



**Greater Charlotte
Apartment Association**

February 19, 2021

Ms. Alyson Craig
Deputy Planning Director
Planning, Design & Development Department
City of Charlotte
600 E. Fourth Street, 8th Floor, Charlotte, NC 28202

RE: FEEDBACK TO THE DRAFT 2040 COMP PLAN

Ms. Craig,

The Greater Charlotte Apartment Association (GCAA) Government Affairs Committee appreciates the opportunity to provide feedback to the City of Charlotte on its Draft 2040 Comp Plan.

We support many of the recommendations outlined in the draft plan and acknowledge that as our city continues to grow, we should develop policies that will enable all residents to remain in our community and live near transit. This helps to build a more equitable and sustainable city. However, no policy should be made at the expense of hindering opportunities for more affordable housing.

We believe the feedback provided in the attached documentation will help address some of the current challenges to housing affordability in our city, as well as strengthen the Comp Plan.

We look forward to engaging further with you on future changes to the 2040 Comp Plan.

Sincerely,

A handwritten signature in blue ink that reads "Michelle Manns".

Michelle Manns
Director of Strategic Initiatives and Legislative Affairs

cc: Kim Graham, GCAA Executive Director
Patrick Johnson, GCAA Government Affairs Committee Chair



The Draft 2040 Comp Plan document is a 320-page compilation of extremely broad concepts that have encapsulated the ideas, perspectives, and goals of hundreds of individuals into one plan. While well-intentioned, many of the goals remain questionable as to their ability to be accomplished.

One theme of the plan that is emphasized as way of concentrating multifamily development into centers with all other residential development types as low-density residential is “Place Types”. Multifamily development is proposed to be allowed in the N2, TOD, Innovation Mixed-Use, Neighborhood Center, Campus, Community Activity Center and Regional Activity Center place types.

The “center” districts are in very limited locations and are likely to be the more expensive high-rise type developments since there will likely be less viable location options to develop apartments. Innovation Mixed-Use is geared more towards infill of older warehouse districts of which there are also a limited amount. So, the bulk of land available for lower intensity multifamily and more affordable units is likely to fall within the N2 district. Not sure if this is intentional or an unintended consequence but should be reconsidered.

Another theme is the City’s goal to increase growth along transit systems, encourage a variety of mixed-use buildings, and increase the walkability score in all communities. We applaud and support these goals but not at the expense of regulatory impositions that will result in increasing the cost of development and construction thus creating a reverse effect or outcome of hindering the construction of more affordable housing units. However, what good is it to have goods and services nearby if our residents cannot afford those goods when they get there?

The National Multifamily Housing Council reported that 33% of a development’s total cost is attributed to regulation. Regulations being made and imposed by persons without any thought or considerations of the cost impacts to the end-users. A recent statewide (multifamily) developer survey (most of the survey respondents developed in the Charlotte and Triangle areas) revealed that tax abatements and reduced permit and inspection fees would be the greatest incentives to developing affordable housing. The biggest contributors to increased construction costs were identified as cost of materials and labor, regulation, and infrastructure (water, sewer, roads). When you raise costs, the side effect is reduced production.

We have provided a copy of the survey for your reference.

There are two sections of the Draft plan that seem to bear the greatest impact on the apartment industry:

- Goals 3: Housing Access for all
- Goal 7: Integrated Natural and Built Environments.

After identifying the proposed recommendations and action items that would impact multifamily development, we formulated the following metric to evaluate goals and action items and viewed them through the lens of this question: **What is the cost impact?** Would this recommendation or

action help or hinder the development and/or construction of affordable housing or add to the cost of development? We strongly encourage that the Planning Department conducts a cost/benefit analysis for each and every goal/policy/initiative.

Please refer to the attached excel chart for a list of those proposed recommendations and action items identified along with explanations/feedback to each.

