

Guidelines for City of Morganton Downtown Housing Improvement Program (Downtown HIP)

Background and Policy Statements.

The Morganton Main Street Program completed a second Master Plan for Downtown Morganton in October of 2017. The Morganton City Council adopted the Master Plan in March 2018. Among other things, the Plan documents the shortage of housing of all forms in downtown Morganton, where demand far exceeds the supply. It has been determined that some 1800 units are needed, however, the plan also recognizes the need to implement housing into the downtown over time. This will allow infrastructure to grow with the demand.

Residents in Morganton are increasingly seeking to live in walkable, urban areas. However, there is currently insufficient available housing stock within the downtown district and surrounding neighborhoods, as well as a lack of diverse housing types and price points. Several housing opportunity sites have been identified which could support the development or redevelopment of a range of housing types to better meet the demand in downtown Morganton.

Evidence shows that at least 30% of Morganton residents aged 15-34 and 30% of residents aged 50-74 prefer city living, driving demand for downtown housing. The latent demand for housing in downtown Morganton far outweighs the supply, leaving a deficit of approximately 1,000 units. It is anticipated that the demand for downtown housing will continue to grow as major employment opportunities on the horizon are implemented and efforts to enhance downtown retail offerings continue. Recommendations in the Downtown Master Plan include soliciting urban housing developers and partnering with institutions to upgrade the existing housing stock.

Furthermore the Master Plan stated the latent demand for downtown housing should be met through new construction as well as the rehabilitation of existing housing within a 10-minute walk of downtown. In many small towns across the country, institutional partnerships have resulted in improved downtown housing stock via the implementation of home improvement grant programs.

To begin addressing the critical demand for more housing in the downtown area, the City Council has appropriated funds for a loan program, to be called the Downtown Housing Improvement Program (Downtown HIP), to assist in development, design and construction of new residential units. This program would be available only in the Central Business District (CBD) as defined in the City's Zoning Ordinance, which is the same area covered by the Downtown Municipal Service District (MSD) established by City Council to provide special tax revenue for those services unique to the downtown area. It is noted that special Fire District rules, with more stringent building requirements, may apply within all or some of the CBD.

Approved Downtown HIP loans are intended and designed to be for the purpose of encouraging downtown residential development by assisting property owners in utilizing or connecting to infrastructure, or assisting in making those improvements necessary to meet the requirements of State and local housing and fire codes, which are often a challenge in the dense environment of the downtown area. The Housing Improvement Program is focused on the development of market rate upper floor housing and/or infill housing projects.

Procedures:

The Downtown HIP is a first come first serve program available only to property owners in the area covered by the Downtown MSD/CBD as defined by official City maps. The applicant must be prepared to start construction of the housing unit(s) within 6 months of approval of an application. If a building permit is not issued within 6 months after loan approval, then the loan shall be forfeited and withdrawn

Downtown HIP loans are made only on a reimbursement basis, and are to be advanced only after construction has begun and the applicant has submitted appropriate documentation of expenditures.

All loans shall be approved by vote of the City Council, and fully documented by written loan agreement in form acceptable to the City, signed by the property owner. All loans shall be secured by deed of trust in proper form, recorded in the Burke County Register of Deeds, which instrument may be subordinate to any primary financing deed of trust.

Funds Available: The amount of loan funds available in any year is dependent on the amount for this Program, if any, appropriated annually by the City Council.

Guidelines:

- Loan maximum of \$10,000 per unit at 3.0% per annum interest, secured by a deed of trust.
- Loan not to exceed 50% of applicant's project expenditure.
- Loan must be re-paid within 5 year or upon sale of unit(s) if earlier.
- Property must be located within Morganton's downtown Municipal Service District/Central Business District as shown on the attached map and defined by the City of Morganton.
- Loans will only be made to the property owner, upon submission of proper application.
- The applicant must start construction of the unit(s) within 6 months of the date of the approved application by Council. If a building permit is not issued within 6 months, then the loan shall be forfeited and withdrawn and made available to other applicants.
- Loans are for the development of residential units located on the 2nd floor or higher, unless an infill project. For those infill projects within approximately 2

blocks of the Historic Courthouse Square as depicted on the attached City map, loans will only be for upper floor residential, unless applicant proves to the satisfaction of the Review Board why commercial should not be the primary use for the first floor. Some consideration will be given for first floor residential if the front of the first floor remains a viable commercial space.

