



**Equitable
Communities CLT**

H I S T O R Y . D A T A . A C T I O N

The Challenges of Funding Affordable Housing

Continuing the Community Dialogue

March 26, 2019

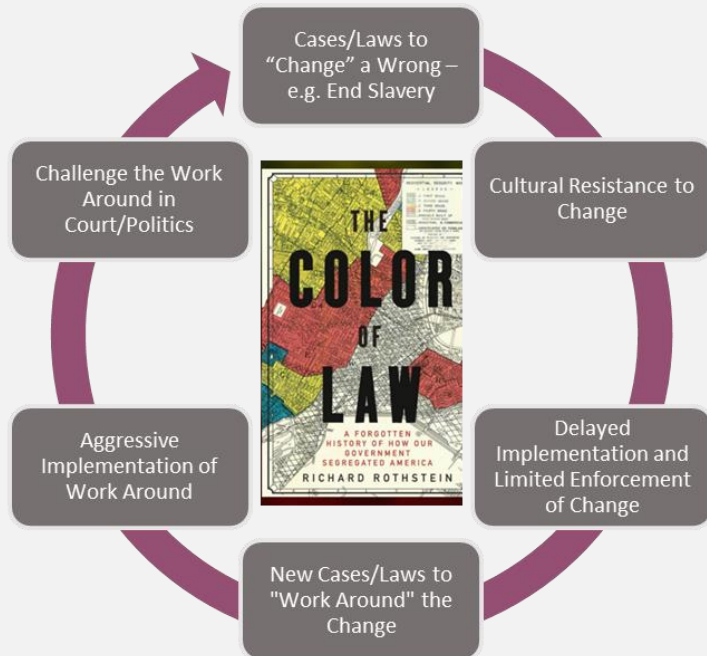
Agenda

- 7:00 – 7:05 Intro – Ricky Woods
- 7:05 – 7:35 The Challenges of Funding Affordable Housing
- 7:35 – 8:10 Panel discussion
 - Facilitator – Gwen Garnett – President of ZACDC
 - Rev Bob Henderson – Covenant Presbyterian Church
 - Julie Porter – President of Housing Parntership
- 8:10 – 8:20 Listening to the Community
 - Shawn Richardson -
- 8:20 – 8:30 Audience Q&A
- Close – Ricky Woods

Background : Why are we talking about the Challenges of Affordable Housing?

Remembering that we didn't get Segregated Neighborhoods by Accident

Government helped **create the problem** then they have an **obligation** to explicitly **target policies to remedy the Segregation.**



Racism is an **institutional and systemic construct** combining racial prejudice and **legal, governmental, economic, and social power** as a tactic to advance **White advantage** – not individual acts of racial hatred. The methods of implementation are **continuously evolving** to circumvent the most recent limitations imposed.

What is the Housing Charlotte Framework?



