



# **Final Report From The Housing Charlotte 2007 Implementation Committee**

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[www.HousingCharlotte2007.org](http://www.HousingCharlotte2007.org)

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### I. Introduction

The Housing Charlotte 2007 Implementation Committee report provides recommendations on affordable housing policies, programs and ordinances for consideration by the City of Charlotte, Mecklenburg County and the general community. The Implementation Committee is a self-appointed citizen's committee that was created as a result of Housing Charlotte 2007 Affordable Housing Forum. This one-day event was held on February 22, 2007, where over 400 community leaders gathered to discuss affordable housing issues in the community[1]. The outcome of that event was the identification of five affordable housing solution areas for further study of five solution areas.

The five solution areas recommended for further study included:

- Education, Outreach and Advocacy
- Rental housing subsidy
- Acquisition strategy
- Dedicated funding source
- Incentive-based inclusionary housing policies

The Housing Charlotte 2007 Implementation Committee was formed by the Steering Committee for the Forum and consisted of individuals with business, neighborhood and/or non-profit backgrounds. The Forum Steering Committee appointed three co-chairs to oversee the process. The Co-chairs established an Executive Committee and selected the membership for the five subcommittees to address each of the identified solution areas. This report contains the recommendations of the Implementation Committee.

### II. Affordable Housing Demands

#### Affordable Housing Defined

Generally, affordable housing is defined as housing for which no more than 30 percent of the gross income is paid for rent and utilities or mortgage and other costs associated with homeownership[2]. More specifically, affordable housing is defined as housing designed to serve low and moderate income households in a community. This is measured in relationship to the Area Median Income (AMI), which is \$64,400 in the Charlotte area. The AMI is based on a household size of four and adjusted up or down for different household sizes.

For the City of Charlotte, the City Council has defined affordable rental housing as that housing which serves households making \$38,640 (60 percent of the AMI) or less. For homeownership housing, affordable housing is defined as households earning \$51,520 (80% of the AMI) or less.

The Charlotte City Council has also adopted other policies, which create special provisions and prioritized the delivery of affordable housing. These policies include, but are not limited to policies placing a priority on producing affordable rental housing which serves families earning \$19,320 (30% of the AMI) or less. This allows homeowner down payment assistance funds for households that earned up to (110% of the AMI) in selected neighborhoods, encouraging mixed income housing for long-term project and community sustainability.

[1] The proceeding report for the Housing Charlotte 2007 can be found at [HousingCharlotte2007.org](http://HousingCharlotte2007.org).

[2] U.S. Department of Housing and Urban Development Web Site

There are several ways to measure the affordable housing problem in Charlotte. These key measures include affordability, adequacy and availability.

Relative to affordability, in Charlotte in 2005 more than 37,000 households paid more than half of their income for housing. More than 29,000 households of the 120,000 rental households pay more than 50% of income for housing. A rule of thumb is that a household should pay no more than 30% of its income for rent and utilities or mortgage and other housing cost. Paying more than half of your income for housing leaves little else for transportation, food, health and other household needs.

With regard to adequacy, an estimated 8,000 households live in substandard housing, and approximately 7,230 households are considered over crowded by federal standards. These are housing units that are inadequate to meet the need.

In terms of availability, a housing study prepared by the City in 2007, showed an unmet housing need for 16,924 rental housing units by 2012 for households earning less than \$16,000. Over 9,500 of the units are needed for households that earn less than \$12,000 in our community.

By any measure, there is an affordable housing problem in our community. The challenge is how the community adequately addresses the various affordable housing segments in the community.

### III. Implementation Committee Process

There were 75 of citizens and staff involved in the Implementation Committee process. Below is outlined the structure, charge and process for the reviewing the affordable housing solutions areas.

#### Implementation Committee Structure Implementation Team Co-Chairs

The three Co-Chairs run the Executive Committee, oversee the individual committees, plan and implement committee policy, and act as liaisons with City Council and the media.

#### Subcommittee Co-Chairs

Each of the five subcommittees has two co-chairs. The subcommittee co-chairs serve on Executive Committee, identify members from business, neighborhood and non-profit sectors to serve on the subcommittees; communicate charge, roles and responsibilities to subcommittee members; coordinate with assigned staff to facilitate the subcommittee work assignments; and provide monthly reports to the Executive Committee.

#### Subcommittee Charge

Subcommittee members study the assigned issue area in depth; formulate the “best” solution that can be implemented in Charlotte to address the assigned issue area; and allow broad latitude in how to approach the subject area.

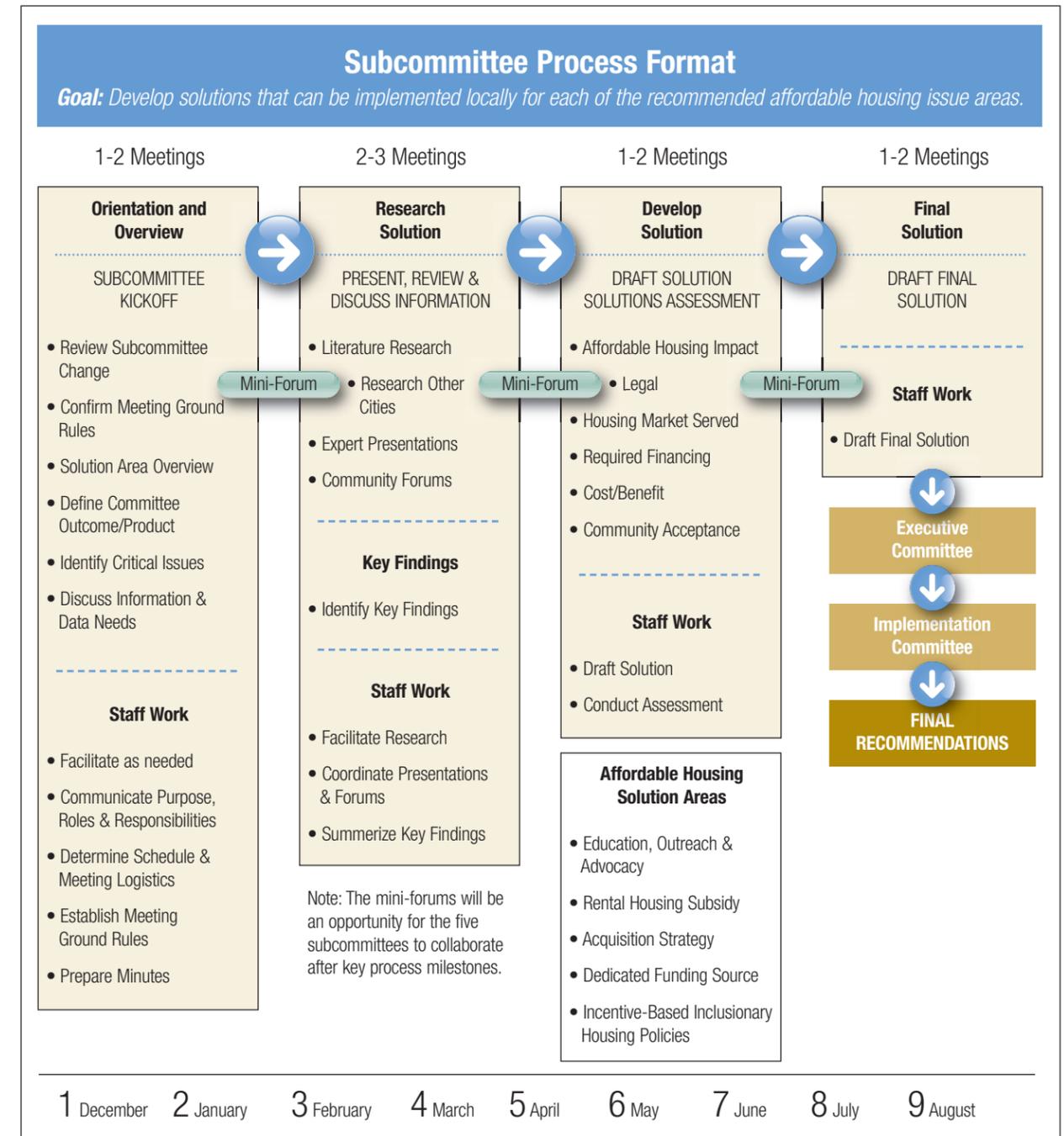
#### City Staff

The Housing Charlotte 2007 Committee requested that City Council provide staff to support the Implementation Committee. City staff from Neighborhood Development and Planning provided support to the process and subcommittees. City staff members communicate with co-chairs regarding the subcommittee assignment and direction of the work; provide staffing for the subcommittee and help organize the process; assist with meeting coordination and facilitation, as needed; undertake research as requested by the subcommittee; make

arrangements for guest speakers and public presentations, as needed; prepare interim and final solution reports; and prepare summary meeting minutes.

