

# Fee Reimbursement Pilot: Developer Feedback

HOUSING, SAFETY & COMMUNITY COMMITTEE

**FEBRUARY 6, 2023** 

Today's Discussion Policy Question & Committee Charge
 Overview of Developer Feedback
 Committee Discussion

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## Policy Referral: Supporting Affordable Housing Development

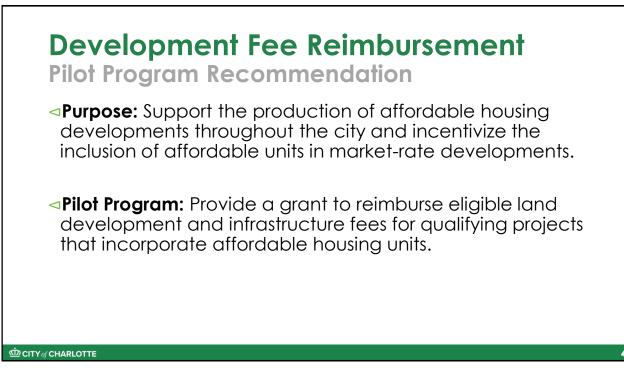
### **Policy Question:**

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:**

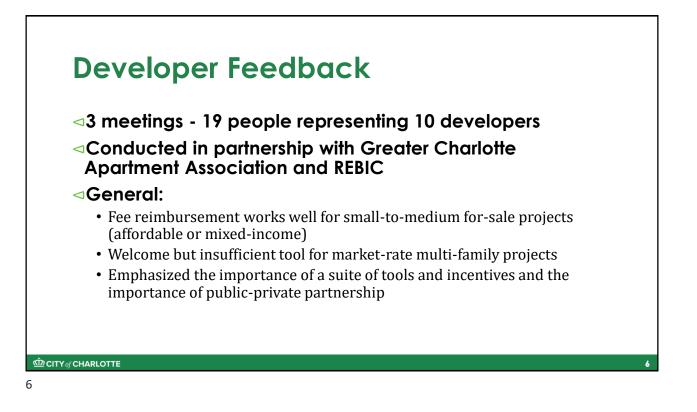
Policy item referred to Committee on June 6, 2022

- 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
- On November 7, 2022, Committee discussed a draft proposal for a fee reimbursement pilot program



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# Homeownership Example

**Works Well** 

### Development Profile:

- 30 affordable homeownership units
- 3-bedroom townhomes
- Sales price = \$300,000
- Eligible for House Charlotte homeownership assistance
- 20% of units at 60% AMI = 6 units
- One-time Development Fees of \$350,000

	Household AMI			
	80%		60%	
Bedrooms	3		3	
Household Income	\$ 75,350	\$	56,520	
Front End Ratio	28%		28%	
Loan Interest Rate*	5.75%		5.75%	
Estimated Insurance	\$ 1,500	\$	1,500	
Estimated Tax	\$ 2,316	\$	2,316	
Affordable Loan Amount	\$ 246,784	\$	171,495	
Monthly Payment	\$ 1,440	\$	1,001	
Sales Price	\$ 300,000	\$	300,000	
Gap per Unit	\$ 53,216	\$	128,505	
Fee Reimbursement per Unit		\$	58,333.00	
Homeownership Assistance Needed	\$ 53,216	\$	70,172	

# **Multi-Family Example**

Welcome but Insufficient

### Development Profile:

- 250 units
- Mix of 1, 2 & 3 bedrooms
- 60% AMI Rents
  - \$954
  - \$1,145
  - \$1,323
- 20% of units at 60% AMI = 50 units
- One-time Development Fees of \$350,000

	Market	60% AMI
Average Unit SF	1,038	1,038
Monthly Avg. Rent per Unit	1,972	1,095
\$/SF	1.90	1.06
Rental Revenue per Unit	23,666	13,146
Other Income per Unit	1,183	657
Vacancy / Bad Debt per Unit	(1,183)	(657)
Net Revenue per Unit	26,033	14,460
Operating Expenses per Unit	9,278	9,278
Expense Ratio per Unit	36%	64%
NOI per Unit	16,755	5,182
Cap Rate	5.25%	5.25%
Market Value per Unit	319,149	98,713
Market Gap per Unit		220,436
Total Gap		11,021,824

