsidy sources (including the Program).

Property Owner Requirements *(cont'd)*

- ◀ Distribute rental subsidy evenly across one-bedroom, two-bedroom, and three-bedroom units (as applicable).
- ◀ No existing property residents will be displaced by the Program; new residents who qualify will be housed as units come available through natural turnover.
- ◀ Be subject to compliance monitoring.
- ◀ Secure comparable commitment from Mecklenburg County representing the County's portion of the property tax bill.

Next Steps

- ◀ City Council consideration of implementing city-wide NOAH Rental Subsidy Program