

# Affordable Housing Innovation: Public Development Model Activation

HOUSING COMMITTEE

JUNE 1, 2026

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## Topic

### Council Priority Alignment

- ▶ Great Neighborhoods

### Purpose

- ▶ Charlotte continues to look for ways to increase the range of housing price points available to serve residents across income levels. Additional approaches are needed to respond to changing market conditions, different site opportunities, and the need for more mixed-income housing options. This follow-up conversation shares additional information about public development models and outlines a proposed path forward for further evaluation and implementation.

### Key Takeaways

- ▶ Council's Affordable Housing Funding Policy encourages innovative approaches to affordability.
- ▶ Charlotte can benefit from a broader set of tools to increase housing options at a wider range of price points.
- ▶ New tools are needed to address the diversity of sites, market conditions, and mixed-income development opportunities.
- ▶ Public development models are one approach the City is evaluating to better leverage public resources, private-sector expertise, and long-term public benefit.
- ▶ Mixed-income development is one way to support financial feasibility while creating opportunities for long-term affordability.

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## Why This is Being Considered

The city's current housing investment tools primarily focus on gap financing which is effective in supporting the development and preservation of affordable housing units, particularly when combined with the Low-Income Housing Tax Credit (LIHTC) program

- ▶ **Limited Use and Applicability** - While gap financing allows market developers to partner with the city using familiar financing tools, it has limited use and applicability for:
  - Mixed use or mixed income development
  - Locations or sites where traditional LIHTC or gap-funded models will not work
- ▶ **Current market conditions** - Interest rates, construction costs, etc. have lowered the effectiveness of gap-only approaches
- ▶ **Council Goals and Priorities** – Council has committed to exploring innovative funding models that increase the impact of public funding

## What is a Public Development Model

- ▶ **Public Sector:**
  - Issues tax-exempt revenue bonds
  - Owns the real estate
  - Sets affordability and policy goals
  - Options for multijurisdictional partnerships
- ▶ **Private-sector experts:**
  - Developer: delivers the project
  - Property manager: operates the building
  - Asset manager: protects long-term performance
- ▶ **Compensation is fee-based, not equity-based**

## Mixed-Income – a Core Model Component

### ► Market-rate rents:

- Cross-subsidize affordability
- Improve debt coverage and bond feasibility
- Reduce reliance on scarce subsidy dollars

### ► Mixed-income improves:

- Financial stability
- Long-term asset condition
- Resident outcomes

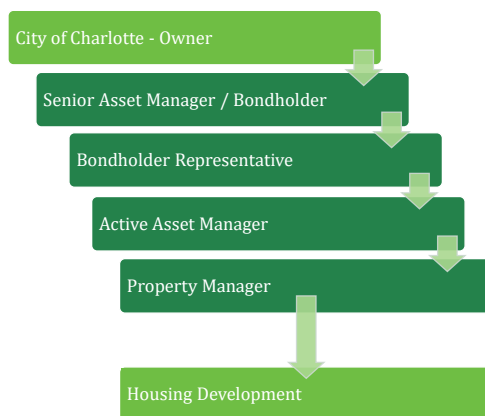
*Market-rate units are not the objective; they are the financing mechanism.*

## Managing Risk

### ► Risk mitigation

- Guaranteed maximum price (GMP) construction contracts
- Performance benchmarks for fee developer and manager
- Conservative underwriting assumptions
- Third-party asset management oversight
- Ability to replace operators if performance falters

*The City is not self-developing or self-managing—there are “layers” of protection.*



## Follow up items

### ► Impact & implications for bond financing

- In general, this model relies of the specific development revenue to support the bond, with no recourse against other city revenue or assets
- Once a specific project is identified and bond language

### ► How would a project be developed

- Release an RFQ to solicit partnership proposals from a variety of firms with expertise in this approach and interest in the Charlotte Market
- One or more partner firms are selected who best meet Charlotte's development goals and objects
- Selected developers identify and bring development proposals to the city for Council's consideration

## Follow up items

### ► How does the city mitigate its risk exposure in the public model?

- Each proposal will be reviewed for financial, legal, operational, and market risk.
- Specialized bond counsel will review the financing structure and legal protections.
- Conservative underwriting will be used to test project feasibility and limit exposure.
- Qualified development, property management, and asset management partners will be selected through an RFQ process.
- Agreements will include performance standards, reporting requirements, and remedies for underperformance.
- The City will not self-develop or self-manage; experienced partners will be responsible for delivery and operations.

## Next Steps



**Engage specialized legal assistance to support the development and review of specific projects**



**Release an RFQ to identify a range approaches, models, and selecting potential design, build, manage partners that best meet city goals**



**Partners produce specific development proposals for council consideration**

## Questions