

# Affordable Housing



and its impact on  
the future of the  
Charlotte Region



by the Greater Charlotte  
Apartment Association



# Introduction

This booklet details the various dynamics which affect affordable housing for community leaders, planning and development professionals, and public elected and appointed officials. Although the arguments for affordable housing are convincing, the reality is that many people oppose almost all new development, and that opposition often increases with the density of the proposal (and the proximity to the opponents' property). Support for affordable housing relies on an educated public who fully understands the effect of population growth and the consequences, challenges, and trade-offs inherent in siting decisions for proposed housing.

In the Charlotte Region, the shortage of affordable housing is affecting more and more of the workforce. Fully 25% of the households in the region are either paying a disproportionate share of their income for shelter, have "doubled-up" with other households to share a residence, or live in poor quality housing. As the Charlotte Region grows in population, it is important to understand that the gap between incomes and housing costs is certain to widen. It is in the community's interest to develop a comprehensive framework of housing for all of the region's population in the years ahead, including development that addresses the scarcity of affordable housing.

## Defining "Affordable Housing"

According to the U.S. Department of Housing and Urban Development (HUD), the generally accepted definition of "affordable housing" is for a household to pay no more than 30 percent of its annual income on housing and associated utility costs. Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

## Featured Community: The Park at Oaklawn

This site, northeast of uptown Charlotte, was formerly occupied by Fairview Homes and was redeveloped under the HOPE VI program by Crosland and The Housing Partnership.

Managing Agent: Crosland

Unit Mix: 178 apartments, featuring a 50/50 split between public housing and tax credit units, as well as a single-family for-sale component.



# Demand for Additional Housing

## Charlotte-Mecklenburg Planning Commission's General Development Policy Goal:

"Provide a broad range of housing, employment, leisure and educational opportunities throughout the community." With Charlotte's population predicted to increase by 300,000 persons in the next two decades, as many as 25-30% of the new households will not be able to afford market-rate housing.

**Multifamily rental housing** has long been an important part of housing choices for families and individuals. It plays an increasingly important role in "workforce housing," - providing homes for our area's teachers, firefighters, police officers, health care workers, and public employees. Employees with more modest incomes work in many service and support industries. These vital workers contribute to the community, but their incomes are often less – sometimes considerably less - than what is required to support a reasonably comfortable life.

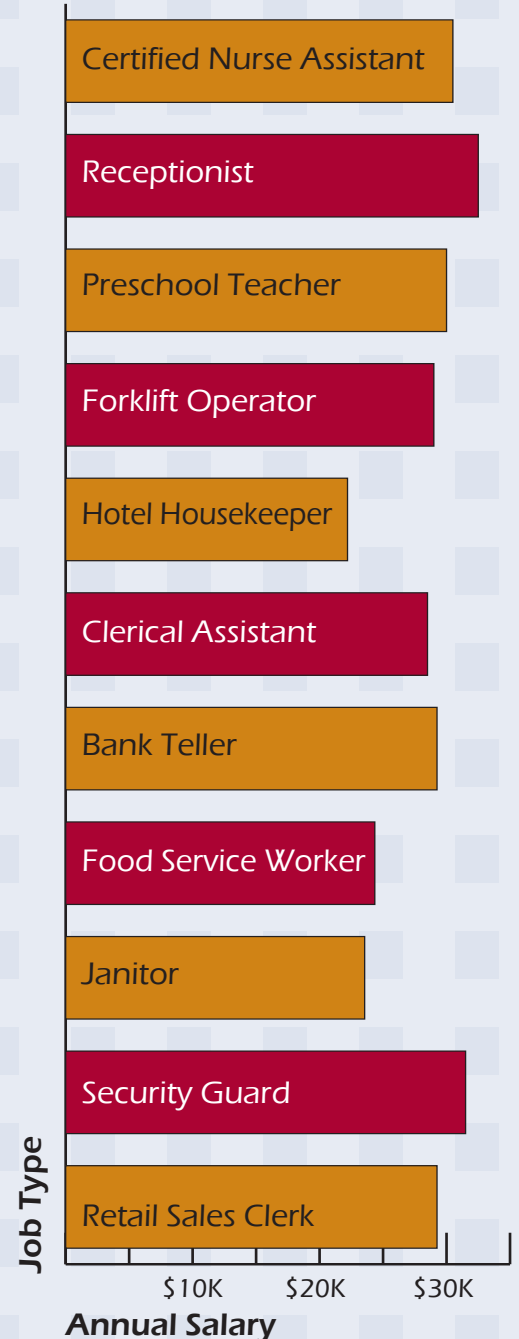
## Understanding Median Income

Area median income provides information about geographic areas such as counties by dividing same-size households into two equal parts based on income. The first half of households earns less than area median income, and the other half earns more. From the "median" point, further calculations are made to group households into income categories of:

