

Incentive Based Inclusionary Housing  
Citizen Advisory Group Meeting 6 – February 9, 2012  
Meeting Summary

**ATTENDEES**

Maddy Baer – UNCC  
Roderick Banks – Wells Fargo  
Elizabeth Barnhardt – Charlotte Regional Realtors Association  
Bob Barrows  
Steve Bock  
Wilna Eury – SouthPark Area  
  
Maureen Gilewski – Mixed Income Housing Coalition  
Sherrill Hampton – Johnson C. Smith University  
Brenda Hayden – Affordable Housing  
Monica Holmes – Lawrence Group  
Mary Klenz – Mixed Income Housing Coalition  
Karla Knotts – Knotts Development  
Bill Martin – RLSTATE.com  
Miriam Martin – SouthPark Area  
Don Means – Madison Park Homeowners Association  
JoAnne Means – Madison Park Homeowners Association  
Aaron McKeithan – Garden Park Neighborhood Association  
Catherine W. Oxford – Per Warren Cooksey  
Will Russell – Construction Management  
Jerome Walker – Housing Advocate

**STAFF ATTENDEES**

Debra Campbell – Planning Department  
Karen Robinson – Planning Department  
Shad Spencer – Planning Department  
Bryman Suttle – Planning Department  
Jan Whitesell – Planning Department  
Pamela Wideman – Neighborhood & Business Services  
Brent Wilkinson – Planning Department

## **I. Welcome / Introduction**

The meeting was opened by Planning Director, Debra Campbell at 6:15 p.m. after which she asked each person in attendance to introduce themselves. Several people were attending for the first time. Ms. Campbell explained that we were going to discuss Program Administration. She also indicated that there is a location on the Planning Department website where they can catch up in terms of any of the details about some of the initiatives that will be recommended. A second option for them would be to contact the staff for a conversation to bring them up to speed.

## **II. Report Back On Program Administration Workshop**

Ms. Campbell reminded the members of the presentation at the Program Administration Workshop by Robert Dowling with the Community Home Trust and learned a lot from him in terms of Program Administration.

Staff had also discussed Program Administration with Loryn Clark, Housing and Neighborhood Services Manager from the Town of Chapel Hill. Staff also met with Cindy Reid from the Town of Davidson. Staff fully realizes that they are not the content experts as it relates to administering a program of this nature. This is something that is going to be very new for the City of Charlotte and have been trying to get up to speed in terms of communities that have these sorts of program. Ms. Campbell wanted to make clear that most of these communities' programs are mandatory, where the City of Charlotte's program would be a voluntary program.

Ms. Campbell spoke briefly about the discussion and lessons learned, including:

- Ensuring that affordable units are built
- Requiring architectural consistency within a development
- Dispersing affordable units within a development
- Making the process easy for the developer and builder
- Needing mechanisms to ensure the long term maintenance of the affordable units
- Allowing for some equity-sharing

Ms. Campbell explained that Chapel Hill has a very successful mandatory program. Ms. Campbell stated that the voluntary incentive based types of initiatives, depend heavily upon market conditions.

**Comment:** I do not think that when we have a hot market the prices are tolerable on a new construction product but on a market like today, you will have the opportunity to buy some houses and make them into affordable housing.

Ms. Campbell responded that you might in our market, but Carrboro/Chapel Hill is very different.

Ms. Campbell stated this was a recap of the last meeting and thought it was very important to move into the discussions of the next phase, which concerned how we would administer an incentive based density bonus program in Charlotte.

## **III. Discuss Single-Family Density Bonus Program Administration**

**Comment:** One person wanted to know how they came up with the model and if it was an evolving process. It seemed to start one day and the lessons learned went away. They also wondered if they were flexible enough so they could make adjustments as needed to make it affordable.

Ms. Campbell stated that was a good point because from conversations with Loryn Clark from Chapel Hill. She said they had learned so much from their voluntary program, some of it good and some bad.

**Comment:** One person recalled that, from a process standpoint, there was an accounting step in there used to prevent non-qualified buyers from purchasing these homes.

Ms. Campbell stated that the one thing heard from Ms. Clark, is that these types of programs are divided into two parts, one is the review process and the other is qualifying buyers.

#### **IV. Review Process**

Ms. Campbell stated this is more about how we ensure that the unit is built and how to make sure it is occupied by a qualified buyer. A table was provided in reference to the review process and Ms. Campbell asked Shad Spencer to review the steps of the process.

