



# Town of Davidson Affordable Housing Strategy Report

July 2017

## Executive Summary

The Town of Davidson recently began a process to review its affordable housing efforts. In doing so, the Town completed a housing needs assessment to look at community needs and opportunities for the future of the affordable housing program.

This Affordable Strategy Report builds on the recent study by UNCC's Urban Institute which identified tools the Town could consider as it looks to expand options for potential homeowners going forward. This report provides examples of efforts across the state and country, and highlights the work of several North Carolina communities such as Asheville, Cary, and Mooresville. In doing so the report attempts to add context to the needs across the region more broadly. As affordable housing becomes an ever more pressing problem, other methods deserve scrutiny.

From feedback throughout the process, several points became clear.

1. A commitment to diversity and affordable housing is still a priority for the community.
2. Davidson's housing is primarily detached single-family owner occupied homes. We need to find ways to provide more rental units for lower income families and individuals.
3. Additional education about the program to residents is needed.
4. The Town may consider utilizing payment-in-lieu funds and/or partnering with other agencies to make a larger impact on the availability of affordable housing in town, especially to include rental options.

Davidson can continue to strive toward providing home ownership options for those making 80-120% of area median income (AMI) through its inclusionary zoning program; however, there is a need for more rental units. The inclusionary zoning requirements do not apply to rental projects. Nearly all of the new apartments in town are market rate. This may make Davidson more attractive to populations that were previously underserved, such as young professionals, but does not address the need for housing options for modest income families. According to the UNCC needs assessment, nearly 40% of the renters currently living in Davidson are cost burdened. There is also a need for more affordable senior housing and increased diversity.

Based on the recommendations from the housing needs assessment, the town's budget, and available land, the town should set realistic goals on an annual basis. These goals may include:

- **Support development of affordable rental housing-** set aside \$500,000 in payment in lieu funds to help finance a rental housing project(s), or to purchase land, and consider offering land use incentive grant financing. Identify land, town owned or privately owned, that could sustain a 20-60 unit development.

- **Maintain the inclusionary housing program-** build 15 homes for home ownership in FY 2017-18. Set a goal each year.
- **Support the building industry providing affordable homes** through updates to the Planning Ordinance that permit different types of housing, such as tiny homes.
- **Continue down payment assistance** to income-qualified homebuyers- set aside \$42,000 in FY 2017-18 from PIL funds.
- **Support home repair and rehabilitation programs-** set aside \$15,000 in PIL funds for the HAMMERS program or Our Towns Habitat for Humanity to use in conjunction with existing emergency repair funds.

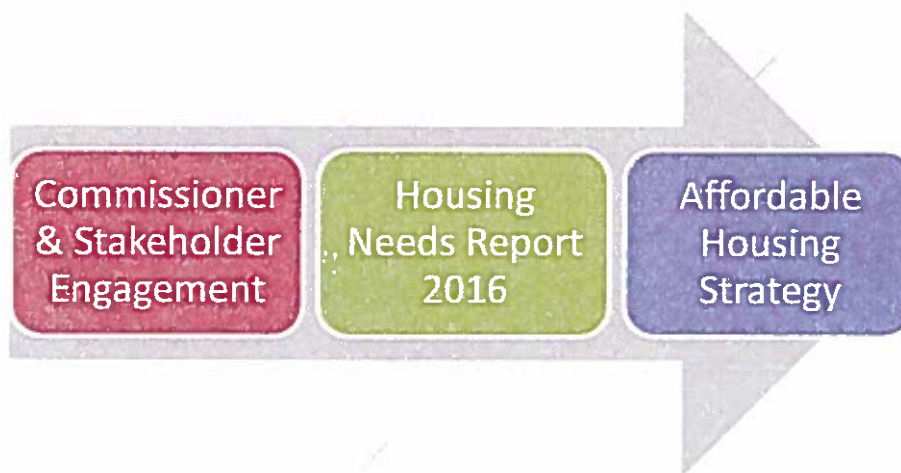
This report contains a wide array of ideas or tools that the town could, at some point, consider implementing. The recommendations and goals are based on what is possible now. In the future, we hope that the town can use this report as a guide to incorporate other ideas, such as establishing a penny for housing fund.

## Introduction

This strategy report comes on the heels of the Town of Davidson Housing Needs Assessment 2017 produced by the Urban Institute at UNC Charlotte. Their report looks at the state of the town's affordable housing needs sixteen years after its program began, and nearly 20 years since its last housing needs assessment. In doing so, they sought to answer four questions for the Davidson Board of Commissioners and staff:

1. What is the town's current housing inventory and what are the emerging needs based on demographic shifts?
2. Who works in Davidson but can't afford to live there?
3. What are the housing needs in Davidson along a spectrum of affordability?
4. What are the complexities and context of developing affordable housing in Davidson?

In light of the answers to those questions, this strategy report aims to identify options and other best practices for future enhancement of the affordable housing program. The 2016 Housing Needs Assessment stopped short of making formal recommendations on the future direction of the town's program.



This report is divided into the following main areas:

- Review of the current housing inventory and emerging needs
- Strategic opportunities and tools
- The need for education

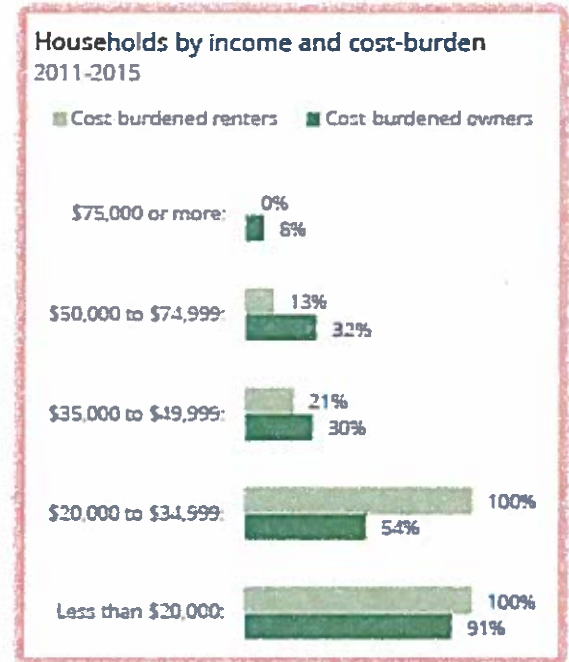
Finally, we provide recommendations for the town to consider for enhancing the housing strategy.

## 1. Current Housing Inventory and Emerging Needs

The Town of Davidson engaged UNC-Charlotte Urban Institute to perform a housing needs assessment that reflects both current and future needs. The assessment was presented at a public town meeting. The results of the assessment are summarized below.

### a. UNC-Charlotte Urban Institute Housing Needs Assessment

- Housing inventory is heavily single-family, owner-occupied. More rental units are needed. The population has more than tripled in the last 25 years.
- There is an aging population. Davidson is missing the 20-39 age range.
- The population is increasingly affluent and educated. Davidson is the only town in the county where over half the residents earn more than \$100,000.
- Some 5,500 people work in Davidson. Half of the workers earn less than \$40,000, and few workers (only about 8%) live in Davidson.
- Homes are more costly. Median sales price in 2015-16 was \$385,000 (Cornelius- \$265,000; Huntersville- \$250,000)



### b. UNC-Charlotte Urban Institute Public Meeting

Additional perspective was gained from the May 8, 2017 public meeting where the UNCC Urban Institute presented their findings and recommendations. They also staffed six tables comprised of interested residents and community stakeholders. This provided further context as to potential needs and future direction of the town's affordable housing program. Among them were:

- More education for the community around affordable housing (why it is a core value, how the town's program works, etc.).
- Strengthen the town's program, possibly through partnering with a non-profit to assist with administration, as well as putting some skin (and money) in the game.
- Look for creative solutions to achieve a better geographic distribution throughout town as most of the town's affordable housing is on its west side.
- Prioritize more affordable rental housing options (maybe room to partner here).

Feedback from attendees of the public meeting reaffirmed that affordable housing is and should continue to be a core value. Some commented that the program has worked to date, but needs to be updated to current needs in the community. The town's program should continue to be an asset for

local public servants and to support diversity (race, age and socioeconomic status). Attendees also expressed a desire for more education for the community, to potential homebuyers and to highlight the stories behind the types of families benefitted by this program.

Another option is the payment-in-lieu. These monies can help expedite some of the strategies outlined in this report.

## **2. Strategic Opportunities and Tools**

This section discusses opportunities as the town shapes its future affordable housing strategy. Where possible, we have provided examples of similar communities and their approach to each of these options. The first of these options is the use of the payment-in-lieu funds.

### **a. Payment-In-Lieu Funds**

Developers are allowed to make a payment-in-lieu instead of building affordable units. These payments can only be used to further the goal of creating more low to moderate income housing. The funds provide the town with an opportunity to develop and/or attract the type of project that can have a significant impact.

Payment in lieu (PIL) funds are anticipated from nine developments. Assuming a PIL is made for each of these, approximately \$2.1 million will be available over the next five years. Over the next two years, we expect that about \$1 million will be paid from the WestBranch, Narrow Passage, and Summit at River Run projects. Payments are prorated per final plat and most developments have several final plats.

Potential uses for such funds include:

- **Land Acquisition**
- **Development Financing**
- **Direct Assistance**

#### **1. Land Acquisition**

There is a dwindling supply of available land for development. Acquisition of land has become one of the key cost barriers to developing affordable housing. Some towns acquire land to exercise control over that component of housing costs and either “write down” (meaning selling it for less than the cost of acquisition) the cost to a nonprofit or other affordable housing developer, or sell the land directly to low-and moderate-income homebuyers. The acquisition amount “forgiven” can be adjusted depending on the financial needs of the project.

- a. Create an inventory of land that could be purchased for affordable housing**



The town owns some property which could be used for single family homes. However, to address multifamily needs and have a bigger impact, the town would have to purchase a larger parcel or consider using another publically owned site. Sites that work for multifamily rental are usually more than two acres. Property in town sells very quickly, with a commitment to find land, we must have readily available funds.

The following are examples of how public land has been used for affordable housing:

- **Arlington, VA.** Arlington Mill Residences, completed in 2014, was the first public/private partnership in Arlington that used public land for affordable housing. The Residences is a four-story 122-unit property with 100 percent of the apartments priced for households earning less than 60% of the AMI. The property was built on county-owned land alongside a new county-built community center, with a shared parking deck as the foundation for each building. Its success has encouraged the county to expand its use of public land for affordable housing through an initiative known as Public Land for Public Good.
- **Staunton, VA** created a new subdivision in a redevelopment area of cleared vacant houses with the assistance of CDBG (new water and sewer lines and internal streets) from the state and Habitat for Humanity.
- **Greensboro and High Point, NC** administer on-going housing programs that include purchasing land and selling it below cost to developers of lower cost housing.
- **Hickory, NC** created a subdivision of single-family affordable homes using town-owned land and second mortgages from the North Carolina Housing Finance Agency.



