



Affordable Housing Development on Public Land Strategy Report - September 2019



Purpose: This report highlights key factors for the Council to consider when designing the planning process for developing affordable housing on public land.

Overview: The use of publicly owned land for affordable housing is a promising strategy to ease the barriers to development. For example:

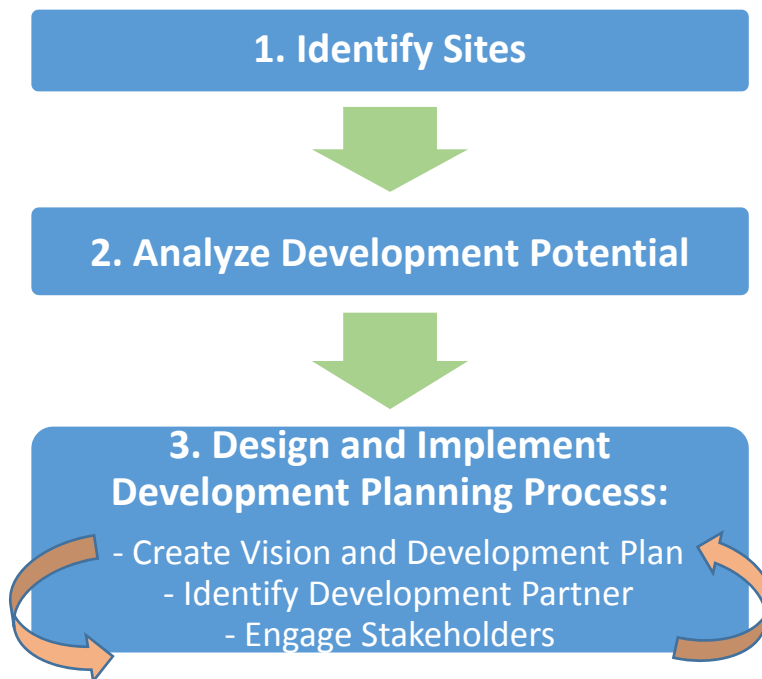
- Eliminating or reducing the cost of land for developers, particularly in areas with high land costs, can increase the feasibility of affordable development
- Offering public land for development is often accompanied by enhanced regulatory support and political will from municipalities

As a Town it is helpful to determine what role we should play and our capacity to manage the development process. This report describes the key factors for us to consider in evaluating our role in the development of public land and offers case studies to demonstrate the process other communities have followed.

I. Community Planning Process Overview

Development typically follows a multi-step process to progress from site selection to an initial site plan, beginning with site identification and an analysis of development potential on those site(s). However, how a municipality chooses to design and implement their planning process may vary, particularly the timing of when a development team is selected, which impacts the role a municipality plays during the planning process.

Outline of Development Planning Process





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II. Outline of Pathways for Development Planning Process

The two pathways outlined below demonstrate alternatives to consider in terms of when to engage a developer partner and the role the Town may play in a project’s planning process:

Pathway 1: Town leads detailed site analysis, community engagement, and initial visioning; then procures developer to finance and implement initial plan.

In this scenario a municipality typically works independently or with a planning, design, and/or engineering team to select the project site, conduct initial analysis to determine site constraints and initial cost, engage the community in shaping the vision for the site, and garnering support for the project from the community. While the scope and actors in this scenario may vary, **the common goal is to develop an initial plan for the site that can be communicated during developer solicitation.**

Potential Benefits:

- Reduces uncertainty around what will be proposed for the site, may increase quality of development proposals
- Increases public control of process
- May increase support for project
- Developer Feedback: helpful if developer solicitations are not overly prescriptive in terms of site and design specifications

Case Study 1: Redevelopment of Durham County-Owned Downtown Parking Lots (See Attachment 1)

Pathway 2: Town procures development team early to lead planning and visioning process from beginning.

In this scenario a municipality typically determines one or several sites it wants to consider for development, collects preliminary information on the site(s), and issues a solicitation for a developer. An agency may indicate general development principles it has established either for the municipality overall or for a specific site – e.g., minimum percentage of affordability, energy efficiency standards, design principles. While the level of detail included in the solicitation may vary in terms of project goals and site details, **the common goal is to engage a developer early so that agency staff can transition leadership of the project in the initial stages of planning.**

Potential Benefits:

- Invites creativity and expertise from developer
- Minimizes staff resources for managing project
- Decreases Town pre-development expenses
- Proven developer could increase community trust in the project
- Developer Feedback: helpful if developer solicitations provide clear goals and/or policy objectives

