

Legislation Text

File #: 15-20426, Version: 1

Naturally Occurring Affordable Housing Preservation and Rental Subsidy Support Request

Action:

- A. Approve an \$8,000,000 Housing Trust Fund allocation to Woodlawn NOAH, LLC, an affiliate of Ascent Real Estate Capital, LLC, for the acquisition and rehabilitation of Charlotte Woods Apartments,**
- B. Approve an annual reimbursement to Housing Collaborative in an amount not to exceed the development's city tax bill for a Naturally Occurring Affordable Housing Rental Subsidy Program over a 20-year period for 40 new long-term rental subsidies at Charlotte Woods 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.**

Staff Resource(s):

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

Explanation

- Woodlawn NOAH, LLC, an affiliate of Ascent Real Estate Capital (Owner), proposes to acquire and renovate Charlotte Woods Apartments, including creating new long-term rental subsidies for 30 percent Area Median Income (AMI) households (currently total annual household income of \$28,250 for a family of four).
- Charlotte Woods Apartments is a 266-unit existing multi-family naturally occurring affordable housing (NOAH) development on approximately 15.7 acres located at 1116 Scaleybark Road in Council District 1 (parcel identification number 149-17-106) (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 \$44,075,000, which amounts to a 1:5 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 266 units at the

- following AMI levels:
 - 80 units at 30 percent AMI,
 - 133 units at 31 percent to 60 percent AMI, and
 - 53 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:
 - HVAC system overhaul,
 - Window replacements, and
 - Miscellaneous upgrades and repairs (e.g., roof, electrical system, and interior hallways).
- On June 6, 2023, the Mecklenburg County Board of County Commissioners approved the Owners request for \$4,000,000 to support the acquisition and rehabilitation of the Property.
- Rental Subsidies:
 - Of the 80 total units set aside for 30 percent AMI households, the Owner has agreed to specifically set aside 40 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 40 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 \$112,929.
 - 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, 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 and two-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 city's rental subsidy is contingent on Mecklenburg County participation for the county's portion of the property taxes. On June 6, 2023, the Mecklenburg County Board of County Commissioners approved the Owner's request to provide rental subsidies for the county's portion of the property taxes for 20 years.

Background

- 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 May 22, 2023, Council received a presentation on the Charlotte Woods NOAH preservation and rental subsidy support request.

Fiscal Note

Funding: General Capital Investment Plan

Attachment(s)

Map

May 23, 2023 Presentation