Mr. Spencer commented that the first step would be an informational meeting with Planning and Neighborhood & Business Services. They would discuss program components and the review process.

The second step would be a subdivision pre-submittal meeting coordinated by E&PM, which is already part of the urban district review process. Someone from all departments would meet and go through the regulatory requirements. After that, N&BS would handle the housing plan review and approval. The two processes would run concurrently.

Mr. Spencer stated that once the housing plan is approved, the subdivision plan has been reviewed, that the subdivision can be approved. Then the final plat review and recordation process will begin. After the plot has been recorded, a building permit can be obtained and it will be verified that all the housing elements are included.

Once LUESA issues the building permit, an inspection of units for compliance will be done. Then, a Certificate of Occupancy is issued.

Ms. Campbell commented that there is pending State legislation that prohibits design review for housing units other than for affordable housing, historic districts, or developments at densities greater than six dwelling units per acre.

Bryman Suttle commented that staff would make sure that builders are meeting the requirements in the housing plan. Part of the housing plan includes control measures.

**Comment:** The flowchart shows generally, what happens but there are more steps along the way.

**Question:** Are we going to discuss the elements in the flowchart?

Ms. Campbell stated the bullets on the flowchart were examples that were retrieved from other programs and it is not a recommendation of what we would do for this program.

**Question:** What amount of time does it take to get through the process now?

Ms. Campbell stated that the Council recommended eleven strategies, six regulatory and five financial. One of the recommendations was an expedited review. One of the things heard from Ms. Clark was, that because they do so little administratively, that everything goes to their Town Board. In order to issue this type of use permit it usually takes from 12 to 18 months.

Mr. Suttle explained that it is not just the Town Board that reviews the proposals, but that there are several other review committees too.

**Question:** What would be a measurable goal for the process?

Mr. Spencer responded that our subdivision review process currently takes 4-5 months.

**Question:** Are you separating the program into single-family and multi-family?

Ms. Campbell stated because we do not know what the multi-family is going to be yet. Now that we have an idea about program administration, we could use single family as a model for multi-family.

**Question:** How would you do step 9?

Ms. Campbell explained that N&BS and the non-profit would have some responsibility in the review process. We want to advocate and run the process as smoothly as possible because they are in partnership with us to build and create more affordable units in our community.

**Comment:** There was concern that without enough variety in size that the builder would have to increase price of the market units to pay for the affordable units.

Ms. Campbell asked how do we assure that the person who ends up in the house is at 80% of AMI?

The member stated that in Montgomery County when you put restrictions on people, they would start to resist them because they know they have been given something because the non-affordable units have been artificially escalated in order to subsidize the affordable units.

Ms. Campbell replied that Montgomery County gets density bonuses, just as we are proposing, to offset the cost of the affordable units.

**Comment:** One member commented that the disparity between two units, the affordable unit versus the market rate and the disparity physical attributes and the size of the unit then we are letting the market dictate who can build.

Ms. Campbell wanted to clarify the role of the non-profit. It is not required that a builder or developer must utilize the services of the non-profit. We are offering their services to assist the builder.

**Comment:** One comment was made that the free market, unregulated, does not work. Another comment made was that in the Cotswold area you could purchase an \$80,000 condominium. However, it was noted that City Council does not want just a price point.

Ms. Campbell wondered how what assurance we would have that a person at 80% AMI would occupy the unit, if you allow the free market to run its natural course.

Ms. Wideman stated if it were going to happen naturally, we would not be having these conversations. We are trying to identify a way to build housing for people who are in that 80% income range who really need it, not for the person who can afford the \$300-400,000 house.

**Comment:** With that house, we can create our own desirable neighborhood. A smaller house with fewer amenities will cost more than the same house somewhere else so it is affordable because of its nice location. It has to be regulated.

**Comment:** But if we regulate the cost, we are going to lose all the benefits from partnering with the builders and the cost we are going to give as part of the administrative charges.

Ms. Wideman stated that it would be fine if we move the income limit up slightly because there are some people who need the service that may fall through the cracks. However, it was also said the average builder building a market rate house may or may not know how to work with the population that needs those units. Staff felt that it would be more beneficial to use a non-profit because they work from a waiting list so that the quicker they sell that house, the quicker they can receive the benefits.

**Comment:** One person commented they felt the non-profits played an equal role as the builder and the City, and in this scenario, the non-profit does not have a financial role in the house.

Ms. Wideman explained that, the builder was working with the City, the City was working with the non-profit, and the non-profit was working with the builder by purchasing the property.

