

Naturally Occurring Affordable Housing Preservation and Rental Subsidy Support Request

CITY MANAGER'S REPORT
AUGUST 22, 2022

1

Purpose

- ◀ Background
- ◀ Naturally Occurring Affordable Housing Preservation and Rental Subsidy Support Proposal
- ◀ Next Steps

2

Background

- ◁ **August 2018:** Council adopted the *Housing Charlotte* Framework which recommended prioritizing large-scale Naturally Occurring Affordable Housing (NOAH) properties
- ◁ **March 2019:** Council approved the Guidelines for Preserving Naturally Occurring Affordable Housing
- ◁ **November 2021:** Council approved the NOAH Rental Subsidy Guidelines to create new long-term rent subsidies for 30% AMI households that do not have existing vouchers or other rent subsidies

NOAH Investment Criteria

NOAH Criteria Reflected in City Guidelines	
✓	Older than 15 years and consists of 50 or more units
✓	In a location at risk of conversion to higher rents and the threat of displacement of low-and-moderate income residents
✓	Affordability period of at least 15 years, with funding prioritized for 60% AMI and below
✓	In an area with close proximity to quality jobs, schools and transportation infrastructure
✓	City investment per unit up to \$35K, with leverage ratio of at least 1:3

NOAH Success To Date

	Year Approved	NOAH Developments	Address	# Units	Total Development Cost	City Support	City Support /unit	Aff.*	Leverage Ratio
1	2019	Sharon Oaks	4701 Arching Oak Ln.	98	\$9,377,500	\$2,100,000	\$21,429	15	1:4
2	2019	Wendover Walk	724 N. Wendover Rd.	91	\$10,950,015	\$1,700,000	\$18,681	30	1:5
3	2020	Windsor Park (Hillrock Estates)	3317 Magnolia Hill Dr.	341	\$50,766,500	\$5,400,000	\$15,836	27	1:8
4	2020	Lake Mist	1100 Lake Mist Dr.	144	\$20,084,000	\$2,425,000	\$16,840	20	1:7
5	2021	Pines on Wendover	630 N. Wendover Rd.	44	\$8,004,000	\$1,050,000	\$23,864	20	1:4
6	2021	Maple Way	1012 McAlway Rd.	60	\$7,511,000	\$1,400,000	\$23,333	20	1:3
7	2021	Shamrock Gardens	3779 Michigan Ave.	265	\$26,569,500	\$6,000,000	\$22,642	20	1:6
		Total Approved		1,043	\$133,262,515	\$20,075,000	\$19,247		1:5
8	2022	Peppertree (<i>Pending</i>)	4335 Central Ave.	292	\$55,870,000	\$8,000,000	\$27,397	20	1:6
				1,335	\$189,132,515	\$28,075,000	\$21,030		1:6

*Aff. refers to affordability period, reflected in number of years



NOAH Proposal

◀Developer

- Ascent Real Estate Capital/ Housing Impact Fund

◀NOAH Property

- Peppertree Apartments
- 4335 Central Avenue
- Originally built in 1985

NOAH Proposal

Peppertree Apartments NOAH, LLC

292 Units

- 204 One Bedroom
- 88 Two Bedroom

Current Market Rents

- Average 1-BR - \$1,150-\$1,400/month
- Average 2-BR - \$1,400-\$1,750/month

Proposed Plan

- 88 units to 30% AMI & Below
- 146 units to 60% AMI & Below
- 58 units to 80% AMI & Below

Proposed Rents

- \$390 to \$465 30% AMI & Below
- \$845 to \$1,152 60% AMI & Below
- \$845 to \$1,295 80% AMI & Below



7

NOAH Proposal (Rental Subsidy)

- ◀ Collaborative city / county subsidy program
- ◀ Creates new long-term rent subsidies for 30% AMI households that do not have existing vouchers or other rent subsidies
- ◀ Yearly subsidy amount provided to the developer not to exceed the amount of city taxes paid
- ◀ Subsidy administered by a third party and paid after verifying household eligibility



Peppertree Apartments Subsidy Proposal:

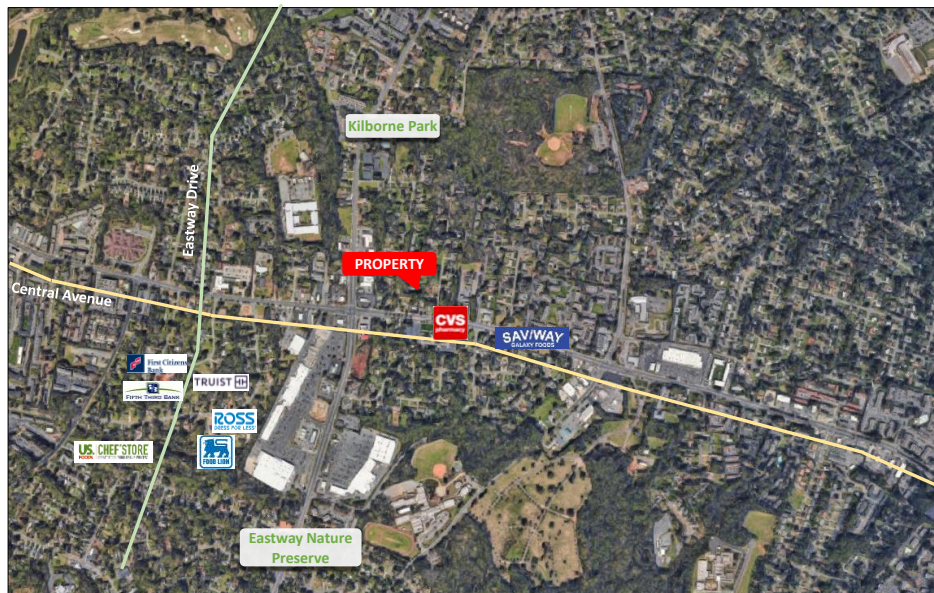
New Subsidies	44 units (15% of total)
AMI Served	30% and below
City Property Tax (2022)	\$90,244
Affordability / Subsidy Period	20-years

8

Surrounding Area

Apartments proximate to:

- Convenient and relatively direct access to Uptown and other major employment and service hubs
- Walking distance to:
 - pharmacy/drug store
 - grocery
 - shopping centers
 - bank branches
 - CATS bus routes #'s 9, 17 and 39
 - directly on proposed LYNX Gold line
- Located near Albemarle Road / Central Avenue Corridor of Opportunity



9

Peppertree Apartments Funding Request

Funding Sources	Amount
City of Charlotte	\$8,000,000
CHOIF Equity & Loan	\$8,000,000
Mecklenburg County	\$4,000,000
Housing Impact Fund	\$13,470,000
Senior Debt	\$22,400,000
Total	\$55,870,000

AMI	Units
30% and below	88
31% - 60%	146
61% - 80%	58
Total Units	292
Affordability	20 Years
Leverage Ratio	1:6
City investment/unit	\$27,397

Key Takeaways

- ◀ **Large NOAH preservation opportunity in an area experiencing substantial rent growth**
- ◀ **First of-a-kind NOAH collaboration with Mecklenburg County**
- ◀ **Meets all city NOAH-related guidelines/goals**
- ◀ **Emphasis on other city priorities related to:**
 - Rental Subsidies
 - CBI Goals/MWSBE
 - Corridors of Opportunity
 - Economic Mobility

Next Steps

- ◀ **Council will consider approval of funding for the Peppertree Apartments NOAH preservation at the September 12, 2022 business meeting**
- ◀ **Mecklenburg County Board of County Commissioners will consider the project funding request on September 20, 2022**