#### Implementation Committee Process

The Implementation Committee designed a year-long process that included subcommittee meeting and mini-forums which were designed enhance committee collaboration and receive citizen input. The process is depicted in the chart below.



The first few meetings consisted of orientation and overview, including reviewing the subcommittee charge, confirming meeting ground rules, discussing the solution area overview, defining the committee outcome or product, identifying critical issues and discussing information and data needs. During this time, staff facilitated as needed; communicated the purpose, roles and responsibilities; determined the schedule and meeting logistics; established ground rules; and prepared meeting minutes.

During the next few meetings, the committees delved into research and identified key findings. City staff facilitated research, coordinated presentations, and summarized findings. In the next phase, subcommittees developed and drafted their solutions, assessing the affordable housing impact, legal aspects, housing market served, required financing, cost/benefit ratio and community acceptance. Staff work included drafting the solutions and conducting an assessment. The full implementation team also held mini-forums as an opportunity for the five subcommittees to collaborate after key process milestones and present research to the public.

#### **IV. Summary of HC 2007 Implementation Committee Recommendations**

Below is a summary of the recommendations from each of the subcommittees. Each of the recommendations are discussed in detailed in the next section.

##### **A. EDUCATION, OUTREACH AND ADVOCACY SUBCOMMITTEE**

**Charge:** *Promoting ways to make affordable housing information available to consumers, producers and general public.*

**Recommendation 1** - Conduct a comprehensive survey be completed of the Charlotte community to explore knowledge and attitudes toward affordable housing. The survey should reach all segments of the community and address language differences to assure a comprehensive view.

**Recommendation 2** – Establish an Affordable Housing Public Information Program to address the diverse cultural and language make-up of Charlotte today. In developing and implementing the program, there should be steps taken to address multi-lingual needs and to assure that communications reaches each audience in a manner that is relevant and clear.

##### **B. ACQUISITION STRATEGY SUBCOMMITTEE**

**Charge:** *Expanding the number and desirability of sites and land banking for affordable housing.*

**Recommendation 1** - Obtain land near public schools for affordable housing by executing long term land leases for excess land owned by Charlotte Mecklenburg Schools.

**Recommendation 2** - Replace the Existing Housing Locational Policy with site selection criteria that broaden and better defines City policies and standards for identifying and selecting sites for the development of sound affordable housing.



##### **C. DEDICATED FUNDING SOURCE SUBCOMMITTEE**

**Charge:** *Exploring alternatives in addition to general obligations bonds to finance affordable housing.*

**Recommendation 1** - City Council should set aside sufficient funds to annually provide \$10 million in capital funding for affordable housing.

**Recommendation 2** - Appoint a task force to study using interest earned from Property Managers/Realtor Residential Rental Security Deposit Accounts to assist extremely low-income households with rental deposits.

##### **D. RENTAL HOUSING SUBSIDY SUBCOMMITTEE**

**Charge:** *Provide a local rental subsidy program to very low-income families.*

**Recommendation** - Create a local subsidy program that provides rental assistance to families who have income less than 24% of the Area Median Income (AMI.) The program is targeted towards existing vacant, market rate apartment units. This program will bring together financial supporters from the private sector, faith community and government.

##### **E. INCENTIVE-BASED INCLUSIONARY HOUSING POLICIES SUBCOMMITTEE**

**Charge:** *Developing incentive programs to engage the private sector in the development of affordable housing.*

**Recommendation 1** - Develop a voluntary single family zoning density bonus program.

**Recommendation 2** - Amend current zoning ordinance to expand accessory use ordinance to allow non-relatives to occupy accessory dwelling units (ADU's).

**Recommendation 3** - Amend zoning ordinance to allow duplex units on any lot (not just corner lots) if it meets current standards (e.g., lot size at 1.5 times base zoning requirement).

## V. Detailed Implementation Report Recommendations

Below are detailed recommendations from the Housing Charlotte 2007 Implementation Committee. Each recommendation has a description, cost-benefit analysis, impact statement and Implementation steps. Again, these recommendations are arranged by solution area.

### EDUCATION, ADVOCACY, OUTREACH SUBCOMMITTEE RECOMMENDATIONS

**Recommendation 1** – Conduct Community Attitude/Knowledge Research on affordable housing

**Description**

Conduct a community-wide survey of attitudes toward affordable housing. This is essential in formulating a program of education, advocacy and outreach that can support progress in meeting the community's growing need for safe, affordable housing. This recommendation will not require a specific ordinance, but it will require funding by a public or private source.

**Cost-Benefit Analysis**

The estimated cost for a comprehensive community-wide research program is \$36,500. Following is a summary of the research approach:



SURVEY OF CHARLOTTE RESIDENTS – Sample size of 400.

**OBJECTIVES**

- Measure awareness and perceptions of lack of affordable housing in the area
- Determine how serious the problem is perceived to be
- Measure knowledge and attitudes toward lack of affordable and related issues
- Measure support for initiatives, programs and funding alternatives
- Determine major sources of credible information about community issues
- Develop demographic profile to determine where support exists and where educational messages should be targeted

Estimated Cost: \$21,000



CHARLOTTE-AREA BUSINESSES – Sample size of 150 stratified by number of employees.

**OBJECTIVES:**

- Measure awareness and perceptions of affordable housing's impact on business
- Measure knowledge and perceptions of specific issues related to lack of affordable housing
- Measure support for initiatives, programs and funding alternatives
- Determine sources of information about issues affecting the Charlotte business community

Estimated Cost: \$15,500

Grand Total: \$36,000

**Expected Impact**

Information generated by this research will provide insights into potential misinformation related to affordable housing, which can be corrected through outreach and education. Solutions to Charlotte's affordable housing issues will require public support and consensus around the issue and the starting point for forming this groundswell of support must be an objective understanding of attitudes as they currently exist.

**Implementation Steps**

- Establish specific goals for the surveys
- Issue and award RFP for professional survey company
- Draft survey questions
- Conduct the survey
- Analyze results
- Final report and recommendations
- Formulate action plans
- Implement

**Recommendation 2** – Ongoing Public Information Program focused on affordable housing education

**Description**

The committee recommends an ongoing public information program focused on affordable housing education. This program will be based on preliminary work already completed by the subcommittee, including the identification and description of target audiences, definition of mindsets of those audiences and features and benefits of affordable housing. The program should address communications surrounding the broad issue of affordable housing and how outdated attitudes can be updated. This recommendation will not require a specific ordinance or enabling legislation. It will require funding from public, private or combined resources on an ongoing basis. The subcommittee recommends that the initial commitment be to a five-year program.

**Cost-Benefit Analysis**

The cost for a public information program at estimated at \$500,000 annually, broken down in the following manner:

■ Professional staffing	\$ 75,000
■ Community outreach	\$250,000
■ Collateral	\$ 85,000
■ Special events	\$ 75,000
■ Related expenses	\$ 15,000
 TOTAL	 \$500,000

**Expected Impact**

This program will help create awareness and support for affordable housing initiatives to enhance the City's overall quality of life and image as a community that provides for all of its people regardless of income level. In addition, a public information program will help to assure the successful adoption of the various subcommittees' recommendations.

**Implementation Steps**

The following are essential process steps for implementing a public information program:

- Draft plan in support of Housing Charlotte recommendations
- Determine structure for an ongoing program of education/outreach
- Generate needed financial support
- Recruit a communications professional
- Develop short and long-range plans
- Implement
- Evaluate

**Acquisition Strategy Subcommittee Recommendations**

**Recommendation 1** – Obtain land near public schools for affordable housing by executing long-term land leases for excess land owned by Charlotte Mecklenburg Schools (CMS).

**Description**

In accordance with a resolution adopted by Board of Education to promote the growth and dispersion of affordable housing throughout Mecklenburg County, CMS should consider leasing excess land to affordable housing developers with Board of Education and Board of County Commissioners approval. The goal would be to broaden the economic diversity of school enrollment, making land available for affordable housing in communities where high quality affordable developments would expand the profile of families served by the school. These communities would also make affordable/workforce housing available to CMS employees meeting income requirements, enabling them to live near their places of work.