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## **Developer Ideas & Recommendations** (To be evaluated by staff)

### Funding-Related:

- A new property tax incentive tool for mixed-income multi-family projects a time-limited, graduating property tax reimbursement (City and County)
- Fund for subordinate debt/bridge lending private/philanthropic partnership

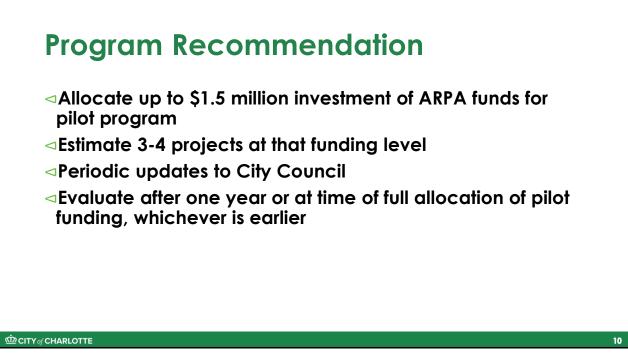
### Process- and Time-Related:

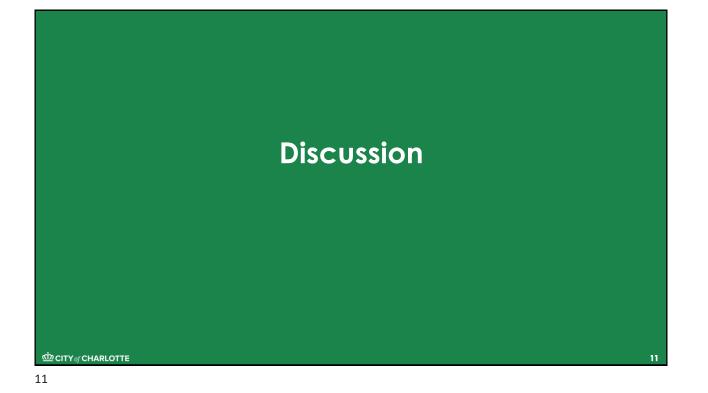
- Offer concierge service to all projects that include affordable units (not just Housing Trust Fund)
- Dedicated rezoning queue/prioritization for projects that include affordable units
- Add capacity for rezoning cases each month
- · More clarity and predictability in process
- On for-sale projects, for non-financial tools, broaden the definition of affordable to match House Charlotte parameters (UDO development incentives)

### State-level advocacy:

- Amend definition of affordable in state law (20% at 60% is too restrictive)
- Expand eligibility for Homestead Act (tax relief)
- Establish state Low-Income Housing Tax Credit program
- · Address challenges with state building code for commercial to residential conversion

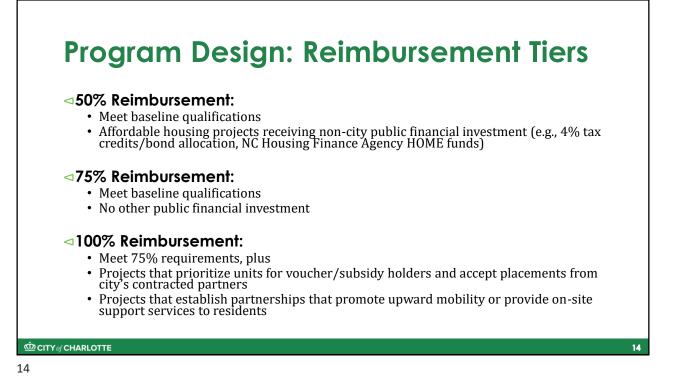
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Sourco	of Income Protections
• Under	recently adopted Council policy, Source of Income protections apply to developments participating in fee reimbursement pilot
Reimbu	rsement
	uired fees paid 100% at time due – fees reimbursed for approved s upon verification
Monitor	ing and Compliance
<ul> <li>Develo</li> </ul>	pments monitored as part of housing asset management portfolio nual reporting requirements