- Review Board and City Council must determine that loan is necessary for the successful and profitable completion of the project for which the loan is sought.
- All construction must follow the U.S. Secretary of Interior Standards.
- *Payback of Loan Funds:* Re-payment of principal and interest at the rate of 3% per annum is to be made annually. Applicant make choose option for re-payment: payment of principal and interest annually spread over 5 years; make a balloon payment at end of year 5 with interest only payments made yearly; or re-pay \$10,000 plus interest, per unit as each unit sales, however, all loaned funds plus interest must be paid within 5 years.
- *Application Review Process:* Loan applications will be reviewed by a committee, to be called the Downtown Housing Improvement Review Board, appointed by City Council and initially made up of one (1) person from the 2017 Master Plan Steering Committee; one (1) from the Main Street Advisory Board; one (1) from the Downtown Development Association; one (1) resident of the CBD/MSD; and one (1) with experience in the local financial community. Lead staff is the Main Street Director.

Since the need for housing is of the utmost importance, the Downtown Housing Improvement Review Board will meet as needed to review applications in a timely manner. Only if the Review Board recommends approval shall the matter be forwarded to City Council.

- Applications recommended by the Review Board shall be forwarded to City Council for consideration. After public hearing at a regular Council meeting, upon at least 10 days' notice, Council by majority vote may approve the requested loan and authorize the loan agreement.

Downtown HIP Application

Applicant Name _____

Applicant Home Address _____

Applicant Email _____

Applicant Phone Numbers

(ofc) _____ (C) _____

Address of Site of Residential unit(s) _____

Number of Units to be built _____

Estimated Cost of Construction _____

Attachments Must Include:

- Resume of the developer/property owner and/or retained personnel
- Description of similar projects in which person or company have been involved (Experience with at least one similar project desired but not required)
- Detailed description of proposed project including:
 - Projected residential use (rental or sale)
 - Other necessary public involvement
 - Finance structure (i.e. project budget)
 - Developer's financial statement
 - Banking support, etc.
- Timeline project schedule
- Project Pro Forma

Loan Amount Requested _____

For Staff Use:

Loan Amount Approved _____ Loan Date _____

Loan Re-payment plan _____

Project Review Criteria

Loan applications will be reviewed by a 5 person committee, to be called the Downtown HIP Review Board, appointed by City Council and made up of one (1) person from the Masterplan Steering Committee; two (2) from the Main Street Advisory Board; one (1) from the Downtown Development Association; and one (1) from the local financial community. Lead staff is the Main Street Director.

Since the need for housing is of the utmost importance, the Downtown HIP Review Board will meet as needed to review applications in a timely manner. Only if the Review Board recommends approval shall the matter be forwarded to City Council.

The Board shall have the responsibility of obtaining and analyzing all project applications. The group may also obtain additional information from the developer if deemed necessary to make appropriate recommendations.

City staff will be provided to the review board for the purpose of organizing all applications as well as to provide technical assistance to both the developer and the review board. Approved applications will be sent to City Council, whereby a public hearing will be called for at the first permitted City Council meeting, then voted on at the following months council meeting.

Each project shall be reviewed based upon the following criteria:

1. Compatibility with the 2017 Downtown Masterplan
2. Compliance with the Secretary of Interior Standards
3. Impact upon overall progress of the Downtown Masterplan goals
4. Economic viability of project
5. Economic stability of applicant
6. Developers ability to obtain balance financing for the project
7. Tax Base added
8. Aesthetics of the project
9. Developer's background and success with similar projects.