- **Very low-income** (households are at or below 50% of area median income)
- **Extremely low-income** (households are at or below 30% of area median income)

By definition, then, "Very low-income" households make up some 25% of all households; and "Extremely low-income" households make up some 15% of all households. "Very low-income" households of 3 persons (usually with two minors) can earn a maximum of \$29,950 annually in order to be so categorized. Such households have the ability to pay a maximum of \$650 per month for their housing. Only about 40% of market-rate two-bedroom apartments currently rent for less than \$650 per month. Thus, in many cases, there is a need to augment these wages with one or more forms of public subsidy, such as supplementing income or "buying down" construction or operation costs.

## Charlotte Area Salaries by Job Type:





# Mixed Income Housing

Mixed-income housing has gained considerable support in Charlotte, both as a tool for transforming archaic public housing developments and to take advantage of transit-oriented development opportunities. Mixed income development achieves the public objectives of providing better-quality housing for low-income families, increasing the tax base and stability of certain neighborhoods by attracting more affluent families, creating an environment to spur greater upward mobility among low-income families, catalyzing broader physical and economic revitalization, and the economic integration of households by income levels. Neighbors often find proposals for mixed-income housing to be more palatable than proposals for free-standing assisted, low-income housing. Excellent examples of mixed-income housing in Charlotte include properties that incorporate market-rate, public housing, and Low Income Housing Tax Credit (LIHTC – see definition section at the end) elements. The most successful are part of mixed-income housing developments which provide stable, attractive communities with prices to accommodate the needs of a variety of households.

## Resistance to Change: Why This is a Difficult Political Issue

Despite the widespread need for affordable housing, and the philosophical acceptance by many of the need for public subsidy, there is nonetheless a continuing resistance to higher density housing, to rental housing, and to low-income housing at the site level. This resistance makes for some of the thorniest community debates and political decisions by elected officials. A frequent assumption is that the production of subsidized, rental housing may accelerate neighborhood decline. “There goes the neighborhood” and NIMBYism (“Not In My Backyard”) are common refrains.

The truth is that much contemporary affordable housing is indistinguishable from market-rate housing, and studies abound to refute fears about reduced property values and other common complaints. Increasing opposition to growth and development of all kinds suggest that local opposition is likely to remain and may even get worse. While the severity of the problem varies considerably across numerous dimensions, including geographical location and the type of housing proposed, in the view of many developers local opposition is the most important barrier to the development of affordable housing after insufficient subsidy. Examples of affordable housing apartment communities which have not deterred or negatively impacted proximate neighborhoods or continued development include Savanna Woods (Marsh & Park Roads), Gladedale (Providence Road), Live Oak (formerly at Sharon and Fairview Roads), and McMullen Wood (Johnston Rd. at NC 51).



## Featured Community: South Oak Crossing

This transit-oriented, Housing Partnership development is located near the Lynx Blue Line’s Arrowood Station.

Managing Agent: S. L. Nusbaum Realty

Unit Mix: 192 apartment homes including 20 public housing units, 80 tax credit units, and 92 market rate units

To keep multifamily rental housing (especially when public subsidy is involved) out of their communities, opponents often express perceptions that stem from fear and misunderstanding, for example:

**Perception:** Affordable housing is unattractive and a blight to the neighborhood.

**Reality:** Mixed-Income housing developments help raise the standards for good design in affordable housing and provide appealing residences that blend in with surrounding communities.

