



# Housing Charlotte

*A Framework for Building and Expanding Access to Opportunity through Housing Investments*



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## Executive Summary



Charlotte's recent growth has created many opportunities for existing residents in the Queen City, while attracting new residents and businesses. However, not all Charlotte residents have benefitted from this growth or can access these opportunities. The need for more housing options spans households at many income levels, including a total deficit of nearly 24,000 units for households at and below 50 percent of area median income, and one in three households still pay more than one-third of their income on housing each month.

### Need for affordable housing

Six trends are shaping existing and future needs for affordable housing in Charlotte:

- **Increases in housing costs have outpaced increases in household income, leaving many households paying too much for their current home.**
- **While Charlotte has made significant investments in affordable housing production, it still does not have enough affordable rental options to meet its current and future needs.**
- **Charlotte's strong residential market limits access to homeownership, especially for lower income households.**
- **Most of Charlotte's existing affordable rental options, particularly options priced for households earning 60 to 80 percent of area median income, are large-scale naturally occurring affordable housing (NOAH), meaning the unit is not subsidized or income-restricted.**
- **The City of Charlotte lacks affordable rental and homeownership options throughout the city. As a result, some households aren't able to access stronger pathways to opportunity, like attending higher-quality schools or living in lower poverty areas.**
- **Charlotte-Mecklenburg could add 500,000 persons by 2030, with seniors representing much of this growth.**



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Over the past several years, the City of Charlotte has experienced unprecedented growth and development that has produced economic success and new opportunities, however, it has come with new challenges. While this growth is welcomed, housing costs in our City are becoming less affordable. The community must ensure that rising housing costs are met with the creation of new affordable housing, and that investment in key neighborhoods includes preservation of existing affordable housing. Together, such policies can help mitigate displacement and ensure that everyone benefits from the city's future successes. It also requires more intentional community wide partnerships to address these community challenges.

### **Community Collaboration**

For years, the City of Charlotte, like many other municipalities across this country, has taken a lead role in the provision of affordable housing. While the City will continue to have a pivotal role in terms of providing funding support, ensuring efficiencies in the timely review and approval of these types of developments, as well as developing supportive land use policies and regulations, the City cannot continue to address this issue alone. **This framework will be used to establish a collaborative effort between the City, Local Initiative Support Corporation (LISC), the Foundation for the Carolinas, the Leading On Opportunity Council, and other community partners for the allocation of resources for a successful community collaboration to expand and preserve workforce housing and to help families and individuals achieve self-sufficiency.** It will also require support at the state and federal levels to restore and/or increase funding to help the community address this issue.

The *Housing Charlotte* framework builds off recent community initiatives, plans, reports and studies including City Council's 2016 Community Letter, the Urban Land Institute's Terwilliger Center for Housing report, the Leading on Opportunity report and, most recently, the Evergreen Team Task Force report, that propose solutions and recommend forging closer partnerships to address the growing need for affordable housing. It represents a framework for working with community partners, and identifies specific policy objectives and tools the City can implement or pursue to comprehensively address housing affordability challenges and limited access to opportunity.

Finally the report outlines how public and private investments can be aligned to facilitate housing to build and expand access to opportunity for Charlotte residents, advancing outcomes such as increased access to areas with high-quality schools, low poverty, and public transit. The framework will be used as a guide to help create mixed-income communities by using housing investments to increase access to opportunity.



## Housing Charlotte Framework

*Housing Charlotte* is supported by three core considerations and a three-pronged approach which includes **expansion, preservation and self sufficiency.**

### Core considerations

Housing investments and related decisions will be guided by **three core considerations:**

- 1. Increasing capacity to serve low-income households, with a focus on households earning below 60 percent of area median income.** There currently exists a strong set of tools to serve households earning 80 percent and below the area median income, largely by providing gap financing for projects using the Low-Income Housing Tax Credit (LIHTC). However, a large gap persists among households earning 50 percent of area median income or below. Historically, the City of Charlotte has been committed to serving households earning below 60 percent of area median income and will commit to prioritize its housing investments that serve these households by adapting existing tools and creating new ones.
- 2. Serving residents vulnerable to housing displacement.** Charlotte's housing market is changing rapidly, putting many residents at-risk of being displaced from their current home. More than 150,000 households may be vulnerable to housing displacement, meaning they live in areas where a large share of the population exhibits socioeconomic characteristics that make it difficult to weather a housing crisis, like an unexpected rent increase or higher tax bills. The City of Charlotte wants to ensure that all residents feel secure in their homes, including their ability to remain in their homes if their neighborhoods change over time. The City is also committed to investing in areas where large shares of vulnerable residents live to help stem housing displacement pressure and guide more equitable development over time.
- 3. Using housing to build and expand access to opportunity.** Today, many Charlotte residents face a tradeoff in terms of where they live: They can live in more affordable housing near public transit and within a short commute to most jobs within Charlotte, or they can live in higher cost housing in areas with higher performing schools, lower poverty rates and less access to transit. Residents—regardless of how much they earn—should be able to have more affordable housing choices in neighborhoods that offer access to quality schools, and be able to live near public transit without sacrificing access to other vital needs.



## Integrated approach to increase capacity and impact

While the City has several funding resources, programs, and policies to support development of affordable housing, more are required to address the growing need. To support the facilitation and implementation of new private sector resources this framework is guided by three pillars:

- 1) **Expand** the supply of rental and owner occupied housing;
- 2) **Preserve** the affordability and quality of existing housing;
- 3) **Support** family self sufficiency.

The graphic below illustrates how these pillars will be achieved through targeted housing investments, diversified funding and financing, and additional supportive policies, with corresponding strategies and actions.

**Targeted housing investments**

**OBJECTIVE 1. Expand the supply of high-quality rental housing and homeownership opportunities.**

Expand the supply of affordable rental housing opportunities, especially for households earning below 60 percent of area median income, and ensure Charlotte residents can become homeowners.

**Diversified funding and financing**

**OBJECTIVE 2. Preserve the affordability, and preserve or improve the quality of the existing rental housing stock.**

Protect the quality and affordability of existing affordable housing options, which serve a large number of Charlotte residents.

**Additional supportive policies**

**OBJECTIVE 3. Support self sufficiency**

Help individuals and families get access to jobs and supportive services through the strategic location of affordable housing.



## Summary of key strategies

Through the *Housing Charlotte* framework, the following strategies and related actions can be considered to assist in expanding and preserving affordable housing, and addressing self-sufficiency. **The strategies will require broad community-wide participation and support from the private, public and non-profit sectors. These strategies are summarized in more detail below.**

OBJECTIVE 1(a). Expand the supply of high-quality rental and owner occupied housing.		
STRATEGY 1. Increase rental production	STRATEGY 2. Support mixed-income development	STRATEGY 3. Leverage land
<ul style="list-style-type: none"> <li>Support the development of non-funded 4 percent and 9 percent tax credit projects (e.g. <b>through creation of an equity fund, tax relief grant program, etc.)*</b>)</li> <li>Use non-monetary tools to incentivize development of affordable rental housing</li> </ul>	<ul style="list-style-type: none"> <li><b>Leverage Section 108 funding for mixed-income &amp; mixed-use development *</b></li> <li>Establish a Neighborhood Revitalization Strategy Area (NRSA) to increase flexibility of federal resources</li> <li>Leverage Opportunity Zone designations to direct private resources (see Appendix 1)</li> <li>Review and update the Zoning Density Bonus programs for multi and single family housing</li> <li>Revise the Housing Locational and Assisted Multi-Family at Transit Station Areas Policies</li> <li>Encourage inclusion of mixed-income housing through the rezoning process</li> <li>Collaborate with the County to expedite these types of developments through plan review, approval and permitting processes</li> </ul>	<ul style="list-style-type: none"> <li><b>Establish an acquisition fund to support strategic acquisition of land for affordable housing*</b></li> <li>Use publicly owned land for housing development</li> </ul>

\*Items in bold represent Short-Term Priority Financial Tools (see Section 5 for more details).



**OBJECTIVE 1(b). Expand homeownership opportunities.**

STRATEGY 1. Prioritize downpayment assistance	STRATEGY 2. Expand existing employer-assisted homebuyer programs	STRATEGY 3. Support creation of a community land trust (land trust)
<ul style="list-style-type: none"> <li>└ Leverage opportunities to develop on infill sites &amp; design programs to support homeownership opportunities on these sites</li> <li>└ In coordination with partners, explore guarantees for first mortgage loans to better leverage private mortgage financing</li> </ul>	<ul style="list-style-type: none"> <li>└ Continue to support municipal employees' participation in the HouseCharlotte down payment assistance program</li> <li>└ Partner with anchor institutions &amp; other large-scale employers to explore developing or expanding employer-assisted housing programs</li> </ul>	<ul style="list-style-type: none"> <li>└ Conduct outreach to residents &amp; stakeholder partners to gauge interest in a land trust</li> <li>└ Identify land throughout Charlotte suitable for donation to or strategic acquisition by a land trust</li> <li>└ Link and prioritize infrastructure investments with other Community Investment Plan projects and programs</li> </ul>

**OBJECTIVE 2. Preserve the affordability, and preserve or improve the quality, of the existing rental housing stock.**

STRATEGY 1. Prioritize preservation of large-scale naturally occurring affordable housing (NOAH)	STRATEGY 2. Preserve expiring subsidized properties	STRATEGY 3. Support extended use of rental subsidies and vouchers
<ul style="list-style-type: none"> <li>└ Prioritize large-scale NOAH properties in development solicitations</li> <li>└ <b>Establish a substantial preservation fund to subsidize developer acquisition of NOAH*</b></li> <li>└ <b>Establish a tax relief program*</b></li> <li>└ Create a preservation unit with funding tasked with identifying at-risk NOAH properties &amp; deploying resources to partner with developers to preserve these housing units with City subsidies, and monitor compliance of long-term deed restrictions. In the case where NOAH units are being replaced with market rate units, developers will replace at least the same number of 80% AMI or below units</li> </ul>	<ul style="list-style-type: none"> <li>└ Prioritize recapitalization activities for local investment</li> <li>└ Lower long-term property costs</li> <li>└ Create a right-of-first refusal policy for properties that receive federal or local subsidy</li> </ul>	<ul style="list-style-type: none"> <li>└ Ensure that each publicly funded development includes at least 20% of units for households earning 30% of the Area Median Income. A priority waitlist for an additional 10% of units will target extremely low income tenants with rental subsidies or vouchers, where possible</li> <li>└ Align local resources with policies that support voucher use</li> <li>└ Coordinate with the Charlotte Housing Authority and other local voucher programs on opportunities to use vouchers to support target populations, particularly in areas with strong pathways to opportunity</li> </ul>

\*Items in bold represent Short-Term Priority Financial Tools (see Section 5 for more details).