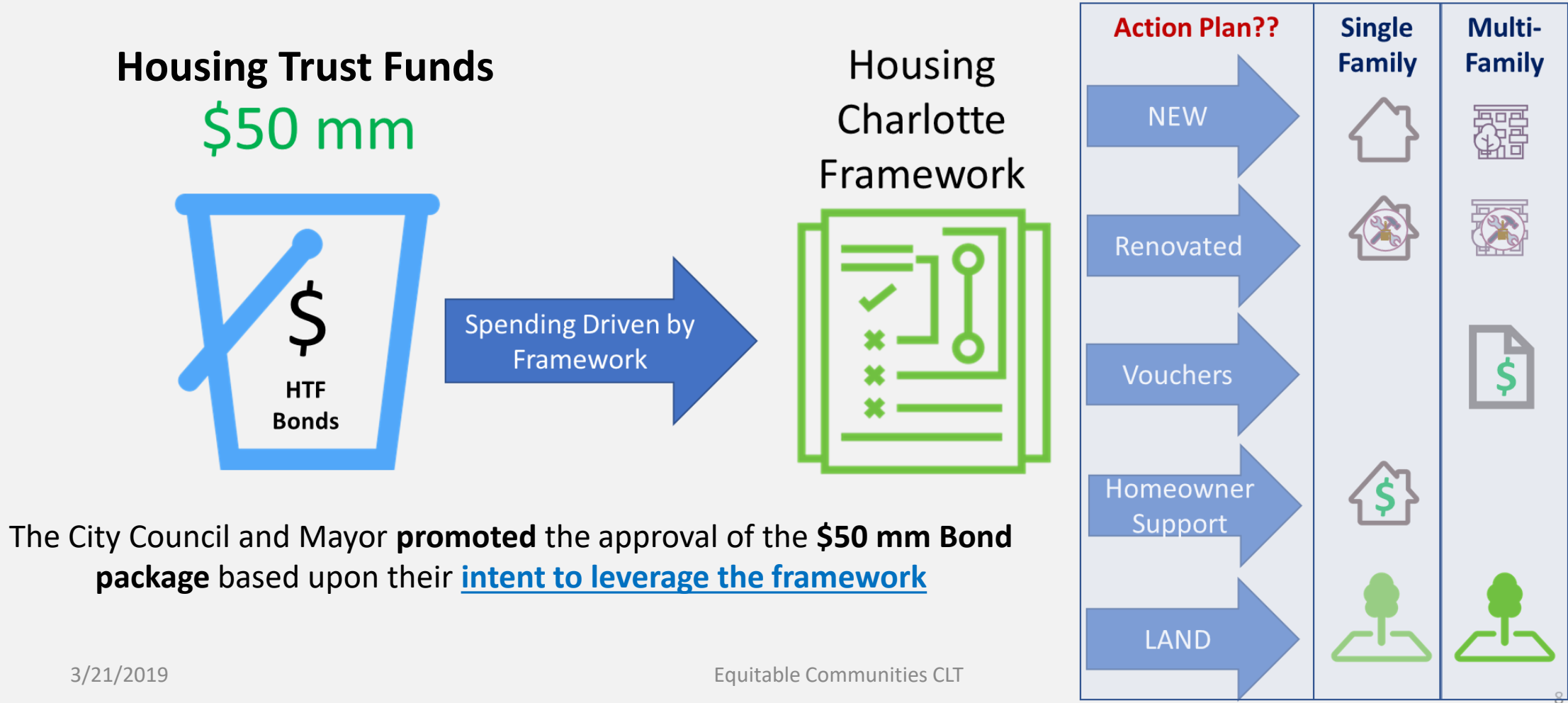
- The Housing Charlotte Framework was [passed by the Charlotte City Council in August 2018.](#)
 - The framework was stated to be:
 - **Longer Term Roadmap** of how the City would tackle Affordable Housing
 - Blueprint for guiding the spending of the **\$50 mm Affordable Housing Bond**
 - The framework includes several key items
 - Acknowledgment of the **key factors** driving the Affordable Housing Crisis
 - **Key Principles** driving the Councils approach
 - Identification of **New Sources of Community Funding**
 - Specific Objectives / Strategies / Objectives

Why does it matter?

- The City Council and Mayor **promoted** the approval of the **\$50 mm Bond package** based upon their **intent to leverage the framework**
- Identifies commitments that can/should be monitored by the public to hold City Council/Mayor accountable for making progress on the Affordable Housing Crisis. For Example:
 - Developing a **Community Wide Inclusive Process**
 - Elected Public Officials – City Council & County Commissioners
 - Concerned Residents and Affordable Housing Advocates
 - Private – Corporate and Philanthropic

HOW WILL THE Housing Trust Fund Bond Money be SPENT?

What is the Action Plan?



What is still needed from the Framework ?

- Discussion/Reporting of **all** of the activities and **funding** that the City is spending on Affordable Housing. Housing Trust Fund dollars **are less than 50%** of City spending on Affordable Housing
- **Actionable Plans** that can be monitored for execution
- Success **Metrics and Targets**
- Details about how/when **implementation** of the ongoing **Community Engagement** commitment
- Commitment to **Community Reporting**

Who are the Residents
we are talking about?

Area Median Income (AMI)

Income & Job Examples

<div> Federal Poverty Line 35% AMI \$25,100 </div>					
AMI* (\$74,100)	0 – 30%	30 – 50%	50 – 80%	80 – 100%	100 – 120%
Income Range	\$0 -\$22,250	\$22,251 - \$37,050	\$37,051 - \$59,300	\$ 59,301 - \$74,100	\$74,101 - \$88,920
HUD Income Classifications	<div> <div>Extremely Low</div> <div>Very Low</div> <div>Low</div> </div>				
Job Examples	Grocery Cashier Retail Clerk	Bartender Teacher Aid Paramedic Bank Teller Nursing Asst. (CNA)	Dental Assistant New School Teacher Admin. Asst. Personal Trainer Fire Fighter	School Teacher Police Officer Exec. Asst. Flight Attendant	Registered Nurse (RN) Accountant Assistant City Attorney

