CITY OF CHARLOTTE

Policy Referral: Supporting Affordable Housing Development

HOUSING, SAFETY & COMMUNITY COMMITTEE

NOVEMBER 7, 2022

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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 Discussion:

- Policy item referred to Committee on June 6, 2022
- On October 3, 2022, Committee received an overview of the various development fees associated with land development and discussed the implications and options for affordable housing development
- Today the Committee will consider a draft proposal for a fee reimbursement pilot program

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Supporting Affordable Housing Development

Financing
- HTF Gap Financing
- Land Acquisition
- Infrastructure Funding

Project Initiation
- Public Land
- Public Infrastructure
- By-Right Development

Regulations & Design
- Design flexibility
- Development bonus
- Green Area and tree mitigation allowances
- Accelerated land use approval

Construction
- Public Capital Funding
- Sidewalk cost reimbursement
- **Development fee reimbursement**
- *Accelerated building code and construction inspection*

Operation
- Rental subsidy program
- Homeownership subsidy/assistance
- Direct public operating funding

Fee Examples

Fees for Housing Trust Fund projects approved since 2020:
- Plan review fees average $20,800
- Water infrastructure fees average $232,803
- City fees 1-2% of total development costs

Committee Option

- **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

Development Fee Reimbursement
Pilot Program Recommendation

- **Purpose:** Support the production of affordable housing developments throughout the city and incentivize the inclusion of affordable units in market-rate developments.

- **Pilot Program:** Provide a grant to reimburse eligible land development and infrastructure fees for qualifying projects that incorporate affordable housing units.

Program Design: Project Qualifications

- **Baseline Qualifications:**
  - 20% of the units in a development must be affordable to households at 60% Area Median Income (AMI) or below
  - Affordability period of 30 years
  - Minimum of 5 units
  - May be rental units or for-sale
  - Applies to new construction, acquisition, and rehabilitation projects
  - Applies to projects not receiving other city financial investment (e.g., Housing Trust Fund, HOME, CDBG)

- **Percentage of fees reimbursed based on tiered qualifications**

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Program Design: Reimbursement Tiers

- **50% Reimbursement:**
  - Meet baseline qualifications
  - Affordable housing projects receiving non-city public financial investment (e.g., 4% tax credits/bond allocation, NC Housing Finance Agency HOME funds)

- **75% Reimbursement:**
  - Meet baseline qualifications
  - No other public financial investment

- **100% Reimbursement:**
  - Meet 75% requirements, plus
  - Projects that prioritize units for voucher/subsidy holders and accept placements from city's contracted partners
  - Projects that establish partnerships that promote upward mobility or provide on-site support services to residents

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Program Design: Eligible Fees

- **Land Development, including:**
  - Plan Review Fees
  - Grading Review & Inspection
  - Tree Ordinance Review & Inspection
  - Detention Review & Inspection
  - Rezoning Fees
  - Tree Mitigation Fees
- **Infrastructure (Charlotte Water), including:**
  - Water and Wastewater Service Connection
  - Water & Wastewater System Development Fees
  - Waste Permit Fees
  - Project Initiation, Review & Inspection
- **NOT Eligible**
  - Revision to approved plans, reinspection and resubmittal fees
  - Fees charged by non-city entities/organizations (e.g., Mecklenburg County building permit fees)
  - Fees associated with appeals and variances
  - Fees for enhanced/expedited review

Program Design: Other Considerations

- **Developer Feedback**
  - 20% at 60% AMI is a high bar – consider additional incentives
- **Additional Benefits**
  - Eligible for the development allowances in UDO 16.4, including allowances for heritage tree mitigation and sidewalk cost reimbursement
  - Qualifying projects receive affordable housing “concierge service” through plan review and permitting process

Program Design: Other Considerations

- **Source of Income Protections**
  - Under recently adopted Council policy, Source of Income protections would apply to developments participating in fee reimbursement pilot program
- **Reimbursement**
  - All required fees paid 100% at time due – fees reimbursed for approved projects upon verification
- **Monitoring and Compliance**
  - Developments monitored as part of housing asset management portfolio with annual reporting requirements

Program Design: Funding & Timeframe

- **Allocate up to $1.5 million investment of ARPA funds for pilot program**
- **Estimate 3-4 projects at that funding level**
- **Periodic updates to City Council**
- **Evaluate after one year or at time of full allocation of pilot funding, whichever is earlier**

Questions?