**b. Establish a Land Trust**

Other municipalities have created a land trust to start a land banking program. This model uses a non-profit community based organization known as Community Land Trust to acquire land and make it available through a long term lease for up to 99 years. The CLT purchases (or is donated) land that it holds as an asset in a trust for the benefit of low-to moderate-income (LMI) families. By removing land costs from sales and rental transactions, CLT's reduce home prices and rents. A CLT can look for opportunities to purchase vacant land or convert old buildings to a new use, and act quickly if it has a **predictable and reserved** source of funding, such as PIL funds. The difference between the



first suggestion to acquire property is that the land is held by land trust, not the town. The trust would have more control over property development. The following are creative examples of how land banks are used in different areas of the country:

- **Genesee County, MI** established a land bank in 2004 and has accepted almost 15,000 tax-foreclosed properties. It prioritizes affordable housing and homeownership and has sold over 2,000 homes at affordable rates to members of the community and non-profit developers.
- **Annapolis, MD** converted an old high school that had been vacant for 20 years into 71 affordable housing units and an activity center for seniors earning between 40 and 50 percent of the area median income.
- **Portland, OR** converted the second floor of a library into mixed-income apartments to provide housing at both affordable and market rates.
- **Albany, NY** has the non-profit Albany Community Land Trust, which financed the acquisition, renovation and affordable resale of eleven houses which will remain permanently affordable through lease-purchase agreements.
- **Santa Fe, NM** both the city and county provide funding to a local nonprofit, the Santa Fe Community Housing Trust (SFCHT), which acts as grantee, fiduciary agent and administrator of affordable housing funds, which are distributed only to nonprofit housing developers.

**c. Work with an existing land trust organization**

The town has a history of providing support, through funds and land donation, to Davidson Housing Coalition (DHC). The land for The Bungalows, an award winning LMI rental development, was donated by the town. DHC also acquired the land for The Cottages, four apartments for individuals that are mentally or physically handicapped, through a land donation through the inclusionary zoning program. Just recently, the Davidson Board of Commissioners awarded \$50,000 to DHC to help construct a veterans' duplex. The town has also given below market loans to DHC to purchase land. With access to reserves, such as PIL funds, DHC can purchase homes or vacant land before market investors.

Another option provides development funds in the form of direct funding or development financing.

**2. Provide Development Funds to Support Workforce/Affordable Housing**

The town could provide pre-development funding or development financing to enable housing organizations, or for profit developers willing to build affordable homes, to increase lower priced housing in all areas of town or in targeted neighborhoods.

**a. Pre-development funding**



Often the upfront “soft costs” are a barrier to the development of low-cost housing as builders may fear the significant costs of environmental site studies, which may not be recouped. The Town could assume the risk of environmental or other studies, either as a grant or by a zero or low interest loan due after construction. The following is an example of how pre-development funding can be been used.

- **Santa Fe, NM** offers a predevelopment loan fund to cover the following types of costs faced by a developer: options, design fees, appraisals, testing, legal work, financing consultants. Loans are approved by a “roundtable” of nonprofit housing providers. The loan fund was capitalized by a \$750,000 contribution from a private foundation. The repayment of these loans is essential to the sustainability of the funds.

b. **Development financing** Attached to this report are several scenarios that illustrate how payment in lieu funds help finance a project. These scenarios are provided by Davidson Housing Coalition, Our Towns Habitat for Humanity, Laurel Street Developers, and the Mosaic Group. The town has either worked with these groups or we highly recommend them as a future partner. *In order to compete with other Mecklenburg County projects for limited tax credits, or other state or federal funds, any projects being considered for Davidson must have some municipal financing. Because the town does not have a housing trust fund (like Charlotte) and use of general funds for affordable housing projects has not been approved, the only source for municipal financing is the payment in lieu fund. Using PIL funds to leverage other sources of financing provides the most value for the funds.* The following is an example from Charlotte of how developer financing has been used to move forward larger scale projects:

City of Charlotte, NC provides several million dollars of funding per year (a combination of local and federal money) to the Charlotte-Mecklenburg Housing Partnership, a nonprofit created in 1988 that has helped 2,232 LMI persons purchase and 2,241



LMI persons rent homes in the city. One example of the group’s success is the Double Oaks/Bright Walk Development. At the time of purchase, Double Oaks consisted of 576

units in 165 barracks-style low-density single-story four to six unit buildings built in 1950. The 60 acres of land on which the apartments sat is a very strategic piece of land. The site is within one mile of downtown Charlotte and is a major part of the Greater Statesville Avenue Corridor. The Housing Partnership demolished existing structures, combined the 60 acres with 10 adjacent acres already owned and is redeveloping the resulting 70 acres (98 with infrastructure) as a mixed-use, mixed-income development. The master plan contemplates combining affordable and market-rate rental housing, affordable and market-rate homeownership and retail and commercial uses with a completed value of over \$120 million. At total build-out, Bright Walk redevelopment will include approximately 1,000 housing units along with approximately 100,000 sq. ft. of commercial development. Of the 1,000 housing units, The Housing Partnership expects to build approximately 300 affordable rental units. The remaining 700 units will be market-rate units with a combination of apartments, condominiums, townhomes and single-family homes.

**Financing could also be used for a smaller scale rental project. The percentage subsidy would be greater because the smaller the project, the less revenue generated by rental to support the financing.**

The objective of a small rental loan program (5-25 PROGRAM) is to encourage smaller rental projects by town contributions to financing. Financing could be first mortgage and subsidy finances for the acquisition, preservation and rehabilitation of existing or new construction of multi-family housing projects. The 5-25 program is designed to assist in the preservation and development of small projects between 5 and 25 units. In addition to being a lender, the municipality may provide per unit subsidies of up to a certain amount.

A project similar to this could work in Davidson on a small lot (1/2 acre or less) with a build of three floors of rental with parking underneath; seven market rate apartments and five affordable apartments; contribution of \$26,000 per affordable unit from town (\$130,000). The town owns several smaller parcels that could support a small project. Ideally, DHC would partner with the town as they have rental management experience with the Bungalows.

**c. Grants to fill gap between market rate and affordable price**

Grants can bring houses built by local nonprofit organizations or for profit builders into the affordability range. The PIL funds could be used to fill the gap between the market rate and a more reasonable affordable rate for purchase. For example, if the home costs \$175,000 to build (inclusive of land) PIL funds could be used to bring the cost to \$145,000. A grant or loan program structured to bring down the cost of housing and to

reimburse the builder for the difference would certainly encourage more affordable homes to be built.

**d. Pay for Infrastructure**

A conventional way to support new housing, while reducing development costs, is to provide the needed water, sewer, drainage and streets (extensions of existing line and/or on-site infrastructure). Often the proportion provided on-site is the same as the proportion of homes which will be occupied by LMI families. Communities receiving CDBG and HOME funds often provide this type of assistance and monitor the income of occupants for LMI status. Compared to larger entitlement municipalities, the town receives minimal HOME and CDBG funds. Payment in lieu funds could be added to CDBG or HOME funds to pay for infrastructure.

The town is currently working with JCB Urban Company and Habitat to provide infrastructure support and other site requirements at the Bailey Springs site. Fifteen homes are proposed. The site has water/sewer connections for eight. CDBG funds will pay for the water/sewer taps on the lots controlled by Habitat and the town is paying for an erosion control plan.

The following are examples of how funds have been used to pay for infrastructure:

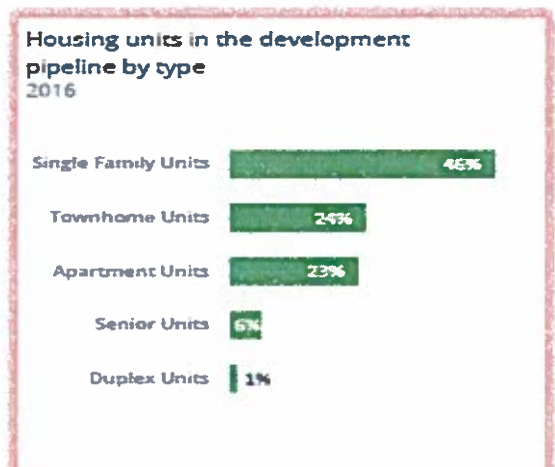
- **Rochester, NY** participated in a 50-unit affordable housing project through a \$400,000 investment in rebuilding roadways, sewers, water lines, sidewalks, street lighting and a new street. The New York State Affordable Housing Corporation provided mortgage buy down and closing cost grants in the amount of \$22,500 per house. \$500,000 came from the Federal Home Loan Bank of New York Affordable Housing program and First Federal Savings and Loan provided interest-free construction financing and gave up the \$365,000 developer's fee.
- **Chicago, IL** provides "perimeter site improvements" such as sidewalks to affordable housing developments.

The last recommended option provides direct financial assistance to homebuyers.

**3. Direct Assistance To Homebuyers**

**a. Down Payment Assistance or Second Mortgage**

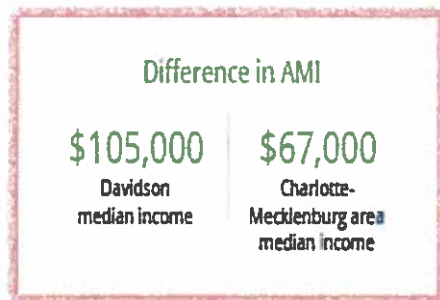
The town has had a down payment assistance program since 2012 using funds it receives from the Charlotte Mecklenburg HOME Consortium.



From 2012-2016, the town received \$150,000 in HOME funds to use for down payment assistance for families that earn less than 80% of the area median income. This fund has helped 25 families purchase homes in Davidson.

In 2015, the Davidson Board of Commissioners approved use of PIL funds up to \$42,000 for households that earn between 80% and 120% of the area median income. To date, seven families have applied for the funds and several more are in the pipeline.

The down payment assistance program has been vital. Almost all of the households that have purchased affordable homes, either through the town's program or homes in DHC's land trust, have used down payment assistance. The DPA is a no interest, no payment, declining balance loan that is forgiven if the buyer stays in home five years.



