

Policy Referral: Supporting Affordable Housing Development

HOUSING, SAFETY & COMMUNITY COMMITTEE

OCTOBER 3, 2022

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Today's Discussion

- ◀ Policy Question & Committee Charge
- ◀ Overview of Development Fees – Opportunities & Constraints
- ◀ Discussion and Feedback
- ◀ Next Steps

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Policy Referral: Supporting Affordable Housing Development

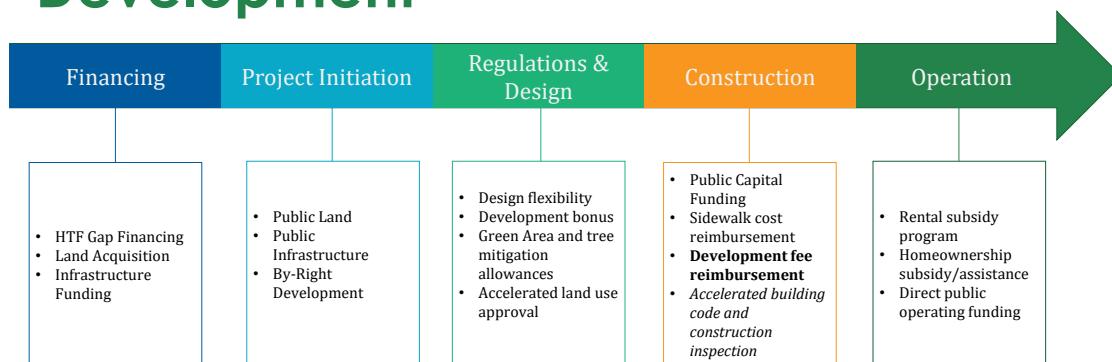
Policy Question:

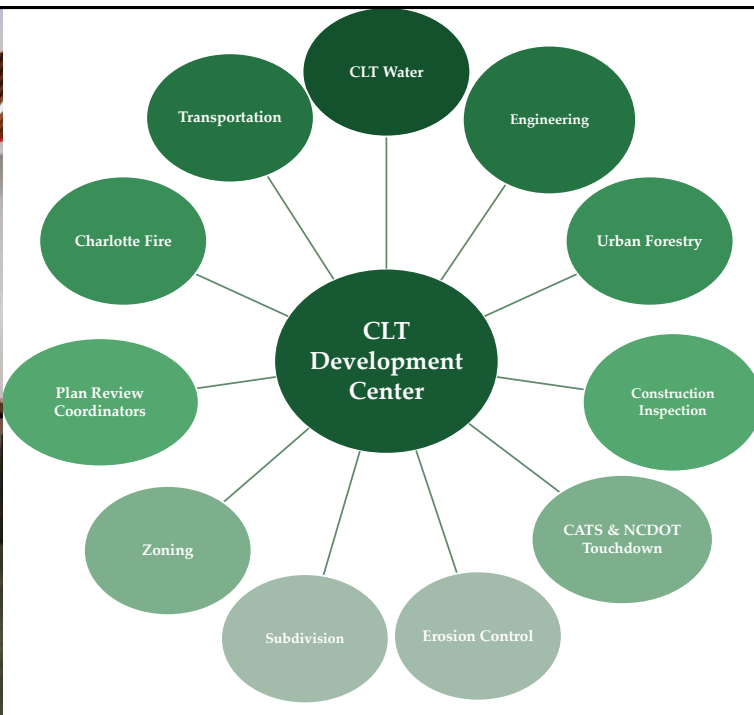
Are there options available for the city to implement in terms of lessening the financial burden that development fees place on affordable housing developments?

Committee Charge:

- ◀ Assess the current fee structure and components for Affordable Housing, including legal framework or constraints
- ◀ Review feedback from the development community as to how development fees may impact opportunities to leverage affordable housing options
- ◀ Explore feasible options and proposed next steps for consideration by full Council

Supporting Affordable Housing Development





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Current Land Development Fees

◀ Plan Review Fees

- Fees are charged because service primarily benefits the fee-payer rather than the public at-large.
- Fees are comprised of staff time and associated costs of reviewing development plans.
- The city has a policy goal of 100 percent cost recovery for these fees.

◀ Infrastructure Fees – Charlotte Water

- Connection Fees – Cost of installing a tap or connection to a water main, the service line to the property, and the water meter.
- System Development Fees – Based on the cost for major infrastructure components, such as treatment facilities.

