



Naturally Occurring Affordable Housing

Peppertree Apartments: Case Study Summary

January 10, 2023

1

Peppertree NOAH Background

1. \$8 million investment approved by Council in September 2022
2. 292 units located on Central Avenue in District 5
3. 20-year affordability period [i.e., deed restriction]
4. Attractive AMI mix [e.g., 30% of units devoted to 20%-30% AMI]
5. First-of-a-kind funding partnership with Mecklenburg County
6. City cost per unit of \$27,397, with leverage ratio of 1:6
7. NOAH Rental Subsidy Program [applicable to 44 units]



Value Proposition for City Investments in NOAHs

- ✓ Limiting displacement of current residents by preserving the affordability of NOAH properties located in areas vulnerable to higher rents and the threat of displacement
- ✓ Providing deed-restricted affordable housing options, well below market rents, as current residents voluntarily move out and units become available
- ✓ Creating additional, cost-effective rental subsidies for 20% - 30% AMI residents (via the City and County's NOAH Rental Subsidy Program)
- ✓ Prioritization of NOAH investments in opportunity-rich neighborhoods, recognizing the importance of proximity to jobs, schools, transportation infrastructure and other amenities.



Illustrative Comparison of New Construction vs. NOAHs

Variable	Multi-Family New Construction	Multi-Family NOAH
Average project size	109	162 units
Average city cost-per-unit	\$28,532	\$21,680
Average city cost-per-unit for <u>most recent</u> projects only	\$54,500 (seven projects recently approved for additional gap funding)	\$27,397 (Peppertree)
Time to bring units online under the deed restriction	At least 18 months from Council funding approval	Less than three months from Council funding approval
AMI mix	Average: 23% of units at 30% AMI 11% of units at 31% - 50% 39% of units at 51% - 60% 27% of units at 61% - 80%	Typically: 30% of units at 30% AMI 50% of units at 31-60% 20% of units at 61% - 80%
Annual attrition rate for current residents	Not applicable	15% - 30%
Affordability period	At least 30 years	Typically 20 years
Disposition of property at the end of the affordability period / deed restriction	Uncertain, as developers have several options at the expiration of the required affordability period. Based on the mission of the developer, and market conditions at the expiration of the affordability period, units may either be preserved as affordable or converted to market-rate housing	Uncertain, though 60% of any returns above 8% ROE target must be invested in local affordable housing
Location by Council District	Predominantly D1, D3, D4, D5	D5, D6
Investment timing	Investments identified and evaluated through planned RFPs	Investments have generally been opportunistic, outside of planned RFPs

Note: Unless otherwise noted, the data sets considered for the comparisons reflected above are: 1) for new construction, 20 multi-family rental projects (including 4% LIHTC, 9% LIHTC, and non-LIHTC) approved during 2021 and 2022, and 2) for NOAH properties, all 8 projects approved since 2019.



Discussion Questions and Potential Next Steps

1. **What is City Council's stance on future NOAH investments [i.e., continue with "steady state" approach, or place more or less emphasis going forward]?**
 - Potential next step: general guidance from Council during Housing & Jobs Summit
2. **Should City Council establish annual NOAH targets [i.e., investment targets, or unit targets, etc.], OR is it preferable to reaffirm/revise the Council approved Guidelines for Preserving NOAH as the framework to advance NOAH investments aligned with Council's priorities?**
 - Potential next step: contingent on Council feedback, this topic could be addressed as a Committee referral
3. **Is NOAH preservation an investment area that should be prioritized for public-private partnership, given the importance of other funding sources such as the Housing Impact Fund, LISC/CHOIF, and Mecklenburg County?**
 - Potential next step: general guidance from Council during Housing & Jobs Summit
4. **What is City Council's interest in advancing more intentional economic mobility strategies and programming [with or without funding partners] – such as access to training, jobs, childcare – directly linked to residents in City-supported NOAHs?**
 - Potential next step: contingent on Council feedback, this item could be addressed as a Committee referral

Appendix

Peppertree Apartments



City-supported Housing (referenced in case study)