The PIL funds could also be used to provide a second mortgage (similar to the Habitat model) in order to reduce the monthly payments. This is a more sustainable model than the DPA program because it is a low interest loan with monthly repayments; however, administrative costs would be higher.

**b. Owner-Occupied and Rental Rehabilitation Activities**

Providing funds to rehabilitate existing housing stock is a means to preserve affordable housing. A Rental Rehabilitation Program would assist owners with improvements to substandard rental properties in low income neighborhoods. Low interest loans can be provided to the owner, who agrees to keep rents affordable for low income renters for a period of 10 years. The Town could also establish a Housing Improvement Program (HIP) that provides no or low interest loans to low income owners that cannot afford necessary improvements. DHC's HAMMERS program provides emergency repairs up to \$5,000. Our Town Habitat for Humanity also has rehabilitation program. PIL funds could supplement existing programs.

**Other Strategies to Consider:**

Payment-in-lieu funding is not the only way to support affordable housing programs. This section discusses the other strategies and, where possible, provides examples of similar community efforts.

1. Housing Trust Fund
2. Public-Private Investment Fund
3. Support Land Use Incentive Grants (LUIG)
4. Employer Assisted Housing
5. Code Review and Simplification

## 6. Rezoning

**1. Housing Trust Fund** A housing trust fund (HTF) is a tool for addressing a city's affordable housing needs. Essentially, a HTF sets aside town money (other than payments in lieu) in a fund that is intended for affordable housing. A well-constructed HTF benefits from a committed source of funding free from regular budget cycles. It allows unused funds to roll over from year to year and increases local control of dispersal. Furthermore, HTFs often target projects that leverage external investment, such as low income housing tax credits. The HTF could allocate funds through a competitive request for proposal process and could be used for projects not eligible for other funding, such as low income tax credit funding. Sustainability of HTF's depends on loans being repaid.

### **Sources of Revenue for the Housing Trust Fund include:**

●**Property Tax.** A "Penny for Housing" program has been successful in Durham, NC, and Fairfax County, Va. A property tax is a valuable dedicated revenue source because it provides consistent, long-term funding. If the property tax increased an additional one cent per \$100 valuation, the tax would raise an estimated \$187,000 per year.

●**PIL funds.** The PIL funds are also a revenue source. However, when development slows down, or the mandatory affordable housing program goes away, that source of revenue diminishes or ends. Thus, these are completely dependent on market factors.

●**Bond financing.** Bond financing can also be a source for housing development. However, providing a consistent stream depends on voters who regularly approve bond issuance. The town board of commissioners will need to determine if/when is the right time to submit a proposal for public vote.

●**Housing Linkage Fee.** Linkage fees are justified due to the link, or nexus, between new developments and the demand they create through new added low-wage workers. **In North Carolina, it is likely this fee would be viewed as an impact fee, which is not authorized.** A nexus study would need to be conducted to evaluate the impact of new development on the demand for affordable housing. Generally, linkage fee ordinances require developers to either pay a per square foot fee, which is variable based on the project's location, or avoid the fee by dedicating at least 3% to 5% of the units in their projects to households making less than 80% of the AMI.

The following are examples of how other cities use housing trust fund monies to support affordable housing:

●**Chapel Hill.** The town council established funding equivalent to approximately a penny on the tax rate for affordable housing in the FY15 Budget. In March 2015, the council approved



an allocation strategy for the funding in the FY15 Budget, establishing an Affordable Housing Development Reserve (AHDR). The AHDR is dedicated exclusively to the development and preservation of affordable housing. The town council continued its commitment to affordable housing in the FY16 budget by setting aside \$688,395. The following are examples of awards approved by town council from the AHDR Fund:

- Habitat for Humanity - \$270,000 for the Northside land acquisition and second mortgage assistance project
- Empowerment Inc. - \$27,000 for the purchase and renovation of homes in Northside neighborhood
- Jackson Center - \$75,000 for Promise of Home renovation pilot program

In 2016, the organizations that used awarded funds included the Downtown Housing Improvement Corporation (DHIC). DHIC received \$450,000 to build affordable housing for seniors in a development called Greenfield Commons. It is expected to have 69 affordable units for senior citizens. Habitat received \$55,000 to develop two lots of land with seven to nine new homes. The Community Home Trust received \$55,000, which it will use to reduce the prices of three homes that it is trying to sell to make them more affordable.



● Fairfax County, Va. The Penny for Affordable Housing Fund was established in FY 2006 and is designed to serve as a local funding source to address evolving affordable housing needs. The Board of Supervisors dedicated revenue comparable to the value of one cent from the real estate tax rate to the preservation of affordable housing. From 2006 to 2014, the fund provided \$154.4 million for affordable housing in Fairfax County. Examples of how the funds were used include \$6.3 million for the construction of 90 units of affordable senior living, \$0.8 million to support the Silver Lining Initiative, which provides below-market second trusts to income-qualified first time homebuyers purchasing foreclosed homes, and funding for rental subsidies.



**2. Public-Private Investment Fund** Investigate the feasibility of a public-private investment fund. This would be open to public and private institutional and individual investors, especially area



entrepreneurs, public and non-profit educational, religious, and other institutions and foundations in Mecklenburg County. The fund would pay a low interest rate of return in order to allow the fund to make loans to nonprofit low income housing providers at several percentage points below market rates. The town should explore possibilities such as the MacArthur Foundation, Duke Endowment, Foundation of the Carolinas, as well as with banks that need to spend Community Reinvestment Funds.

### **3. Support Land Use Incentive Grants**

This is a new recommendation and an innovative way to use tax dollars to incentivize housing. To be meaningful, Mecklenburg County would have to participate. The tax savings generated by only Davidson tax may be too insignificant to attract a project.

**Economic Development Incentive/Land Use Incentive Grant (LUIG).** The City of Asheville has had success with this innovative program. This grant uses Tax Increment Grants (TIG) to incentivize both economic development and affordable housing. The amount of the grant is an amount equal to the annual ad valorem tax for the subject property after completion of the project, less the annual ad valorem tax prior to commencement of the project. Two examples are Smith Mill Place in West Asheville (very popular and expensive section of Asheville) and Skyland Exchange near Biltmore Park. For the Smith Mill Place project, the developer will provide 72 units, 36 will be affordable. The subsidies are Housing Trust Fund - \$520,000 and LUIG for 9.5 years valued at approximately \$450,000. The Skyland Exchange project is 290 units, with 10% (29) affordable. The total estimated development cost is \$32,710,837. The LUIG, for 3 years, subsidizes the project at an estimated value of \$528,171. *We recommend using this tool for incentivizing affordable housing.*

**4. Employer Assisted Housing (EAH)** describes any number of ways an employer invests in workforce housing solutions, such as homebuyer education, down payment assistance and loan guarantee programs. Through EAH, employers can invest in housing for its employees to keep talent and resources in the community. These options include homebuyer education, down payment assistance and other loan programs.

The following is an EAH example from Asheville:

**Asheville, NC.** Mission Hospital has had an EAH program in place for over ten years, offering matching funds up to \$2,500 for down payment assistance in exchange for employees completing homebuyer education and debt counseling. As of November 2015, Mission has provided \$95,000 in matching funds towards down payment representing \$6.6 million in local real estate investment. Local non-profit, Mountain Housing Opportunities, that offers homeownership assistance, partners with Mission and others to facilitate these programs.

Locally, Davidson Housing Coalition and Our Towns Habitat have a record of offering similar services to the community. DHC offers homebuyer education and financial counseling, down payment assistance and job training. These and others could be engaged around future partnership opportunities with area employers.

5. **Code Review and Simplification** is another process that can encourage affordable housing. Adjusting requirements for parking, density, minimum sizes for units can all remove barriers to building affordable housing. The town included many of these in recent revisions of the Planning Ordinance. In fact, much of the market rate less expensive housing is in the planning areas that do not have density caps, such as the area in and around the Circles at 30. Accessory dwelling units are allowed and smaller lots are required in almost every planning area.

6. **Rezoning** to increase density can augment affordable housing opportunities because more homes offset land costs and, in turn, the price and size of the homes. Davidson's form based code, that doesn't limit density in most planning areas, has resulted in different building types, such as town homes and condominiums that tend to be lower priced than single family homes on large lots.

We have often been asked why Davidson doesn't offer density bonuses. Density bonuses permit a developer to build more than allowed under the current zoning if the development includes affordable housing. Density bonuses simply do not work with a form based code that does not place significant limits on the number of homes that can be built per acre. Because Davidson has height restrictions, there may be a chance to encourage affordable housing by offering an extra story or more if the developer includes lower priced units. For a number of reasons, including community concerns about height and retaining small town character, we are not recommending a height bonus in this report. However, should light rail become a tangible reality, we recommend that height bonuses be included in rules covering transit oriented development.

**Other options, only available through a competitive process, include tax credits for developing low income and historic properties.**

#### **Other Tools**

1. **Low Income Housing Tax Credits (LIHTC)** These tax credits issued by the federal government for allocation by state agencies, are essential for development of low income rental projects. An explanation of the tax credits is included in the definitions and examples provided. It is very difficult for Davidson to qualify for these credits. To be competitive for LIHTC's, the project has to be within a short distance to lower price stores such as a Wal-Mart or Dollar General and close to a transit stop. (Note: we are discussing with the Mosiac Group in Charlotte ways to change the QAP (Qualified Allocation Plan) so that smaller municipalities, under 15,000, can complete with the larger projects submitted by City of Charlotte/Mecklenburg County. There are several publically owned sites that may be competitive for LIHTC's if the QAP is changed.

2. **Historic Tax Credits** A federal income tax credit for the rehabilitation of historic structures offers a 20% credit for the qualifying rehabilitation. Layering historic tax credits with LIHTCs has been successful in several NC developments. We will continue to look for property that might qualify for the historic tax credits and LIHTC if the QAP can be changed to make Davidson more competitive.

The following are examples of how cities have layered the LIHTC's with Historic Tax Credits:

- **Mount Airy, NC. Globe Tobacco Lofts.** Developed by Flatiron Properties. This mixed-use development created 34 affordable apartments along with 9 market rate apartments by preserving a 100 year old tobacco warehouse last utilized in the late 1980s for textile sewing. It was also part of preservation efforts along the southern end of Main Street. State and federal tax credits were paired with low income housing tax credits and a loan from NC Housing Finance Agency, as well as a bank mortgage.
- **Mebane, NC. The Landmark Property Group built Mebane Mill Lofts** utilizing both state and federal LIHTC along with a state historic mill credit as part of a package that included their developer fee, local funds and a community development block grant.