OBJECTIVE 3. Support family self-sufficiency.		
STRATEGY 1. Strengthen property owners' ability to develop accessory dwelling units (ADUs)	STRATEGY 2. Offer tax relief to long-time property owners	STRATEGY 3. Streamline programming for homeowners living in single-family homes
<ul style="list-style-type: none"> <li>Develop the appropriate standards, tools, &amp; processes to support ADU implementation</li> <li>Educate homeowners, real-estate professionals, financial institutions, &amp; the public</li> </ul>	<ul style="list-style-type: none"> <li>Increase participation in existing tax relief programs</li> <li>Develop a local tax relief or other program to prevent displacement of long-time homeowners</li> </ul>	<ul style="list-style-type: none"> <li>Formalize targeted rehabilitation pilot program to provide resources for rehabilitation of single-family homes</li> <li>Expand home repair programs to include energy efficiency improvements to lower ongoing utility costs for vulnerable homeowners</li> <li>Coordinate efforts with other targeted outreach activities to better connect property owners to existing programs</li> </ul>
		<div>STRATEGY 4: Support various other self-sufficiency programs &amp; services</div> <ul style="list-style-type: none"> <li>Continue to support workforce development programs, and other programs and services, that seek to improve economic mobility and family self-sufficiency</li> </ul>



## Priority financial tools and estimated impact

The City should continue using the existing local Housing Trust Fund, which yields approximately 1,100 units per year (300 units from 9 percent and 800 units from 4 percent transactions). However, the Charlotte community has strongly and consistently suggested that the Housing Trust Fund be increased. To that end, the City Manager's recommended budget for fiscal year 2019 includes a \$50 million Housing Trust Fund allocation.

**In addition to the existing local and federal funding, broad support and participation from other sectors of the community, i.e. philanthropic, financial institutions, non-profit and for profit developers, faith institutions, other public-sector agencies, etc., will be critical for establishing several new financial tools in the short- term (1-3 years) to increase capacity to support new tools like those outlined in the table below.** Financial modeling suggests that these new tools could create the potential to produce and preserve more units, as well as maximize the ability to attract additional investment. *With these new tools, an estimated 4,400 new affordable housing units could be realized, which significantly increases the amount produced in previous years. See Section 5 of this Framework for more details.*

New priority tool	Purpose	Estimated impact*
Private equity fund (Mezzanine Debt)	To support unfunded 9% tax credit pipeline as 4% tax credit deals where appropriate and leveraged with other resources where possible. And to support 4% tax credits deals consistent with creating mixed-income neighborhoods.	Cost: \$TBD Estimated Units: 1,200–1,800
Tax relief grants	To allow for lower operating costs and need for local funds	Tax relief grants could reduce Housing Trust Fund requests by several million dollars depending on the structure of the project.
Section 108 loan pool	To support nonprofit and for-profit developers in developing catalytic mixed-income and mixed-use development and preservation efforts	Cost: \$TBD Estimated Units: 1,000–1,200
Preservation fund	To acquire and preserve large-scale NOAH or expiring subsidized properties	Cost: \$TBD Estimated Units: 400–600 units (assumes 2 to 3 developments at 200 per development)
Acquisition fund (Land Donation)	To acquire private or public land in target areas for future affordable housing development	Cost: \$TBD Units: 500–800 units (assumes \$15,000 per unit of land costs)



\*Impact estimated based on several development assumptions





## Section 1. Introduction



## Introduction



Since 2000, the Queen City has attracted more than 100,000 new households, gaining a national reputation as an economic engine and livable city.<sup>1</sup> During this same time, Charlotte confronted some of its ugliest truths: chief among them, that Charlotte ranked 50th out of 50 in terms of economic mobility among the largest U.S. cities, and that Charlotte was not immune to police-involved shootings.<sup>2</sup>

Most importantly, though, residents, public institutions, and other civic organizations showed and continue to show unparalleled leadership on confronting these truths. In October 2016, City Council issued a letter to Charlotte residents, affirming their leadership on three key areas: 1) safety, trust, and accountability; 2) access to safe, quality and affordable housing; and 3) good paying jobs.<sup>3</sup> For 18 months, community members undertook a cross-sector effort to address the consequences of intergenerational poverty through the Leading on Opportunity Taskforce. In the process, Charlotte acknowledged that profound segregation by race and income poses a significant barrier to opportunity.

One critical outcome of these community conversations has been a focus on the need for quality affordable and workforce housing choices. While housing is intrinsically connected to other variables such as good paying jobs, workforce development, and quality education in supporting increased economic mobility, several local reports have highlighted the importance of affordable and workforce housing as a means to maintain a dynamic regional economy, promote livability, and address long-standing racial and economic disparities. The City of Charlotte, with input from other community planning efforts such as the Urban Land Institute's Terwilliger Center for Housing Report, the Evergreen Team Task Force report, the Leading On Opportunity report, and other affordable housing development partners developed the *Housing Charlotte Framework* to serve as a guide to address key City policy, investment, and production goals over the next several years.

**While the City of Charlotte has a role in the implementation of the recommendations outlined in this framework, overall success will depend on how well the entire community collaborates to address the complex social and economic needs of people needing affordable and workforce housing.**

To ensure community collaboration, the City will implement a process improvement to inform and seek community input on bond-funded housing support requests, specifically including those who advocate for or are personally impacted by displacement and homelessness. Additionally, LISC – the City's affordable housing intermediary – will establish a local advisory council to ensure comparable community participation.





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Using housing investments to increase access to opportunity is the foundation of the *Housing Charlotte Framework*. This framework outlines how philanthropic, public and private investments in housing can be used to build and expand opportunity for all Charlotte residents, advancing outcomes such as increased access to areas with high-quality schools, low poverty, and public transit.

This framework is shaped by three pillars categorized as 1) expansion of new affordable housing, 2) preservation of existing affordable housing and 3) implementation of self-sufficiency strategies. Below are three core considerations that explain how housing investments can be tailored to specific neighborhood-level conditions and target populations to advance affordable housing opportunities throughout the community. These core considerations are:

- 1. Increasing capacity to serve households earning below 60 percent of area median income.** The City of Charlotte is committed to serving households earning below 60 percent of area median income by adapting its existing tools or creating new ones to support these residents. At the same time, the City will continue to support households earning between 60 and 80 percent of area median income.
- 2. Serving residents vulnerable to housing displacement.** The City of Charlotte wants to ensure that all residents feel secure in their homes, including their ability to remain in their homes if their neighborhoods or circumstances change over time. It will prioritize housing investments in areas where large shares of vulnerable residents live to help stem housing displacement pressure and guide more equitable development over time.
- 3. Using housing to build and expand access to opportunity.** Building access to opportunity means prioritizing housing investments that increase the range of incomes living in a neighborhood while preserving the quality and affordability of existing housing options for lower income households already living there ensures that housing costs don't act as a barrier to a family's long-term economic mobility.







## Section 2. Existing and future housing conditions





## Existing and future housing conditions

### What data sources were used in this analysis?

This is based off the most up-to-date data available at the time of the analysis, including: 2016 American Community Survey, 2017 Real Data, and 2018 ProximityOne Population Estimates & Projections. The City of Charlotte recognizes these conditions continue to evolve and is committed to ongoing evaluation of the City's housing needs throughout the implementation of *Housing Charlotte*.

To inform *Housing Charlotte*, the City of Charlotte completed a data-driven analysis of Charlotte's housing needs, market conditions, and their relationship to access to opportunity; proximity to planned or existing rail transit; and vulnerability to housing displacement. Through this analysis, six key trends emerged:

1. **Increases in housing costs have outpaced increases in household income, leaving many households paying too much for their current home.** Since 1990, home values have increased by 36 percent and rents have increased by 24 percent, while median household income has only increased by 4 percent.<sup>4</sup>

Because of these trends, compounded by an insufficient supply of affordable rental housing for lower-income households and a strong residential for-sale market, many Charlotte residents are paying too much for housing. In other words, they are cost-burdened, paying more than 30 percent of household income toward housing costs. Thirty-four percent of households in Charlotte are cost-burdened. Fifteen percent (or 46,303 households) experience housing insecurity, meaning these households are both low-income and paying more than 50 percent of their monthly income on housing costs.

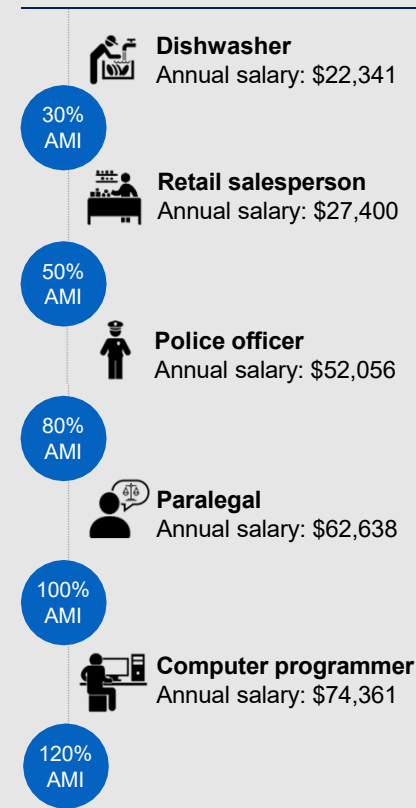
Some households in Charlotte disproportionately bear this burden. Renters account for 69 percent of housing insecure households, while accounting for a much smaller share of households citywide (47 percent). Similarly, while 32 percent of all households in Charlotte identify their race as Black, 45 percent of all low-income households and 43 percent of all housing insecure households identify as Black. Residents without a college degree, single-person households without children, and seniors are also all more likely to experience housing insecurity than the average Charlotte resident.<sup>5</sup>

2. **While Charlotte has made significant investments in affordable housing production, it still does not have enough affordable rental options to meet its current and future needs.** Charlotte lacks enough affordable and available rental housing for extremely and very low-income residents. The city has a total deficit of nearly 24,000 units for households at and below 50 percent of area median income, which is driven by a significant gap in rental housing for households at and below 30 percent of area median income.<sup>6,7</sup>

Projections show that growth in lower income households will keep pace with the city's overall population growth, suggesting this deficit will persist over time if affordable housing production does not increase.<sup>8</sup>



## Who needs affordable housing?\*



\*Based off annual salary data from the 2017 Paycheck to Paycheck Database compared against FY2017 HUD Income Limits for the Charlotte-Concord-Gastonia NC-SC HUD Metro FMR Area. Icon credits: Luis Prado, Replsly, Peter Van Driel, Thomas' design, and Gan Khoon Lay.

A few trends explain why rental options are not available throughout the city. First, the share of rental units priced for very low-income households in Charlotte has decreased since 2000, while the number of these households significantly increased over that same period.<sup>9</sup> Instead, new rental options were largely priced for moderate-income households (those earning 81–120 percent of area median income). Another trend that affects the housing supply for low-income renters is a “mismatch” in occupancy. Thirty-five percent of rental units affordable to all low-income households in Charlotte are unavailable because they are occupied by higher-income households.<sup>10</sup>

- 3. Charlotte’s strong residential market limits access to homeownership, especially for lower income households.** While the city has an inventory of homes valued for low-income families, at any given time, this supply may be much smaller due to high demand within the for-sale market, particularly as that market continues to tighten. A snapshot from the Multiple Listing Service from December 2017 suggests a smaller inventory of for-sale homes, fewer days to close, and higher sales prices compared with 2016.<sup>11</sup>

In 2017, the median home sales price in Charlotte was \$211,000. To afford a home at this price, a household would need to earn \$61,620 annually—which translates into more than four full-time minimum wage jobs.<sup>12</sup> Per the most recent American Community Survey, the median household income was \$55,599, making it difficult for many households in Charlotte to afford recent for-sale opportunities.<sup>13</sup>

- 4. Most of Charlotte’s existing affordable rental options is large-scale naturally occurring affordable housing, meaning the unit is not subsidized or income-restricted. In comparison, only a small share of households receives rental assistance.** A limited supply of affordable and available rental options reinforces the importance of the city’s existing affordable housing supply. The city offers affordable rental options in three main ways: 1) development-based assistance; 2) rental assistance through vouchers; and 3) naturally occurring affordable housing (or “NOAH”).