What is
meant by
“Affordable
Housing”
or “**Diverse
Price Point
Housing**”

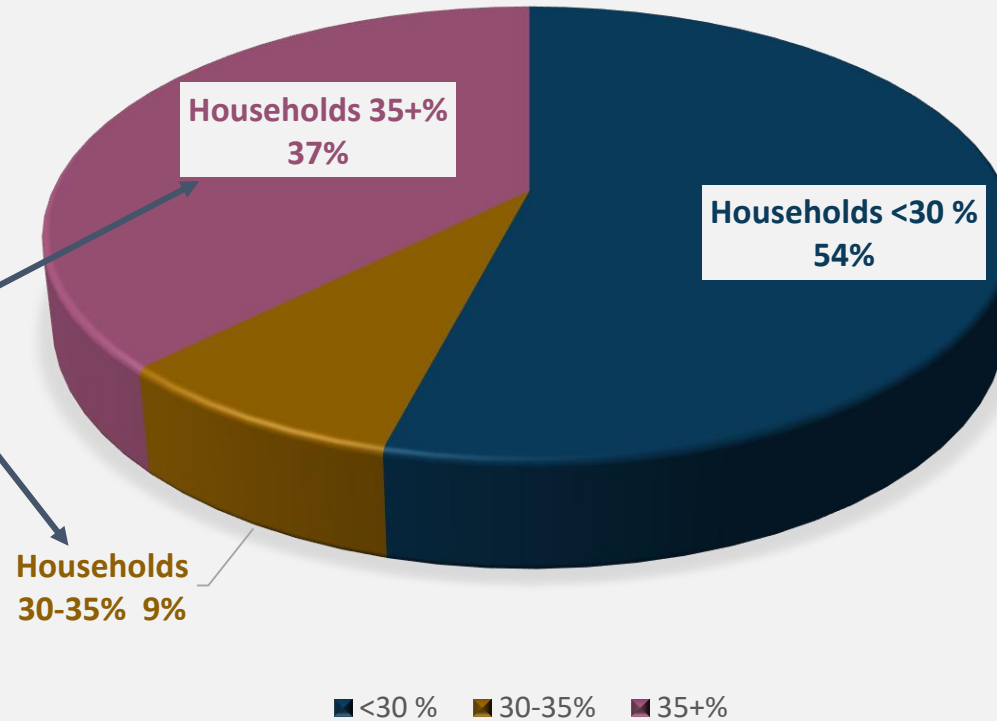
Diverse Price Point Housing –
“Everyone Regardless of Income can Afford Housing”

When your monthly rent and utilities are LESS
THAN **30% of your Total Monthly Income**

HOW BIG IS THE PROBLEM in MECKLENBURG COUNTY?

RENT AS % OF INCOME
MECKLENBURG COUNTY 2017
(ACS DATA)

46% of Renters
Pay more than
30% of Income
for Rent





Housing Budget
 Example
 60% AMI
 Family of 4 --
 \$37,050 / yr.

- Monthly Income \$ 3,087
 - **Child Care** \$ 900
 - Transportation \$ 400
 - Food & Clothing \$ 500
 - TOTAL OTHER EXPENSES: \$ 1,800
- Income Available for Rent \$ 1,287
- Average 2 Bed Apt. Charlotte \$1,500
 - 30% of Income = Rent \$926 / mth
- Family Budget Challenge **\$ (213)**
 - Family Surplus of \$361 / mth