### **The Need for Education**

The recent reaffirmation by the community of diversity and affordable housing as core values provide the perfect starting point for a community education effort. The program is typically made known through the town newsletter and website. The town has also worked with the Davidson Housing Coalition to promote the program as a whole, and to advocate opportunities it offers. Word of mouth has also been a source of potential clients.

Residents are clearly interested in how the program works. Sharing that history is likely to encourage interest from a similar group of residents and families already participating in the housing program.

### **Potential Education and Outreach Efforts**

- **Affordable Housing Summit**  
An affordable housing summit was suggested during the May 8, 2017 workshop. This type of environment provides a setting for town leaders, non-profit housing agencies, developers, potential clients, and others to share their experiences and perspectives. This can also provide additional context about the affordability of other amenities and services. Local media coverage of the event could also help tell the story to residents and other potential partners in the region.

- As a core value of the town, affordable housing should be integrated into town news and outreach efforts as well, via print, the web and social media.
- The current affordable housing steering committee has been a valuable resource throughout this process and could serve as an advocacy group and/or ambassadors for the program.
- Regular annual updates to the board of commissioners and community on activities
- Celebrate successes

Taking a more intentional look at promoting affordable housing and incorporating information and outcomes of the program into existing town communication channels is a way to increase community education and awareness. It will also lend itself to potential media coverage as these are channels they are already monitoring. Finally, having an already engaged the steering committee around this topic should provide a critical base to recruit community advocates.

### **Conclusion and Recommendations**

The Town of Davidson has completed a thorough examination of its affordable housing program, as well as review of best practices across the state and region, as outlined in this document.

#### **General Recommendations:**

1. The board of commissioners continues to support the inclusionary zoning program. It appears to work and has added lower priced homes in eight developments. The payment in lieu option will reduce the number of owner occupied homes; however, the funds generated by the PIL can significantly help finance a rental project.
2. The board of commissioners and staff should tailor projects to the targets of their program, whether it be seniors, workforce/millennial/young families, lower-to-moderate individuals, etc.
3. An education and marketing plan is needed. This would include opportunities for outreach to the community-at-large, potential partners, sponsors, prospective tenants, homebuyers and the development community. Updates about the town's affordable housing program and its outcomes can be incorporated into all of the town's regular means of communication and outreach. If concerns from the community are expressed, community forums can be utilized for listening and education.
4. As the town moves forward to energize and evolve its affordable housing program, additional partners are going to be needed to share the work. The town should reach out to local non-profit housing partners such as Davidson Housing Coalition and Our Towns Habitat for Humanity among others. The town does not have the resources to bear this responsibility alone as there are established partners already performing services like home repair, homebuyer education and affordable housing.

5. As we continue engaging the affordable housing steering committee, be open to ideas and empower them to seek better ways to meet the needs of the town. Use their community and practitioner perspectives to inform the broader discussion about community affordability as that will provide the best support for residents and families served. This group could also be used to help refine realistic goals and targets for the town's program and/or any subsequent community efforts to support lower-to-moderate income individuals.
6. Using the Asheville model, explore using land use incentive grants to encourage for profit developers to include affordable units in a project.
7. Commit \$50,000 from the General Fund to help with administration of the program. Consider different ways to administer the program, such as by another part time employee, an existing employee, a contractor, or a non-profit housing agency.

**Recommendations for use of PIL funds:**

Finally, the town must maximize the use of its PIL funds. We recommend that the PIL funds be used as follows:

- a. **Multifamily Rental.** **Set aside \$500,000 of PIL funds for financing rental projects and/or donate land.** Explore existing publically owned property for a 50-60 unit mixed income apartment complex. Only town property that is close to transit and services such as a grocery store and doctor's office will be competitive for low income housing tax credits. Investment, through land, funds, or both, in a project that can qualify for tax credits is the best way to leverage PIL funds. Use of tax credits has been the driving force behind much of the new affordable housing being produced today. Alternatively, if the town cannot donate land or sell it at a reduced price, the town can, at a minimum, provide PIL funds to help with financing. The scenarios in the appendix do not assume land donation. Finally, use Asheville's model, and offer the LUIG for additional financing.
- b. **Acquisition of land.** **Set aside \$400,000 for land purchases** either directly by the town or through a land trust such as the Davidson Housing Coalition. As suggested in the DHC proposal, DHC can buy homes from elderly lower income homeowners, maintain the homes, and provide a way for the owner to stay in the home. These are actions we can take now.
- c. **Down Payment Assistance.** **Reserve \$42,000 annually** for the down payment assistance fund. The town receives a grant from HUD each year (HOME funds) to help with DPA for households earning less than 80% of the AMI. These funds would be allocated to households earning between 80% and 120% of the AMI. Most of our police officers and firefighters are in this income bracket.

- d. Rehabilitation and Renovation of existing owner occupied homes.** Reserve \$15,000 to assist HAMMERS or Our Towns Habitat for Humanity with projects that exceed the amount allocated for emergency repairs.

There are many other housing solutions that merit consideration, not just for Davidson but for surrounding municipalities and other providers. While we seek to provide affordable housing, we must do so with awareness of market forces by exploring different funding mechanisms, and taking non-traditional approaches.



# **APPENDIX**

## **Background**

### **Payment in Lieu Development Scenarios**

**(Laurel Street Development, Mosiac Group, Davidson Housing Coalition and Our Towns Habitat for Humanity)**

### **Benchmark Communities: Asheville and Cary**

### **Additional Local Context: Mooresville Housing Assessment**

### **Summary of Comments from Presentation of Housing Needs Assessment**

### **Affordable Housing Tools Matrix**

### **2017 Median Family Income for the Metropolitan Statistical Area**

### **Definitions**

## **Background**

The Town of Davidson is one of three municipalities in North Carolina with an affordable housing ordinance. Davidson's program was created in 2001 to encourage the production of affordable housing by requiring 12.5% of homes in all new developments to be inclusionary.

The plan grew out of the town's commitment to economic diversity as a core value: "Davidson's historic mix of people in all income levels and ages is fundamental to our community, so town government will encourage opportunities, services, and infrastructure that allow people of all means to live and work here."

Who lives in homes built under the Town's inclusionary zoning rules?

- Fire fighters
- Retail sales clerks
- Accountants
- Teachers
- Mail carriers
- Police officers
- Office workers
- Social workers
- Entry level professionals

The goals of the program are to create mixed income neighborhoods, produce affordable housing for a diverse labor force, and increase home ownership opportunities for low-and-moderate income wage earners. Thus, the town's affordable housing program works to identify those who are at 80-120% of area median income looking to own a home or those who are 50-80% of area median income in need of rental options.

Davidson's own young adults, recent high school and college graduates, desiring to start careers here also need affordable housing. The Town and Davidson College have a history of striving to provide housing possibilities to faculty and staff.

The Town's inclusionary housing practice links low-and-moderate income housing to construction of housing by requiring developers to provide affordable units in an otherwise market-rate development. In doing so, the program not only generates units affordable to low-and-moderate income families, but also provides opportunities for racial and economic integration. With inclusionary housing, affordable units are built concurrently with market-rate housing.

**Town of Davidson**

**2017 Median Family Income for the Metropolitan Statistical Area:**

**Charlotte -**

**Gastonia -**

**Rock Hill - includes Davidson**

**AREA MEDIUM INCOME MATRIX Effective June 15, 2017**

<b>FAMILY SIZE</b>								
<b>% OF INCOME AMI</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>20%</b>	\$9,900	\$11,350	\$12,750	\$14,150	\$15,300	\$12,300	\$17,550	\$18,700
<b>30%</b>	\$14,850	\$17,000	\$19,100	\$21,200	\$22,900	\$24,600	\$26,300	\$28,000
<b>40%</b>	\$19,800	\$22,650	\$25,450	\$28,300	\$30,550	\$32,800	\$35,100	\$37,350
<b>50%</b>	\$24,750	\$28,300	\$31,850	\$35,350	\$38,200	\$41,050	\$43,850	\$46,700
<b>60%</b>	\$29,700	\$33,960	\$38,220	\$42,420	\$45,840	\$49,260	\$52,620	\$56,040
<b>70%</b>	\$34,650	\$39,600	\$44,600	\$49,500	\$53,500	\$57,450	\$61,400	\$65,400
<b>80%</b>	\$39,600	\$45,250	\$50,900	\$56,550	\$61,100	\$65,600	\$70,150	\$74,650
<b>90%</b>	\$44,550	\$50,950	\$57,350	\$63,650	\$68,750	\$73,900	\$78,950	\$84,050
<b>100%</b>	\$49,500	\$56,600	\$63,700	\$70,700	\$76,400	\$82,100	\$87,700	\$93,400
<b>110%</b>	\$54,450	\$62,250	\$70,050	\$77,750	\$84,050	\$90,300	\$96,450	\$102,750
<b>120%</b>	\$59,400	\$67,920	\$76,440	\$84,840	\$91,680	\$98,520	\$105,240	\$112,080

**2017 Adjusted HOME Income Limits**



### Workforce Housing Development Scenario

- \$1 million subordinate loan from the Town of Davidson
- 100 rental units
  - 75 market rate units
  - 25 units affordable at 80% AMI
- Land price assumed to be \$10,000/unit
- Density can vary depending on design but financial projections assume wood-frame construction with surface parking
- Project can begin at any time and does not compete for tax-credit funding

### Sources and Uses

Source	Amount	Amount Per Unit
Construction Loan	\$ 10,571,797	\$ 105,718
General Partner Equity	\$ 360,000	\$ 3,600
Limited Partner Equity	\$ 3,240,000	\$ 32,400
<u>City of Davidson Loan</u>	<u>\$ 1,000,000</u>	<u>\$ 10,000</u>
<b>Total Sources</b>	<b>\$ 15,171,797</b>	<b>\$ 151,718</b>
Uses	Amount	Amount Per Unit
Total Land Costs	\$ 1,000,000	\$ 10,000
Total Soft Costs	\$ 1,989,854	\$ 19,899
Total Hard Costs	\$ 11,660,739	\$ 116,607
<u>Total Net Financing Costs</u>	<u>\$ 521,204</u>	<u>\$ 5,212</u>
<b>Total Uses</b>	<b>\$ 15,171,797</b>	<b>\$ 151,718</b>



### 9% Tax Credit Development Scenario

- \$1 million subordinate loan from Town of Davidson
- 80 rental units
  - 60 units affordable at 60% AMI
  - 20 units affordable at 30% AMI
- Land price assumed to be \$10,000/unit
- Density can vary depending on design but financial projections assume wood-frame construction with surface parking
- Project can only be started once per year and must compete against City of Charlotte developments for 9% tax-credits

### Sources and Uses

Source	Amount	Amount Per Unit
Low-Income Tax Credit Equity	\$ 7,137,875	\$ 89,223
1st Mortgage	\$ 3,300,000	\$ 41,250
City of Davidson	\$ 1,000,000	\$ 12,500
Rental Production Program Loan	\$ 800,000	\$ 10,000
WHLP Loan	\$ 250,000	\$ 3,125
<b>Total Sources</b>	<b>\$ 12,487,875</b>	<b>\$ 156,098</b>
Uses	Amount	Amount Per Unit
Total Land Costs	\$ 800,000	\$ 10,000
Total Hard Costs	\$ 8,797,930	\$ 109,974
Total Soft Costs/Reserves	\$ 2,367,932	\$ 29,599
<u>Total Net Financing Costs</u>	<u>\$ 522,013</u>	<u>\$ 6,525</u>
<b>Total Uses</b>	<b>\$ 12,487,875</b>	<b>\$ 156,098</b>

From: Kathy Stilwell <KStilwell@mosaicdevelopmentgroup.org>  
 Sent: Tuesday, July 25, 2017 1:31 PM  
 To: Cindy Reid  
 Cc: James Royster  
 Subject: Davidson financial assumptions  
 Attachments: Davidson LIHTC Project Summary 072517.docx

Cindy –

Please find attached a summary proposal for 60 units of affordable senior housing. We have run our budget with some broad assumptions as to unit count/mix, income targeting, land cost, etc.

