

# DRAFT

## **Guidelines for preserving Naturally Occurring Affordable Housing (NOAH)**

### **Purpose**

Most of Charlotte's existing affordable rental options, and particularly options for low-to-moderate income households, are large-scale Naturally Occurring Affordable Housing developments (NOAH). The preservation of NOAH is noted as a national best practice for maintaining the supply of quality diverse price point housing, and is identified as a key strategy in the Housing Charlotte Framework. These guidelines establish a uniform process for the evaluation of preserving NOAH properties in the city, and are intended to set forth the criteria, provide clarity, and reflect desired outcomes relative to the City's participation in and support of the acquisition and rehabilitation of NOAH properties within the city limits.

### **Guiding Principals**

To every extent possible the City will seek to preserve existing NOAH properties through public-private partnerships in an effort to:

- Create mixed-income and inclusive neighborhoods,
- Leverage City resources to preserve the supply of affordable and workforce housing by providing subordinated, patient debt so that high performing for-profit and non-profit owner-operators can buy and/or upfit NOAH properties and preserve them as affordable,
- Leverage other public and private sources to preserve the supply of affordable and workforce housing,
- Limit displacement of current residents by preserving the affordability of NOAH properties,
- Provide affordable housing in Charlotte through innovative, public-private partnerships,
- Preserve quality affordable and workforce housing through increasing the City's long-term deed restricted affordable housing supply, and
- Align with other City policies and procedures.

### **Goals**

It is the City's intent to support the preservation of NOAH developments to every extent possible while balancing other City priorities. While each NOAH proposal will be evaluated on the unique characteristics of the property, ownership, management and funding proposal, the following goals are hereby established to serve as minimum guidelines for evaluation.

Preference will be given to preservation scenarios that help the City meet and surpass these goals, with an emphasis given to proposals that help surpass these goals.

- Maintain affordable rents with current Area Medium Income (AMI) levels where the majority of rents are 80 percent AMI or below,
- Prioritize funding for units at 60 percent AMI and below consistent with other City affordable housing policy objectives,
- Include a minimum of 10 percent of units made available to 30 percent AMI tenants; vouchers or other rental assistance can be considered in achieving this goal,
- Promote income diversity through AMI mix and/or unrestricted units when possible,
- Deed restrictions/terms of affordability for a period of time that aligns with City priorities, typically a minimum of 15 years with a preference for longer terms, through deed restrictions or any other such legal agreements required by the City,
- Limit displacement of current residents throughout the construction phase and beyond,
- Address deferred maintenance and life safety issues evidenced by a City-approved physical needs assessment that addresses interior and exterior conditions, and
- Provide for ongoing maintenance of the property to preserve its long-term life through owners replacement reserves.

#### **General Applicability:**

NOAH properties that demonstrate the following characteristics will be considered.

- Are older than 15 years and consist of 50 units or more.
- Are owned, or proposed to be owned, by a high performing existing or new owner-operator with demonstrated satisfactory financial, management and maintenance history, including confirmed replacement reserves and a history of reinvesting in properties in their portfolio.
- Currently provide rents to low-and-moderate income households, and will implement income qualifications and compliance monitoring for new residents (see Goals section for additional AMI details).
- In a location where they are at risk of conversion to higher rents and the threat of displacement of low-and-moderate income residents.
- In need of light to moderate rehabilitation.
- Can be rehabilitated to maintain a higher quality of life for residents for at least 15 years or more and not in a state of deterioration that requires demolition.

#### **Geographic Targeting**

While NOAH preservation is a citywide opportunity, priority will be given to:

- Neighborhoods experiencing transformative rent growth, property appreciation and population inflows which threaten the availability of affordable housing.
- Communities with proximity to jobs, schools, transportation infrastructure and other opportunity areas.

### **City Financial Support**

City financial participation in NOAH properties shall be made at the City's sole discretion and as funding sources allow. Proposals will undergo various financial, management and other feasibility assessments.

Approved levels of funding per development will vary based on the unique characteristics of the property and proposal, including but not limited to acquisition price, level of rehab needed, and the AMI levels served.

Goals for City financial support shall, among other things, include the following.

- City investments of \$10,000 to \$35,000 per unit and that includes a scope of work that addresses deferred maintenance and life safety issues.
- A private/public leverage ratio of at least 3:1.
- City investments will generally be structured as repayable loans, subordinate to senior debt. Typical loan terms include:
  - Term of loan to match the term of the deed restriction.
  - No-or-low-interest rate.
  - Repayment will be cash flow contingent and will often be interest-only monthly, with principal repaid at end of loan term.
  - Deed and income restrictions put in place simultaneously with the loan closing.
- Consideration will be given to all available resources, at the City's sole discretion, such as tax grants, regulatory incentives, etc.
- To help secure the preservation of NOAH properties at-risk of converting to higher rents in a timely manner, the City shall make every effort to complete evaluations of funding proposals and render funding commitments approximately 45 days following receipt of a formal and complete request and/or City approved application deadline.
- The approved scope of work must be completed within 24 months of closing a City loan or the project owner may be subject to penalties, including possible claw-back provisions, in the City's sole discretion.

- Requests for City financing will be accepted, in the City's sole discretion, on a rolling basis or at specific times determined by the City.

### **Definitions**

- **Affordable Housing:** Housing that is predominantly affordable to low and very low-income households at or below 80 percent of Area Median Income (AMI), as published from time to time by the U.S. Department of Housing and Urban Development (HUD).
- **Deed Restrictions:** Recorded agreements that restrict the use of the real estate and are referenced in the deed.
- **Naturally Occurring Affordable Housing –** An existing multi-family property at least 15-years old, with a minimum of 50-units, that provides rents affordable to households earning 80 percent and below the AMI without government subsidies.
- **Physical Needs Assessment –** An interior and exterior capital assessment of a multifamily residential property performed by a third-party certified entity.

**Effective Date:** \_\_\_\_\_