Draft 2040 Comp Plan GCAA Gov. Affairs Working Group Feedback

	A	B
1	Regulatory Changes and Projects and Programs we support	Feedback
2	Encouraging changes to state law that hamper the development of affordable housing, or that block City efforts to increase the stock of affordable housing, such as allowing fee waiver programs, broadening the allowable uses of tax increment, or fee reimbursement for projects that meet affordability standards.	The National Multifamily Housing Council reported that regulation contributes to over 30% of the total cost of a multifamily development. We therefore support encouraging <u>effective</u> changes to state law that hamper affordable development. We strongly disagree with the two legislative changes the City has mentioned; - inclusionary zoning and impact fees. The City should encourage ways that promote voluntary inclusionary zoning not mandates. Inclusionary zoning has not proven to be an effective tool for increasing affordable housing inventory. While inclusionary zoning provides large benefits for a small number of low- and middle-income households, empirical evidence has indicated that it inflates prices for others and reduces access to housing overall. Research has shown that impact fees will increase the already overburdened cost of developing a project from the current 33%.
3	Implement neighborhood conservation overlay districts where appropriate to encourage preservation of existing smaller footprint and NOAH units.	If the neighborhood residents do not decide on where these overlay districts are placed then it feels like a "taking" or a form of eminent domain.
4	Encourage development of a variety of housing product types in Activity Centers by reducing or eliminating parking requirements and/or using shared parking, increasing height or density allowances when these units are built, or providing other development incentives (applies to Regional Activity Center, Community Activity Center, Neighborhood Center, and Campus).	We have a significant shortage of housing that is affordable so limiting housing to a select few place type districts minimizes opportunities for more affordable housing to be built.
5	Encourage and address barriers to the development of transit-oriented housing.	Barriers are overly burdensome regulations that increase the cost to produce housing. More regulation that lengthens the timeline for delivering new housing. Time is money, too. We suggest that the City look more closely at standards, for example, like reducing parking requirements so developers can create more housing units at a lower cost.
6	Include provisions similar to the Bonus Menu included in the TOD Zoning Ordinance in some or all new zoning districts associated with Neighborhood 2, Community Activity Center and Regional Center Place Types.	Developers have previously indicated that the height bonus is not an incentive because it requires them to build up to use the extra density. Such changes can often require the use of significantly more expensive materials. The TOD intentionally limits the "baseline" density in order to try to enforce the use of the bonus to create affordable housing. We do not agree with this tactic and believes it is counter productive. Also, the open space aspect of the Bonus Menu seems to suggest that lower income residents get less recreation. This is not good public policy.

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	A	B
7	Explore new and support existing public-private partnerships to build affordable housing on City-owned land, especially in areas with low transportation costs such as near high-performance transit stations.	We recommend that this be made a priority. Solving the housing affordability problem in our community is not just the responsibility of developers. Other stakeholders such as hospitals, health systems, universities, faith houses and other institutions should be encouraged more to play a role in investing in affordable housing development.
8	Include provisions similar to the Bonus Menu included in the TOD Zoning Ordinance in some or all new zoning districts associated with certain place types.	Developers have previously indicated that the height bonus is not an incentive because it requires them to build up to use the extra density. This changes the construction type to more expensive means. The TOD intentionally limits the "baseline" density in order to try to enforce the use of the bonus to create affordable housing. We do not agree with this tactic and believes it is counter productive. We ask the City to consider the impact that COVID is already having on the development of multifamily housing; supply chains/materials and labor issues, and delays that are already increasing costs. Again, tax abatements are a great alternative solution since they are not one-time but a recurring financial incentive and therefore offset the recurring negative financial impact of the lost revenue associated with affordable housing.
9	Create an ombudsman office to support developers of affordable housing and the implementation of community benefits from development projects.	We support this idea but tax payers should not pay for additional staff for this role. Existing staff should act as ombudsmen.
10	Use the Equitable Growth Framework metrics to evaluate privately initiated rezoning applications and their impact on affordability.	There are 23 measures within the four Equity Metrics that are proposed as part of the framework methodology. The City proposes to use Place Type Mapping from "Data Grid Cells" to determine which meet the criteria. We caution that this should be a framework only and if a site doesn't check all the boxes and criteria of the metrics, the rezoning application for affordable housing should not be sacrificed at the expense of failing data grid cells. This is a slippery slope. Staff will decide whether a deal is appropriate from an economic sense? With what expertise? And this only applies to private zonings? Why?
11	Regulatory Changes and Projects and Programs we DO NOT support	Feedback
12	Investigating new City-wide regulatory programs that require or incentivize development of affordable housing. Including advocating changes to state law to enable conditional zoning to require the inclusion of affordable housing units in areas lacking affordable housing options and applying bonus program for affordable housing currently included in TOD districts to other Activity Centers and other targeted Place Types.	Adding regulation almost always drives up the cost of development. Inclusionary zoning has not proven to be effective so why continue to pursue legislation for an ineffective program? The TOD Bonus program will be rarely used in the most expensive land situations. It should not be made applicable to all areas.