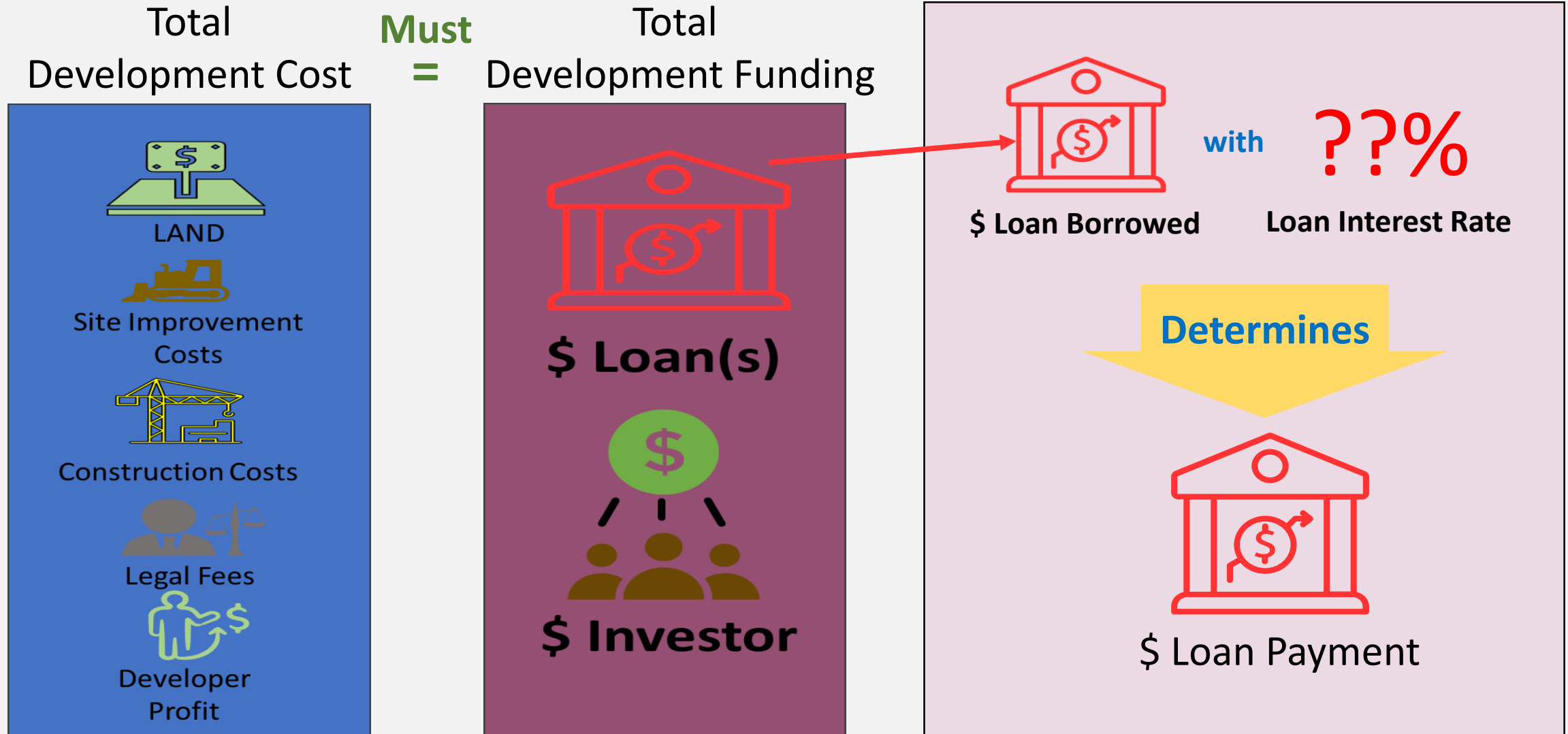
Figure 1. Change in median rent & household income, Charlotte, NC (1990 to 2016)



Why is it so Hard to build Affordable Housing?