Of these three types, NOAH units overwhelmingly make up the largest portion of the city’s affordable rental supply for low-income households. Approximately 81,000 unsubsidized units are affordable to households earning 80 percent of area median income or below.<sup>14</sup> While most of these units serve households earning 60 percent of area median income or higher, a small share offer rents for extremely low-income households (1 percent) and very low-income households (30 percent).





### Types of affordable rental options in Charlotte

#### Development-based assistance:

properties that receive funding in exchange for offering rental units at prices that are affordable to low-income households. This includes properties receiving HOME funding and Low-Income Housing Tax Credit (LIHTC) financing.

#### Rental assistance through vouchers:

financial assistance provided directly to eligible low-income renters to find housing in the private market. CHA manages the City's largest rental assistance program – the Housing Choice Voucher program.

#### “Naturally occurring affordable housing”

(NOAH): properties that do not receive public subsidy, but offer rents that are affordable to lower income households. This may be driven by market forces or property-specific conditions. Data used to determine NOAH inventory includes data for developments with 50 units or more, meaning it could be one building or collection of smaller buildings

While Charlotte's supply of large-scale NOAH for households earning 80 percent of area median income or below has been stable since 2013, the city lost many large-scale NOAH units priced for extremely and very low-income households. The city lost more than half its supply (nearly 28,000 units) of large-scale NOAH for households earning 50 percent of area median income or below between 2013 and 2017.<sup>15</sup> Year-to-year trends suggest this loss may continue, since the city has been losing these units for lower income households at an increasingly fast pace.

Compared with the city's large-scale NOAH inventory, income-restricted rental assistance (both through development-based rental assistance and federally funded tenant-based vouchers) represents a small share of the city's overall rental supply. About eleven percent (approximately 14,000 units) of rental housing in Charlotte receives either development-based or tenant-based rental assistance.<sup>16</sup>

5. **Many households in Charlotte must make a tradeoff between living in areas with access to jobs, goods, and services and lower housing costs or living in areas with access to other key pathways to opportunity, like low poverty and strong school performance.** The largest shares of affordable homes for low-income households in Charlotte are in areas with weaker pathways to opportunity—areas characterized by higher poverty and unemployment rates and lower school performance. Despite offering more affordable rental and homeownership options, residents in these areas tend to struggle with their housing costs, evidenced by the high percentages of renter and homeowner cost-burden in them. Compounding this issue, many residents in these areas are vulnerable to housing displacement, which suggests that additional cost increases in these areas would be particularly difficult for residents to withstand.

Few affordable homes are in areas with stronger pathways to opportunity—areas characterized by better school performance and lower poverty rates relative to other parts of Charlotte-Mecklenburg. The biggest tradeoff between these areas is access to jobs, goods, and services, where areas with more affordable housing options have higher transit frequency and walkability and more jobs within a 45-minute car commute. In fact, nearly one-third of neighborhoods with a large supply of affordable rental housing, and approximately one-fifth of neighborhoods with a large supply of affordable for-sale housing, are within a half-mile of current or planned rail transit.



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- 6. Charlotte-Mecklenburg could add 500,000 persons by 2030, with seniors representing much of this growth.** More than half of that growth will occur between 2020 and 2030 (271,000 additional persons compared with 224,000 persons between 2010 and 2020). A large share of this growth will be among seniors (persons age 60 years or older). The share of this population will increase from 13 percent of the population in 2018 to 25 percent of the population by 2030, with a majority of this growth occurring between 2020 and 2030.<sup>17</sup>

This trend represents a demographic shift with some implications for Charlotte's housing supply, including ramping up production, supporting aging in place, promoting options to downsize, and ensuring affordability of existing and new housing opportunities.







## **Section 3. Existing local tools, policies, resources, and initiatives**





## Existing local tools, policies, resources, and initiatives

The Department of Housing and Neighborhood Services invests federal and local resources to develop and preserve affordable housing. In recent years, the City of Charlotte has enacted several tools to incentivize affordable housing development, subsidize housing costs, and target local and federal investments in priority areas throughout the city. *Housing Charlotte* outlines how these existing tools can be expanded, modified or leveraged with philanthropic and private-sector resources and initiatives to build and expand access to opportunity for Charlotte's low-income and moderate-income households.

### Existing local tools & policies

<b>Density Bonus</b>	The City's voluntary density bonus is tied to its Mixed-Income Housing Development Program as its primary incentive for affordable housing development. The density bonus is intended to encourage private developers to include affordable units in their projects in exchange for higher density than the existing zoning allows. In exchange for increased density, developers reserve a share of their units for low-income households, including a portion for households at or below 60 percent of area median income in multifamily districts, and keep these units affordable for 15 years. To date, though, this incentive has not produced any affordable housing units.
<b>Housing Locational Policy</b>	The City's Housing Locational Policy was originally designed to help ensure that subsidized multifamily projects are not concentrated within Charlotte. To accomplish this goal, the policy identifies permissible areas throughout Charlotte where subsidized multifamily housing can be built. In practice, this policy conflicts with the City's current demographic realities, other local policies, most notably the Assisted Multifamily at Transit Stations, and with NCHFA tax credit selection criteria. Developers building publicly supported multifamily properties outside of the Housing Locational Policy's permissible areas need to request a waiver from the City; waivers are granted on a case-by-case basis by City Council. Recognizing the existing limitations of this policy in practice, the City of Charlotte is in the process of updating its Housing Locational Policy.
<b>Assisted Multifamily at Transit Stations</b>	This policy strongly encourages the City to pursue opportunities to develop multifamily rental housing assisted by local, state, or federal funds within a ¼ mile radius of adopted transit stations (rapid transit stations). However, this policy exempted development along the Blue Line Extension since 2013. Given the City's growing commitment to expanding access to opportunity for low-income households, the City will evaluate this tool and its impact on future development opportunities. Given the City's growing commitment to expanding access to opportunity for low-income households and equitable transit-oriented development, the City will explore expanding this policy to the Blue Line Extension, in addition to its broader use.

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## Existing local tools &amp; policies (continued)

## Property Review for Affordable Housing Guidelines

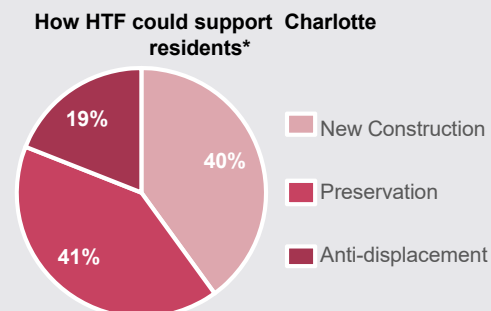
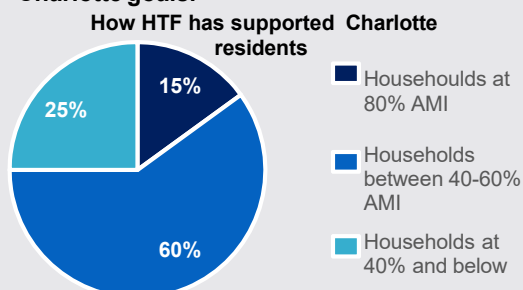
In 2017, the Housing and Neighborhood Services and Engineering & Property Management Departments developed a formal process for when to use city-owned property for affordable housing development. Increased access to city-owned assets can help lower the overall cost of affordable housing development, particularly as high-cost land makes these projects cost-prohibitive. Using public land, especially land controlled by the City and other public entities, could provide a nonmonetary subsidy to affordable housing developers and when sold, generate additional revenue for the City and other public entities to reinvest into its housing activities.

## Existing local resources

## Housing Trust Fund

The City of Charlotte created a local financing tool, a Housing Trust Fund (HTF), which currently provides \$15 million in gap financing (via low-interest loans and grants) for acquisition, new construction, and rehabilitation of multifamily units every two years. The HTF has enabled the City to realize more affordable housing and safeguard the affordability of many of its investments for at least 30 years. While the HTF has enjoyed widespread public support, it requires ongoing voter approval to reauthorize its funding every two years, and Charlotte residents have overwhelmingly supported bond initiatives for the trust fund since its inception in 2001. To date, the HTF has been used to invest more than \$124 million in housing options.

However, some local affordable housing developers noted the HTF's existing structure—a voter-approved bond every two years—hinders developers' ability to plan for projects beyond two-year increments, including large-scale, phased projects. Additionally, if the fund was larger, it could support more tax credit developments on an ongoing basis. The Leading On Opportunity report also recommended that the City's Housing Trust Fund be increased to \$50 million per bond cycle to support additional affordable housing development. In response, the City Manager's recommended budget for fiscal year 2019 includes an option to increase the HTF to \$50 million to further support affordable housing development and preservation efforts, as well as deeper subsidies to support households earning below 60 percent of area median income. **The charts below illustrate how the expanded HTF as well as other housing initiatives could support Charlotte residents and help achieve Housing Charlotte goals.**



\*This chart is for illustrative purposes only ; it is not intended to represent how the HTF will definitively be allocated. Expansion, preservation and anti-displacement efforts are each key objectives for addressing local affordable housing needs , with new construction and preservation being considered relatively equal. Utilization of HTF, as well as other housing related investments and decisions, will be evaluated on a case by case basis using the *Housing Charlotte* framework as a guide.



### 2018 HUD funding and allocations to housing activities:\*

#### CDBG - \$5.3m

CDBG allocated to housing activities:

- Homeowner rehab - \$2.2m
- Rental housing - \$1.6m

#### HOME - \$2.3m

HOME allocated to housing activities\*\*:

- Rental assistance - \$330k
- Homeownership - \$2.3m
- Rental housing - \$590k
- Homeowner rehab - \$55k

#### ESG - \$480k

ESG allocated to housing activities\*\*:

- Rental assistance - \$480k
- Homeless facilities - \$196k

#### HOPWA - \$2.3m

HOPWA allocated to housing activities:

- Permanent supportive rental housing - \$250k
- Operations and other housing services - \$1.9m

\*Based off the 2018 Annual Action Plan.

\*\*Includes program income and/or carryover funds.

### Existing local resources (continued)

#### HOME Investment Partnerships Program (HOME)

HOME program funds can support a variety of affordable housing activities including new construction and preservation of rental and for-sale housing, and tenant-based rental assistance. The City typically receives approximately \$2 million annually through the federal HOME program. The Department of Housing and Neighborhood Services prioritizes homebuyer assistance through the City's HouseCharlotte program, and homeowner rehabilitation assistance through its Safe Home program.<sup>18</sup>

#### Community Development Block Grant (CDBG)

CDBG funds support small businesses, neighborhood revitalization, homeowner and rental repair, counseling and social service operations. The City typically receives between \$5 and \$6 million annually through the federal CDBG program, which is invested locally across a variety of housing, public improvements, public facilities, and business development programs. From that allocation, the Department of Housing and Neighborhood Services typically invests approximately \$3 million annually to support housing through its CDBG program.<sup>19</sup>

#### Emergency Solutions Grant (ESG)

ESG funds may be used for five program components: street outreach, emergency shelter, homelessness prevention, rapid re-housing assistance, and data management; as well as administrative activities (up to 7.5 percent of a recipient's allocation can be used for administrative activities). The City typically receives between \$400,000 and \$500,000 annually through the federal ESG program.

#### Housing Opportunities for Persons with AIDS (HOPWA)

HOPWA is the only federal program dedicated to the housing needs of people living with AIDS. HOPWA funds can be used to fund acquisition, rehabilitation, or new construction of housing units; cost for facility operations; and to provide short-term rent, mortgage and utility assistance to prevent homelessness. The City typically receives between \$1.8 and \$2 million annually through the federal HOPWA program.