Generally we try to provide a mix of affordable rents at 60%, 50% and 30% of AMI to help serve residents at various income brackets.

These assumptions can be altered to match the circumstances under which the Town of Davidson would be willing to pursue such a project. These assumptions are also based on the 2017 QAP and could change if changes are made in the 2018 QAP. We would be happy to assist the Town to submit comments to NCHFA that could help influence changes in the QAP that could benefit the Town's options for sites that would better compete against Charlotte metro projects.

As you know Mosaic has shared ownership of The Bungalows with the Davidson Housing Coalition and we would be pleased to work with them again on any project in Davidson.

As always we are available to assist you and the Town in evaluating various options to provide affordable housing for the residents of Davidson. If you have any questions about this summary please feel free to contact myself or Jimmy Royster.

Thanks, Kathy

Kathy O. Stilwell Executive Director

Mosaic Development Group Inc. 4600 Park Road, Suite 390 Charlotte, NC 28209

704-968-7202 (direct) [www.mosaicdevelopmentgroup.org](http://www.mosaicdevelopmentgroup.org)

Formerly:

The Affordable Housing Group of North Carolina, Inc.





# MOSAIC

— DEVELOPMENT GROUP —

*Enhancing Communities, Improving Lives*

July 25, 2017

***Assumptions for a 9% LIHTC development***

- 60 units for Seniors (55+):
  - 36 units at 60% AMI
  - 9 units at 50% AMI
  - 15 units at 30% AMI
- \$1 million loan from Davidson
- All or part of site donated to keep land costs down
- Smaller parcel with a congregate building for seniors
- WHLP and RPP are limited resources and therefore we limited the request to improve chance to be funded with LIHTC
- **All assumptions can be adjusted depending on available sites and best fit for Davidson**

<i>Sources</i>	<i>Amount</i>	<i>Amount per unit</i>
LIHTC equity	\$6,254,185	\$104,236
1st Mortgage	\$1,320,000	\$22,000
City of Davidson	\$1,000,000	\$16,667
<u>WHLP Loan</u>	<u>\$250,000</u>	<u>\$4,167</u>

<b>Total Sources</b>	<b>\$8,824,185</b>	<b>\$147,070</b>
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<i>Uses</i>	<i>Amount</i>	<i>Amount per unit</i>
Land Costs	\$200,000	\$3,333
Hard Costs	\$6,419,382	\$106,990
<u>Soft Costs</u>	<u>\$2,204,803</u>	<u>\$36,747</u>

<b>Total Uses</b>	<b>\$8,824,185</b>	<b>\$147,070</b>
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## Affordable Housing Strategy Report

July, 2017

There are several considerations in regards to the protection of and development of affordable housing, especially, in Davidson's Westside. I have concentrated in this area due to the more immediate threats of gentrification of the neighborhood. Those considerations include:

- 1) Land availability
- 2) Protection of existing affordable housing
- 3) Home ownership vs rental

There is very little, non-developed land on Davidson's Westside, and land values have increased as in other parts of Davidson. DHC, recently had an appraisal conducted on a DHC land trust house, located on .12 acres. The land appraised at \$60,000. To put in perspective, DHC bought vacant land, .95 acres, in 2004 for \$40,000. On that land we have constructed 1 Bungalow-style, veterans' duplex, and will construct another, identical structure in 2017/18. (Sources & Uses attached)

335 Griffith Street (corner of Griffith and Sloan) is presently for sale. The house is 1200 square ft, on .16 acres. It was built in 1916, and "needs work". It consists of 2 bedrooms and 1.5 baths, with an asking price of \$225,000. The location would be of interest to DHC, the next door house is in the DHC land trust, and that can protect that block from developers. I have received an unusually large number of "request to purchase property" for the DHC house recently. Given the age of the house, I think there might be historical considerations for the property. If the structure is torn down, a possible 3-unit DHC Bungalow could be constructed. Construction and soft costs of most recent 3-bedroom Bungalow, located on Mock Circle \$523,481, including asbestos/lead paint inspection, demolition, and removal of asbestos.

132 Mock Circle is a DHC developed duplex, with 2, 2-bedroom apartments, built in 2011. The property was purchased for \$40,000, and the existing dwelling required lead paint and asbestos removal, with costs of \$1,000 for that removal and \$4,200 for demo. Total soft costs and construction \$198,501. (Sources & Uses attached).

Protection of existing affordable housing is, I believe, crucial in preventing the additional gentrification of the Westside. As our elderly homeowners continue to live in their homes, the maintenance of those homes has become a burden, as DHC has witnessed through our emergency repair program. Most of these folks do not want to move, and choose to remain. I have mentioned to the Town the possibility of purchasing the homes while the owners are still residents, and maintaining the home as long as the resident remains in the home, similar to a reverse mortgage. I am not certain how, exactly that would work, but it would prevent developers from purchasing and removing affordable units.

In regards to Homeownership vs rental – I know that the requests for affordable rental is tremendous in our town. We turn down people every day, and there are no units to which we can refer. Most of these people cannot or will not move into homeownership. Our rental program has been successful, and I believe will continue to be a valuable service to Davidson. The need is especially urgent for 1 and 3

bedroom apartments, and those units would remain leased. We have very few vacancies from these much-needed units, and our waiting lists that would fill additional options. Our homeownership opportunities have come through donations of land by developers, and value engineering with us to keep the costs down for the affordable buyers with whom we work (at 80% AMI). We have waiting lists for people who have worked with our homebuyer education counselor and are eligible at up to 80% AMI. All houses purchased from DHC's stock remain in our land trust, protecting the long-term affordability and reducing the purchase price for the buyers. Without some restrictions on the properties that are in our present affordable stock, since Davidson is such a desirable housing market, I fear that many of these houses will soon be removed from affordable stock for our lower wealth neighbors.

If you have questions about any of our properties or would like to talk about this, please feel free to contact me. I would be delighted to help the Board of Commissioners seek ways to increase and protect our precious affordable housing.

Marcia Webster

DAVIDSON HOUSING COALITION  
132 MOCK CIRCLE REDEVELOPMENT BUDGET

June 29, 2011

**SOURCES**

**HOME FUNDS:**

Town of Davidson: 09/10	\$46,218.49
Town of Davidson: 10/11	<u>66,786.00</u>
	\$113,004.49
 DHC: 09/10	 2,905.19
DHC: 10/11	<u>47,414.00</u>
	\$50,319.19

**Total: \$163,323.68**

**USES**

Contractor	\$149,486.00
Architect/Engineer	15,000.00 (pd. to date - \$4,900)
Demolition	5,400.00 (pd. in full)
Builders Risk Insurance	900.00
Environmental Review	3,500.00 (pd. in full)
Water/Sewer	4,215.00
Survey	1,000.00
Attorney	1,000.00
Developer Fee	<u>18,000.00</u>

**Total: \$198,501.00**

*Davidson Housing Coalition*

## Sources and Use of Funds

308 Mock Road Duplex

SOURCES FOR FUNDS	AMOUNT
HOME funds	98,000
DCPC Grant	15,000
Local donations	10,000
Lowes Grant	25,000
Electrolux appliance donation	1,113
Peoples Bank Loan	88,392
<b>TOTAL SOURCES:</b>	<b>\$237,505</b>
<b>USE OF FUNDS:</b>	
Site Work	42,000
Acquisition - Land	0
Acquisition - Buildings	0
Construction	153,855
Contingency	0
Off-site Improvements	0
Demolition	0
Construction Bond Fee	0
Contractor Overhead	7,000
Design	20,000
Developer Fee	0
Architectural Inspection	0
Construction Loan Interest	3,000
Real Estate Taxes	0
Insurance During Construction	550
Environmental Study	1,000
Appraisal & Survey	550
Title and Recording	500
Permits and Fees	1,700
Local Legal	500
Tap/Impact/Soil Borings	
Market Study	600
Construction Loan Fees	0
Permanent Loan Origination Fees	0
Water/Sewer Tap Fees	6,250
Operating Reserve	
<b>TOTAL USES:</b>	<b>\$237,505</b>

*Davidson Housing Coalition*

Sources and Use of Funds  
308 Mock Road, Building II

SOURCES FOR FUNDS	AMOUNT
HOME funds	99,000
DCPC grant	10,000
Private Solicitations	20,000
Town of Davidson	50,000
Bank Loan	54,190
<b>TOTAL SOURCES:</b>	<b>\$233,190</b>
<b>USE OF FUNDS:</b>	
Site Work	22,000
Acquisition - Land	0
Acquisition - Buildings	0
Construction	164,390
Contingency	0
Off-site Improvements	0
Demolition	0
Construction Bond Fee	0
Contractor Overhead	18,000
Architectural Design	15,000
Developer Fee	0
Architectural Inspection	0
Construction Loan Interest	3,000
Real Estate Taxes	0
Insurance During Construction	550
Environmental Study	1,000
Appraisal & Survey	550
Title and Recording	500
Permits and Fees	2,000
Local Legal	500
Tap/Impact/Soil Borings	0
Market Study	600
Construction Loan Fees	0
Permanent Loan Origination Fees	0
Lease-up Expense	100
Operating Reserve	5,000
<b>TOTAL USES:</b>	<b>\$233,190</b>





**Building strength, stability and  
self-reliance through shelter.**

July 25, 2017

Mayor John Woods  
Davidson Board of Commissioners  
PO Box 579  
Davidson, NC 28036

Dear Mayor Woods and Town Commissioners:

On behalf of Our Towns Habitat for Humanity and its Board of Directors, I am pleased to present the Town of Davidson with a partnership proposal that envisions a collaborative approach to creating affordable, workforce housing in Davidson. As an affluent community, Davidson faces particular challenges in providing affordable housing that allows people to live where they work. Davidson leaders have exercised vision in prioritizing workforce housing, recognizing that a decent place to live should be accessible for the teachers, police officers, hair stylists and service workers that keep the town running smoothly.