**Question:** Could you not say you are interested in working with a non-profit and as they will be purchasing some of the units to turn into affordable housing?

Ms. Campbell responded absolutely and stated we see them making sure they are providing a service to the builder. Ms. Campbell also stated that we are saying there is a role for a non-profit, in this type of public initiative and that the non-profit can provide needed services.

**Comment:** It might make the work easier if the non-profit and the developer worked together to place restrictions on the property.

Ms. Campbell responded that there is a lot of liability to hold property because the non-profit is going to own it until they get a buyer.

**Question:** Who would take care of the final three bullets?

Ms. Campbell stated that it could be the builder.

Mr. Suttle stated that one of the things about housing plans is that they are included in most successful programs whether voluntary or mandatory.

Ms. Campbell stated that what might be better is to go back to the flowchart to see how the different initiatives may or may not fit.

**Comment:** One person thought discussions were needed about the longevity of the program.

Ms. Campbell began to discuss a chart showing different roles and responsibilities. Based upon research from other communities, these could be some roles for each of the groups and organizations. We are clear on the role of staff. What we are trying to work through with you are the roles of other groups.

**Question:** Is there a contractual relationship between the City, the builder, and the non-profit?

Ms. Campbell stated that potentially there could be, she was not sure.

**Comment:** There has to be a relationship between the non-profit organization and the builder. You may use it for determining whether the buyer is eligible, but when you get down to those last three items under "non-profit" (tracking of units, monitoring of resale, enforcement of control measures) that ties the builder to the non-profit.

Ms. Campbell responded that these may be part of the responsibilities, but the role of the non-profit will depend on what the group decides.

**Comment:** It was mentioned that the last three initiatives were being done by the government. Do you want to put that into the hands of a non-profit?

Ms. Campbell responded that because monitoring of resale, a non-profit might fulfill that role better.

Ms. Wideman stated that, as an example, Charlotte Mecklenburg Housing Partnership administers our House Charlotte Program. We are in a contractual relationship with them. Those units have deed restrictions on them and so if you sell your house within the first five years, you have to pay the City back the initial down payment assistance. Year six through ten, the amount that you pay back is prorated and all of that is handled through deed restrictions.

**Comment:** Who is going to collect the profit?

Ms. Campbell added that a non-profit could provide homeowner education. Some non-profits may not be involved with the tracking, monitoring, and enforcement but anytime you are looking at home buyer qualification and home financing, many municipalities are using non-profit agencies.

Ms. Wideman said that when research was done in 2007, one thing that was difficult to determine was how many units these programs yielded. We want to be able to track units for this program.

Mr. Spencer continued with the flow chart of the roles and responsibilities stating that the non-profit and N&BS could mix up even with the developer. What we tried to do is list what we thought the responsibility of each entity would be. The builder would adhere to the housing plan that is reviewed and approved by N&BS and would also be the one to obtain the building permit for the home they would build. Planning would administer the subdivision review process, the architectural review component of the housing plan, subdivision plan approval, and review and recording of the plat at the Register of Deeds office. N&BS would be responsible for the review and approval of the housing plan, zoning review, verification of housing plan compliance and the zoning inspection of the units for compliance. At LUESA, they will issue building permit and they will also issue the CO's for those homes. The non-profit would look the qualifying requirements, education for the homebuyer, home financing assistance, tracking of the units, monitoring of resale, and enforcement of control measures.

**Question:** Is that how they find other home financing fees? Is that for the individual or is that also to help recover trust fund dollars and is this project is for the qualified to help find trust fund dollars?

Ms. Wideman explained that the City has not traditionally put housing trust fund dollars in single-family homes. That has not to say that we would not, but it has traditionally been for multi-family.

Ms. Campbell stated that it must be understood that we know that we are not the experts on the administration of an inclusionary housing initiatives. We've got a little bit of experience in density bonuses because we give them for trees but this far more complicated so Ms. Campbell asked Mr. Suttle to give an idea of what the housing plan would look like that would be potentially submitted.

Mr. Suttle stated he would just add that it seems to be universal with the research he has done that something has to be formalized in some way to ensure that the intent is being met. These are just basic tools or mechanisms that would be addressed in the typical housing plan. The location of the unit should be provided within the subdivision and the parcel within the development as part of the program requirement. A pricing schedule is typically made for each unit and that is to include a variety of factors

to establish that anything from factoring in property taxes and homeowner association dues could contribute to the inflation of the housing price.

Phasing is how we assure that the affordable units are built is that some type of phasing construction schedule for the market rate in affordable units. There are varieties of ways to do that and it will be discussed as part of an exercise to follow the description.