*The Housing Charlotte Framework* builds off recent initiatives, plans and studies that also focus on an integrated approach to increasing access to opportunity, addressing existing conditions and future trends shaping the City's housing future, and supporting public-private partnerships to implement actionable strategies.

### Ongoing local initiatives & past plans or studies

<b>Place Types and Unified Development Ordinance (UDO)</b>	The Charlotte-Mecklenburg Planning Department is currently updating the policies and regulations that guide growth and development in Charlotte. Updates to the policy and regulatory environment in the city will have a direct impact on what types of housing can be built throughout Charlotte and impact priorities to build and expand access to opportunity through housing investments. The UDO will also provide a range of new incentives for public benefits, including near transit, which is one way that this initiative intersects with <i>Housing Charlotte</i> .
<b>The Evergreen Team Task Force Affordable Housing Report</b>	In 2017, the Evergreen Team Task Force – a volunteer committee of public and private leaders – met monthly to discuss Charlotte's affordable housing crisis and identify solutions for the next ten years. Evergreen estimated the City averages only 312 units of new affordable housing per year, the Evergreen Team proposed eight ideas that offer solutions in the coming decade. Each idea is supported by an execution strategy that includes key actions essential to implementation and long-term housing affordability. <i>Housing Charlotte</i> addresses many of the ideas proposed by the Evergreen Team.
<b>Charlotte-Mecklenburg Opportunity Task Force</b>	<i>Leading on Opportunity</i> , 2017. In 2013, a Harvard University/UC Berkeley study reported that Charlotte ranked 50th in economic mobility among large U.S. cities. Specifically, the study examined the ability of a child born in the lowest income quintile to rise to the top income quintile during their lifetime. Alarmed by the study's findings, local leaders responded by forming the Charlotte-Mecklenburg Opportunity Task Force, a group with members representing the area's diverse neighborhoods and communities. Over an 18-month period in 2015 and 2016, the Opportunity Task Force set out to draft a comprehensive framework to guide policymakers, community leaders, and philanthropic partners toward addressing the negative effects of intergenerational poverty on Charlotte-Mecklenburg's children and youth. <i>The Leading on Opportunity Task Force Report</i> presents analysis and recommendations according to the three determinants that the task force identified as having the greatest influence on the opportunity trajectory of an individual: 1) early care and education; 2) college and career readiness; and 3) child and family stability.

*Table continued on next page*



### Ongoing local initiatives & past plans or studies (continued)

#### Urban Land Institute Terwilliger Center for Housing

*Increasing Workforce and Affordable Housing in Charlotte.* In response to a 2016 HUD report that Charlotte had a deficit of approximately 34,000 affordable housing units based on demand, the Charlotte City Council set a goal of creating 5,000 units of workforce and affordable housing in five years (subsequently changed to three years). Following this resolution, city staff contacted the Terwilliger Center for Housing (Center) to provide technical assistance in developing a strategy to achieve this goal. Center staff, and a panel consisting of a group of the Center's national advisory board members, conducted interviews with City agency staff, local advocacy groups, and the development community, as well as a review and analysis of Charlotte's housing characteristics, demographics, needs, policies and real-estate market. The *Increasing Workforce and Affordable Housing in Charlotte* report contains the Center's recommendations for increasing the supply of workforce and affordable housing in Charlotte.

#### University of North Carolina at Charlotte Urban Institute

*Charlotte-Mecklenburg Strategies for Affordable Housing Development, 2016.* This report presents strategies that can provide new opportunities to finance and facilitate the development of high-quality housing that will remain affordable for the long term. The report is based on interviews conducted with policymakers, for-profit and non-profit developers, thought leaders, and community advocates. From these interviews, two themes arose that present clear challenges to the local production of affordable housing: 1) challenges to financial feasibility, including the cost of neighborhood resistance; and 2) challenges to maintaining long-term affordability. The report focuses on potential solutions to addressing these two challenges, while acknowledging that there are additional issues that warrant attention – e.g., affordable housing preservation and rehabilitation, asset building, supportive services, property management, vouchers, housing market trends, and location of housing related to transportation and services. It provides a starting point for discussion and future policymaking, and presents case studies from other cities addressing similar challenges.







## Section 4. Summary of key strategies





## Summary of key strategies

Through the *Housing Charlotte* framework, the following strategies and related actions can be considered to assist in expanding and preserving affordable housing, and addressing self-sufficiency. **The strategies will require broad community-wide participation and support from the private, public and non-profit sectors. These strategies are summarized in more detail below. These strategies can also be found in the Executive Summary of this framework.**

OBJECTIVE 1(a). Expand the supply of high-quality rental and owner occupied housing.		
STRATEGY 1. Increase rental production	STRATEGY 2. Support mixed-income development	STRATEGY 3. Leverage land
<ul style="list-style-type: none"> <li>Support the development of non-funded 4 percent and 9 percent tax credit projects (e.g. <b>through creation of an equity fund, tax relief grant program, etc.</b>)*</li> <li>Use non-monetary tools to incentivize development of affordable rental housing</li> </ul>	<ul style="list-style-type: none"> <li><b>Leverage Section 108 funding for mixed-income &amp; mixed-use development*</b></li> <li>Establish a Neighborhood Revitalization Strategy Area (NRSA) to increase flexibility of federal resources</li> <li>Leverage Opportunity Zone designations to direct private resources (see Appendix 1)</li> <li>Review and update the Zoning Density Bonus programs for multi and single family housing</li> <li>Revise the Housing Locational and Assisted Multi-Family at Transit Station Areas Policies</li> <li>Encourage inclusion of mixed-income housing through the rezoning process</li> <li>Collaborate with the County to expedite these types of developments through plan review, approval and permitting processes</li> </ul>	<ul style="list-style-type: none"> <li><b>Establish an acquisition fund to support strategic acquisition of land for affordable housing*</b></li> <li>Use publicly owned land for housing development</li> </ul>

\*Items in bold represent Short-Term Priority Financial Tools (see Section 5 for more details).



**OBJECTIVE 1(b). Expand homeownership opportunities.**

STRATEGY 1. Prioritize downpayment assistance	STRATEGY 2. Expand existing employer-assisted homebuyer programs	STRATEGY 3. Support creation of a community land trust (land trust)
<ul style="list-style-type: none"> <li>L Leverage opportunities to develop on infill sites &amp; design programs to support homeownership opportunities on these sites</li> <li>L In coordination with partners, explore guarantees for first mortgage loans to better leverage private mortgage financing</li> </ul>	<ul style="list-style-type: none"> <li>L Continue to support municipal employees' participation in the HouseCharlotte down payment assistance program</li> <li>L Partner with anchor institutions &amp; other large-scale employers to explore developing or expanding employer-assisted housing programs</li> </ul>	<ul style="list-style-type: none"> <li>L Conduct outreach to residents &amp; stakeholder partners to gauge interest in a land trust</li> <li>L Identify land throughout Charlotte suitable for donation to or strategic acquisition by a land trust</li> <li>L Link and prioritize infrastructure investments with other Community Investment Plan projects and programs</li> </ul>

**OBJECTIVE 2. Preserve the affordability, and preserve or improve the quality, of the existing rental housing stock.**

STRATEGY 1. Prioritize preservation of large-scale naturally occurring affordable housing (NOAH)	STRATEGY 2. Preserve expiring subsidized properties	STRATEGY 3. Support extended use of rental subsidies and vouchers
<ul style="list-style-type: none"> <li>L Prioritize large-scale NOAH properties in development solicitations</li> <li>L <b>Establish a substantial preservation fund to subsidize developer acquisition of NOAH*</b></li> <li>L <b>Establish a tax relief program*</b></li> <li>L Create a preservation unit with funding tasked with identifying at-risk NOAH properties &amp; deploying resources to partner with developers to preserve these housing units with City subsidies, and monitor compliance of long-term deed restrictions. In the case where NOAH units are being replaced with market rate units, developers will replace at least the same number of 80% AMI or below units.</li> </ul>	<ul style="list-style-type: none"> <li>L Prioritize recapitalization activities for local investment</li> <li>L Lower long-term property costs</li> <li>L Create a right-of-first refusal policy for properties that receive federal or local subsidy</li> </ul>	<ul style="list-style-type: none"> <li>L Ensure that each publicly funded development includes at least 20% of units for households earning 30% of the Area Median Income. A priority waitlist for an additional 10% of units will target extremely low income tenants with rental subsidies or vouchers, where possible.</li> <li>L Align local resources with policies that support voucher use</li> <li>L Coordinate with the Charlotte Housing Authority and other local voucher programs on opportunities to use vouchers to support target populations, particularly in areas with strong pathways to opportunity.</li> </ul>

\*Items in bold represent Short-Term Priority Financial Tools (see Section 5 for more details).



OBJECTIVE 3. Support family self-sufficiency.		
STRATEGY 1. Strengthen property owners' ability to develop accessory dwelling units (ADUs)	STRATEGY 2. Offer tax relief to long-time property owners	STRATEGY 3. Streamline programming for homeowners living in single-family homes
<ul style="list-style-type: none"> <li>Develop the appropriate standards, tools, &amp; processes to support ADU implementation</li> <li>Educate homeowners, real-estate professionals, financial institutions, &amp; the public</li> </ul>	<ul style="list-style-type: none"> <li>Increase participation in existing tax relief programs</li> <li>Develop a local tax relief program to prevent displacement of long-time homeowners</li> </ul>	<ul style="list-style-type: none"> <li>Formalize targeted rehabilitation pilot program to provide resources for rehabilitation of single-family homes</li> <li>Expand home repair programs to include energy efficiency improvements to lower ongoing utility costs for vulnerable homeowners</li> <li>Coordinate efforts with other targeted outreach activities to better connect property owners to existing programs</li> </ul>
		<div>STRATEGY 4: Support various other self-sufficiency programs &amp; services</div> <ul style="list-style-type: none"> <li>Continue to support workforce development programs, and other programs and services, that seek to improve economic mobility and family self-sufficiency</li> </ul>







## Section 5. Short-term priority financial tools





## Potential priority financial tools and impacts

While the City faces several constraints in terms of available resources and existing policies, the *Housing Charlotte Framework* proposes several priority financial tools that have the potential to increase the production and preservation of affordable housing, providing opportunities for existing and future residents. These tools will require broad support and participation from other sectors of the community, i.e. philanthropic, financial institutions, non-profit and for-profit developers, faith institutions, other public-sector agencies, etc., and include:

### Equity Fund financial modeling assumptions

Of the applications for financing submitted to the City between 2016 and 2017, nine were selected for modeling for several commonalities: (1) they pertain to sites large enough to hold greater numbers of units, (2) they often do not maximize their 9 percent LIHTC requests, (3) their capital stacks include significant hard and soft debt, but few layers of financing.

- The nine 9 percent LIHTC applications reviewed represent 1,492 units of new construction, requiring \$23.5 million of gap financing (primarily from the City). Realistically, one-third of these applications would receive LIHTC reservations, translating into approximately 492 units of new construction and approximately \$7.8 million in secondary financing borrowed.
- Because the 4 percent LIHTC is not awarded on a competitive basis, all nine applications would receive reservations, meaning 1,800 units and \$54 million in secondary financing borrowed.

### Equity Fund

#### Purpose

Today, more tax credit projects seek funding from both the City and North Carolina Housing Finance Agency (NCHFA) than receive awards, leaving 3 to 6 “shovel-ready” projects unfunded each tax credit cycle. The City can realize unfunded tax credit projects by developing an equity fund, in partnership with philanthropic and other local mission-driven organizations, to fund this pipeline under the non-competitive 4 percent tax credit—providing funding to address the resulting equity gap.