An investment by the Town in the form of land and direct financial support could be leveraged to bring other community partners on board to build more affordable housing. We believe that a donation of eight land parcels coupled with \$200,000 in funding would provide substantial incentive to our partners, and could ultimately be used to build eight new homes in Davidson over the next three years.

Building a new Habitat home in Davidson costs approximately \$125,000. We consider a home "fully sponsored" when we have \$75,000 in direct financial support committed by donors. The remaining costs are funded through earned revenues, such as ReStore proceeds and homeowner mortgage payments, and in-kind gifts of land and materials.

We plan to leverage the proposed Town investment by applying \$25,000 of Town funds to each of planned eight homes. We would then secure \$50,000 in sponsorship dollars for each home from our community partners.

We are fortunate to work with dedicated faith partners in the congregations of Davidson United Methodist Church and Davidson College Presbyterian Church. We also have strong ties to Davidson College, along with congregations in Huntersville and Cornelius that comprise our Lake Norman Faith Coalition, who are committed to building in all of our Lake Norman communities. We would also work to draw in business support, with recognition that affordable housing benefits a company's employees and the entire community.

Research shows that housing instability negatively affects health and education outcomes. Poor housing quality is one of the most consistent and strongest predictors of emotional and behavioral problems in low-income youth. By partnering with Our Towns Habitat, the Town can have a transformative effect on affordable housing in Davidson, helping build stronger families and stronger communities for generations to come. Thank you for your commitment to ensuring everyone in our community has a decent, affordable place to live.

Sincerely,

Jeff Porter  
Executive Director

***Serving North Mecklenburg and Iredell Counties***

20310 N Main St, Cornelius NC 28031 (office) • PO Box 1088, Davidson, NC 28036 (mailing)  
704-896-8957 • ourtownshabitat.org • 704-896-8065 (fax)

## Benchmark Communities

There are several communities in NC that mirror Davidson's community support for affordable housing—specifically, the Town of Cary and the City of Asheville. Both have recently updated their affordable housing initiatives and, like Davidson, are contemplating the next steps to move forward. Information about their programs is below.

Also included in this report is an overview of the Town of Mooresville's recently completed Comprehensive Housing Strategy. Given their proximity to Davidson and likelihood that needed workforce and adaptive housing options will benefit both communities, it provides valuable context and background as to some of the ideas others in our region are considering. Mutual interest could result in ways to work together as both communities may be targeting and / or hoping to serve similar residents and/or prospective homebuyers.

### City of Asheville

The City of Asheville published Best Practices in Affordable Housing in November 2015. This document was in reaction to increasing community concerns about the availability of housing that was affordable across a wide range of incomes in Asheville, Buncombe County and western North Carolina. Like Davidson, they strive to have more voluntary tools, including developer incentives, that encourage partnerships and strategies to effectively address affordable housing and community needs. Unlike Davidson, Asheville does not have inclusionary zoning.

*"The most successful efforts are products of collaboration among housing advocates, policy makers, city and county officials, non-profit organizations, developers, financiers and private businesses."*

- **Housing Trust Funds** have been used with success in providing repayable long-term loans at low interest rates. As of February 2015, 856 rental units and 134 for sale units have been built since its inception in 2000.
  - The Glen Rock development in Asheville was supported by a \$1 million appropriation from the City of Asheville, along with HOME funds, to Mountain Housing Opportunities to develop a 60-unit mixed-use apartment complex. This was the first development approved under the newly created Urban Place Zoning District that was designed to foster higher intensity, mixed-use development.
  - Buncombe County began designating funds to a new Affordable Housing Services Program (AHSP) in 2004. It funds projects meeting goals of: increasing the stock of affordable housing, preserving existing housing stock, reducing substandard housing and supporting homeownership initiatives. As of 2015, it has awarded approximately \$4.5 million to support 780 units.
- **Land Use Incentive Grants (LUIG)** program provides grants based upon the city's property tax to participating developers who build affordable housing, whether by itself or as a component of a market-rate development. Eligible projects provide affordable and workforce housing, are

located close to public transit, and are those that have verifiable green building/energy efficiency elements. Grant amounts are based on the number of points developers earn by meeting the various criteria. As many as 10 years of grants can be earned.

**Affordable Housing Fee Rebate Program** with a rebate to developers of approximately 50% of building permit, water connection and sewer facility fees associated with the construction of new affordable housing. Depending on the size and design of the unit, the rebate may be as much as \$2,000. They have other rebate programs benefiting green projects, financial support of water line infrastructure and other infrastructure development as well.

**Code revisions** have played an important role in Asheville's recent efforts to encourage more affordable housing. *Asheville amended its Unified Development Ordinance in 2014 to increase the maximum residential density throughout many commercial zoning districts to promote residential infill development.* This also encouraged construction of more affordable housing units along its popular commercial corridors, which provides better access to jobs, services and transit for lower-to-moderate income residents.

Asheville also *recently updated their standards to make the production of accessory dwelling units (ADU's) easier* by increasing the maximum allowed size, simplifying corresponding language in the code and minimizing other restrictions on development. The ADU's provide practical housing options for seniors, disabled, empty nesters and students, while also providing opportunities for extra income for homeowners. They are smaller in size and do not require land purchases, can be created by converting existing structures and do not require extension of municipal utilities and infrastructure to support the additional housing. They are a low-cost way for a community to increase its housing supply and add to its property tax base. Typical ADU's are also smaller making them more affordable to own and operate, which further provides a reliable housing option for low-to-moderate income residents who might not otherwise be able to afford to live in a certain area.

Asheville has also utilized the idea of *land banking, via public and private land conversion*, to provide land for affordable housing.

- Buncombe County approved the transfer of county property to the newly formed Asheville Buncombe Educational Housing, LLC to create 24 affordable housing units for teachers. The State Employees' Credit Union Foundation provided a no-interest loan for this project.
- Asheville put out an RFP last year for developers to create affordable multi-family rental housing through the redevelopment of their Parks Maintenance Facility. This was the first effort by the city to re-purpose strategically located city property for the purposes of affordable housing.



## Town of Cary

Earlier this year, the Town of Cary reiterated its commitment to affordable housing when it adopted the Cary 2040 Community Plan on January 24, 2017. This plan identified an aging and diversifying population and reaffirmed the need for housing to support a variety of incomes, lifestyles and stages of life – while also protecting established neighborhoods. Cary is also experiencing similar growth in older residents and slower growth in millennials.

Among the new policies in the plan are to:

- **Provide more housing choices for all residents to cover the diverse mix of family and household sizes, races, ethnicities, incomes, needs and abilities.** Housing for seniors in particular should be in reasonable proximity to amenities and services. To encourage housing for young adults, millennials and singles, things like smaller homes, multi-family housing options, mixed use and other housing options should be considered.
- **Provide the greatest variety of housing options in mixed-use centers** to include apartments, condominiums, live/work units and other smaller unit development options to accommodate the desire of residents to live closer to shopping, amenities, employment and transit.
- **Encourage and support the provision of affordable dwellings to provide affordable housing options in order to keep pace with changing needs of local residents and families.** This policy is rooted in the goals and objectives of Cary's 2000 and 2010 Affordable Housing Plans, as well as the goals and objectives of Cary's CDBG Annual Action Plan and 5-Year Consolidated Plans. Its objectives are to:
  1. Promote the preservation and rehabilitation of the town's existing affordable housing stock.
  2. Facilitate the creation of a reasonable proportion of the Town of Cary's housing as affordable ownership units and rental units.
  3. Proactively and cooperatively facilitate and support the creation of new affordable housing units by private, nonprofit, and nongovernmental entities, including funding or financing assistance for projects, support for tax credit projects, regulatory assistance, public-private partnerships or agreements, or other.
  4. Provide, enable, or encourage direct support for individuals and families in need of affordable housing. Such support might include homeownership training, first-time homeowner assistance and special financing programs, housing information resources, housing counseling, and/or other, and be provided by either governmental or nongovernmental entities/non-profits.
  5. Strive for innovation and partnerships in the creation of model ordinances, policies, programs, and development projects aimed at providing affordable housing opportunities.
  6. Leverage and target affordable housing funding and efforts to support neighborhood revitalization efforts.
  7. Distribute affordable housing units equitably across town, and avoid excessive concentration of units in individual neighborhoods.
  8. Strive to locate new affordable units within close proximity (walking distance) to shopping and daily conveniences, employment opportunities, and/or schools, and where possible within walking distance of transit service.
  9. Where a significant amount of affordable housing is lost due to redevelopment or conversion to other uses, the Town may direct its affordable housing funds towards

minimizing the impacts of the residents who are displaced and/or towards the replacement of the affordable housing units lost.

10. Assure a quality living environment and access to public amenities for all residents, regardless of income.

To expand housing choices, Cary is looking at a number of options. Some of these are similar to what Davidson has discussed through the public engagement efforts related to the Affordable Housing Needs Assessment and this subsequent report.

- Create a Cary task force to collaborate with employers and other stakeholders on the development of workforce housing. The median sales price for homes in Cary as of December 2016 was \$320,750. At this level, many occupational groups are effectively priced out of the residential real estate market in Cary.
- Tie general fund support of community investment and housing to a fixed formula based on the age of the housing stock, population growth and/or amount of CDBG funds received. Continue to operate as a revolving fund.
- Develop new zoning districts and/or development incentives to accommodate new housing options/trends such as co-housing arrangements, small apartment buildings, tiny houses, cottage homes, and accessory dwelling units.
- Initiate/participate in intergovernmental efforts to increase revenue support for funding affordable housing.
- Consider prioritizing existing publicly-owned surplus land for affordable housing developments; land-bank appropriate sites.

