

Legislation Text

File #: 15-19261, Version: 1

Affordable Housing Development Support Requests

Action:

- A. Approve \$9,200,000 in additional Housing Trust Fund allocations and \$6,600,000 in American Rescue Plan funds for the following multi-family rental affordable housing developments:**
- Fairhaven Glen, \$1,150,000 (Council District 3),
 - Ovata at Reedy Creek, \$2,000,000 (Council District 4),
 - Galloway Crossing, \$1,000,000 (Council District 5),
 - Bishop Madison Homes, \$250,000 (Council District 2),
 - Grounds for Change, \$4,500,000 (Council District 1),
 - Ballantyne Seniors, \$1,400,000 (Council District 7), and
 - Evoke Living at Morris Field, \$5,500,000 (Council District 3),
- B. Approve an additional allocation of \$4,705,245 for the South Village Apartments multi-family rental affordable housing development, (Council District 3), from American Rescue Plan funds, and**
- C. Authorize the City Manager to execute, amend, and renew contracts as needed to complete the transactions approved by this action.**

Staff Resource(s):

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

Staff Resource(s):

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

Explanation

- The Action A above is consistent with the funding option #3 provided to Council at the November 14, 2022 Business meeting with the exception that instead of reallocating the \$3 million from the original award to the South Village Apartments project, the \$3 million would be allocated from American Rescue Plan funds (ARPA) for a total of \$6.6 million in ARPA funding.
- Action B is provided as an option based on Council's discussions to consider requested gap funding for the South Village Apartments project.
- This request uses existing Housing Trust Funds and ARPA funding.
- These actions consider funding for all requests presented at the November 14, 2022 Action Review with the exception of the \$1,937,873 for the Easter's Home multi-family rental affordable housing development.
- Due to unprecedented changes in market conditions, including construction material pricing and interest rates, there has been an extended period of cost escalations for housing development projects. Increasing costs have resulted in additional financing gaps on previously approved city-supported affordable housing development projects pending construction.
- On September 19, 2022, the city issued a Request for Proposals (RFP) to assess the needs of development partners with approved Housing Trust Fund (HTF) allocations that have additional gap

- financing needs for their respective pending affordable housing developments.
- In response to the RFP, 11 proposals were received. The city assessed each of the 11 proposals based on cost factors, construction readiness, affordability mix, length of affordability, location, and strategies used to offset increased costs.
 - Developers have used multiple strategies to offset increased costs, including:
 - Repriced tax credit equity
 - Adjusted rent income based on HUD’s 2022 area median income
 - Identified additional debt financing
 - Rebid construction costs / additional value engineering
 - Deferred developer fees
 - The revised allocations for the developments represent a net increase of support in the amount of \$15,800,000 for the developments represented in Action A and \$4,705,245 for Action B, (see attached development summary for project-specific details). This HTF increase is proposed to be funded from the current 2020 HTF bond balance (\$9,200,000) as well as ARPA funds in the total amount of \$11,305,118 as follows:
 - Action A: \$6,600,000
 - Action B: \$4,705,245
 - In addition to the developments represented in Actions A and B, staff will continue to work with the developers of the additional developments that submitted gap funding requests in response to the RFP (The River District, Lakewood Apartments, Easter Home) as discussed in the November 14, 2022 Action Review meeting.

Background

- On November 26, 2001, City Council established the HTF to provide financing for affordable housing in the Charlotte area.
- On August 27, 2018, City Council adopted the Housing Charlotte Framework, which recommends expanding the supply of high-quality rental housing by building affordable housing, preserving existing naturally occurring affordable housing, and promoting family self-sufficiency initiatives.
- On June 13, 2022, City Council adopted the U.S. Department of Housing and Urban Development’s Annual Action Plan (Plan) which identifies the need for affordable, safe, and decent housing for low-and-moderate income families and reaffirms the goals of the Housing Charlotte Framework.
- On July 22, 2019, April 26, 2021, September 27, 2021, and June 13, 2022, City Council approved the original city-support for the eight developments represented in Action A and B.
- Support of HTF allocations is consistent with the strategies outlined in both the Housing Charlotte Framework and the Plan, demonstrates local alignment with state-supported affordable housing developments, and allows for local leveraging of tax credit awards.

City Council Discussion

- On October 24, 2022 and November 14, 2022, City Council received briefings of the pending affordable housing development gap support requests.

Charlotte Business INclusion

All HTF funded projects and their developers are subject to MWSBE goals determined based on the amount of the HTF allocations received.

Fiscal Note

Funding: General Capital Investment Plan and American Rescue Plan Act (ARPA) Funds

Attachment(s)

Summary of Affordable Housing Development Support Requests for Gap-Funding