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Fee Reduction – Legal Framework

- ◀ Fees cannot be waived on the front-end for specific classes of customers (e.g., affordable housing developers)
- ◀ Fees can only vary if there is a service-based reason for doing so
- ◀ Methodology to calculate system development fees is enumerated in state law
 - Charlotte Water uses the Capacity Buy-In method

Fee Reimbursement

- ◀ Fees may be reimbursed if the project furthers a public purpose
 - Affordable housing is an allowable public purpose if 20% of the units are affordable at 60% Area Median Income (AMI)
 - Challenging to implement for single-family housing
- ◀ Cost of reimbursement for plan review fees and Charlotte Water infrastructure fees would be borne by general, non-utility revenues
 - For example, General Fund, PAYGO, Housing Trust Fund

Fee Examples

◀ Land development fees vary by:

- Project size (e.g., per acre amounts for stormwater fees)
- Development type (e.g., residential/non-residential)
- Review type (e.g., fee for Enhanced/Expedited)

◀ Fees for Housing Trust Fund projects approved since 2020:

- Plan review fees average \$20,800
- Water infrastructure fees average \$232,803

Fee Examples – Project Comparison

Comparison of fees from 3 Housing Trust Fund projects (2019) –same developer/contractor

| Project | Units | City of Charlotte ¹ | Mecklenburg County ² | Charlotte Water ³ | Total Fees | Total Project Cost | HTF Gap Financing |
|---------|-------|--------------------------------|---------------------------------|------------------------------|------------|--------------------|-------------------|
| A | 185 | \$140,181 | \$107,686 | \$344,005 | \$591,872 | \$31.8 m | \$4.5 m |
| B | 103 | \$17,787 | \$58,304 | \$140,143 | \$216,234 | \$17.6 m | \$2.1 m |
| C | 50 | \$30,000 | \$40,000 | \$314,260 | \$384,260 | \$9.9 m | \$1.75 m |

Table Notes:

¹City of Charlotte fees include plan review, and where applicable, fee in lieu and enhanced review (Project A)

²Mecklenburg County fees include architectural plan review and building permit fees

³Charlotte Water fees include connection fees and system development fees

UDO Focus Group: Affordable Housing Developers

- ◀ **Plan review fees not primary concern – water connection and system development fees are**
- ◀ **Design flexibility and options are equally important**
 - Fee in lieu
 - Bonus height provision
 - Design and zoning incentives
- ◀ **Expedite permit review process – time is money**

Affordable Housing Development Allowances

- ◀ **Key component of overall housing strategy for the City**
- ◀ **Responsive to affordable housing developers and overall industry concerns**
- ◀ **Goals of development allowances:**
 - Relieve cost pressure on affordable housing development while maintaining standards
 - Incentivize market rate development to include affordable units – in all areas of the city
 - Preserve affordability for longer terms

UDO 16.4 - Affordable Housing Development Allowances

| Development Allowance | Affordable Units |
|--|--|
| Build to Zoning District standards of next greater intensity | 30-year affordability term Minimum of 5 units <ul style="list-style-type: none"> • 30% of units at 80% AMI, • 15% of units at 60% AMI, or • 20% of units at 80% AMI in areas of high housing costs |
| Potential waiver of new street requirements | |
| Use of Tier 1 Green Area Credits | |
| Allowances for heritage tree mitigation | |
| Sidewalk cost reimbursement | 30-year affordability term Minimum of 5 units <ul style="list-style-type: none"> • 20% of units 60% AMI |

Options

◀ Wait and See...

- New development allowances approved in the UDO are designed to relieve cost pressures on affordable housing development
- Housing Trust Fund Tune-up process in progress is designed to optimize HTF investments

◀ Consider reimbursement program for land development fees for affordable housing developments that do not have other city support

- Determine scope of eligible fees – Plan review? Water infrastructure?
- Identify funding source and determine eligibility criteria
- Align program parameters with UDO Affordable Housing Development Allowances
- Bring program proposal back to Committee

Discussion & Next Steps

- ◀ **What are you hearing from stakeholders about the pain points around development fees for affordable housing?**
- ◀ **How might a fee reimbursement program impact the production of affordable housing units?**
- ◀ **Based on Committee discussion, staff will bring back more information and/or recommendations in an upcoming Committee meeting**