Case Study 2: City of Charlotte – Affordable Housing Development on City-Owned Parcels (See Attachment 1)



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III. Factors to Consider When Determining Town Role in Development Process

The Town should consider a variety of factors related to characteristics of the organization and the site when evaluating its preferred role in the development planning process:¹

- **Project Size:** A project's yield (i.e., # of units) may or may not justify the up-front investment of time and cost required when leading a robust planning and community engagement process.
- **Impact on Surrounding Community:** Projects that will substantially impact the surrounding community – e.g., transform the use of the site, strain existing infrastructure – may face barriers to obtaining public and political support. The level of control and visibility an agency wants to maintain may depend on the level of community trust and controversy surrounding a project.
- **Town Resources:** Consider the amount of funding available to dedicate to a project. Leading the planning process without a development partner requires an up-front investment that otherwise could be written into the overall development budget and potentially paid for with other funding sources.
- **Funding Source:** The application process and regulatory timelines associated with a funding source may impact the Town's role. For example, both the application for and implementation of Low Income Housing Tax Credits require that projects follow a strict development schedule. When applying for tax credits or other specific funding source, consider early engagement of a developer that meets the eligibility requirements and understands the regulatory parameters of that source.
- **Staff Capacity:** If real estate development is not a core competency of the agency, or the agency has a full pipeline of properties slated for development, consider turning over leadership of a project quickly and early in the development process.

¹ Source: <https://www.enterprisecommunity.org/download?fid=3257&nid=3739>



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IV. Application of Factors to Town-Owned Parcels

The table below is intended to serve as a guide to help the Town determine the best pathway forward for a project based on the evaluation of factors described above.

Project Factor		Considerations
What is Anticipated Project Size?	Small=<40 units Medium=40-80 units Large=80+ units	<ul style="list-style-type: none"> ▪ Up-front investment of time and cost vs. project yield ▪ If staff capacity insufficient, developer may be better equipped to lead ▪ Developers may not be interested in high investment for low yield
What is estimated Project Impact?	Transformative vs Not Transformative	<ul style="list-style-type: none"> ▪ Level of desired agency control and visibility, community trust, and controversy ▪ Anticipated level of community opposition
Are up-front Town Resources available?	Likely vs Not Likely	<ul style="list-style-type: none"> ▪ Town-led pathway requires up-front investment that could be written into the overall development budget ▪ Consider funding availability for development projects overall.
What is anticipated Funding Source(s)?	Tax Credit or Flexible	<ul style="list-style-type: none"> ▪ Eligibility requirements, application process, and regulatory timelines associated with a funding source ▪ Developer's tax credit experience likely to improve chances of award
What Level of Staff Capacity is needed?	Higher vs Lower Level	<ul style="list-style-type: none"> ▪ Capacity in light of pipeline of development projects



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Attachment 1

Town staff conducted extensive research to explore the role various municipalities have chosen to play and the process they have followed in the development of affordable housing on public land. Using national best practice reports, local tools and policies, and interviews with local project managers, staff have chosen to highlight two exemplary case studies that illustrate the pathways described in the body of this report.

Case Study 1: Redevelopment of Durham County-Owned Downtown Parking Lots²

Pathway 1: Municipality leads detailed site analysis, community engagement, and initial visioning; then procures developer to finance and implement initial plan.

Background: Durham County engaged the Development Finance Initiative (DFI) out of the UNC School of Government to provide pre-development services for two County-owned parking lots on Main Street in Downtown Durham. DFI’s scope included community engagement, analyses of current conditions, site-specific market analysis, site planning, and a financial feasibility analysis. DFI was charged with creating a final development program that meets both public and private sector interests and then finding a development partner to realize that vision.

Outcomes: DFI and its architect partner implemented the predevelopment scope resulting in two [conceptual plans](#) for each site and a list of community-informed public interests to guide developer selection.

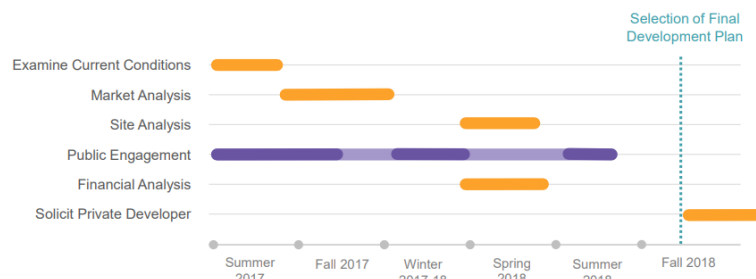
Developer Selection: the developer solicitation sought proposals for one or both sites that adhered to the public interests established by the Board of County Commissioners and the community. The Team received nine responses and made a recommendation for a developer partner to the Board of Commissioners in July 2019.