**Cost-Benefit Analysis**

This recommendation makes use of excess land owned by CMS. As excess land, the value creation from such parcels would be extremely limited. As such, cost to CMS are associated with the time invested by its employees to make parcels available, negotiate long-term land lease agreements and obtain approval of such agreements from the Board of Education and the County Commissioners. Benefits to CMS would include:

- Payments received for the land lease
- Expanded economic diversity of its school enrollment
- Availability of affordable housing for its workforce near its school locations

Other entities involved in this collaboration would not experience new or increased costs. Benefits to the community would include:

- Increased opportunities to develop affordable housing near schools
- Increased support in the rezoning process especially in addressing NIMBY pressures





**Expected Impact**

Implementation of the proposed recommendation would result in increased land availability for affordable housing. If development is successful, the community would receive more affordable housing located near schools and increased economic diversity of its public school enrollment.

**Implementation Steps**

- A.** CMS should work with developers to make excess land available for affordable housing and structure transaction terms that are consistent with the requirements of funding sources for these developments.
  - 1) Provide options to lease so that rezoning approval and funding sources can be obtained.
  - 2) Consider pricing and payment structure compatible with affordable housing deals.
  - 3) Execute long-term ground lease when rezoning approval and funding sources are obtained.
  - 4) If rezoning and/or funding cannot be obtained, the option would expire and land control would remain with CMS.
- B.** Requests should be made of the North Carolina Housing Finance Agency and Charlotte Housing Trust Fund to award points for developments that take advantage of education collaborations and broaden the economic profiles of neighborhood school enrollment.
- C.** Requests should be made of legislators to support links between future HOPE VI funding/other funding sources and education agency collaborations. Charlotte could become a national model for education/affordable housing collaborations.

**Recommendation 2** – Create site selection criteria that broaden and better defines City policies and standards for identifying and selecting sites for the development of sound affordable housing.

**Description**

The current locational policy map is used as a guide to facilitate the development of subsidized affordable housing. However, the map and City housing policies need to be revised and should entail utilization of a site evaluation system that:

- Increases the number of acceptable locations by being less restrictive than the current evaluation system
- Incorporates a point scoring system offering incentives to developers for developing affordable housing that incorporates desirable characteristics
- Provides developers with a better sense of what constitutes a superior, mediocre, and weak site prior to incurring significant predevelopment costs
- Allows affordable housing financing decisions to be more impacted by need and less impacted by political factors

**Cost-Benefit Analysis**

The subcommittee has given preliminary consideration to the cost/benefit analysis since the recommendation will entail a policy change. It would not require an increase in direct cost; therefore, implementation should be nominal. The recommendation will enable City staff to better channel limited funding by identifying the optimal sites for development. Legally, the recommendation would require City Council approval, and it would not be a revenue generator for the City. While the comparative strength is that it will allow for better targeting of subsidized affordable housing development, the comparative weakness are that it would require political and community acceptance and it would not govern the actions of private affordable housing owners.

**Expected Impact**

The proposed recommendation would result in a more equitable distribution of affordable housing as well as a greater diversity of uses within and near affordable communities. City staff would be armed with a mechanism to quantify the strengths and weaknesses of proposals from affordable housing developers.

**Implementation Steps**

- Steps to implement the recommendation include:
- Finalizing the recommendation with full Executive Committee approval
  - Gain support from affordable housing developers and advocates
  - Obtain City Council approval

**Dedicated Funding Source Subcommittee Recommendations**

**Recommendation 1** – City Council should set aside sufficient funds to annually provide \$10 million in capital funding for affordable housing.

**Description**

Since 2002, the City of Charlotte has used General Obligation Bonds for capital expenditures associated with affordable housing. A General Obligation Bond is a municipal bond secured by the taxing and borrowing power of the municipality issuing it. General Obligation Bonds are authorized by the City Council and approved by voters in the City. Bonds are repaid over a 20-year period and generally are tax-exempted. The City of Charlotte has an “AAA” bond rating, which enables it to borrow at very low interest rates. In 2002, 2004 and 2006 bond referendums, the City raised \$45 million in general obligation bonds for affordable housing. Voter approval of referendums has ranged from 58 percent to 60 percent. The Charlotte City Council is recommending a \$10 million taxable bond referendum for November 2008.

**Cost-Benefit Analysis**

The Subcommittee developed a host of criteria for evaluating various funding mechanisms for affordable housing. Below is the Subcommittee's assessment of \$10 million annually in General Obligations Bonds for affordable housing.

Criteria	Assessment
Relationship to Housing / Real Estate	<ul style="list-style-type: none"> <li>■ General Obligation Bonds are used by local governments for a variety of capital expenditures – roads, infrastructure, schools construction, public buildings, etc.</li> <li>■ Use of these funds is related to real estate</li> </ul>
Legality	<ul style="list-style-type: none"> <li>■ North Carolina General Statutes Chapter 159, Article 4 authorizes municipalities to use General Obligation Bonds</li> <li>■ Must be placed before the voters for approval</li> <li>■ Bond funds must be expended within seven years of obligation</li> </ul>
Revenue Potential	<ul style="list-style-type: none"> <li>■ One penny on the City's tax rate generates \$7.1 million annually. At a current interest rate of 4.5% for a 20-year bond, a \$1 million bond costs the City about \$77,000 a year. Therefore, a \$10 million bond issue will cost \$770,000 or about a tenth of a penny on the tax rate</li> <li>■ Past housing bonds have ranged between \$10 million and \$20 million</li> <li>■ Revenues raised from General Obligation Bonds are limited based on competing community priorities &amp; local government's ability to support debt</li> </ul>
Competitiveness	<ul style="list-style-type: none"> <li>■ General Obligation Bonds are also used to fund transportation, infrastructure, neighborhood improvements and public facilities based on community priorities. The City Council establishes community priorities</li> </ul>
Stability	<ul style="list-style-type: none"> <li>■ Funding is dependent upon voter approval</li> </ul>
Equitability	<ul style="list-style-type: none"> <li>■ Bond debt is repaid through property taxes, sale taxes and City fees</li> <li>■ Bond repayments are included as debt service in the municipal budget</li> </ul>
Efficiency	<ul style="list-style-type: none"> <li>■ Funds are generated through the sale of general obligation bonds in the municipal bond market</li> </ul>
Political Acceptance	<ul style="list-style-type: none"> <li>■ General Obligations Bonds for affordable housing have been supported by the City Council in the past</li> </ul>

**The comparative strengths of General Obligations Bonds are:**

- Authorized source of funding for local municipalities
- All property owners share in repayment of the bonds through tax proceeds
- Previous bond referendums have met with community acceptance

**The comparative weaknesses of General Obligation Bonds are:**

- Dependent on bi-annual voter approval and, as such, cannot be considered a dependable source of funding
- Unpredictability of the source for long-range affordable housing planning

**Expected Impact**

Bi-annual approval of \$20 million in General Obligation Bonds for housing are expected to generate about 800 – 900 affordable housing units every two years depending upon on the type and mix of affordable housing development funded. Funds will address homeownership, rental and special needs housing and will be capital expenses associated with acquisition, preservation (rehabilitation) and new construction.

**Implementation Steps**

First, affordable housing advocates and community must convince the current and future City Councils that the minimum level of investments in affordable housing bonds should be \$20 million bi-annually. Second, affordable housing advocates must continuously convince the community of the importance of developing affordable housing units and their contribution to helping keep the local economy strong.

**Recommendation 2** – Appoint a task force to study using interest earned from Property Managers/Realtor Residential Rental Security Deposit Accounts to assist extremely low-income households with rental deposits.

This recommendation proposes a local initiative to encourage the use of interest earned on Property Managers/ Realtor Residential Security Deposit Accounts to help households earning 30 percent or less of the Area Median Income make rental security deposits. The funds will be used to remove a major barrier for households earning \$19,230 or less (based in a household size of four) to access rental apartments. The City already has rental security deposit program operated by Crisis Assistance Ministry. This recommendation will expand the number of people that can access the program and secure a dedicated funding source. This recommendation is similar to "Interest in Lawyers Trust Account" program, which is currently a voluntary initiative in North Carolina and raises about \$3 million a year that is used to fund pro-bono work and other charitable initiatives. The North Carolina Bar has made it mandatory that all law firms participate in this program beginning in January 2009. The projected revenue from the statewide initiative is expected to be \$4 - \$5 million annually. The task force will study the feasibility of the program, design the details of this program and coordinate with the various entities involved to implement the program. The Housing Charlotte 2007 should take the initiative to establish the task force.

