

Naturally Occurring Affordable Housing Rental Subsidy Program

CITY COUNCIL STRATEGY SESSION

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Briefing Objectives

- ◀ Naturally Occurring Affordable Housing (NOAH) Background
- ◀ Proposed NOAH Rental Subsidy Guidelines
- ◀ Lake Mist Pilot Program Update
- ◀ New NOAH Rental Subsidy Proposals
- ◀ Next Steps

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Background

◀ **August 2018:** Council adopted the *Housing Charlotte* Framework which recommended:

- Deploying resources to partner with developers to preserve at-risk NOAH properties with City subsidies

◀ **March 2019:** Council approved the Guidelines for Preserving Naturally Occurring Affordable Housing (NOAH)

◀ **November 9, 2020:** Council approved pilot NOAH Rental Subsidy Program, and consideration of a citywide program

◀ **August 18, 2021:** Great Neighborhoods Committee reviewed the citywide NOAH Rental Subsidy Program proposal

Background

How NOAH Preservation Works

- ◀ Properties are acquired and rehabilitated to ensure quality of life for existing and future residents.
- ◀ Affordability restrictions are placed to limit rent growth and make units available to residents at specific income levels.
- ◀ Existing residents can continue to rent. Income qualifications apply to new residents who are phased in through attrition.



Background

Why preservation makes sense

- ◀ Less expensive and faster to deliver than new construction.
- ◀ Can provide access to mixed-income, opportunity-rich neighborhoods.
- ◀ Mitigates loss of affordable units and displacement.



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Background

The need for a local rent subsidy

- ◀ **The majority of low-income households do not have access to tenant-based vouchers to allow them to afford housing.**
- ◀ Average rents:

# Bedrooms	Average Rent ¹	Maximum rent affordable for 30% AMI ²	Difference
1 BR	\$1,152	\$405	\$747
2BR	\$1,314	\$443	\$871
3 BR	\$1,488	\$481	\$1,007

1. 2021 Average Contract Rent per Apartment Index
2. 2021 rent limits as defined by HUD (published by Novogradac), with estimated utility allowance of \$100 (1BR) \$125 (2BR) and \$150 (3BR).

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NOAH Rental Subsidy Program Guidelines

- ◀ **Goal is to create new long-term rent subsidies for 30% AMI households that do not have existing vouchers or other rent subsidies**, to provide opportunities for these households to live in high-quality NOAH developments.
- ◀ Accomplished by working with mission-oriented developers and groups that are committed to preserving NOAH and serving low-to-moderate income households.

Program Eligibility

- ◀ **Owners of quality multi-family NOAH developments located in the city limits are eligible to participate**, with emphasis on areas that are at risk of conversion to higher rents and the threat of displacement of low-and-moderate income residents.
- ◀ **Owners must have demonstrated financial, management and maintenance history**, including confirmed replacement reserves and a history of reinvesting in properties in their portfolio.

Program Eligibility *(cont'd)*

- ◀ **Property must be older than 15-years, well-maintained and on property tax rolls.**
- ◀ **Program requirements (long-term deed restrictions, AMI targeting, etc.) must be met**, including alignment with adopted NOAH preservation guidelines and other City priorities and policies.
- ◀ Participation is anticipated to often be in conjunction with other City financial support, such as Housing Trust Fund allocations - this is not required.

Program Rental Subsidy

- ◀ **City commits annual funding for the length of the property's deed restriction** at an amount not to exceed the project's City property tax bill.
- ◀ **The rental subsidy will pay the difference between what the resident household can afford (30% of their income) and the lesser of the property's asking rent or Fair Market Rent.**

Program Rental Subsidy (cont'd)

- ◀ **Funding is administrated through a third-party non-profit housing services provider.**
- ◀ Non-profit provider identifies tenants and orchestrates the rental subsidy.
- ◀ **Funding will only be drawn as subsidies are needed.**

Property Owner Requirements

- ◀ **20-year or greater deed restriction allocating a minimum of 80% of all units to residents earning 80% AMI and below, with majority of units set aside for 60% AMI and below.**
- ◀ **Set aside a minimum of 10% of units for participation in the Program, with a goal of 15%.** These units will serve households at 30% AMI that do not have existing vouchers or other forms of rental assistance.
- ◀ **Overall, at least 20% of property's units must be set aside for 30% AMI and below households** across all voucher and rental subsidy sources (including the Program).

