

Policy Referral: Supporting Affordable Housing Development

HOUSING, SAFETY & COMMUNITY COMMITTEE

NOVEMBER 7, 2022

1

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Policy Question:

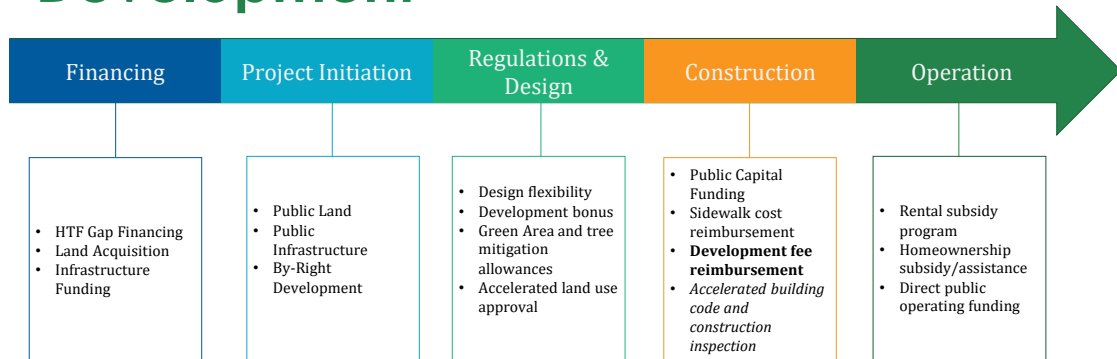
Are there options available for the city to implement in terms of lessening the financial burden that development fees place on affordable housing developments?

Committee Discussion:

- ◀ Policy item referred to Committee on June 6, 2022
- ◀ On October 3, 2022, Committee received an overview of the various development fees associated with land development and discussed the implications and options for affordable housing development
- ◀ Today the Committee will consider a draft proposal for a fee reimbursement pilot program

2

Supporting Affordable Housing Development



Fee Examples

◀ Fees for Housing Trust Fund projects approved since 2020:

- Plan review fees average \$20,800
- Water infrastructure fees average \$232,803
- City fees 1-2% of total development costs

Committee Option

◀ Consider reimbursement program for land development fees for affordable housing developments that do not have other city support

- Determine scope of eligible fees – Plan review? Water infrastructure?
- Identify funding source and determine eligibility criteria
- Align program parameters with UDO Affordable Housing Development Allowances
- Bring program proposal back to Committee

Development Fee Reimbursement Pilot Program Recommendation

- ◀ **Purpose:** Support the production of affordable housing developments throughout the city and incentivize the inclusion of affordable units in market-rate developments.
- ◀ **Pilot Program:** Provide a grant to reimburse eligible land development and infrastructure fees for qualifying projects that incorporate affordable housing units.

Program Design: Project Qualifications

◀ **Baseline Qualifications:**

- 20% of the units in a development must be affordable to households at 60% Area Median Income (AMI) or below
- Affordability period of 30 years
- Minimum of 5 units
- May be rental units or for-sale
- Applies to new construction, acquisition, and rehabilitation projects
- Applies to projects not receiving other city financial investment (e.g., Housing Trust Fund, HOME, CDBG)

◀ **Percentage of fees reimbursed based on tiered qualifications**

Program Design: Reimbursement Tiers

◀ **50% Reimbursement:**

- Meet baseline qualifications
- Affordable housing projects receiving non-city public financial investment (e.g., 4% tax credits/bond allocation, NC Housing Finance Agency HOME funds)

◀ **75% Reimbursement:**

- Meet baseline qualifications
- No other public financial investment

◀ **100% Reimbursement:**

- Meet 75% requirements, plus
- Projects that prioritize units for voucher/subsidy holders and accept placements from city's contracted partners
- Projects that establish partnerships that promote upward mobility or provide on-site support services to residents

Program Design: Eligible Fees

◀ Land Development, including:

- Plan Review Fees
- Grading Review & Inspection
- Tree Ordinance Review & Inspection
- Detention Review & Inspection
- Rezoning Fees
- Tree Mitigation Fees

◀ Infrastructure (Charlotte Water), including:

- Water and Wastewater Service Connection
- Water & Wastewater System Development Fees
- Waste Permit Fees
- Project Initiation, Review & Inspection

◀ NOT Eligible

- Revision to approved plans, reinspection and resubmittal fees
- Fees charged by non-city entities/organizations (e.g., Mecklenburg County building permit fees)
- Fees associated with appeals and variances
- Fees for enhanced/expedited review

Program Design: Other Considerations

◀ Developer Feedback

- 20% at 60% AMI is a high bar – consider additional incentives

◀ Additional Benefits

- Eligible for the development allowances in UDO 16.4, including allowances for heritage tree mitigation and sidewalk cost reimbursement
- Qualifying projects receive affordable housing “concierge service” through plan review and permitting process

Program Design: Other Considerations

◀Source of Income Protections

- Under recently adopted Council policy, Source of Income protections would apply to developments participating in fee reimbursement pilot program

◀Reimbursement

- All required fees paid 100% at time due – fees reimbursed for approved projects upon verification

◀Monitoring and Compliance

- Developments monitored as part of housing asset management portfolio with annual reporting requirements

Program Design: Funding & Timeframe

- ◀Allocate up to \$1.5 million investment of ARPA funds for pilot program
- ◀Estimate 3-4 projects at that funding level
- ◀Periodic updates to City Council
- ◀Evaluate after one year or at time of full allocation of pilot funding, whichever is earlier

Questions?