**Cost-Benefit Analysis**

The Subcommittee did not have sufficient time to explore this recommendation in depth, but strongly feels that it is worthy of additional consideration.

**Expected Impact**

The amount of funding that can be generated from this source is unknown at this time. [Note: Analysis by Ken Szymanski, Executive Director of the Charlotte Apartment Association estimated about \$300,000 annually for Mecklenburg County]

**Implementation Steps**

The Housing Charlotte 2007 Implementation Committee should establish mission, structure, timetable, deliverables and suggested membership for the task force. Study of this recommendation will require collaboration with the North Carolina Banker Associations, North Carolina Apartment Association, North Carolina Real Estate Commission, North Carolina Association of Realtors, Charlotte Apartment Association and Charlotte Regional Realtor Association. It will also require the City Council, Mecklenburg County Board of Commissioners and the North Carolina General Assembly approval as well.

## Rental Housing Subcommittee Recommendations

**Recommendation:** Create a local rental subsidy program

### Description

The Rental Housing Subsidy Subcommittee was charged with creating a local subsidy program that provides rental assistance to families who have income less than 24% of the Area Median Income (AMI.) The program is to target existing vacant, market rate apartment units and shall not require building new housing. This program is to bring together financial supporters from the private sector, faith community and government.

The Rental Housing Subsidy Subcommittee believes that for this program to be successful, numerous components must be adopted in concert with financial subsidies. Using the human capital of trained social workers with dedicated volunteers, the provision of social services is the key component of the program design. Supportive social services must be attached to all rent subsidies in this program. The social services provided will be based on the varying level of needs of the participants.

Supportive services start with a thorough family or household assessment and will lead to the development of a plan with goals for success. A primary social worker relationship must be established for each family/household in the program. Close tracking of goals and results is expected. Examples of supportive services include job training, life skills training, financial management, substance abuse counseling, goal monitoring, etc. The goal of this program is to help targeted families become more financially stable. The hope of the program is for a family to move off of the subsidy and no longer need dedicated social services. In addition to the primary component of supportive social services, the following program characteristics are recommended by the Subcommittee:



Program Component	Description
1. Geographic Dispersion To facilitate wider location choices and reduce concentration in specific areas of Charlotte	<ul style="list-style-type: none"> <li>Requests for Proposals for units in targeted areas can be solicited from landlords</li> <li>Subsidy level can vary to account for higher market rates in certain areas of town</li> </ul>
2. Implementation Options	<ul style="list-style-type: none"> <li>Tenant based (per individual family unit)</li> <li>Apartment Community/Site based (per complex)</li> </ul>
3. Referral based	<ul style="list-style-type: none"> <li>Households eligible for subsidy must be referred by local social service/non-profit agency – that is, an applicant cannot self refer into the program</li> </ul>
4. Housing Assistance Payment	<ul style="list-style-type: none"> <li>Household's portion of rent will be based on individual budget assessment and can vary throughout participation in the program</li> </ul>
5. Inspections	<ul style="list-style-type: none"> <li>Each unit will be required to undergo a Housing Quality or Minimum Housing Code inspection prior to move-in with expedited process</li> </ul>
6. Pre-program training	<ul style="list-style-type: none"> <li>All households must participate in a training program prior to moving into housing such as training to be a good neighbor</li> </ul>
7. Accountability	<ul style="list-style-type: none"> <li>Each participating household and landlord will be required to comply with guidelines to remain in the program</li> </ul>
8. Administration	<ul style="list-style-type: none"> <li>One designated lead agency/organization to administer program and manage program metrics</li> <li>Provide in-depth screening for potential households including criminal and credit checks</li> </ul>
9. Program evaluation by independent body	<ul style="list-style-type: none"> <li>Individual outcomes for households</li> <li>Rental subsidy effects on neighborhoods</li> </ul>

### ADDITIONAL CONSIDERATIONS/OPEN ISSUES

These items were briefly discussed by the subcommittee without final resolution. We recommend further discussion and evaluation.

- Need to determine a reasonable finite term of subsidy
- Admission Preferences: Consider that some admission preferences may be included to make the program more responsive to needs of the community

### Cost-Benefit Analysis

Cost of Program will vary depending on the level of support and because the funding source and amount have

not been determined, the subcommittee was unable to determine an annual cost of a program. In serving these very-low income households, it is important to keep in mind the relationships between the depth of individual subsidies, the total number of households served and neighborhood geographic dispersion. See the following table for a breakdown of average annual subsidy per geographic distribution. All information based on two bedroom units for a family of three at 24% of median income.

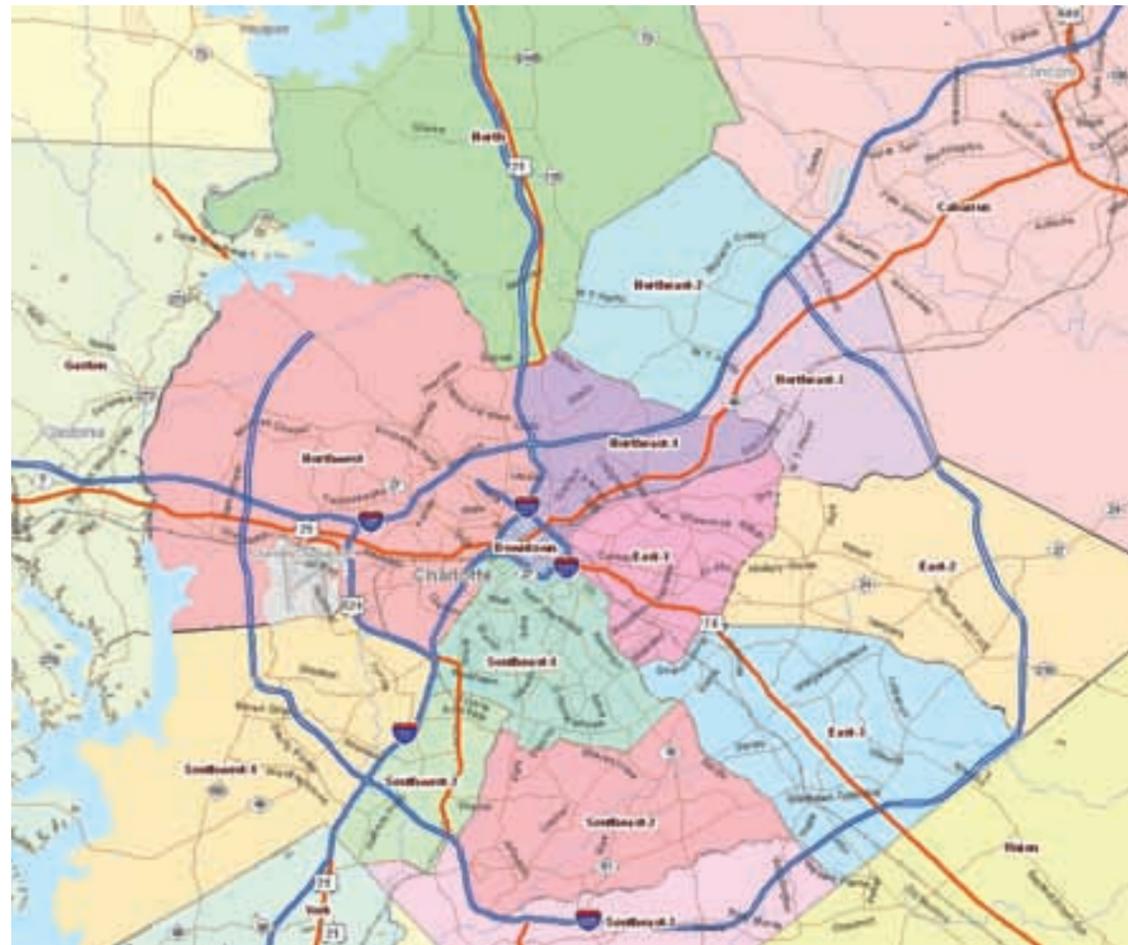
**Expected Impact**

Subsidy program will address goals stated in Charlotte-Mecklenburg's Ten Year Implementation Plan to End and Prevent Homelessness. The subcommittee did not define goals for determining effectiveness of program.