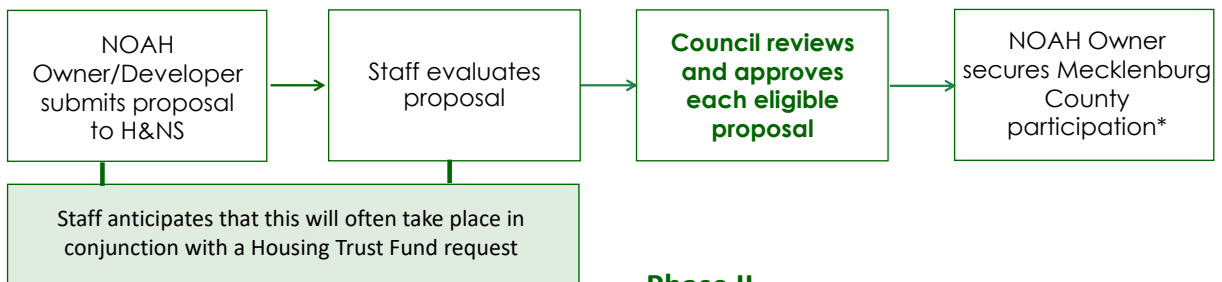
Property Owner Requirements (cont'd)

- ◀ **Distribute rental subsidy evenly across one-bedroom, two-bedroom, and three-bedroom units (as applicable).**
- ◀ **No existing property residents will be displaced by the Program;** new residents who qualify will be housed as units come available through natural turnover.
- ◀ Adhere to compliance monitoring.
- ◀ Secure commitment from Mecklenburg County representing the County's portion of the property tax bill.

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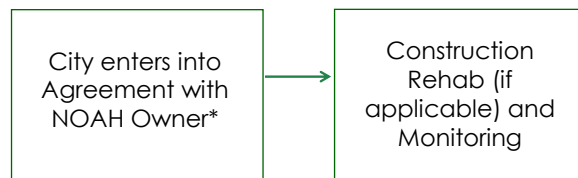
Program Process

Phase I



*City commitment is contingent on County participation and vice versa; Owner may seek County approval prior to Council review and approval.

Phase II



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Pilot Project: Lake Mist Apartments (November 2020)

DEVELOPMENT SUMMARY

Year Built	1984
Total Units	144
AMI Served	<30% - 80%
Rent Range	\$737 - \$1,075
Total Development Cost	\$20,635,000
Renovations	\$790,000
HTF Allocation (2020)	\$2,425,000

SUBSIDY SUMMARY

Subsidies Created	22
AMI Served	30% and below
City Property Tax (2021)	\$54,745
Affordability Period	20

CURRENT SUBSIDY STATUS

Current Placements	9*
Avg. Tenant Payment	\$284
Avg. City Subsidy	\$238
Avg. County Subsidy	\$372

*Expect full absorption in 2022



1100 Lake Mist Drive
District 3



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NOAH RENTAL SUBSIDY PROPOSALS

Total of 55 new long-term
rental subsidies in three
Ascent Housing
multi-family
developments

1. Maple Way Apartments
2. Pines on Wendover
3. Shamrock Gardens

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Developer Background

Ascent Housing

◀ Partnership with the Housing Impact Fund

- \$58M social equity impact fund.
- Goal to preserve more than 1,000 NOAH units across Charlotte serving 80% AMI and below.
- Lead investors include Truist, Atrium Health, LendingTree, Movement Mortgage, and other Charlotte-based individuals, family offices and foundations.
- To date has acquired or is under contract to purchase more than 500 units housing over 1,200 people.

◀ Atrium Health Community Health Worker model

- Supportive services for all residents in the areas of health, education, financial literacy and workforce development.

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Maple Way Apartments

1012 McAlway Road

District 5



DEVELOPMENT SUMMARY

Year Built	1973
Total Units	60
AMI Served	<30% - 80%
Rent Range	\$665 - \$925
Total Development Cost	\$7,800,000
Renovations	\$1,700,000
HTF Allocation (2021)	\$1,400,000

SUBSIDY PROPOSAL

New Subsidies	9 (15%)
AMI Served	30% and below
City Property Tax (2021)	\$15,138
Affordability Period	20-years

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Pines on Wendover

630 N. Wendover Rd.

District 1



DEVELOPMENT SUMMARY

Year Built	1988
Total Units	44
AMI Served	<30% - 80%
Rent Range	\$900 - \$1,100
Total Development Cost	\$8,210,000
Renovations	\$445,000
HTF Allocation (2021)	\$1,050,000

SUBSIDY PROPOSAL

New Subsidies	6 (15%)
AMI Served	30% and below
City Property Tax (2021)	\$14,726
Affordability Period	20-years

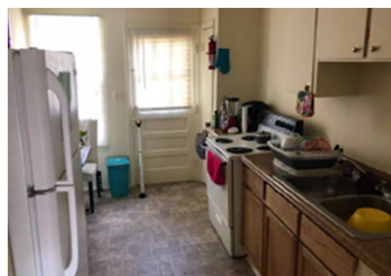
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Shamrock Gardens

3779 Michigan Ave.

District 1



DEVELOPMENT SUMMARY

Year Built	1964
Total Units	265
AMI Served	<30% - 80%
Rent Range	\$450 - \$850
Total Development Cost	\$27,550,000
Renovations	\$6,725,000
HTF Allocation (2021)	\$6,000,000

SUBSIDY PROPOSAL

New Subsidies	40 (15%)
AMI Served	30% and below
City Property Tax (2021)	\$69,543
Affordability Period	20-years

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Lake Mist Apartments

Open video file



Next Steps

- ◀ **November 8** – Request Council Action to approve NOAH Rental Subsidy Program Guidelines
- ◀ **November 22** - Request Council Action to approve three NOAH Rental Subsidy proposals to create a total of 55 new long-term rent subsidies for 30% AMI and below households