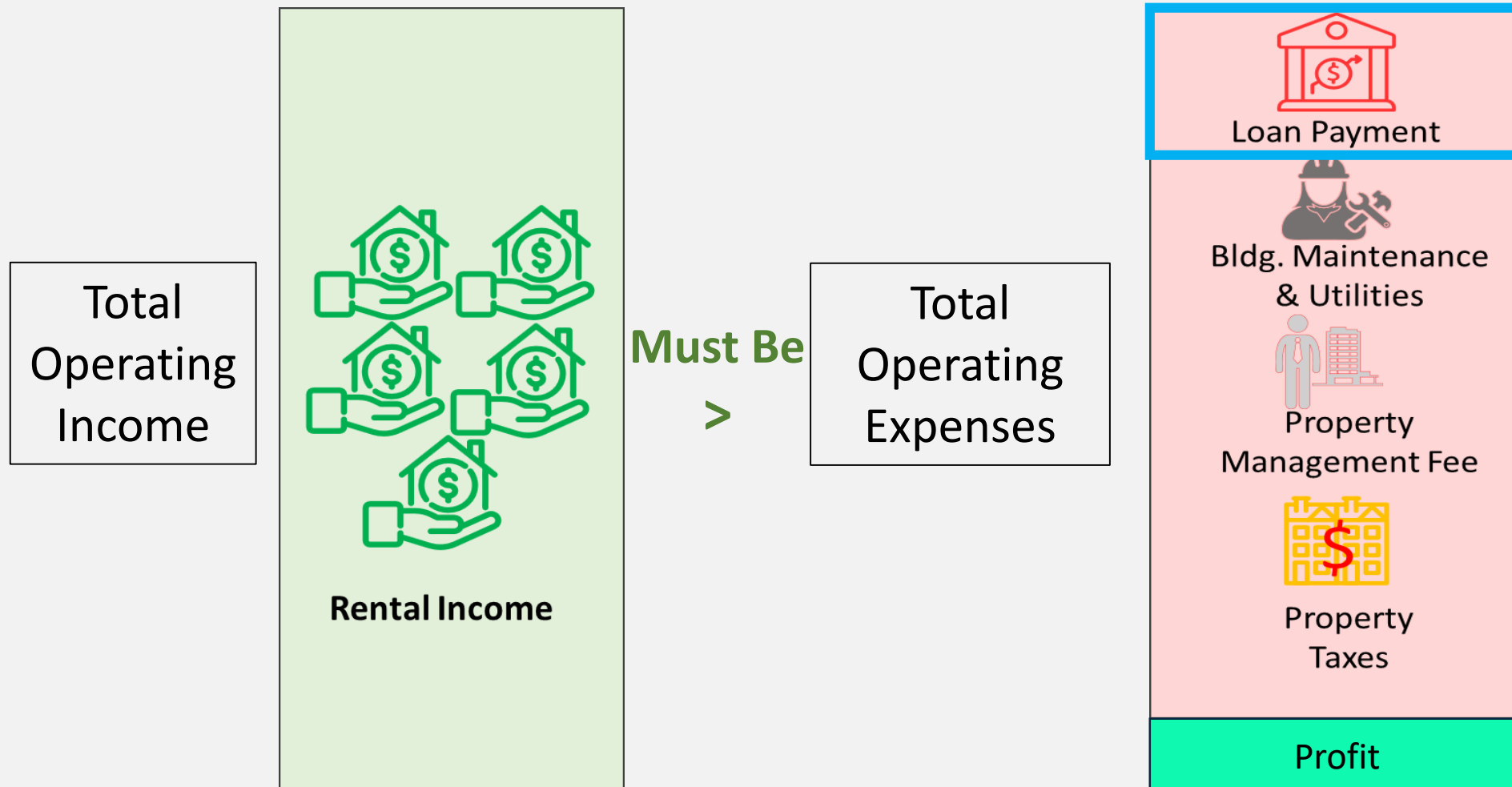
How do you Finance a Multi-Family Project?

“Pencil it Out”