**Implementation Steps**

- 1) Identify administrative agency/organization
- 2) Run a pilot subsidy program
- 3) Evaluate pilot program and make necessary changes
- 4) Determine steps necessary to bring the program to scale
- 5) Implement program

**Charlotte Real Estate Areas**



**Charlotte Ave Rents by Geography Adjusted**

	GCAA Member Apartments Geographic Distribution (1)						24% of Median		
	Total 2 BR Units	Vacant Units	Vacancy Rate	Average Sq. Ft.	Average Rent	Est. Average Renter HH Income (2)	Max HH Income Limit Family of 3 (3)	Max Rent Ability to Pay (4)	Annual Per Unit Subsidy Cost (5)
<b>Downtown</b>	577	168	0	895	\$ 1,324	\$ 68,200	\$ 13,910	\$ 252	\$ 14,019
<b>East 1</b>	4,139	632	0	880	\$ 667	\$ 36,600	\$ 13,910	\$ 252	\$ 6,135
<b>East 2</b>	2,952	495	0	898	\$ 673	\$ 36,900	\$ 13,910	\$ 252	\$ 6,207
<b>East 3</b>	4,010	728	0	915	\$ 737	\$ 40,000	\$ 13,910	\$ 252	\$ 6,975
<b>North</b>	2,252	558	0	978	\$ 834	\$ 44,600	\$ 13,910	\$ 252	\$ 8,139
<b>NE-1</b>	2,422	712	0	825	\$ 540	\$ 30,500	\$ 13,910	\$ 252	\$ 4,611
<b>NE-2</b>	2,693	277	0	985	\$ 869	\$ 46,300	\$ 13,910	\$ 252	\$ 8,559
<b>NE-3</b>	3,001	570	0	1,013	\$ 836	\$ 44,700	\$ 13,910	\$ 252	\$ 8,163
<b>Northwest</b>	1,802	377	0	820	\$ 533	\$ 30,200	\$ 13,910	\$ 252	\$ 4,527
<b>SE-1</b>	3,423	641	0	995	\$ 976	\$ 51,500	\$ 13,910	\$ 252	\$ 9,843
<b>SE-2</b>	4,029	562	0	981	\$ 807	\$ 43,300	\$ 13,910	\$ 252	\$ 7,815
<b>SE-3</b>	2,249	529	0	1,061	\$ 936	\$ 49,500	\$ 13,910	\$ 252	\$ 9,363
<b>SW-1</b>	2,514	545	0	964	\$ 826	\$ 44,300	\$ 13,910	\$ 252	\$ 8,043
<b>SW-2</b>	2,816	554	0	909	\$ 694	\$ 37,900	\$ 13,910	\$ 252	\$ 6,459
	<b>38,879</b>	<b>7,348</b>	<b>0</b>	<b>941</b>	<b>\$ 777</b>	<b>\$ 41,900</b>	<b>\$ 13,910</b>	<b>\$ 252</b>	<b>\$ 7,449</b>

(1) Source: Charlotte Apartment Index, Real Data. March 2008  
 (2) Assumptions - Average HH pays 25% of Income for Rent + Utilities, Utilities average \$96/month (\$8 Utility Allowance Pre 2006)  
 (3) Uses HUD protocol for HH size adjustments (for example, 3 person HH income limit for 24% median = \$64,400 x 24% x 9)  
 (4) Assumptions - Average HH can afford 30% of Income for Rent + Utilities  
 (5) Calculated by subtracting "Max Rent Ability to Pay" from "Average Rent" for geographic submarket

## Incentive-Based Inclusionary Housing Policies Subcommittee

**Recommendation 1** - Develop a voluntary single family zoning density bonus program.

### Description

The solutions to Charlotte's lack of affordable housing lie in the joint efforts of business, faith, charitable and governmental institutions. While the focus of our committee is on government action, we would be mistaken if we thought that governmental action alone is the solution. Recommendations beyond government action are beyond the scope of this subcommittee, but we feel strongly that all components of our community need to be engaged and we caution the community against complacently believing that governmental policy changes are all we need to do.

The subcommittee assumed that its initial focus should be on a density bonus program as a way of increasing the number of affordable ownership and rental units. The subcommittee's research into density bonus however resulted in its conclusion that as to multi-family rental projects, there is no statistical evidence that voluntary density bonus programs have been effective. In fact, information provided by experienced multi-family developers on the subcommittee as well as other studies reviewed by the subcommittee indicates that a density bonus program for multi-family rental projects is counterproductive because the rents for the market rate units have to subsidize part of the expenses of the affordable units raising the cost of housing for market rate renters. The underlying economic reasons for this counter-productivity lies in the way that returns are measured within the industry. Newly developed projects are judged based on a "return on cost" methodology. In essence, the market judges a newly developed project by its total return (net cash flow and net gain on sale) compared to its total cost. When viewed in this light, it becomes clear that a density bonus in exchange for affordable rental units, results in a negative double whammy for a multi-family rental developer. By adding units you are increasing the multi-family rental developer's cost. By requiring that some of those units be affordable at below market rents, you are not only reducing the cash flow component of the return measure but the sales component as well since buyers of multi-family rental product, like all income producing property, calculate sales price as a function of total revenue in excess of operating expenses. An affordable unit's operating expenses are no less than a market rate unit's but the rent, however, is less. Therefore, the net revenue upon which a purchase price decision is made is lower.

There appear to be two necessary preconditions for a density bonus to work as a way of increasing multi-family affordable rental units. The first precondition is that the program must be mandatory. Everyone in a given market area must play by the same rules. In other words, the bonus must be a condition to entitlement in the same way that compliance with the building codes is a condition to entitlement. The second precondition is that the market itself must be such that developers simply won't flock to the nearest jurisdiction without such requirements and build their projects there. Markets like San Francisco, Boston and Washington, DC, may fall into this category. Charlotte does not. By trying to have a mandatory density bonus program, multi-family developers will likely abandon the Charlotte market and build their projects in neighboring counties resulting in, ironically, fewer affordable units. As a result, our subcommittee is recommending no density bonus incentive for rental development (apart from recommendation #2 concerning accessory dwelling units and recommendation #3 concerning duplex units).

The Committee feels that with respect to traditional multi-family developments, the best incentives are those which will promote lower costs to the apartment developer or higher rents paid by low to moderate income tenants. Our recommendations affect the housing trust fund, land acquisition and private rental subsidy programs. We recognize that there are separate subcommittees on rental subsidies and land acquisition. Those subcommittees have spent much more time considering those issues and their recommendations will be more thoughtful and far reaching. However, it is our subcommittee's conclusion that a robust and well managed rental subsidy and the acquisition of suitable land at discounted prices are so critical in this arena that we will make recommendations along those lines as well, while acknowledging that our thoughts here are likely to be redundant and less nuanced than those coming from those subcommittees.

The dynamics of a single-family ownership project are different. Allowing more lots or for-sale units within the same number of acres under a density bonus program does not result in a material cost increase. Additionally, these projects tend to be judged on basis of total sales price versus total costs. Although adding additional lots and units will add costs to the overall development, the negative impact to the developer resulting from below-market sales prices for some of them can be offset by lower per lot/unit land costs and lower per lot/unit infrastructure costs. Additionally, the "by right"[3] nature of our proposal will save rezoning costs. These potential cost savings should reduce the amount that may be passed on to the market-rate buyers. We believe a density bonus program for single-family ownership developments has less of an adverse economic impact to the developer and market-rate buyers than such a program would have on multi-family developers and market-rate renters.

The subcommittee reviewed inclusionary housing policies in other communities that did not include meaningful density bonus incentives, as we are recommending here, and concluded that such policies were not successful and made providing affordable housing more difficult by raising the cost of all housing. Without these incentives market-rate housing would need to subsidize inclusionary housing, raising the home prices of new housing which in turn raises the price of existing housing. We need to lessen the barriers to providing affordable housing in Charlotte, not create more.

Underlying all of our recommendations are the following principles: (i) these incentives should be applied in a way that, to the greatest extent possible, results in mixed-income communities; (ii) affordable housing should be spread throughout Charlotte so that those in need of affordable housing can find it readily available near schools and employment; (iii) the incentives should not burden the real estate development community or the market-rate buyer or renter in such a way so that a disincentive to build affordable housing is created; (iv) the public should have confidence that the incentives are administered appropriately and that truly affordable housing is created; and (v) the incentives should be monitored and results measured to determine that our goals are being met. Use regulatory incentives to increase affordable housing opportunities for households earning less than 80% of median income.