#### Possible Source

Philanthropic and other mission-driven investors

#### Supportive Policy Tools

The success of the equity fund relies on the ability of the unfunded 9 percent pipeline to maximize density, parking waivers, and tax relief, where feasible. The fund should prioritize projects that maximize density and offer tax relief for projects converting to the non-competitive 4 percent tax credit.

#### Estimated Cost

TBD

#### Estimated Impact

1,800 units per year

#### Key Considerations

**Developing an equity fund requires public, private, and philanthropic partnerships to capitalize, manage, and market the fund.** Additionally, the City would need to negotiate with the NCHFA to grant an exception to its threshold for minimum operating costs per unit for these deals.





### Tax Relief financial modeling assumptions

*Tax relief can be viewed or calculated by different methods: present value of taxes not collected or forgone tax revenue, possibly in favor of increased gap financing.*

- Present value of taxes not collected over 15 years (end of initial Section 42 regulatory period, when the first opportunity to refinance will occur), or over 40 years (permanent FHA loan term)
  - Relies upon assumptions re: tax rates, interest rates, and assessor valuation vs. depreciation
- A PILOT construct has multiple variables but the City could either:
  - forego tax revenue that -if taxes were imposed—it would never receive because the proposed use would not underwrite (typically 9 percent transactions), or
  - forego some tax revenue it would receive, while increasing its contribution of gap financing (4 percent transactions)

### Tax Relief for Affordable Rental Housing

#### Purpose

The City could create or adopt a mechanism that grants tax relief of real property taxes for affordable housing that furthers City policies and goals. Tax relief will allow for greater net operating income in 9 percent and 4 percent LIHTC deals, which in turn allows these projects to borrow more conventional permanent debt, and decreases reliance on gap financing from local government.

#### Source

Foregone property taxes or payment in lieu of taxes (PILOT)

#### Supportive Policy Tools

Assisted Multi-Family Housing Development Policy at Transit Station Areas, updated Housing Locational Policy

#### Estimated Cost

TBD

#### Estimated Impact

Modeling indicates that leveraging tax relief for affordable housing developments can reduce the request for HTF resources per project. Two 4 percent LIHTC deals with no units serving households earning 80 percent of AMI required a 58 percent increase in HTF awards (or \$7.4 million); two 9 percent LIHTC deals with no units serving households earning 80 percent of AMI resulted in a 200 percent increase in HTF awards (or \$6 million). The request for HTF funds could be reduced significantly through property tax relief.

#### Key Considerations

As this represents a high-level analysis, the City would need to explore a more thorough tax analysis to understand how affordable housing across income bands, located in desirable areas (proximate to amenities, education, employment opportunities, services, etc.). Key questions include: To what extent do local payroll or sales tax bases increase? Does the predicted increase in these tax bases offset the loss in property taxes?



### Section 108 financial modeling assumptions

Under Section 108, project costs can be spread over time with flexible repayment terms, and borrowers can take advantage of lower interest rates than could be obtained from private financing sources. Section 108 funding is intended to provide a lower interest debt product, which could mirror the impact of existing Housing Trust Fund resources, but focused on mixed-income and mixed-use developments to ensure financially viable projects and loan repayment.

## Section 108 Loan Guarantee Fund

### Purpose

Section 108 offers the City the ability to transform a small portion of its CDBG funds into federally guaranteed loans large enough to pursue physical and economic projects capable of revitalizing entire neighborhoods. Such public investment is often needed to inspire private economic activity, providing the initial resources or simply the confidence that private firms and individuals may need to invest in distressed areas. Section 108 funding could support non-profit and for-profit developers in developing catalytic mixed-income and mixed-use development and preservation efforts. A recent example of this includes the Brightwalk development.)

### Source

Pledge of CDBG funds, leveraging private investors

### Supportive Policy Tools

Neighborhood Revitalization Strategy Area (NRSA) as defined by HUD, tax relief, updated Housing Locational Policy

### Estimated Cost

TBD.

### Estimated Impact

Financial modeling suggests that 1,000 to 1,200 units could be produced using Section 108 financing, assuming the City requests full borrowing authority and that projects will serve at least 51 percent low- to moderate-income households (households earning at or below 80 percent of area median income).

### Key Considerations

To receive a Section 108 authorization from HUD, the City will need to pledge its annual CDBG allocation as collateral. The application process, a project specific loan or general loan fund, administered by HUD will take about 3-6 months once submitted. While Section 108 cannot be used for new construction of housing (except under limited circumstances), it can be used to support commercial components of mixed-use new construction projects.



### Example of a Preservation Fund

#### Washington, D.C.

In 2017, twenty million dollars of private capital raised by Enterprise Community Partners, Inc. was matched by \$8 million of public dollars from the District government to create a \$28 million preservation fund. This new fund provides acquisition and predevelopment financing for nonprofit sponsors in the Washington, D.C. metropolitan area to acquire existing affordable multifamily properties threatened with conversion to for-sale housing or higher-rent use.<sup>20</sup>

#### Terms at a glance:

- **Eligible properties:** Rental properties of 40+ units, expiring income-restricted or NOAH
- **Eligible borrowers:** Non-profit developers or other non-profit groups working in partnership with for-profit developers, in which the non-profit has at least equal ownership interest
- **Loan uses:** Property acquisition and usual predevelopment costs related to rehabilitation and refinancing
- **Loan term:** 24 to 36 months
- **Origination fees:** 2 percent of loan amount (depending on loan size)

### Preservation Fund

#### Purpose

A Preservation Fund will help preserve the quality and affordability of existing income-restricted and naturally occurring affordable rental housing by providing low-cost financing to acquire and rehabilitate these properties. This dedicated capital source can be used for assisting developers with acquisition and/or rehabilitation, and can be targeted in areas of the city experiencing market pressure and/or on properties near amenities like transit, quality schools, or job centers. In the case where NOAH units are being replaced with market rate units, developers will replace at least the same number of 80% AMI or below units.

#### Source

Philanthropic, public, and private investment

#### Supportive Policy Tools

Preservation ordinance, right-of-first refusal, Assisted Multi-Family Housing Development Policy at Transit Station Areas, tax relief

#### Estimated Cost

TBD

#### Estimated Impact

400 to 600 units.

#### Key Considerations

**A structure will need to be developed for the fund, including identifying an administrator for the fund, targeted borrowers and key investors (including philanthropic, financial institutions, anchors and other mission oriented investors).** The preservation fund can target properties at risk of losing affordability due to expiring subsidy or market pressures, buildings with chronic code violations, and properties in building access to opportunity areas (see [Map 1](#) on page 41). Loans can be low-cost debt to leverage other philanthropic or private investments. The fund could be supported by the proposed preservation team, tasked with identifying preservation opportunities, and/or as part of a project review committee for the fund.



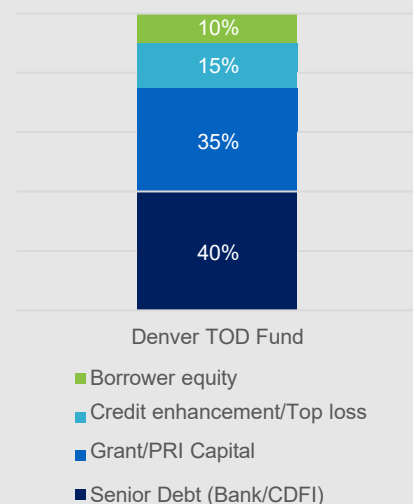


### Example of an Acquisition Fund

#### Denver, CO

As the region's transit system extended beyond the City, the fund expanded to meet new demand. Today, the \$24 million Denver Regional Transit-Oriented Development Fund is available to qualified borrowers in seven Metro Denver counties to acquire property for affordable housing and supportive commercial space. As of May 2016, the Fund had provided nearly \$20 million for the creation or preservation of more than 1,100 affordable homes and 100,000 square feet of community space at 13 transit-accessible properties across the region.<sup>21</sup>

#### Structure at a glance:



### Acquisition Fund

#### Purpose

An Acquisition Fund is used to acquire private or public land in target areas for future affordable housing development. Acquisition funds are typically structured as a flexible revolving loan pool that can respond quickly to acquire properties in dynamic housing markets. Acquisition funds typically have higher risk tolerance as permanent financing may not be identified at the time of acquisition.

#### Source

Philanthropic, public and private investment

#### Supportive Policy Tools

Updated Housing Locational Policy, density bonus, UDO, property review for affordable housing guidelines (or land disposition policy), tax relief

#### Estimated Cost

TBD

#### Estimated Impact

500 to 800 units, depending on land costs in targeted areas for acquisition.

#### Key Considerations

A structure will need to be developed for the fund, including identifying an administrator for the fund (local lender or CDFI), targeted borrowers and key investors (including philanthropic, financial institutions, anchors and other mission-oriented investors). The acquisition fund can target land or properties in expanding access to opportunity areas (see [Map 2](#) on page 42) and can maximize the opportunity to support households at or below 50 percent of area median income. Loan terms should address the appropriate loan-to-value ratio, subsidy limits, loan terms, and capital stack positions.



## Summary

While significant progress has been made over the past decade to increase the supply of affordable housing in Charlotte, the reality is that housing is becoming less affordable. Execution of the strategies outlined in this framework will only be achieved through intentional and continued collaboration among community partners.

*Housing Charlotte* outlines how public and private investments can be aligned to facilitate housing to build and expand access to opportunity for Charlotte residents, advancing outcomes such as increased access to areas with high-quality schools, low poverty, and public transit. The framework will be used as a guide to help create mixed-income communities by using housing investments to increase access to opportunity.



## Notes & references

<sup>1</sup>2000 Census Public Use Microdata Sample via IPUMS-USA and 2016 American Community Survey One-Year Public Use Microdata Sample.

<sup>2</sup>Chetty, R. et al. (2014). "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States." Available at [https://scholar.harvard.edu/files/hendren/files/mobility\\_geo.pdf](https://scholar.harvard.edu/files/hendren/files/mobility_geo.pdf).

<sup>3</sup>Read Charlotte City Council's full letter to the community here: <http://charlottenc.gov/CommunityLetter/Documents/Letter%20to%20the%20Community%20-%202010.3.16%20-%20Charlotte%20City%20Council.pdf>.

<sup>4</sup>1990 U.S. Census, 2000 U.S. Census, and 2005-2016 American Community Survey One-Year Estimates adjusted to 2016 dollars and calculated as a percent change from 1990.

<sup>5</sup>Twenty-one percent of residents without a college degree, 21 percent of single-person households without children (including unrelated adults living together), and 18 percent of seniors experience housing insecurity, compared to 15 percent citywide. Data from 2016 American Community Survey One-Year Public Use Microdata Sample.

<sup>6</sup>2016 American Community Survey One-Year Public Use Microdata Sample. Calculation includes both affordability and availability. Per the U.S. Department of Urban Development, a unit is considered "available" at a given level of income if it is 1) affordable at that level and 2) it is occupied by a renter either at that income level, or at a lower income level, or is vacant. For additional information on the methods used to calculate supply gap, please see [www.huduser.gov/publications/pdf/CHAS\\_affordability\\_Analysis.pdf](http://www.huduser.gov/publications/pdf/CHAS_affordability_Analysis.pdf).

<sup>7</sup>The number of units available to households at a given income range are presented cumulatively because higher income households can afford a wider range of housing prices. Higher income renters often occupy units that would otherwise be affordable to households at a lower income, further limiting the supply at the lowest end of the market. The cumulative approach is an industry-standard method used by both HUD and the [National Low Income Housing Coalition](#).