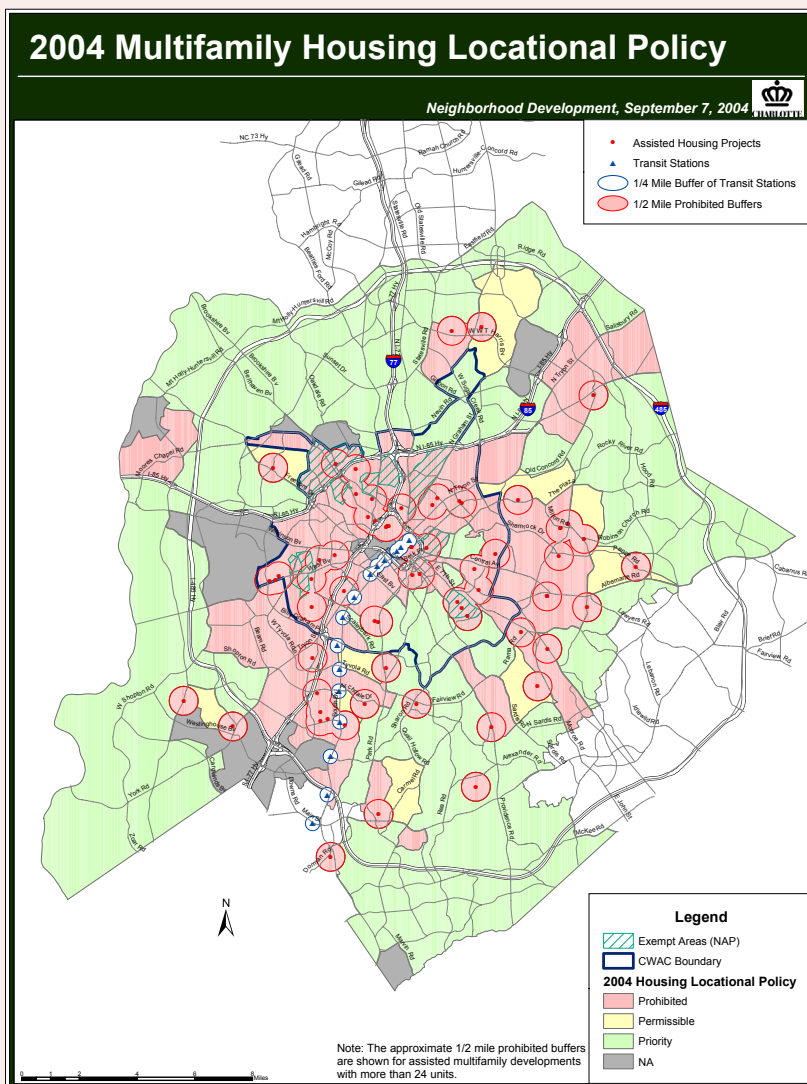
**Perception:** Mixed-income housing brings down the property values of neighboring residences.

**Reality:** Mixed-income housing has been found to make no difference in the values of adjacent properties.

**Perception:** Residents of low-income communities are associated with criminal activity.

**Reality:** As an industry standard, professional management companies employ prospect screening practices which help ensure that apartment residents become and stay good neighbors.

The bias against multifamily rental (and especially affordable) housing must be overcome if the Charlotte area is to meet its housing needs in an environmentally sustainable and economically realistic manner. Misconceptions and exaggerations permeate civic discussions about apartment development, yet anti-housing resistance can be countered with evidence about rental housing and its real, not imagined, impacts. Attitudes about apartments aren't solely derived from objective facts, however. Emotions, values, and other factors all contribute to the formation of pro-housing and anti-housing attitudes.



## Featured Community: Rivermere Apartments



The Housing Partnership developed the Rivermere Apartments in a suburban setting in northwest Charlotte.

Managing Agent: S. L. Nusbaum Realty

Unit Mix: 192 apartments featuring 20 Family Self-Sufficiency units via the Charlotte Housing Authority, 80 tax credit units, and 92 market-rate units

# Housing Costs and their Impact on Affordability

Continuing calls from consumer groups and public officials for increasingly strict standards of fire safety, habitability, disability access, environmental controls, energy conservation, crime prevention, aesthetics, circulation plans, and many others have the net effect of driving up the costs of developing and operating affordable housing. Almost always well-intentioned with a public purpose in mind, such calls ultimately make housing less affordable to consumers.

Today's apartments cost about \$100,000 per unit to build; the number was \$67,000 per unit just 10 years ago. Wages are not keeping pace with cost increases, which does not bode well for the already substantial gap between what many households can afford and what the market can deliver. And subsidy dollars are finite, too. It is important for the Charlotte Region's public policy leaders to give serious consideration to the cost impact of each such proposal in weighing the respective benefits.