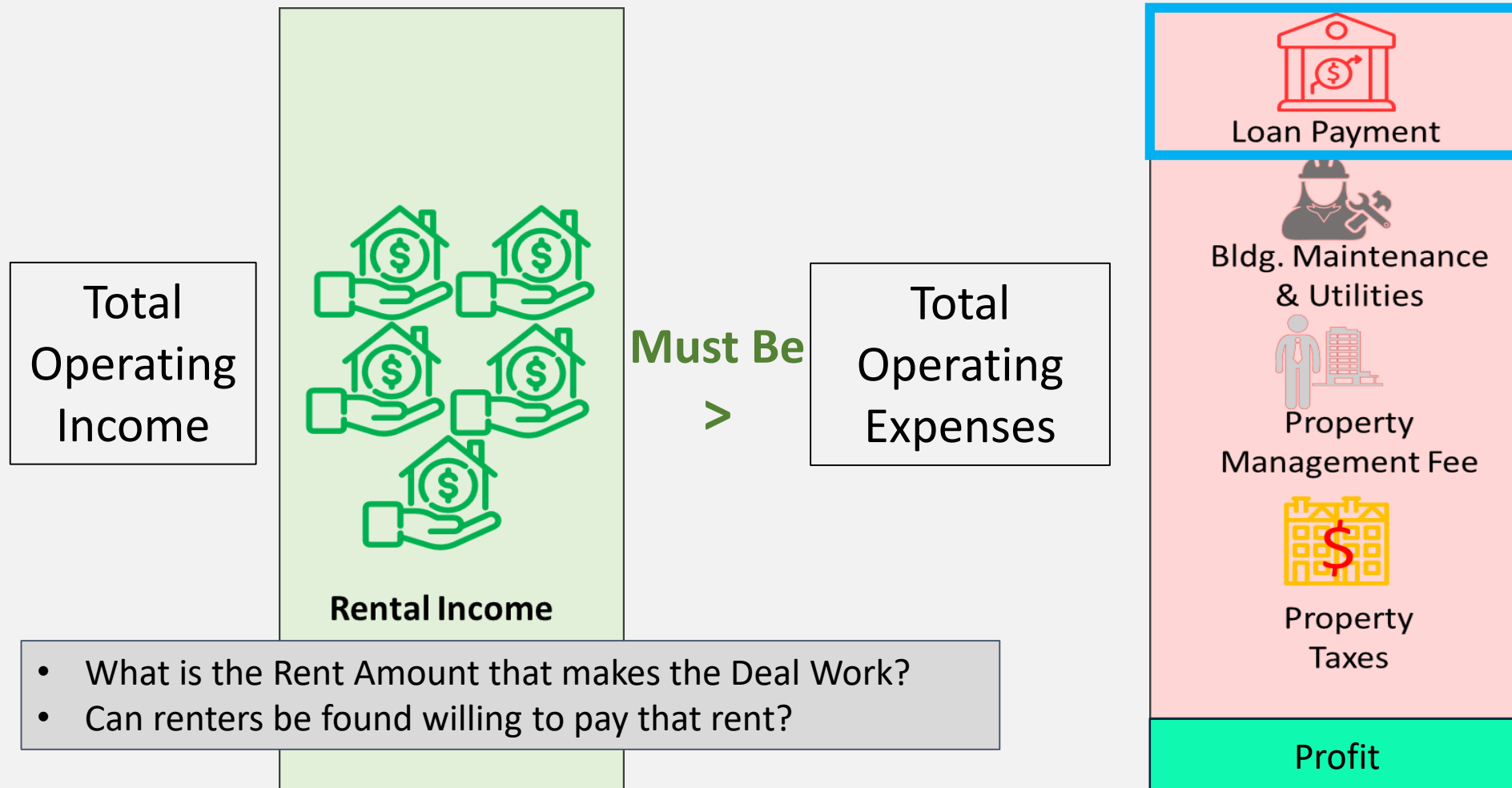
How do you Finance a Multi-Family Project?

“Pencil it Out”



How do you Finance a Multi-Family Project?

“Pencil it Out”



To Build **New Affordable Apartments** – The Ongoing Operation of the Apartments still has to be profitable



LOWER RENTS = LOWER RENTAL INCOME

The Lower the AMI % Rent the Greater the Amount of Income Lost

For Example 2 Bedroom :

Market Rent = \$1,400

80% AMI Rent = \$1,246 (\$154) (11%)

60% AMI Rent = \$ 912 (\$488) (35%)

30% AMI Rent = \$ 412 (\$988) (71%)

Maintenance on an Apartment can be around \$340 / mth



Affordable
Rental Income

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ION

How much lower Income does the Affordable development provide? How big a “*Income GAP*”

Development 1 150 Units		
AMI	# Units	% Units
100%	0	0
80%	0	0
60%	113	65%
30%	37	35%
\$1.1 mm / yr. Decrease in Income <u>45%</u>		

Development 2 150 Units		
AMI	# Units	% Units
100%	0	0
80%	30	20%
60%	98	65%
30%	22	35%
\$888,000 / yr. Decrease in Income <u>35%</u>		

Development 3 150 Units		
AMI	# Units	% Units
100%	60	40%
80%	90	60%
60%	0	0
30%	0	0
\$168,000 / yr. Decrease in Income <u>7%</u>		

This would require a 4.4% Reduction
in the borrowing rate.

What Can Change to offset the Lower Rent Income?