<sup>8</sup>ProximityOne County by Income Population Estimates & Projections to 2030 for Charlotte-Mecklenburg County, NC (March 2018).

<sup>9</sup>The City of Charlotte experienced an increase of 78 percent in extremely low-income households and an increase of 49 percent in very low-income households from 2000 and 2016. Data via 2000 U.S. Census Bureau and 2016 American Community Survey One-Year Public Use Microdata Sample.

<sup>10</sup>2016 American Community Survey One-Year Public Use Microdata Sample.

<sup>11</sup>See Charlotte Regional Realtor Association, Local Market Update for December 2017: <http://apps.carolinarealtors.com/files/Local%20Market%20Update%20Dec%202017.pdf>

<sup>12</sup>Per the 2017 National Paycheck to Paycheck Database. Available at [www.nhc.org/paycheck-to-paycheck/metro-area/16740/occupations/ED03000010,LG12000003,SM15000296,SM15000039/](http://www.nhc.org/paycheck-to-paycheck/metro-area/16740/occupations/ED03000010,LG12000003,SM15000296,SM15000039/)

<sup>13</sup>2012–2016 American Community Survey Five-Year Estimates.





<sup>14</sup>Based on Real Data, which includes data for developments with 50 units or more, meaning it could be one building or collection of smaller buildings. Nearly one-third of renters in Charlotte live in single-family detached or attached housing, which many local stakeholders have noted is also likely offering affordable rents for low-income households. This additional supply, while difficult to quantify, represents an important part of the city's affordable housing inventory, too.

<sup>15</sup>Since 2013, Charlotte experienced a 1 percent increase in NOAH units affordable to low-income households, but a 54 percent decrease in those affordable to very low-income households and an 83 percent decrease in those affordable to extremely low-income households. 2017 Real Data.

<sup>16</sup>Calculated as a share of renter-occupied units via 2012–2016 American Community Survey Five-Year Estimates.

<sup>17</sup>ProximityOne County by Age Population Estimates & Projections to 2030 for Charlotte-Mecklenburg County, NC (January 2018).

<sup>18</sup>CPD Cross Program Funding Matrix dated March 5, 2018.

<sup>19</sup>CPD Cross Program Funding Matrix dated March 5, 2018.

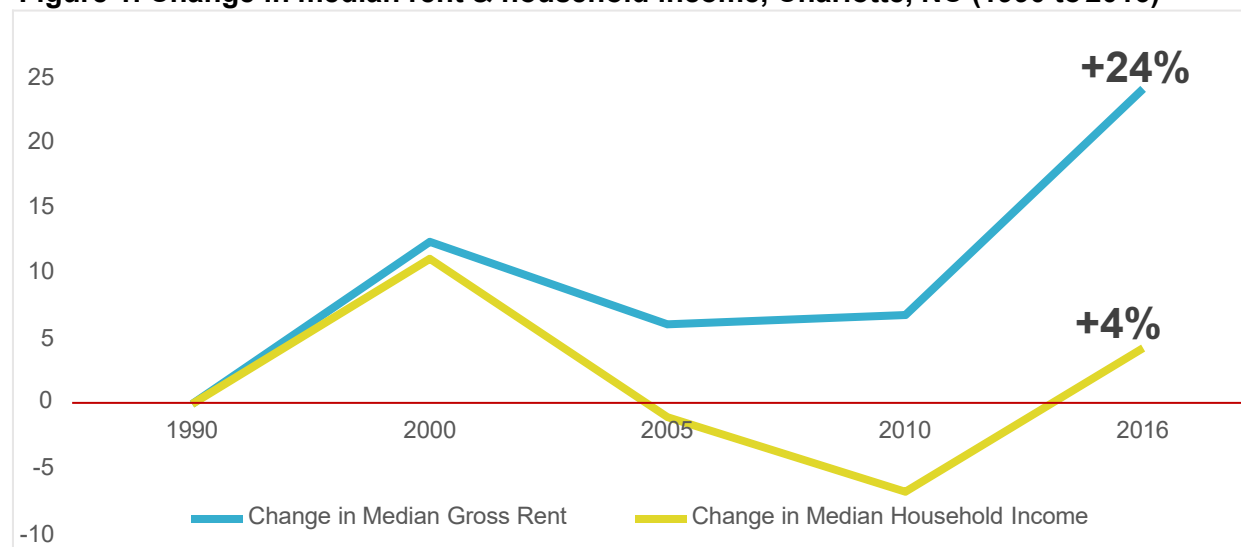
<sup>20</sup>More information on Washington D.C.'s acquisition loan product for preserving multifamily housing is available at <https://www.enterprisecommunity.org/sites/default/files/media-library/where-we-work/mid-atlantic/mid-atlantic-preservation-loan-fund.pdf>

<sup>21</sup>More information on Denver's regional TOD fund is available at: <https://www.enterprisecommunity.org/sites/default/files/regional-tod-fund-feb-2015.pdf>



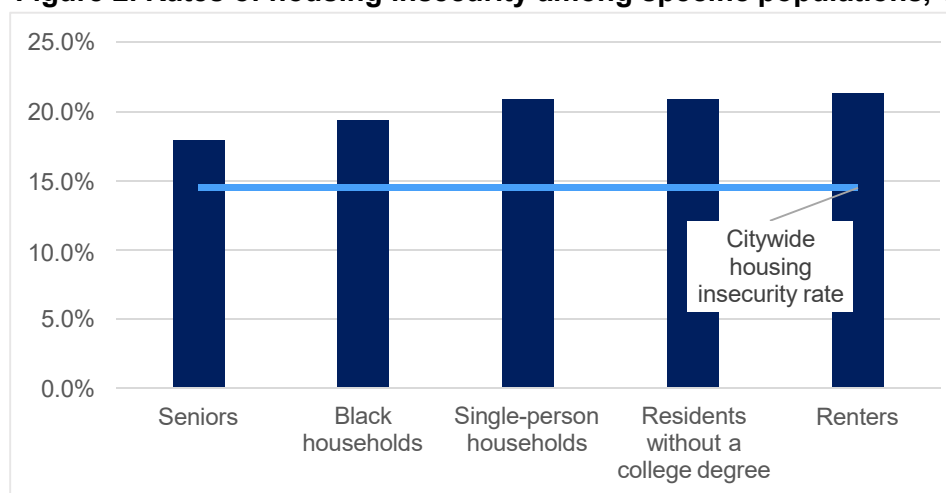
## Appendix 1. Tables and figures

**Figure 1. Change in median rent & household income, Charlotte, NC (1990 to 2016)**



SOURCES: 1990 U.S. Census / 2000 U.S. Census / 2005-2016 American Community Survey One-Year Estimates / Adjusted to 2016 dollars / Calculated as percent change from 1990 base year

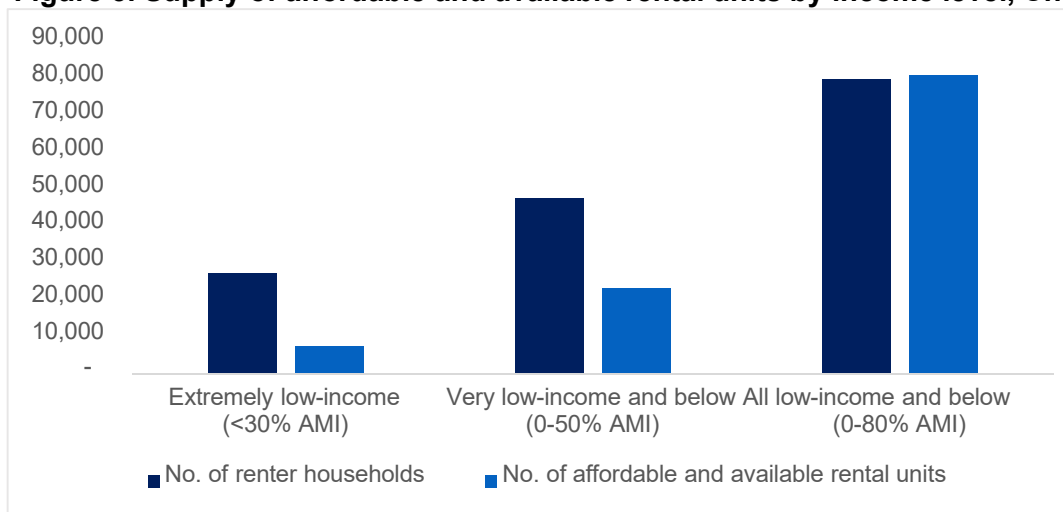
**Figure 2. Rates of housing insecurity among specific populations, Charlotte, NC (2016)**



SOURCE: 2016 American Community Survey One-Year Public Use Microdata Sample

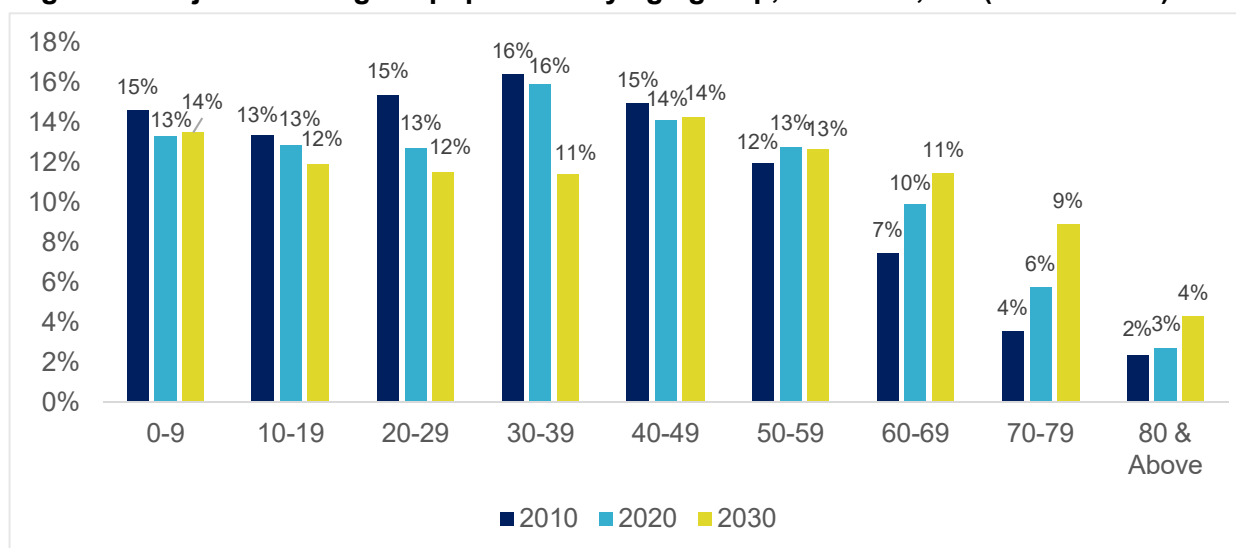


**Figure 3. Supply of affordable and available rental units by income level, Charlotte, NC (2016)**



SOURCE: 2016 American Community Survey One-Year Public Use Microdata Sample

**Figure 4. Projected change in population by age group, Charlotte, NC (2010 to 2030)**



SOURCE: ProximityOne 2017





**Table 1. Affordable rental supply, Charlotte, NC (2017)**

Property type	Total units
Large-scale NOAH units for households earning 80% area median income and below	80,541
Development-based rental assistance	10,453
Rental assistance through vouchers	3,834