## Featured Community: Seigle Point

Located east of I-277, Seigle Point was redeveloped under the HOPE VI Program on the site of the former Piedmont Courts. The development consortium included the Charlotte Housing Authority.

Managing Agent: Community Mgmt. Corp.

Unit Mix: 204 apartments, featuring 102 public housing units, 84 tax credit units, and 12 market-rate units

## New Legal and Judicial Developments

In 2009, the North Carolina General Assembly passed SB810 - Discrimination in Land-Use Decisions Based on Affordable Housing Units. This is an important new state law that makes a local government potentially liable for unlawful discrimination if it rejects a housing development proposal merely because it contains affordable housing units for households with incomes below eighty percent (80%) of area median income.

And, a 2009 court case in Westchester County, NY found that for a state, county, or city to secure sizable monies for neighborhood improvement from the federal government, the governmental entity must certify that it will "affirmatively further fair housing." This means that cities must address the location of proposed affordable housing and do their parts to disperse housing away from high racial/poverty areas.



# Time for Change

Each citizen in the Charlotte region can help address the need for affordable housing in the community. However, we must first be educated. While this brochure attempts to point out the key elements of the affordable housing dilemma, the community will decide how this information should be considered most appropriately with respect to specific affordable housing situations. Each scenario will demand a unique solution, but those solutions must evolve so that Charlotte can address a concern that is certainly critical to the region's future. By reading this booklet, you have demonstrated an interest in the important issue of affordable housing. Help shape future innovations by engaging in affordable housing dialogues and defining or refining possible solutions.



## Featured Community: First Ward Place

First Ward Place was redeveloped on the Uptown Charlotte site formerly occupied by Earle Village. Bank of America funded the project under the Hope VI program.

Managing Agent: Pinnacle Management Co.

Unit Mix: 283 apartments comprised of 102 public housing units, 59 tax credit units, and 92 market-rate units.

## Bibliography

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# Affordable Housing Glossary

**Affordable Housing:** Housing is affordable if the residents pay no more than 30% of their income toward the rent or mortgage.

**Low-income rental housing:** housing that requires subsidies for production, for occupants, or both to make it affordable to low- and very low-income households.

**Moderate-income:** A four-person household with an income from 80% to 95% of the local area median income.

**Low-income:** A four-person household with an income from 50% to 80% of the local area median income.

**Very low-income:** A four-person household with an income less than 50% of the local area median income.

**Extremely low-income:** A four-person household with an income less than 30% of the local area median income.

**Housing wage:** the amount a full time worker must earn to afford a two-bedroom rental at the fair market rent while spending no more than 30 percent of his or her salary.

**Area Median Income (AMI):** The middle income by Metropolitan Statistical Area (MSA) and by county. AMI depends on family size. The Department of Housing and Urban Development (HUD) issues a listing of the AMI's each year. The AMI is used to determine the eligibility of applicants for both federally and locally funded programs.

**Fair Market Rents (FMR):** An affordability indicator set by HUD for most areas at their 40th percentile rent, are those for which or below which 40 percent of an area's standard quality homes rent.

**Income limits:** Family income limits established by law for admission into low- and moderate-income housing projects or to qualify for rent supplement assistance. Income limits are based on family size and geographic location.

**Subsidy:** Government grant to the sponsor to reduce the cost of one or more housing components (land, labor, material, financing) in order to lower the cost to the occupant.

**Low Income Housing Tax Credit Program (LIHTC):** Created by the Tax Reform Act of 1986 to provide incentives for private sector production of low-moderate income housing. It enables developers of affordable housing to raise equity through the "sale" of tax benefits to investors (corporations and individuals). Investors receive 10 years of tax credits in exchange for their investment. LIHTC is a very important source of equity for nonprofit housing developers.

**HOPE VI (The Urban Revitalization Demonstration):** Designed to revitalize the nation's most severely distressed public housing. Congress and HUD created the HOPE VI grant program in 1992 to provide a flexible source of support for investments in public housing developments and for their residents.

**Section 8:** Federal money distributed by local housing authorities in the form of vouchers for tenants to use in the regular rental market.