The Subcommittee recommends developing a Single Family Density Bonus Zoning Overlay District based on the following criteria:

### A) *APPLICABILITY*

- R-3, R-4, & R-5 Single Family Zoning
- Allow a conditional change in density from 3 to 6; 4 to 6; and 5 to 6 dwelling units per acre (DUA) subject to staff review
- Allow attached multi-family housing in single family districts by right subject to the 6 unit an acre limit on the overall property[4]

### B) *SET-ASIDE*

- 50% of additional units must be affordable (3-6 DUA)
- 40% of additional units must be affordable (4-6 DUA)
- 0% of additional units must be affordable (5-6 DUA)
- Number of affordable units not to exceed 25% of total development

### C) *THRESHOLD LEVEL OF DEVELOPMENT*

- Minimum of 5 acres

[3] The term "by right" means the developer is not required to go through the rezoning process, which is a public process and requires council action. However, this does not imply the developer would be exempt from staff review and approval.

[4] This would also be subject to staff review.

**D) INCOME TARGETING**

- Households earning 80% or less than Area Median Income (AMI); \$51,520 annually for a 4-person household in 2008, and be adjusted in the future based on the actual AMI at the time of submittal of the neighborhood plan to Planning.

**E) LOCATION TARGETING**

- Apply to locations currently underserved by affordable housing and where mixed income communities can be achieved – which we have determined to be to census block groups where median assessed tax value for residences is greater than \$140,000, and be adjusted, periodically in the future (and no less often than every general ad valorem tax revaluation year) based on the actual median assessed tax value for City census blocks that meets the target income home price at the time of submittal of the neighborhood plan to Planning. (See color-coded map on page 22 showing the preferred locations for this program.)

**F) ENFORCEMENT**

- Qualified buyers would be allowed to sell their units without regard to whether it would remain affordable; however, the City would have a “shared-appreciation” type second mortgage. On a sale, the City would be entitled to a share of the purchase price over the original cost of the home. In the early years the City would receive nearly all of the appreciation, but this share would decline over time until the City’s share of any appreciation is fixed at 10% after the original buyer had owned the unit for 20 years. Money received by the City would be dedicated to other affordable housing initiatives.

**G) DESIGN GUIDELINES**

- Units must blend in architecturally with other units
- Affordable units must be dispersed within the development as far as it is possible
- Perimeter of development must reflect the character of adjacent neighborhoods
- Subject to General Development Policy (GDP) residential design guidelines
- Subject to staff review and approval

**H) PROGRAM ADMINISTRATION**

- Processing of the development application and project approval to be administered by Planning Department
- Income qualification, training, and certification of homebuyers to be administered by Neighborhood Development
- Long-term monitoring and enforcement of the resale of homes to be administered by Neighborhood Development
- Provision of adequate staffing equivalent to ½ - full time employee to ensure the efficient and fair implementation of the program

**Cost-Benefit Analysis**

Our subcommittee does not perceive a significant public cost to our proposal beyond the addition of an employee to the City’s Neighborhood Development Department to monitor the program. The overall benefit in terms of number of affordable for-sale units added is difficult to predict, but the addition of the units themselves should not result in any increased public cost as any additional infrastructure needed will likely be paid for in the same manner in which it is currently paid in single family developments. We see the potential for a number of non-economic benefits to the community such as the disbursement of affordable for-sale units throughout a larger geographic region which, as a consequence, should result in a more equitable distribution of children from low to moderate income families throughout the school system.

**Expected Impact**

Data exists in other markets that have used density bonuses. Because of market differences and differences in the nature of the programs, the subcommittee did not do a detailed analysis of this information. If this recommendation is considered by City Council, it would be appropriate for staff to thoroughly review this data and provide information to City Council as to the impact seen in markets most like Charlotte and with programs similar in scope to this recommendation.

**Enabling Legislation**

We have been advised by counsel for the City that other jurisdictions in North Carolina (with one exception) have obtained special legislation which authorizes certain affordable housing incentives. If, after review of our proposal, counsel for the City is of the opinion that enabling legislation is needed, then City Council should request its delegation to obtain such authority.

**Implementation Steps**

1. Determine if State Enabling Legislation is needed to authorize the City to use regulatory incentives to achieve affordable housing objectives
2. Develop Single Family Density Bonus Zoning Overlay District
3. Approve Text amendment(s) for the Zoning Ordinance

**Recommendation 2** - Amend current zoning ordinance to expand accessory use ordinance to allow non-relatives to occupy accessory dwelling units (ADU’s).

**Cost/Benefit Analysis**

We do not anticipate a significant cost to the City beyond perhaps a slight expansion in the building inspection department if the demand for the construction of accessory dwelling units requires additional employees.

**Expected Impact**

It is difficult to predict the number of homeowners who may take advantage of this provision without undertaking a scientific survey.

**Enabling Legislation**

No enabling state legislation is required.

**Implementation**

Text amendment(s) will be needed to the Zoning Ordinance

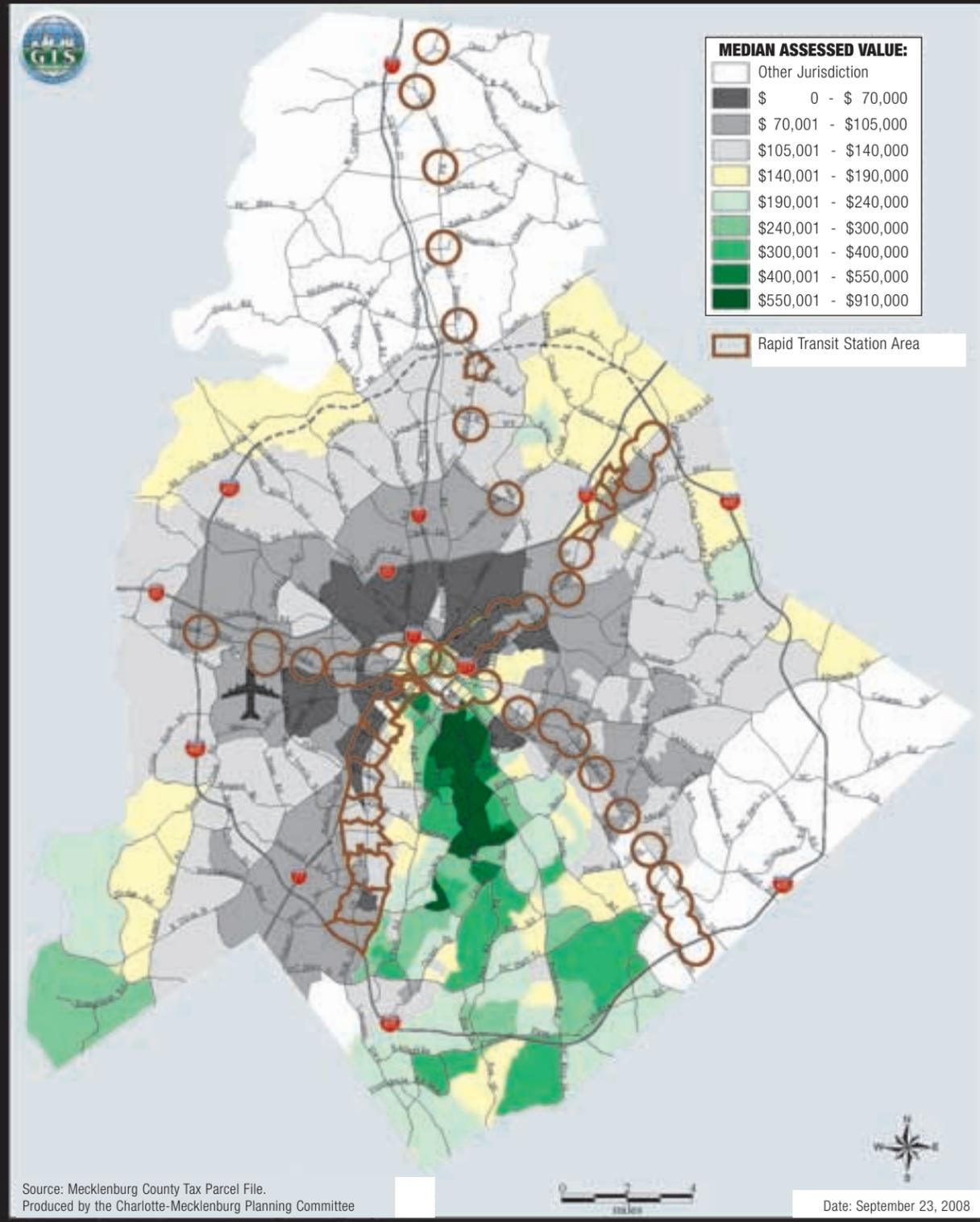
**Recommendation 3** - Amend zoning ordinance to allow duplex units on any lot (not just corner lots) if it meets current standards (e.g., lot size at 1.5 times base zoning requirement).