SOURCES: 2017 rental housing supply data maintained by the City of Charlotte (including Real Data and other data compiled from the Charlotte Housing Authority; Charlotte-Mecklenburg Housing Partnership; City of Charlotte Housing & Neighborhood Services; National Housing Preservation Database; North Carolina Housing Finance Agency; U.S. Department of Housing and Urban Development Multifamily Properties Database)

**Table 2. Large-scale NOAH units by income level, Charlotte, NC (2017)**

Household income level	Total units	Share of units
Earning 30% area median income and below	414	1%
Earning 50% area median income and below	23,951	30%
Earning 80% area median income and below	80,541	100%

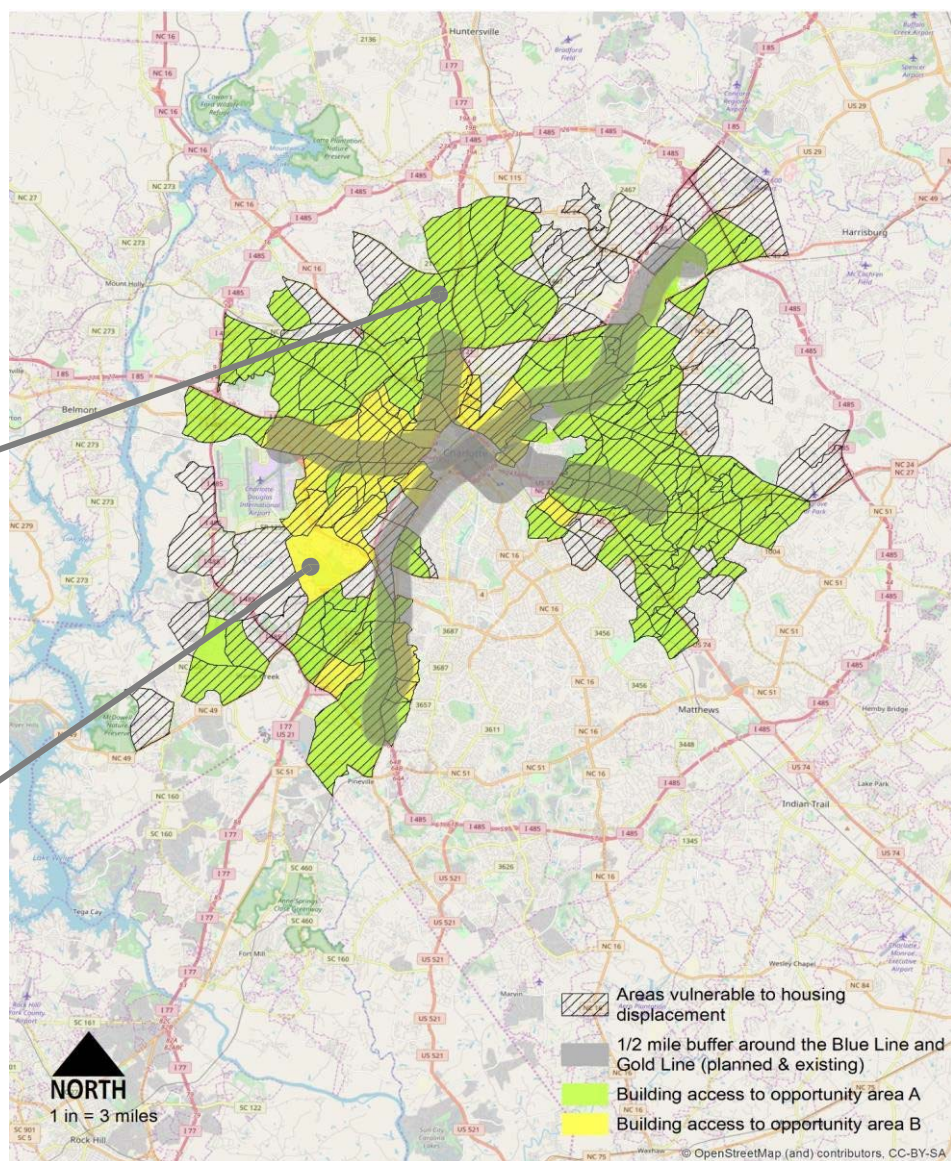
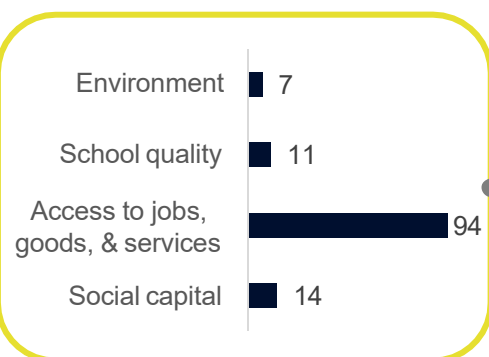
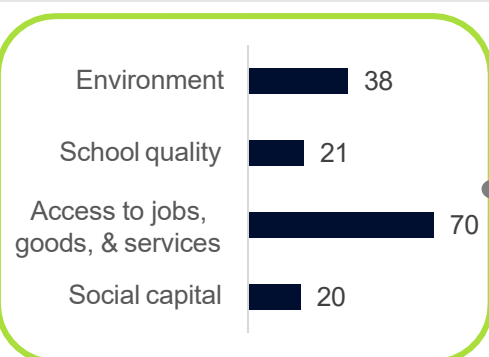
SOURCES: Real Data via City of Charlotte, 2017



**Map 1. Building access to opportunity areas, vulnerable areas, and areas in close proximity to public transit (Charlotte, NC)**

### Measuring access to opportunity

This map is provided for contextual/informational purposes. It shows areas that could represent access to opportunity. This was measured through a cluster analysis of 4 indices (environment, school quality, access to jobs, goods, & services, and social capital), representing 15 independent variables, based on Enterprise Community Partners' Opportunity360 framework. The index scores reflect the relative strength of each dimension, compared to the rest of Charlotte- Mecklenburg. Any scores above 50 correlate to above-average conditions. See [Appendix 2](#) for more information.

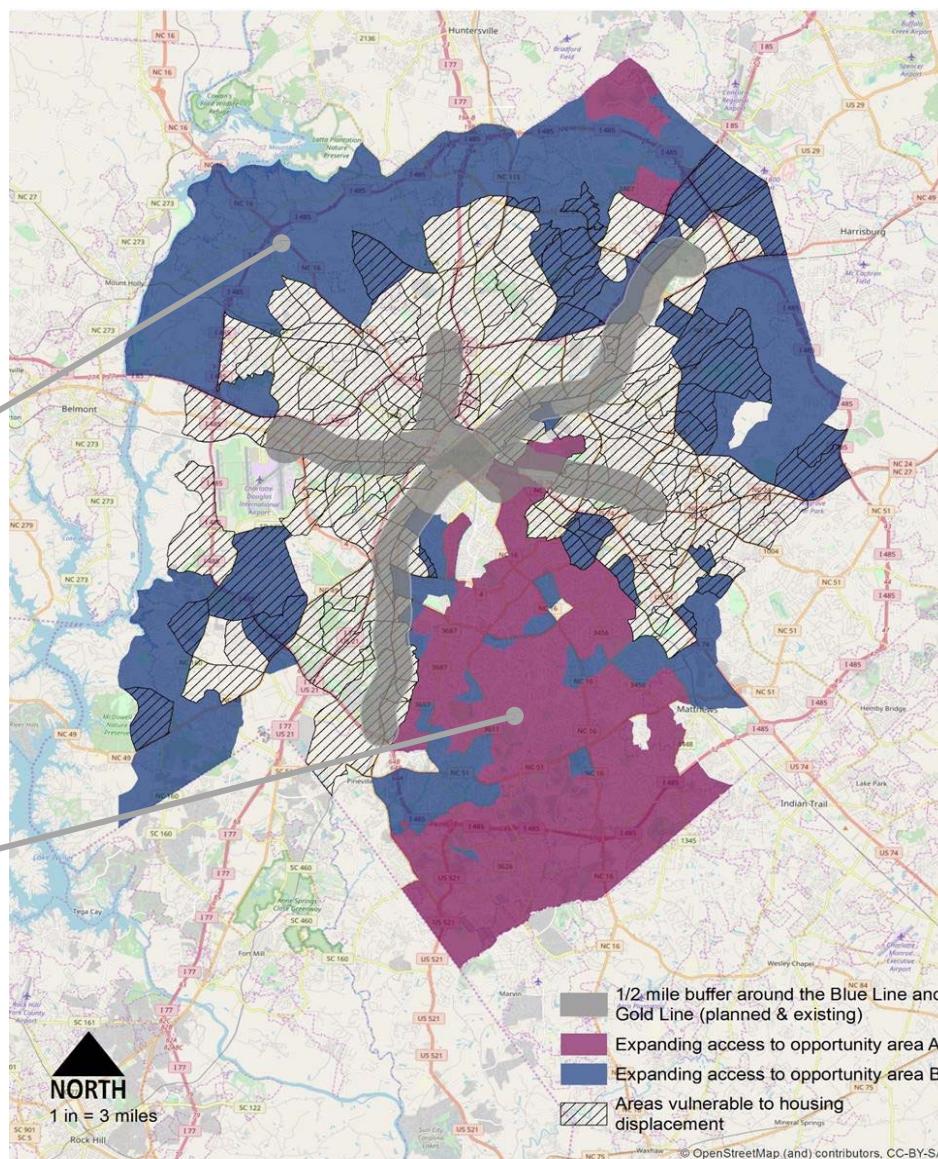
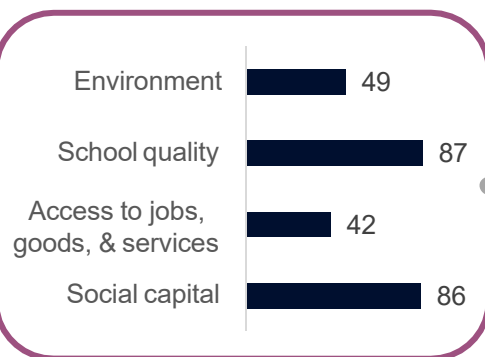
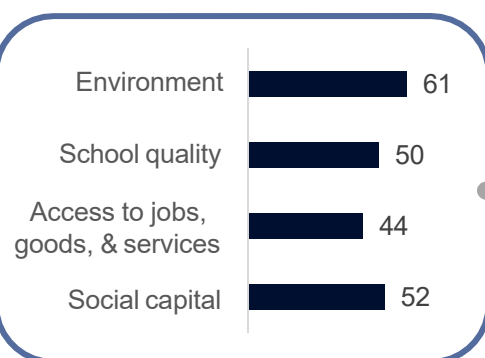




**Map 2. Expanding access to opportunity areas, vulnerable areas, and areas in close proximity to public transit (Charlotte, NC)**