In 2010, Cary identified the need to focus its program on the following income groups:

- Moderate Income (50-80% of Area Median Income (AMI))
- Low Income (30-50% AMI)
- Middle Income (80-120% AMI)

The types of programs most needed were:

- to develop affordable rental housing,
- to develop affordable owner units,
- to assist first-time market rate homebuyers,
- to keep households in their homes (e.g., rehab and repair programs), and
- to increase the use of the Town's Affordable Housing Program.

Cary's goals for 2020 as set out in the 2010 plan included:

- 40 new affordable rental housing units per year
- 8 new owner housing units per year
- The repair or rehabilitation of 15 owner units per year

Some of their strategies to reach those goals included things like:

- pre-development funding support for non-profit workforce/affordable housing development organizations
- targeting affordable housing funds to neighborhood revitalization where high concentrations of the workforce reside, including public infrastructure improvements

- use of low-income housing tax credits
- direct affordable housing funding to targeted neighborhood purchase/rehabilitation and investor-owned, rental rehabilitation programs
- create a revolving loan fund for these programs.

**They also looked at policy changes that could encourage additional affordable housing units:**

- Density Bonus Program – to increase density/height provided that it is certified that no less than a certain percent (generally a minimum of 20 percent) of the units will be priced to be affordable to low and very-low income households through on-site units or a monetary contribution to the town.
- Workforce Housing Overlay Districts to target specific areas for infill development.
- Inclusionary Zoning – Cary cited the Town of Davidson’s ordinance and the payment in lieu option. They also noted that in some jurisdictions, developers of commercial and office projects are required to develop affordable housing or make payments to an affordable housing trust fund based upon the number of jobs created/supported by their project or the dollar value of the project. These linkage fees are typically supported by a “nexus study.” They also noted that properties developed as affordable units should also be deed restricted as permanently affordable. In these cases, the assessment of a “stewardship fee” should also be considered for the maintenance and upkeep of the property over time as homeowners with lower incomes may not always have the resources for upkeep over time.
- Housing Trust Fund to be supported by the town and donations from private developers through payment in lieu. Funds could also come from other fees and community donations.
- Community Land Trusts (CLT) would reduce the cost burden of the land associated with the home, making properties more affordable.
- Double Bottom Line Investment Fund – These are designed to provide a return for investors to help fill the gap in financing for developers who may be interested in building affordable to middle-income households where land costs are especially high. Investors could include banks, insurance companies, pension funds and other market-driven sectors. These could also include new market tax credits.

**Ultimately, their key recommendations going to 2020 were:**

1. To create a revolving loan fund for current programs,
2. Establish program goals as described in the plan
3. Regular review of programs to determine how they are meeting those goals

Its ongoing monitoring included the amount spent by type of program, the number of affordable units created and the number of households / families assisted. This information was also required by HUD for reporting and funding requests.

As of 2013, Cary helped to develop over 200 units of affordable single-family housing and over 500 units of affordable multi-family housing through public funding, collaborating with nonprofits and public-private partnerships since its program began in 2000. Through the years, the town has maintained relationships with a number of nonprofit developers to support funding family and elderly rental options targeting seniors and other residents. They also maintain an active housing rehabilitation program utilizing federal funds (CDBG) to assist eligible property owners with needed home repair.



\* It is important to note that Cary is a designated entitlement community by the US Department of Housing and Urban Development (HUD). In FY2017, the Annual Action Plan received \$901,000 in federal funds and reprogrammed funds carried over from previous years. Of that amount, they projected to receive \$556,679 in federal funds for FY17.

## Town of Mooresville

The Town of Mooresville, to Davidson's immediate north, also recently completed a Comprehensive Housing Strategy. With assistance from the Centralina Council of Governments, Mooresville examined the overall housing landscape to identify current and future housing needs for residents and employers. They followed a rigorous public involvement process with an active steering committee over a year-plus of meetings, presentations and review.

Key findings from their strategy process are similar to goals shared by leaders and residents of the Town of Davidson. Mooresville Comprehensive Housing Strategy introduced the concept of a Complete Neighborhood, one that offers a variety of housing choices – type, size, price point – that are blended and provide opportunities for different generations to live, work and play. Parks and gathering spaces are easily accessed. Business and services are accessible through sidewalks, trails and/or bike paths.

Their plan recognized the need for diversity and that diversity of ages matters as much as diversity of race and ethnicity as the number of non-working dependents increases and the percentage of working-age Americans decreases, according to the Urban Land Institute. This creates the need for inter-generational and multi-family living situations, something conveyed through the Housing Needs Assessment and related stakeholder meetings. To achieve this, recommended actions include:

- Incentivizing use of universal building standards and working with a developer policy group and housing agencies to develop criteria for when and where to provide incentives and promote action.
- Educate the local development community and residents on economic value of age-friendly communities through a series of workshops aimed at different groups.
- Communicate the town's vision for an age-friendly community through training for internal staff and sub-contractors, plus regular newspaper and social media communications.
- Technical assistance and training to long-term property owners interested in rehabbing their properties for rental purposes. A resident support services model project could provide "case management" for aging and frail renters to assist in addressing finance, healthcare and other age-in-place components via housing and home improvements
- Facilitate or provide training to homebuyers through partnerships with community nonprofits
- Create and maintain an Advisory Board to assist with aspects of lifecycle housing, including creating a property management-specific task force to address common barriers to creating high quality rental projects, such as applications, criminal background checks, etc.
- Allow duplexes on corner lots with yard, bulk and height requirements that blend with single-family detached units and update zoning code accordingly.

- Prevention of senior displacement through promotion of resources on how to prevent foreclosure, address utilities or tax in arrears and/or facilitate inter-generational transfer of home. The local senior center could be used to conduct regular seminars with partner agencies.
- Market and engage with specialized developers to share knowledge and create opportunities for housing that meets the town's needs.
- Develop a Mooresville Complete Neighborhoods Checklist to allow for evaluation of development proposals based on the degree to which the Town's housing types and other Complete Neighborhoods goals are supported by the proposal through its market, planning and design features. Design features should address accessibility and accommodation – thresholds, door width, handles, signage, timing of crosswalks, repair and maintenance, lighting, sound, etc.

The Mooresville Housing Needs Assessment states the Town should encourage development of low-to-moderate income housing, defined as households with income up to 80% of the median family income, to meet the need of an additional 1,795 such units by 2040. Mooresville has seen a similar steady increase in median home prices, going from \$137,800 in 2000 to \$186,500 in 2010 to \$243,070 by July 2015. Between 2010 and July 2015, homes priced between \$230,000 and \$430,999 experienced the most rapid growth of all price ranges, reaching over 600 sales by mid-2015. Much like we heard during the presentation of Davidson Housing Needs Assessment report, housing is needed at different price points to serve lower income residents and support workforce housing.

- Expand opportunities and provide incentives for garage apartments, accessory dwelling units and "granny flats," in specified zones with flexible permitting regarding setbacks, lot sizes, unit sizes, etc.
- Share the needs assessment with local developers. Create forums to discuss community housing goals and seek input for opportunities and barriers to achieve goals. Encourage a mix of housing price points in new developments and in existing neighborhoods to meet the needs of different types of residents such as millennials, singles, dual-income couples, families with children, empty nesters and seniors.
- Create incentives to support mixed price-point neighborhoods. Request developers demonstrate how a proposed development will achieve the Town's housing goals.
- Market to and engage with specialized developers that will build housing to a range of price points. Development of maps with available sites based on inventory and assessment by the Town can facilitate this process.
- Encourage low to moderate income housing development through density bonuses, fee waivers, and other forms of cost benefits to developers. Work with community non-profit housing agencies to guide thresholds for incentives.
- Understand best practices regarding inclusionary zoning.
- Identify and collaborate with local and/or regional community-based organizations to leverage their expertise and resources
- Participate in strategic housing plans at the state level
- Develop a Mooresville Complete Neighborhoods Checklist to create an evaluation tool for development proposals based on the degree to which the Town's housing and other goals are

supported by the proposal through its market, planning and design features. This allows proposals to be viewed through the lens of town housing goals, such as support for seniors and people with disabilities, mixture of home sizes and price points, accessibility levels, sidewalks and other factors.

Much like Davidson, Mooresville has a decent stock of existing housing with the potential for rehabilitation and redevelopment. The sentiment of a majority of residents was that they would rather see updating of older and historic homes than new construction.

#### Year Built

2016 Tax parcel data



Recommendations to support the rehabilitation and redevelopment of existing housing included:

- Work with local and regional banks to create a revolving loan fund for renovating sub-standard homes, including those within historic areas.
- Include weatherization as a strategy to improve existing homes, reduce energy costs, and improve health outcomes. Work with local agencies and the North Carolina Weatherization Assistance Program to support local efforts.
- Identify contiguous properties that have low-to-no tax value and assemble for future housing development. Consider setting up a land bank – a publicly owned entity to acquire, manage, maintain and repurpose properties.
- Prepare GIS parcel maps with tax value, occupancy status (i.e., vacant), structure age and condition, etc. Evaluate for acquisition.
- Develop a program of education, code enforcement and remediation of code compliance issues within areas that have concentrations of sub-standard housing. Provide resources to assist with remediation.
- Use GIS housing condition maps to identify the types of code compliance issues. Secure funds (CDBG, HOME, local funds, Urgent Repair, etc.) to assist with repair and rehabilitation.
- Implement programs to support investments for design issues and ongoing maintenance. Determine properties eligible for CDBG and urgent repair funding from the NC Housing Finance Agency, to support housing rehabilitation.

- Assess current and potential tax valuation of properties pre- and post-rehabilitation to show value proposition and gain support for this work. Assemble data from other communities showing benefits of rehabilitation and redevelopment. Include projections for neighborhoods within Mooresville.
- Identify key elements for Complete Neighborhoods as a development guide for new development or redevelopment proposals. Develop a comprehensive guide for housing rehabilitation in priority areas that incorporates guidelines to ensure properties retain desirable character or historic elements, incorporate desired amenities, are accessible, and incorporate energy efficiency, etc. Include contacts for volunteer housing organizations (Builders of Hope, Habitat for Humanity, Rebuilding Together, etc.). Interview members of the development community to determine tools needed to encourage investment in priority areas and evaluate need for public funds to encourage investment aimed at providing housing for all types of housing needs, including homeownership, rental, first-time home buyers, workforce housing, seniors, and people with disabilities.

Once policies have been updated and areas identified where affordable housing makes sense, the town can be more active with both internal and external efforts to market, develop and realize additional affordable housing. Also, “select a developer – not a development” when possible as they are more likely to be willing to work with a community and the Town towards achieving housing goals.