Architectural consistency is what we need to ensure the quality of the development.

Marketing may involve using a non-profit to market and sell the homes.

Deed restrictions are a mechanism to enforce any control measures that are recommended. Restricted covenants control or limit the HOA dues because HOA's have somewhat of a reputation and the dues can get inflated and they can limit the affordability of the home.

**Comment:** I heard you say it is not about people and I have to a lot of meetings with 300 homeowners and when we talk about dues and there's 20 people that pay less dues than I do and we talk and in my head, I think those 20 people must be the affordable people. The thing about it is regardless of the number of children, if I have five and you have two, you still pay the same amount.

Mr. Suttle stated that it was a valid point and there is a way to create a mechanism that is fair.

**Comment:** I am going to say that I am OK because that is about affordability. You can have 10,000 people but if I want to live in that area and this way assures me a way to live in the neighborhood that I want to live in and I am still paying and I am a contributing taxpayer, I do not care if you pay \$300 a month and I only pay \$20.

**Comment:** This issue has come up before and they had found a way within their trust fund to deal with it. The person was not sure what the way was but they did find a way to solve the problem.

Ms. Campbell stated that staff would definitely have some responses to number nine.

**Question:** What happens if that developer does not want to work with those non-profits? Do they have that option? How long of a time period?

Ms. Campbell commented that a lot of the programs that are mandatory and even some that are voluntary have some restrictions in terms of how long the existing first buyer to be in and if they sell.

**Comment:** You might end up using a blend of non-profits. Are they going to have their hands in the equity sharing? What happens if that non-profit goes in and out all the time? What happens if you start with one non-profit then that non-profit is not available?

Ms. Campbell stated that those are definitely valid concerns and issues. This is something we are beginning in Charlotte. We are doing our best to learn from communities that have similar programs. I can say we are good being flexible and self-correction.

**Comment:** In today's kind of market, this kind of economy, that is asking the developer a lot.

Ms. Campbell commented that the developer would voluntarily participate requiring that they know the risk up front and secondly, assuring that the non-profit would have a contractual arrangement with that builder if they are doing any of these aspects, whether it be marketing or whatever.

**Question:** Even having A-1 credit that is OK but you would be a renter not an owner. Would that be an appropriate response to question 7?

Mr. Suttle stated that many of the elements in different programs have options and the person who approves the plan is agreeing to your proposal or negotiating with you for an appropriate approach.

**Comment:** It was stated that as a community we are trying to help facilitate home ownership. Why am I going to allow the developer to promote home ownership with a density bonus?

Ms. Campbell stated that we do not know necessarily that the only goal is to promote home ownership. The goal is to increase the supply of affordable housing and can actually come from owning or renting.

**Comment:** I am a little uncomfortable for allowing the developer to use "I can go rent them." I also would like to see the creation of access for a population who is striving to do that and while I want some flexibility I still want to have a good outcome and how to get to that.

**Comment:** Why would the developer do it? Is the density bonus enough to have them make or set a bottom line? It seems like money is being taken away that might be used for the appropriate unit. If it is voluntary, why put affordable housing into a development?

Ms. Campbell stated that, 50% of the bonus units are at market rate. This, plus the ability to mix housing types, was sufficient to encourage development of additional affordable housing units.

Mr. Suttle agreed that the research on voluntary programs, the incentives had to be high to work.

**Comment:** On number 4, there are some Federal and State laws that would really restrict what I could say to you in response to number 4.

Ms. Campbell stated that we went over and discussed the potential for the nine items and we thought it would be the case, that there would be really problematic ones such as phasing, architectural consistency, and deed restrictions. What is meant by phasing? What should the phasing scheduled for each affordable unit be?

**Comment:** There was concern because from the conversation it is being stated that we cannot sell the affordable unit.

Ms. Campbell stated that during this process, we will get agreement on what is needed, what the housing plan should be and we will get agreement on generally the steps of the approval process.

**Comment:** I am still trying to figure out how anybody would want to buy a unit when I tell them that they are going to take all the risk and go through qualification process and they are not going to get the reward that is a fair market appreciation of their product, growth, and equity. Why would you buy that?

Ms. Campbell stated that she is not worried about some deed restrictions but she is concerned about opportunities.

#### **IV. Next Steps / Adjourn**

Ms. Campbell stated that the next meeting is March 15. We have done a good job of coming up with something that Council will understand and adopt.

Meeting adjourned at 8:05 p.m.