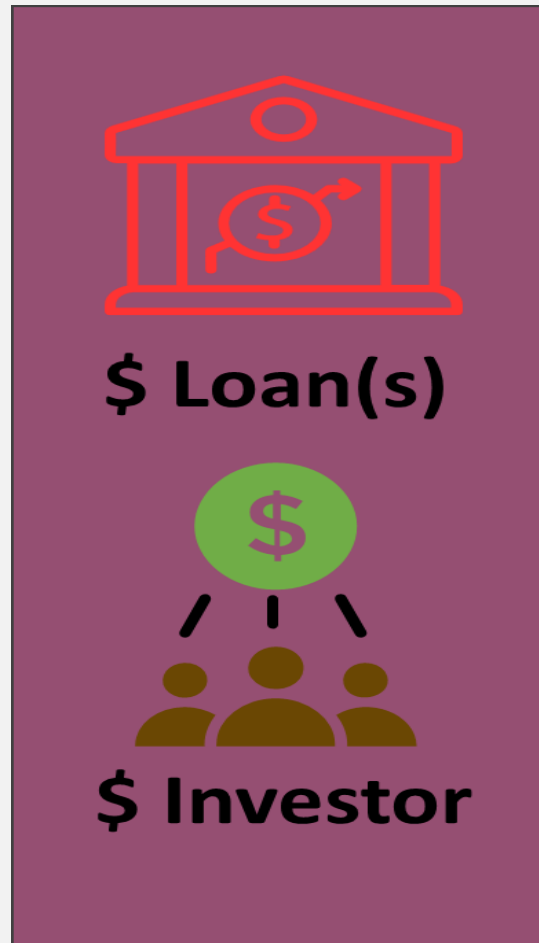
“Income Gap” - “

- The Amount Borrowed is determined by the **Total Development Cost**
- To lower the Loan Payment the Developer must find **financing at a lower cost.**

Total
Development Cost



Total
Development Funding



\$ Loan Borrowed

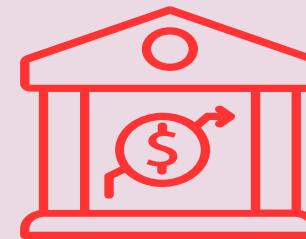
with

??%

Loan Interest Rate

Lowering
the
Borrowing
Interest
Rate

Determines



\$ Loan Payment

What Can Change to offset the Lower Rent Income?

“Income Gap” - “Still Pencil it Out”

Total
Development Cost

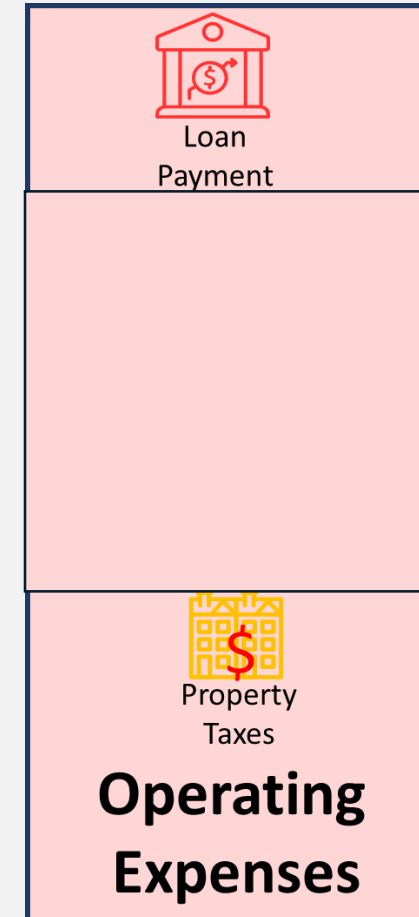


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Total Operating Cost



What Can Change to offset the Lower Rent Income?

“Income Gap” - “Still Pencil it Out”

Total
Development Cost

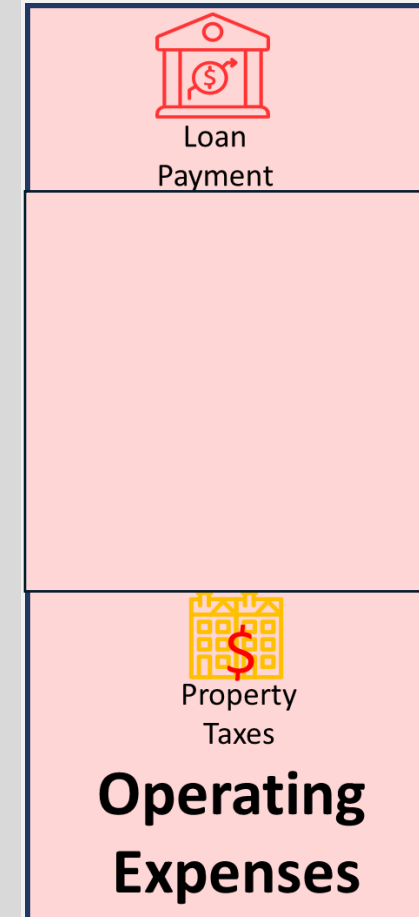


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Options for making the “Deal Pencil Out”

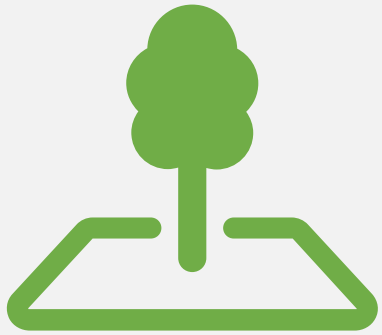
1. Find Lower Land Cost
2. Negotiate Lower Property Taxes with City & County
3. Find Alternative Funding Sources with lower funding cost

Total Operating Cost



3

2



HOW?