Other similar examples of Pathway 1 include:

- City of Asheville – Strategic Investment Sites: http://legacy.ashevillenc.gov/departments/community/community_development/affordable_housing/redevelopment_of_city_owned_land/redevelopment_sites.htm

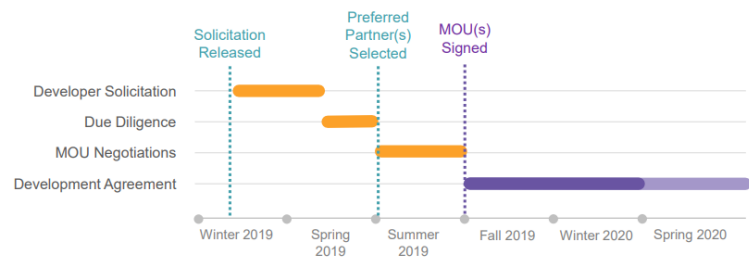
² Source: <https://www.dconnc.gov/county-departments/departments-a-e/engineering-and-environmental-services/project-management-division/current-projects/300-and-500-e-main-redevelopment>

Pre-Development Project Timeline



Note: Timeline subject to change due to market conditions, timing, type and scale of public interest process desired, as well as response during private developer outreach.

Post-Solicitation Project Timeline



Note: Timeline subject to change due to scale of due diligence required, negotiations with development partners and timing, type and scale of any additional public engagement.



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- Durham Housing Authority (DHA) - Downtown Neighborhood Planning: <http://www.durhamhousingauthority.org/development/ddnp/>
- Town of Chapel Hill – 2200 Homestead Road: <https://www.chapelhillaffordablehousing.org/2200-homestead>

Case Study 2: City of Charlotte – Affordable Housing Development on City-Owned Parcels³

Background: The City Real Estate Group worked with the Department of Housing & Neighborhood Services to identify parcels with potential for substantial affordable housing.

Developer Selection: The city issued an RFQ for affordable housing development on 9 parcels of city-owned land. The RFQ included basic information on the sites (see table) as well as the established City objectives for the construction of affordable housing on those sites, including:

- Provide a mix of affordable units;
- Be attractive and compatible with the character of the neighborhood and larger community, both aesthetically and functionally;
- Utilize environmentally-friendly and sustainable principles in project design and construction; and
- Incorporate community input on the proposed development unit mix, affordability and physical design.

8. CITY PROPERTIES UNDER CONSIDERATION FOR AFFORDABLE HOUSING USAGE

	Address	Tax ID Number	Acres	Zoning	Use
1	7619-7631 North Tryon Street	047-221-22 047-221-23	4.02	I-2(CD)	Vacant
2	Toomey Ave	145-016-12	0.77	R-22MF	Vacant
3	West Tyvola Road	143-051-01	5.016	R-22MF	Vacant
4	4209 Freedom Drive	059-041-05	3.718	R-4	Vacant
5	3801, 3807, 3821 Freedom Drive	059-012-16 059-012-17 059-012-18	2.83	R-4	Vacant
6	3924-3932 Freedom Drive	063-052-05 063-052-04	1.25	R-22MF	Vacant
7	Idlewild Road North	133-251-20	1.68	O-1	Parking Lot
8	1654 Newland Road	077-061-13	1.34	R-12MF	Vacant
9	2135 LaSalle Street	075-036-69 075-036-70 075-036-74 075-036-75 075-036-73 075-036-72 075-036-71	2.4	UR-2	Vacant

Outcomes: Five developers responded and were asked to submit formal proposals for their sites of interest. Three teams were approved as development partners for three of the sites. The selected developers will carry full responsibility for concept planning/visioning for site. The City will provide support during entitlement process.

Other similar examples of Pathway 2 include:

- City of Durham – Southside Lofts: <https://durhamnc.gov/487/Southside-Revitalization>; Willard Street Apartments: https://durhamnc.gov/DocumentCenter/View/12530/FINAL_COD_Jackson-Street-Property-RFQ_Oct_5_16?bidId=249

³ Sources: [Affordable Housing Development RFQ](#); [Charlotte Looks at Selling or Donating Land for Affordable Housing](#); [Affordable Housing Overview Publicly Owned Land](#); Interview with Zelleka Biermann, Housing Development Manager, City of Charlotte