### Measuring access to opportunity

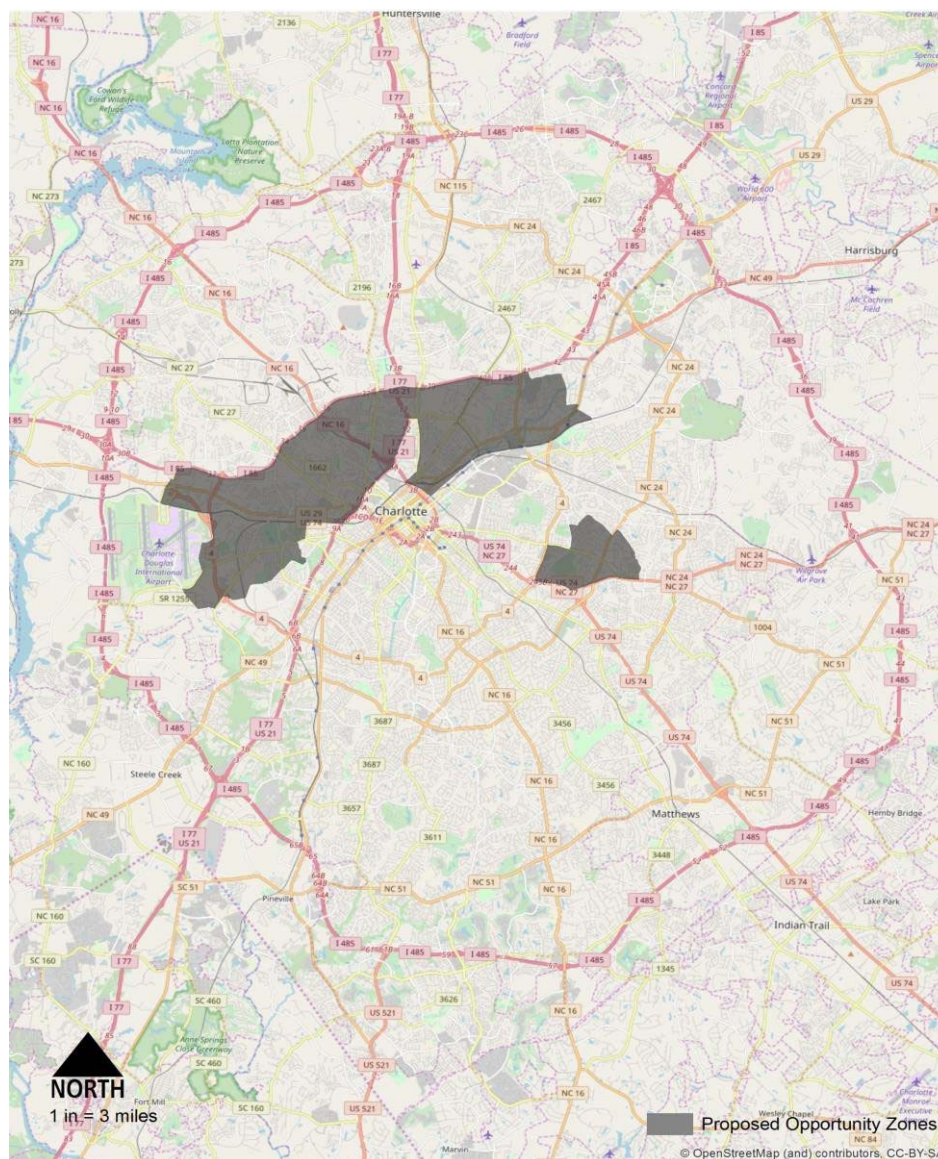
This map is for contextual/informational purposes. It shows areas that could represent access to opportunity. This was measured through a cluster analysis of 4 indices (environment, school quality, access to jobs, goods, & services, and social capital), representing 15 independent variables, based on Enterprise Community Partners' Opportunity360 framework. The index scores reflect the relative strength of each dimension, compared to the rest of Charlotte- Mecklenburg. Any scores above 50 correlate to above-average conditions. See [Appendix 2](#) for more information.





**Map 3. Proposed Opportunity Zone designations (Charlotte, NC)****What are Opportunity Zones?**

Opportunity Zones are a new community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. The Opportunity Zones program provides a tax incentive for investors to re-invest their unrealized capital gains into Opportunity Funds that are dedicated to investing in Opportunity Zones in every state. Chief executives of every U.S. state and territory can designate up to 25 percent of their low-income census tracts as Opportunity Zones. [Map 3](#) (right) shows proposed Opportunity Zone designations in Charlotte, which were submitted by the State of North Carolina to the U.S. Treasury on April 20, 2018. More information on the North Carolina Opportunity Zone Program is available at <https://public.nccommerce.com/oz/>



## Appendix 2. Data analysis methods

The analysis in *Housing Charlotte* explains both the broad trends related to the city's housing needs and market conditions and their relationship to access to opportunity; proximity to planned or existing rail transit; and vulnerability to housing displacement. This analysis used secondary data from both local and federal datasets, primarily drawing on 2012–2016 American Community Survey Five-Year Estimates, City of Charlotte's Quality of Life Explorer, National Housing Preservation Database, and Charlotte Housing Authority (CHA).

Understanding these relationships help the City of Charlotte target its housing investments in ways that expand or build access to opportunity; create stronger connections between affordable housing and public transit; or stabilize existing residents vulnerable to displacement.

1. **Access to opportunity.** Access to opportunity was measured through a cluster analysis of 4 indices with 15 independent variables based on the Enterprise Community Partners' Opportunity360 framework and grounded in research on neighborhood effects and economic mobility. The opportunity types measure commonalities among neighborhood profile areas (or NPAs) for four key neighborhood-level dimensions: 1) social capital; 2) school quality; 3) environment; and 4) access to jobs, goods, and services. Table A-1 summarizes the variables used for this part of the analysis.

The relative strength of these dimensions is reported as index scores, where scores above 50 suggest better-than-average conditions and scores below 50 suggest below-average conditions compared to rest of Charlotte-Mecklenburg. The relative importance of these dimensions and their scores vary based on local priorities, and tradeoffs between stronger conditions on one dimension may be offset by stronger conditions or other strategic considerations in another one.

For the purposes of the core principles in *Housing Charlotte*, "expanding access to opportunity areas" are classified as follows: Area A has school quality and social capital index scores within the highest 40 percent and access to jobs, goods, and services scores within the lowest 40 percent. Area B has school quality and social capital index scores that do not fall in either the highest or lowest 40 percent and access to jobs, goods, and services scores within the lowest 40 percent. "Building access to opportunity areas" are classified as follows: Areas A and B both have school quality and social capital index scores within the lowest 40 percent and access to jobs, goods, and services scores within the highest 40 percent. There is some variation in the index scores across Areas A and B, though.



**Table A-1. Variables used to measure “access to**

Variable (by index)	Source
Social capital	
Percent of people in poverty	2012–2016 American Community Survey 5-Year Estimates
Unemployment rate	2012–2016 American Community Survey 5-Year Estimates
Share of people age 25 and older with a high school diploma or higher	2012–2016 American Community Survey 5-Year Estimates
Share of people Age 25 and older with a Bachelor's degree or higher	2012–2016 American Community Survey 5-Year Estimates
Median household income	2012–2016 American Community Survey 5-Year Estimates
Labor force participation rate	2012-2016 American Community Survey 5-Year Estimates
Environment	
Diesel particulate matter level in air ( $\mu\text{g}/\text{m}^3$ )	2016 EPA EJSCREEN
Cancer risk from air toxics	2016 EPA EJSCREEN
Respiratory risk score	2016 EPA EJSCREEN
Traffic exposure score	2016 EPA EJSCREEN
Particulate matter concentration score ( $\mu\text{gm}^3$ annual average)	2016 EPA EJSCREEN
Access to jobs, goods, & services	
Average weekly bus and train boardings per stop	2015 City of Charlotte Quality of Life Explorer
Walkscore	2016 Walkscore
Jobs accessible via a 45-minute automobile	2016 EPA Smart Location Database
School quality	
Average elementary and middle school test performance	2015 City of Charlotte Quality of Life Explorer





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2. **Proximity to public transit.** Because of the City of Charlotte's growing commitment to transit-oriented development and CATS' plans to expand light rail service, the inclusion of proximity to planned or existing rail transit creates a fuller picture of how to make stronger connections between affordable housing and public transit, including opportunities for equitable transit-oriented development. Proximity to public transit is measured by NPAs that intersect a one-half mile buffer around existing or planned rail lines within the City of Charlotte. This measure is intended to supplement the access to jobs, goods, and services index, which uses measures of transit frequency, jobs within a 45-minute commute by automobile, and walkability to understand mobility across various modes of transportation.
  3. **Vulnerability to housing displacement.** Another widespread concern as local housing costs increase is the risk of housing displacement among existing residents, especially in areas that have historically been affordable to a wide range of income levels. To understand the risk of housing displacement, this analysis measures vulnerability to displacement as series of five characteristics that make it more difficult for a person or family to withstand housing price increases and resist displacement: 1) being a renter; 2) being a senior; 3) qualifying as low-income; 4) lacking a college degree; and 5) identifying as a person of color. If an NPA has higher-than-average shares of at least three of these characteristics, it is classified as vulnerable to housing displacement.

The City of Charlotte quantified its subsidized and unsubsidized affordable housing inventory as follows:

- **Development-based rental assistance.** Development-based rental assistance includes properties with Low-Income Housing Tax Credits, public housing developments of the Charlotte Housing Authority, developments of the Charlotte-Mecklenburg Housing Partnership, developments with funding from the Charlotte Housing Trust Fund, developments with active Section 202 Direct Loans for housing for the elderly or handicapped, units with active Project-Based Rental Assistance Section 8 Contracts through the U.S. Department of Housing and Urban Development (HUD), and units with active HOME Rental Assistance subsidies through HUD. Note that each assisted housing unit is counted only once, even when multiple types of housing assistance are tied to the unit. The data do not include HUD Insured loans with affordability restrictions (Federal Housing Administration) or homeownership assistance.
- **Rental assistance through vouchers.** This refers to federally funded housing assistance for eligible households through the Housing Choice Voucher Program, which is administered locally by the Charlotte Housing Authority. This inventory was built using data supplied by CHA and includes all tenant-based rental assistance administered by CHA that was in use in July 2017.



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- **Naturally occurring affordable housing (or “NOAH”)**, affordable housing in the private market with no subsidies or income-restrictions. This inventory was built using Real Data, an address-level dataset, which includes rental developments with 50 or more units. The dataset includes high and low rents for each unit, which were used to calculate housing affordability. Units in the dataset serving students; records with missing data; or properties outside of Charlotte’s city limits were omitted from this analysis prior to quantifying the NOAH supply.

Typically, housing affordability is based on 30 percent of reported gross rent, including the cost of utilities (e.g., heating, electricity, water). However, due to limitations in this dataset, utility costs were only reported for a small portion of all units. Since water utility costs are typically low and other utilities impacted only a small percentage of units, no adjustments for these costs were made. This should not cause significant variation within the analysis. However, because utility costs are not included, these findings cannot be directly compared to similar figures for gross rent (such as rents reported in by the American Community Survey).

The NOAH supply was quantified as follows:

1. **Create income segments by area median income.** The calculations are based on the area median income (AMI) for FY17 HUD Income Limits for Charlotte-Mecklenburg, as defined by the U.S. Department of Housing and Urban Development (\$70,725). To determine income segments, AMI was multiplied by increments of 10 percent to derive the annual income of a median household for households earning from 10 percent AMI to more than 150 percent AMI.
2. **Determine annual rent costs.** For this analysis, NOAH units were defined as market rate rental units having annual rent costs of 30 percent or less of a household’s annual income. Income levels were multiplied by 0.3 to derive the annual rent that would be considered affordable for each income segment.
3. **Determine monthly rent costs.** Annual rents were then divided by 12 to derive monthly rents that would be considered affordable for each income segment.
4. **Summarize NOAH supply by income segment.** For each income segment, an =IF() formula was used in Excel to calculate whether the listed rent for a particular unit type was at or below the monthly affordability threshold that was determined in step 3 above. This summary is a cumulative number of units affordable at each income segment, meaning units affordable to one income segment includes all units affordable up to that income segment. The rationale is that a household at a specified income level would be able to afford all cheaper units as well.