Their document, much like this one, serves as a starting point for additional discussion, funding considerations and further conversation with the community.



The following is a summary of remarks from UNCC Urban Institute staff during the May 8 workshop and comments made from each breakout table:

**UNCC Urban Institute:**

- Data comes from 40 interviews with local key informants, local employers, the Census and other demographic sources.
- This provided contextual information to inform the report and their recommendations
- Highlighted need for education
  - o That need for education and outreach led to possible recommendation of separating duty of oversight of program from Town Attorney because of the need to do education and outreach.
- Questions as to how the payment in lieu funds will be used?
- Maybe it's time for the town to put some skin in the game
- Brief mention of separating town attorney from administrator of affordable housing
- Concerns about west side gentrification, highlighting question of geographic distribution versus letting the market decide

**UNCC Recommendations**

- o Education / Awareness Campaign
  - Explain the Town's affordable housing program
    - What is it?
    - Why is it important?
    - How does the ordinance/program work?
  - Discuss throughout the community, promote goal of being diverse and inclusive
- o Strengthen the Town's program
  - Administration – role for a non-profit?
  - Greater clarity of use of Payment in Lieu funds
  - Put some skin in the game – dedicate revenue
  - Creative solutions for geographic distribution (what are others doing in this area?)
  - Incentives for more affordable rental (maybe room to partner here)

**Report Outs from Participants (30-40 in attendance)**

**Brown Table**

- Aspirational in Davidson – not there yet.
- Some nimbyism , but integrated
- Need affordable rentals

- Need more detailed investigation who works here / wants to live here
- Preserve what we have
- Can't be everything to everybody
- Target people who its important they live close to where they work (police, fire, teachers, etc.)

#### Blue Table

- Yes, it's still a core value
- More education is needed
- Yes – needs to be physically and culturally integrated
- Tension for seller between sales price and affordability
- Core value – yes
- For whoever needs it – yes
- Town – need more education on program for homebuyers
- Consider subsidizing apartments
- Collaborate with Davidson College
- Figure out what additional needs need to be met
- Plan based on what you expect from the payment in lieu

#### Red Table

- Yes it's a core value
  - o Need to rebrand to tell the story of who lives there and who doesn't live there.
    - Interest – see from younger and first time homebuyers
    - Change the perception
- Land leases – impossible to town versus acceptable way in
- Diversity – includes disabled and seniors
- Workforce housing / apartments
  - o Look at what others are doing – produce more affordable apartments and keep them that way
- Increase payment in lieu fee?
- Recruit businesses employing lower-middle class
- Continuing education program about town
- Distribute information across town

#### Green Table

- Yes, still a core value.
- Hope some of the people who've left can afford to return
- Housing – affordable – but amenities may not be (bigger picture regarding affordability)
- Transparency
- Have mix of housing types – ask people interested in living here – ask about amenities
- Town – not property owners



- More like the Bungalows
- Current assets of town? Current assets of the College? What is out there?
- Educate people – how do you choose candidates for affordable housing?

#### Orange Table

- Yes – still a core value – desire for diversity
- Focus on the very low income versus existing being middle to moderate
- Seniors and disabled (downsizers) are an option
- Younger people near cutoff
- Town – inventory of town-owned lands to see what is appropriate to develop for affordable housing
- Goals – Ex: certain number of units within a certain time
  - o Buy land – bond or payment-in-lieu
  - o Partner with the college

#### Yellow Table

- Core – depends on where you live and how long you've lived here. The town was founded on education and we honor them by making it possible for educators to live here.
- Focus on age/race/diversity – bigger than housing (amenities).
- Program needed to support housing repair
- More rentals
- Has worked – don't throw the baby out with the bathwater – add to it
- Habitat helps lower end at 30% and under
- Oak Hill at lower end
- Money to offer more support to Davidson Housing Coalition
- Coordinate conversation among affordable housing providers – Housing Summit to collaborate for solutions

## Affordable Housing Tools Recommended for the Town of Davidson

### \*Suggested use of Payment-in-Lieu Funds

Tool and Description	Priority	Time Frame	Impact	Cost to Town	Administrative Burden
<b>Inclusionary Zoning:</b> local ordinance requiring developers to include a percentage of housing within the means of moderate income families.	Current 73 homes in program Bailey Springs – additional 15	In place since 2001	High	Low	Medium
<b>New Forms of Higher Density Housing:</b> provisions in zoning and subdivision ordinances for accommodating smaller or clustered units to promote affordability. Examples: smaller lots, variety of housing, accessory apartments.	High	In place Many of these measures are already in place, such as accessory apartments and dwelling units, smaller lots, different building types.	Medium	Low	Low
<b>*Downpayment Assistance/Closing Costs/Second Mortgages:</b> components of most “first time homebuyer programs” that contribute public funds to reduce the costs of homeownership.	High	In place since 2012 Down payment assistance is available from HOME or PIL funds	High	0 if HOME FUNDS  Low if town funds	High
<b>Homeownership Education:</b> provided by housing agencies, banks, nonprofits, and others, often at little or no cost, to help “de-mystify” the home buying process and explain resources available for moderate-income buyers.	High	In place	Low	Zero – provided by DHC or other non-profit housing providers	Low
<b>*Housing Rehabilitation:</b> Primarily for owner-occupants, Town can partner with Davidson Housing Coalition or Habitat for Humanity to provide additional resources to address substandard properties in town.	Low	1 year or less In place but not active CDBG funds already in place for work with Habitat.	Medium	Medium if town funds used.	Medium
<b>Fast Tract Development Review:</b> policy of giving priority to site and subdivision plans that include affordable housing.	High Requires Mecklenburg County Participation	Fees assessed by Mecklenburg County 1 year or less	Low	Low	Low
<b>Development Fee (includes water/sewer taps)</b>	High Requires County and	Fees assessed by Mecklenburg	High	Low	Low

Reimbursement: policy of returning all or a portion of fees to developers building affordable housing.	Charlotte Water (City) participation.	County and City of Charlotte 1 year or less			
<b>Tools and Description</b>	<b>Priority</b>	<b>Time Frame</b>	<b>Impact</b>	<b>Cost to Town</b>	<b>Administrative Burden</b>
<b>Banking Partnerships:</b> Providing incentives to increase the proactive affordable housing activities of banks.	High	1-2 years	Medium	Low	High Front end only
<b>*Grants to Affordable Housing Developers:</b> providing town general funds or payment in lieu funds to help bring down the costs of rents and mortgages.	High	1 year or less	High	High	Medium
<b>Employee Homeownership Programs:</b> some cities (and companies) provide low-interest loans for helping their moderate-income employees acquire a home.	Medium	1 year	Low	Medium	Medium
<b>*Infrastructure Support:</b> Town provision of water, sewer, drainage, or street improvements as a contribution to an affordable housing development.	Medium	1 year or less	High	High	Medium
<b>*Land Purchase and Re-sale:</b> Town acquisition of land that is donated/sold at lower price/amortized at low interest to an affordable housing developer, who passes the savings on to the purchasers.	High	2-3 years	High	High	High
<b>*Support for Community Land Trust:</b> Town contributes funds to a nonprofit land development company that retains ownership of land but sells units (less the cost of the land) to moderate-income families.	High	1 year or less	High	High	Low
<b>Local Revenue:</b> Establish local revenue source for a Housing Trust Fund. Dedicated source from tax revenue or bond financing. Submit a proposal to voters to establish dedicated revenue for a HRT/or set aside general funds.	Medium	1 – 2 years	High	High tax revenue or bond financing	High Front end
<b>Employer Assisted Housing</b>					
<b>Code Revisions</b>					
<b>Rezoning</b>					

## Definitions

### Affordable Housing

Housing is considered affordable for a particular family or individual if it costs equal or less than 30% of their income. For example, for a family that has an income of \$60,000 annually, housing that costs \$18,000 per year (\$1500 per month) would be considered affordable. Thus, whether a particular housing option is affordable is relative to financial position of the family or individual in need.

On a larger scale, the area median household income (AMI) for a particular area is used as an indicator of what a significant portion of households in that area can afford. The AMI takes into account the incomes of all households in a particular area and adjusts the outcome based on the number of individuals in the household. If the incomes of all households in the area were arranged in order from largest to smallest, the AMI would be the number that is in the exact middle of the list. Households are grouped based off their earnings in relation to the median in the form of a percentage. For example, if the AMI in a particular area is \$70,000 for a family of four and a family of four in that area makes \$24,000, that family earns 30% of the AMI which is considered “extremely low income”, whereas a family of four in the same area that makes \$56,000 earns 80% of the AMI which is considered “low income”.

“Affordable housing” is housing that is affordable (30% or less of total income) for households that earn 120% or less of the Charlotte-Concord-Gastonia NC-SC HUD Metro Area (this area includes Davidson).

### Income Limits

Income limits is the system by which the U.S. Department of Housing and Urban Development determines whether a particular individual or family qualifies for one of their housing related programs. The 2017 Income Limits Summary for Charlotte-Concord-Gastonia NC-SC HUD Metro Area is included in this appendix.

### Incentives

Incentives in the housing context are government subsidies available to developers who create affordable housing options in developments. Usually, the development must meet certain guidelines such as location within a specified area and a particular ratio of affordable units to market rate units within the development. In exchange for making a particular amount of units affordable, the government pays developers the difference between what the income generated from the affordable units and the income the units would have generated if they had been priced at the market rate. Incentives are used to encourage developers to create affordable and workforce housing options without mandating that they must do so.

## Grants

A grant is a sum of money given by the government, usually created by legislation and allocated out of a larger public budget, for a particular purpose. Generally, a grant is available to an entity that meets certain qualifications or creates a plan on how the grant will be used should they receive it. For example, in the affordable housing context, a grant might be made available for the purpose of supporting a non-profit's rehabilitation and repair or down payment assistance programs.

### Low-Income Housing Tax Credit

The Low-Income Housing Tax Credit program (LIHTC) gives State and local LIHTC-allocating agencies the equivalent of nearly \$8 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. The funds are used to give developers a way to invest in affordable housing projects that otherwise would not be profitable. The LIHTC gives investors a dollar-for-dollar reduction in federal tax liability in exchange for providing the funding. Investors' equity contribution subsidizes low-income housing development, thus allowing some units to rent at below-market rates. In return, investors receive tax credits paid in annual allotments, generally over 10 years. Financed projects must meet eligibility requirements for at least 30 years after project completion. In other words, owners must keep the units rent restricted and available to low-income tenants. At the end of the period, the properties remain under the control of the owner. It should be noted that these funds are in jeopardy in the current Washington, DC, political environment.