HOW MUCH ?
UP TO 30% of
Project Costs

1. Lower the *cost of Land*

- *Land Donations*
 - *Faith Organizations*
 - *Other Philanthropic*
- *Repurpose Public Land*
 - *Long Term Lease for Development*
- *Purchase Land (Public or Private) and place in Land Trust*



Property
Taxes

HOW?

How Much?
UP TO 7 %
of Project
Costs

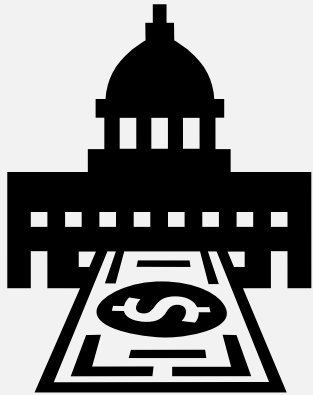
2. Decrease the Property Taxes

- *City/County agree to maintain Property Tax at prior levels or reducing for Affordable Housing Developments (New & NOAH)*



3) Lower the Cost of Borrowing

Find Sources for “GAP FINANCING”



**Fed Govt.
Low Income
Housing Tax Credits
(LIHTC)**



**City Govt.
Housing Trust
Funds (HTF)**



**Below Market
Rate
Borrowing**



**Social Investors
with Lower
Rates**

What is your “Take Away”

Affordable Rents Lower the Rental Income (“Income GAP”) of a project and require offsets to make the project feasible.

1. Cost of Land is a significant factor in the feasibility of projects
 - The higher the cost of land the greater amount of “Gap Financing” Required
 - More expensive Neighborhood Land Cost increase the “GAP”
 - Donation of Land for a project decreases the “GAP” but does not alone eliminate the need for additional “Gap Financing”
2. City & County can help increase the feasibility of projects (*‘shrink the Gap’*) by lowering the property taxes for “Affordable” projects.
3. Additional Alternative Funding Sources must be found to provide the “Gap Financing”.
 - The Federal Government funded assistance programs are limited
 - Charlotte Housing Trust Fund is only one of the sources of *‘Gap Financing’*
 - Social Investing Sources are the only growing sources for *‘Gap Financing’*
 - City’s New Partnership with **Local Initiative Support Corporation (LISC)**

What can you do NOW to help make progress on the Affordable Housing Crisis?

- Call / email / text [directly to City Council & Mayor](#) to discuss one of the following items:
 1. Update on how the City is implementing the Housing Charlotte Framework.
 - a) Timetable for implementation of the strategic Community Engagement Process
 - b) What actions are they undertaking beyond the \$50 million in Bond for Development/NOAH partnership with Local Initiative Support Corporation (LISC).
 - c) Reporting on the Total amount of City \$ being spent on Affordable Housing.
 - d) Short Term Action Plans on how they will address the Forced Displacement (Gentrification) occurring on the historically African American Neighborhoods
 - e) Community broad affordable housing measurements to enable the public to gage progress. (If we are losing more affordable housing than we are building are we making progress?)
 2. Timetable to start partnering with the County Commissioners on Affordable Housing
 3. Annual Comprehensive Community Reporting on the Affordable Housing Crisis. (This Crisis will not be resolved in the next 1-3 years)
- Call / email / text [directly to County Commissioners](#) to ask for:
 1. Increased involvement in the Community efforts to combat the Affordable Housing Crisis.

Next Community Discussion

- Historical Impacts of Planning and Relevance to CLT's Future 2040 Plan
- Dr. Willie Griffin — Historian at Levine Museum of the New South
- Thursday April 25th
 - 7:00 pm – 8:30 pm
 - First Baptist Church West
 - 1801 Oaklawn Ave, Charlotte NC 28216
- Look for our new website in the next few weeks
 - equitablecommunitiesclt.org
 - Please give us feedback on our future plans through the website