

Legislation Text

File #: 15-18649, Version: 1

Naturally Occurring Affordable Housing Preservation and Rental Subsidy Support Request

Action:

- A. Approve an \$8,000,000 allocation of funding from the Coronavirus State and Local Fiscal Recovery Fund provided by the American Rescue Plan Act of 2021 to Central NOAH, LLC, an affiliate of Ascent Real Estate Capital, LLC, for the acquisition and rehabilitation of Peppertree Apartments,**
- B. Approve a Naturally Occurring Affordable Housing Rental Subsidy Program reimbursement request to allocate funds over a 20-year period for 44 new long-term rental subsidies at Peppertree Apartments for households earning 30 percent and below the area median income, and**
- C. Authorize the City Manager to negotiate, execute, amend, and renew contracts as needed to complete these transactions, with**
 - Central NOAH, LLC (Peppertree Apartments), and**
 - Housing Collaborative (formerly Socialserve).**

Staff Resource(s):

Shawn Heath, Housing and Neighborhood Services
Warren Wooten, Housing and Neighborhood Services

Explanation

- Central NOAH, LLC, an affiliate of Ascent Real Estate Capital (Owner), proposes to acquire and renovate Peppertree Apartments, including creating new long-term rental subsidies for 30 percent Area Median Income (AMI) households (currently \$28,250/family of four).
- Peppertree Apartments is a 292-unit existing multi-family naturally occurring affordable housing (NOAH) development on approximately 14.9 acres located at 4335 Central Avenue in Council District 5 (parcel identification numbers 101-173-41 and 101-173-44) (Property) and meets the city's NOAH criteria which include:
 - The property's age is greater than 15 years;
 - Rents are in the area median income (AMI) range that are at risk due to surrounding neighborhood dynamics;
 - The property can be rehabilitated to maintain a good quality of life for residents for the next 20 years or more;
 - The property is located in an area with close proximity to quality jobs, schools, and transportation infrastructure; and
 - The property is located in an area experiencing transformative change and property appreciation.
- The Owner is requesting the following city support for the development:
 - Acquisition and Rehabilitation
 - A funding allocation of \$8,000,000 for the acquisition and rehabilitation of the Property.
 - The total development budget is \$55,870,000, which amounts to a 1:6 leverage

- ratio of city financing. The city investment will be used towards acquisition costs, and includes a 20-year deed restriction for the preservation of the 292 units at the following AMI levels:
 - 88 units at 30 percent AMI,
 - 146 units at 31 percent to 60 percent AMI, and
 - 58 units at 61 percent to 80 percent AMI.
- A third-party inspection has been performed on the property to determine the existing property conditions.
- The proposed rehabilitation will consist of the following:
 - Roof, window, and door improvements;
 - HVAC, water heater, and appliance replacements;
 - Cabinet and flooring replacements;
 - Siding repair;
 - Sidewalk, parking lot, and site work/drainage/water-sewer improvements.
- The Mecklenburg County Board of County Commissioners will consider financial support of the acquisition and rehabilitation in the amount of \$4,000,000 on September 20, 2022.
- Rental Subsidies
 - Of the 88 total units set aside for 30 percent AMI households, the Owner has agreed to specifically set aside 44 units for 30 percent AMI households that do not have existing vouchers or other forms of rental assistance for 20 years.
 - To create new, long-term rental subsidies for these 44 units, the city is being asked to commit to annual funding for the length of the property's 20-year deed restriction at an amount not to exceed the development's annual city property tax bill. The maximum amount of the reimbursement will be adjusted each year in correspondence with the actual amount of the current year's property taxes. In 2022, the development's city property tax bill is \$90,244.
 - The rental subsidies will pay the difference between what the resident household can afford (30 percent of their income) and the lesser of the property's asking rent or Fair Market Rent.
 - Funds will be provided to Housing Collaborative (formerly Socialserve), a local non-profit organization, who will identify eligible tenants and administer the rental subsidy on behalf of the city.
 - Additionally, pursuant to the NOAH Rental Subsidy Program Guidelines, the Owner has agreed to:
 - Allocate a minimum of 80 percent of all units to residents earning 80 percent AMI (currently \$75,350/family of four) and below, with the majority of units set aside for 60 percent AMI (currently \$56,520/family of four) and below, through a 20-year long-term deed restriction,
 - Distribute rental subsidies evenly across one-bedroom, two-bedroom, and three-bedroom units as applicable, and
 - Commit to housing new residents who qualify for the rental subsidy as units come available through natural turnover to avoid displacement.
 - The Mecklenburg County Board of County Commissioners will consider the Owner's request to provide rental subsidies for the county's portion of the property taxes for 20 years on September 20, 2022. The city's rental subsidy participation is contingent on county approval.

Background

American Rescue Plan Act (ARPA)

- On March 11, 2021, in response to the COVID-19 public health emergency, President Biden signed the American Rescue Plan Act of 2021 (ARPA), which included the Coronavirus State and Local Fiscal Recovery Fund (SLFRF). Charlotte was one of almost 1,000 cities across the nation that received SLFRF funds. SLFRF funds may only be used to cover eligible costs, including eligible

housing costs, obligated by December 31, 2024.

Naturally Occurring Affordable Housing Preservation

- In August 2018, Council adopted the Housing Charlotte Framework which recommends preserving NOAH properties and aligning local resources to support opportunities to use rental subsidies to support target populations, particularly in areas with strong pathways to opportunity. Rental subsidies reduce housing instability for low-income families, improve outcomes for children, and help to reduce poverty, homelessness, and other hardships.
- In March 2019, Council adopted Guidelines for Preserving Naturally Occurring Affordable Housing (guidelines). The goals of the guidelines include:
 - Limiting displacement of current residents by preserving existing affordability;
 - Preserving quality affordable and workforce housing by increasing the number of available deed-restricted units and the physical structure of the units;
 - Providing low-interest loans so that high-performing for-profit and non-profit owner operators can purchase and/or upfit NOAH properties and preserve them as affordable;
 - Allowing existing owners to participate in return for deed restrictions and demonstrated management and maintenance history; and
 - Aligning guidelines with other city policies.
- On November 8, 2021, Council approved the Guidelines for the Naturally Occurring Affordable Housing Rental Subsidy Program to expand opportunities for low-income households to live in high-quality NOAH developments through the creation of new long-term rental subsidies.
- On August 22, 2022, Council received a presentation on the Peppertree NOAH preservation and rental subsidy support request.

Fiscal Note

Funding: American Rescue Plan Act Funds and General Capital Investment Plan

Attachment(s)

Map

August 22, 2022 Presentation