**Cost/Benefit Analysis**

Beyond perhaps some minor administrative costs, we do not believe there is a significant cost in enacting this recommendation.

## INCLUSIONARY HOUSING LOCATIONAL CRITERIA

Assessed Value Data by Census Block Group



### Expected Impact

There are a number of older neighborhoods where duplex units were allowed "mid-block" before the zoning ordinance limiting them to corner lots was enacted. There are a number of neighborhoods in Charlotte where lot sizes mid-block would be sufficient to permit the construction of duplex housing. While our Committee does not have the statistical analysis tools necessary to make a prediction, it seems likely that a number of houses might be added as a result of this change.

### Enabling Legislation

No enabling state legislation is required.

### Implementation

Text amendment(s) will be needed to the Zoning Ordinance

For additional recommendations for affordable housing by the Incentive-Based Inclusionary Housing Policies Subcommittee that impact other solution areas, please see the Appendix.





## VI. Next Steps

With the help of approximately 60 community volunteers, the Housing Charlotte 2007 Implementation Committee has been working for 10 months to development implementable recommendations for affordable housing in five areas: 1) Education, Outreach and Advocacy, 2) Rental Subsidies, 3) Incentive Based Inclusionary Housing Policies, 4) Land Acquisition and 5) Dedicated Funding Source.

One of the recommendations of the Education, Outreach and Advocacy Committee is to find a community partner who can build more community support for affordable housing generally and the recommendations in the report in particular. There is a concern among our members that, even with the Housing Charlotte 2007 event in February of 2007 and the continued work of the Implementation Committee, the recommendations in the report are likely to need more community support in order to be adopted.

Though the volunteers do not believe that there is a distaste for affordable housing generally, it is clear from their efforts that land use generally, and affordable housing in particular, generate strong feelings. Frequently those feelings are based upon insufficient or incorrect facts.

As a result, the Implementation Committee feels that it would be helpful for the Foundation For The Carolinas to assume steering the affordable housing efforts. The Committee has asked the Foundation to convene meetings in the community regarding affordable housing and develop a process whereby the community will be more receptive to affordable housing.

## VII. Appendix

### Additional Recommendations from the Incentive-Based Inclusionary Housing Policies Subcommittee That Impact Other Solution Areas

**Recommendation 1** - Create a local rent subsidy program which (1) uses an existing landlord's lease in non-tax credit projects, (2) carefully prescreens families to give priority to those with the highest likelihood of becoming self-sufficient, (3) pays a monthly rent subsidy payment equal to the difference between what a selected family can afford to pay based on 30% of its gross income and a fair rental value and (4) combines an appropriate social service component having the goal of moving the family toward self-sufficiency in housing. The subsidy would apply to citizens earning 60% or less of the AMI.

#### Comment

This approach seems competitive with the Housing Authority's Section 8 Voucher Program. However, this program may be tailored to a segment of the population earning up to 60% of the area median income. The Housing Authority is generally concerned with individuals and families earning 30% and less of the area median income. The Housing Authority's use of federal dollars in the Section 8 Voucher Program comes with a number of restrictions (such as requirement that a Section 8 approved form lease be used) which meets some resistance among private landlords. This subcommittee acknowledges that the Housing Authority, under its new Moving to Work Program, will be revisiting the program's restrictions and will be enhancing its own service delivery to those families. Additionally the Housing Authority's ability to issue Section 8 vouchers is financially limited by allocations from HUD. We view the need for a private rental subsidy as complementary to the Housing Authority with a focus perhaps on families with fewer barriers to self-sufficiency and at the higher end of the lower income levels. It is vital that this program be coordinated with the Section 8 program so that the programs work together and not in competition.



**Cost-Benefit Analysis**

There will be a significant cost to this program. If we assume that the average family of four in this program earns 45% of the area median income (\$28,980) then that family can pay \$8,694 per year (or \$724.50 per month) in rent at 30% of its income. If the average fair market rent for a two bedroom apartment in Charlotte is \$900 per month (or \$10,800 annually), then this results in an annual subsidy need of \$2,106 per family. If we assume that the cost of additional services for each such family is \$1,000 a year, this results in a total annual per family payment of \$3,106. For every 100 families in the program, the annual cost based on these assumptions would be \$310,600 plus some level of administrative cost in operating and monitoring the program.

**Expected Impact**

We believe that, based on the waiting list for Section 8 vouchers and the initial success of the WISH Program (both of which currently target lower income levels), we would expect a significant impact that would benefit those families who, while housed, are in a housing crisis because they are paying too high a percentage of their income for rent.

**Enabling Legislation**

No enabling state legislation is required.

**Implementation**

1. Designate an agency to screen applicants, manage the funds flow between the subsidy sources, monitor landlord compliance, field questions from neighborhoods, and to contract with the appropriate social service agencies for service delivery. While coordination with the Housing Authority is critical, because this incentive will be funded differently and will be dealing with landlords and tenants who, in many cases are not participating in the Section 8 program, we recommend that the City contract with an outside agency, such as the WISH program to manage the rental subsidy program.
2. Allocate sufficient funds as part of the annual budget toward funding the rental subsidy. It is suggested that this program be started initially as a pilot project with City funding calculated to be sufficient to house 500 families in gradually increasing numbers over a five-year period and then apply measurement standards below to ascertain if the program is being successful. If WISH is the designated agency, then this pilot project will also allow WISH to continue to build its capacity.
3. Create locational and concentration guidelines with a goal of maximizing the number of areas of Charlotte where these subsidies are being used while bearing in mind issues of cost and the need to house as many people as feasible.
4. Require the contracting agency to establish maintenance standards for the landlords and conduct standards for the tenants and strictly monitor and enforce both sets.
5. Establish a measurement standard to measure success. The ultimate measure of success would be helping families raise their incomes to a level where they no longer need the rental subsidy and the number of families needing assistance drops to 0. The services needed to help families achieve this goal will vary from family to family and will range from psychological support, to affordable and conveniently located childcare, to completion of education. Success, too, will be an individual standard. The measurements will need to be appropriately nuanced but should show clear progress toward self sufficiency and either a reduction in the subsidy needed over time or the ability to live without the subsidy.



**Recommendation 2** - Increase the Charlotte Housing Trust Fund commitments for projects competing for the 9% federal low income housing tax credit.

**Comment**

The most effective production program for low to moderate income housing has been the federal 9% tax credit. In North Carolina, competition for the credits, which are allocated by the North Carolina Housing Finance Agency, is intense. The credits are awarded based on a point system. Extra points are awarded for investments in the project by other sources such as housing trust funds – thus our recommendation that the City proactively work to increase the number of Charlotte area projects that receive the credits.

**Cost/Benefit Analysis**

The cost of this program would be the annual interest cost for increased Charlotte Housing Trust Fund commitments. If we assume an additional \$10,000,000 is sought in each biennial bond referendum, then at 6%, the annual borrowing cost on \$10,000,000 would be \$600,000 a year. We would expect that any commitment of Housing Trust Fund money in these projects would be in the nature of second mortgage financing and structured in such a way that principal and perhaps some small interest component could be repaid over time.

**Expected Impact**

To properly gauge the expected impact, this recommendation is somewhat dependent on Recommendation 3 below. Assuming that Recommendation 3 is adopted and that the NCHFA requirements are appropriately modified, then it is reasonable to expect that the Charlotte area could end up with an estimated additional 100 to 200 low income housing tax credit units per year.



**Enabling Legislation**

No enabling state legislation is required.

**Implementation**

1. Expand the volume of the biennial housing trust fund bond referendum to increase the total dollars available.
2. Require the Housing Trust Fund to write rules which provide a commitment for a level of financing for each tax credit project which meets a defined set of requirements.
3. Develop a set of requirements which will entitle developers to an automatic commitment of housing tax credit funds in order to maximize the project's score under the NCHFA's scoring rules. These funds would only be invested if tax credits were rewarded. Some of the areas that the requirements might cover would include locational policy, number of units in the project set aside for low to moderate income tenants, and prior experience of the development team in order to insure success.