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	A	B
13	Develop market-focused regulatory and administrative changes to encourage production of affordable housing.	Again, any regulatory and administrative changes that add to the costs of developing and constructing affordable housing should not be made. For example, the City's decision to change the inspection and permitting procedure for site domestic water lines for private water distribution systems without any notice to developers or discussion has caused substantial financial increases to multifamily development projects as much as \$400 - \$600/unit. Those making regulatory decisions are oftentimes not the practitioners who have to bear the financial burden of such decisions. Who pays for these regulatory changes? The end-user - the renter. As these costs increase, the proposed rent for the project must also increase to ensure the project can retain the revenue required to generate the return on investment needed to make the project viable. Any increased cost to the development and construction of housing are ultimate paid for by the end-user - the renter.
14	Implement the Strategic Energy Action Plan by implementing Resilient Innovation District (RID) programs throughout the City that are responsive to different Place Types and contexts and promote net zero development and carbon neutrality.	This would most likely add to the costs of development, and yet the Bonus program which reduces open space seems contradictory. This seems to suggest that affordability must be sacrificed because of someone's opinion on energy use.
15	Review development regs to ensure that impacts from development such as stormwater runoff, tree cutting are appropriately addressed during development of smaller infill projects. Utilize UDO regs to ensure that infill development does not lend itself to increased stormwater issues, runoff, and a decreased tree canopy.	This will help the development of affordable housing. Additional note: Drive down Tyvola Road from Sharon Road to Providence Road and you will see 30-year-old apartment communities that are tree covered, lining the streets. These are dense developments but if you applied the current Urban Street Design guidelines to those areas it would not look the way it looks. The best way to protect trees is to not apply the Urban Street Design guidelines.
16	Review development regs for opportunities to remove barriers and/or create requirements or incentives for sustainable development practices: implementation of solar power, require LEED certification for new construction, solar energy generation, net zero energy consumption.	The examples used as opportunities to remove barriers and create incentives for sustainable development practices will actually add to the cost of development and construction thereby hindering the development of affordable housing. The LEED certification process is very expensive and does not make good economic sense. It should be noted that if regs make economic sense then developers will implement them, but if they do not, the deal will not be done.

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	A	B
17	<p>Modify development regs for complete neighborhoods to provide open spaces as part of private developments –of other communities that require 5% - 10%.</p>	<p>Currently open space in private developments is achieved through setbacks and the Urban Street Design guidelines. Many sites are unable to meet the Urban Street Design guidelines, i.e., McMillan Place, The Essex which are wonderful developments that do not meet the urban design guidelines. Some aspects of the policies are contradictory in that they create more paved streets which creates more runoff, thus hindering the provision of more open space. USDG regulate the length of blocks and forces one to install more streets, therefore resulting in more pavement and more stormwater runoff; antithetical to affordability and pro-automobile.</p>
18	<p>Transportation – Require developers to pay for required reconstruction of roads in large infill projects.</p>	<p>Again, any regulation that increases the cost of development should be reconsidered.</p>
19	<p>A “cost recovery” mechanism/programs to address lack of funding for network growth and enhancements needed for new development tools, i.e., impact fees or improvement districts to generate revenue and address impacts of new development. <input type="checkbox"/> Impact fees to support new schools.</p>	<p>Any impact fee to support new schools will impact housing affordability. Impact fees ultimately trickle down to the renter or homeowner which diminish affordability.</p>
20	<p>Value Capture Techniques/Programs (i.e., Tax Increment, using sales tax sharing and improvement districts (add'l property or sales tax))to help mitigate the increased cost of infrastructure and services caused by new development and fund improvements from new development.</p>	<p>Some of the techniques/tools mentioned will help in the development of additional affordable housing except the imposition of impact fees which ultimately trickle down to rents and mortgages thereby hindering housing affordability. We support having increased tax values generated by new development, i.e., the Tax Increment Grant Program (TIG) that provides repayment of costs for public improvements, improvement districts used to mitigate impacts of new development instead of going to the City’s general fund. We acknowledge that in this era of tight budgets and exploding need, cities are resorting to funding infrastructure and other public improvements through “land value capture” to recover and reinvest land value increases resulting from public investment and other government actions. However, inclusionary zoning has not proven to be an effective tool for increasing affordable housing units. While inclusionary zoning provides large benefits for a small number of low- and middle-income households, empirical evidence has indicated that it inflates prices for others and reduces access to housing overall.</p>