**Recommendation 3** - Lobby the NCHFA for changes to its Qualified Application Process (QAP) to allow urban projects to rate higher scores in the low-income housing tax credit allocation process

**Comment**

There are a number of criteria in the NCHFA's scoring system that penalize projects coming out of the more urban areas of the state and result in fewer tax credits being allocated to Charlotte projects.

**Cost/Benefit Analysis**

There is no significant cost associated with this recommendation.

**Expected Impact**

See discussion of Expected Impact under Recommendation 2 above.

**Enabling Legislation**

No enabling legislation is required though political capital will be required as discussed below.

**Implementation**

1. Appoint a Citizens Task Force composed of Charlotte area individuals knowledgeable in NCHFA's tax credit allocation process to make recommendations for change.
2. Engage Charlotte's State legislative delegation and lobbyists to provide political guidance in making the appropriate recommendations to NCHFA.

**Recommendation 4** – Develop a program that makes sites owned by the City, County and School System available for affordable housing.

Develop a program that makes available sites which are owned or acquired by the City, the County or the School Board including any which are acquired under the recommendations of the land acquisition subcommittee, available to affordable multi-family housing developers at a reduced cost in exchange for 15-year affordability restrictive covenants modeled upon the standard covenants now applicable to tax credit projects. The amount of discount, if any, would be established by a policy to be administered by Neighborhood Development or other appropriate agency and designed, to the extent feasible, to reduce land costs enough to offset the revenue loss resulting from the affordable units such that the return on costs for this project with affordable units would roughly equate to the same return on costs for a similar sized market rate project that bore full market rate land costs.

**Cost-Benefit Analysis**

The cost of this proposal would be a function of whether the excess land could be sold at fair market values for uses compatible with the adjacent governmental use. In many cases this land has been simply land banked and therefore, selling this unused land, even at below market rates, creates revenue for the governmental agency in question rather than cost. On the benefit side, in addition to potential for adding affordable units, this would create opportunities for well located work force housing for workers at the adjacent governmental uses. This would be particularly useful in the case of vacant land near school sites. Additionally, particularly with respect to school sites, it creates potential for affordable housing within walking distance of schools for children attending those schools.

**Expected Impact**

It is difficult to assess the expected impact until a full inventory of sites and a determination of their suitability is done.

**Enabling Legislation**

Research will be needed to determine whether state enabling legislation will be required for this recommendation.

**Implementation**

1. Establish guidelines for when City, County or School Board property can be considered “excess” and therefore available for housing.
2. Empower Neighborhood Development or other applicable agency to inventory surplus City, County and School System land, suitable for development, as well as the other land acquired for this purpose pursuant to other recommendations of the land acquisition subcommittee.
3. Enter into an inter-local agreement among the City, the County and the School Board which commits all parties to participate.
4. Enact necessary zoning to create a by-right multi-family zoning for designated sites subject to the following conditions (among others): (i) a minimum number of affordable units (at least 20%) subject to a 15-year affordability restriction; (ii) adequate traffic controls, parking, utilities, etc.; (iii) in the case of school site, adequately addressing safety issues; (iv) design guidelines.
5. Establish an RFQ or RFP process by which the land is made available to qualified developers at appropriately discounted prices.

**Alternative Implementation**

The Implementation steps above assume that this land would be made available at discounted prices in order to lower the overall cost of providing housing. Alternatively, the availability of this land also creates the opportunity to follow the lead of other localities and universities in creating a Leased-Lot program. Under these programs, the locality or university retains ownership of the finished home sites and the home sites are leased under a long-term ground lease a qualifying home buyer, but subject to the rights of the locality or university under the ground lease. In addition to “surplus” land, this technique could be used in fragile neighborhoods where the City wants to promote home-ownership as a stabilizing force. The City can acquire land in these neighborhoods and establish a leased-lot program. Some components of such a program might include the following steps:

- The City invests in the land and hires a developer to develop neighborhood lots for a fee
- The City retains a builder to build the appropriate housing product for a fee
- The City sees to the selling of these homes to families that meet the City’s affordability criteria and retains ownership of the lot the home resides on and leases it to the owner for \$1/yr thus reducing the buyer’s mortgage by approximately 20%
- The home can only be sold to parties that meet the City’s affordability criteria and the deed specifies how any profit from the sale will be divided between the City and the home seller
- When the City decides that it no longer needs to provide affordable housing in this location, it can divest itself of the investment when the next house sale occurs and collect its entire investment with profit. These funds can then be used for new affordable housing in another area that the City deems necessary

**Recommendation 5** - Extend the recently enacted tax assessment rules for tax credit properties to affordable properties that are not tax credit supported.

**Comment**

Recently enacted legislation now requires tax assessors to take reduced rents into account when valuing tax credit properties. Extending this to non-tax credit properties would reduce some expense burden on those properties.

**Cost/Benefit Analysis**

There will be a loss of tax revenue to the City and County. The extent of this loss cannot be quantified until we know the number of projects that might be eligible. Benefits are listed under “Expected Impact.”

**Expected Impact**

There are a number of projects which are currently being rented to low to moderate income tenants because of market conditions and which do not have the benefit of low income housing tax credit. By reducing the tax bill on these properties, we will be providing encouragement to the owners of these properties to keep the properties affordable and not look for ways to redeploy these assets away from affordable housing.

**Enabling Legislation**

This will require a legislative amendment to the recently enacted tax assessment rules.

**Implementation**

Engage the local delegation in the annual General Assembly to sponsor and support a bill amending the recently enacted legislation to include any multi-family rental property that commits to a 15-year affordable restriction along the lines required of tax credit properties as they relate to maximum rents and income levels of the tenants





**Recommendation 6** - Perform further study and analysis on the following policy ideas:

- A)** Consider revising Zoning Ordinance(s) to allow a mixture of residential housing types within a new development (without exceeding base density and being consistent with the design standards of the voluntary density bonus program) in order to promote product and geographic dispersion of rental and for-sale housing choices.
- B)** Consider revising Zoning Ordinance(s) to allow live/work units to be built by right on thoroughfares in order to promote product and geographic dispersion of rental and for-sale housing choices.
- C)** Consider revising Zoning Ordinance(s) to eliminate or modify buffers between different housing types, like single family and multi-family, within a new development in order to remove an Ordinance barrier to implementation of the voluntary single family density bonus program.

- D)** Consider City loans for creation of ADU's that are forgiven if it is maintained affordable for a specified number of years in order to promote the dispersion of affordable rentals throughout the City while removing the development difficulties detailed in the multi-family development discussion.
- E)** Consider City loans for creation of affordable duplex units that are forgiven if they are maintained affordable for a specified number of years in order to promote the dispersion of affordable rentals throughout the City while removing the development difficulties detailed in the multi-family development discussion.
- F)** Establish and fund an aggressive acquisition program for existing multi-family apartments which are currently in financial difficulty or underutilized.  
*Comment: The subcommittee believes that there are a substantial number of units in certain areas of town which are suffering from high vacancy and are in financial distress which could be acquired and then made available, after appropriate renovation, for the provision of affordable housing. If adequate resources were available, this would probably, in fact, have the biggest near term impact on creating affordable housing units.*
- G)** Engage a third party to undertake a thorough review of all City planning, zoning and related policies to isolate those that seem to impede affordable housing production so that a public debate can be had as to whether the underlying purpose of the policy should be allowed to outweigh the need for affordable housing production.

**CLOSING NOTES**

Our subcommittee received strong feedback from prominent members of the development community that one of the most significant hurdles in providing affordable housing was the cost imposed by the community at large on new developments. In particular, the cost of streets, sidewalks, storm water controls, open space, tree save and other public amenities were cited as a principal factor in driving up the cost of housing in a community. We bring this to the community's attention in the hopes that a public discussion will occur over how these costs are borne and whether some or all of these costs should be reallocated to the larger community so that important quality-of-life amenities are built without driving up the cost of housing even more.

In our deliberations a recurrent theme was the need for our community to have a single identifiable ombudsman or advocate for affordable housing. The Affordable Housing Advocate (AHA) could serve as a single point of entry for anyone who needs or who wants to develop affordable housing. The AHA could also be responsible for making affordable housing easier and more practical to provide by reviewing and commenting on City policies and procedures that impact affordable housing. Finally some or all of the administrative duties necessary to administer our recommendations could be lodged in the AHA.

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