

SMITHVILLE REVITALIZATION PLAN

Smithville Community Coalition
February 2019





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“Stony the road
we trod, bitter the
chastening rod, felt in
the days when hope
unborn had died; yet
with a steady beat,
have not our weary
feet come to the place
for which our people
sighed?

We have come over
a way that with tears
has been watered; we
have come, treading
our path through
the blood of the
slaughtered, out from
the gloomy past, till
now we stand at last
where the white gleam
of our bright star is
cast.”

PREFACE

The Board of Directors of the Smithville Community Coalition has prepared this prospectus hoping to tell our story comprehensively. Saving Smithville is not a development deal. It is our quest to find a just solution to our future. Most historically African-American Charlotte metro communities from the 1900s are just remnants today. The descendants of slaves no longer have a claim to the place their foreparents called home.

Displacement is one of the great ironies of urban America. Residents in segregated African-American neighborhoods, were denied economic opportunities and the ability freely choose where to live. Later generations left the segregated spaces of their foreparents in search of economic opportunity and the ability to make life choices. As we fast-forward to the 2000s, African-American and former African American communities sit on some of the best-situated lands in many cities and towns. But through a combination of bad or no municipal affordable housing policy, gentrification, speculation and various forms of theft, these affordable communities are disappearing or have disappeared. In Smithville, we intend to see a different result. We have taken the lead to shape a bright future where the existing residents, the descendants of the original sharecroppers, are integral to the destiny of our space.

From a real estate perspective, Smithville has an excellent location. Current transportation is good for North Mecklenburg. It is also a sub-neighborhood of Cornelius, which has a high quality of life and great amenities.

The Smithville Community Coalition (SCC) and our constituents, the historical residents of Smithville, have come together to shape our vision for the future. Smithville will change, but the real question becomes, can the current residents of Smithville share in and benefit from that change. Can their children and grandchildren ever afford to come home?

This prospectus, or proposal, includes a comprehensive approach toward carrying out that vision. This vision can succeed only if we develop partnerships with partners who want the vision to succeed. Indeed, it is a lot easier to find ways to say “no,” than it is to say “yes.” However, “getting to yes,” is the only way we can create affordable housing options and, at the same time, protect the legacy of Smithville.

This prospectus is organized to answer the five W’s: “who, what, when, where, and how.” As a part of answering these questions, we will summarize the roles that we need our future partners to consider. Thank you in advance for agreeing to meet with us and give us an opportunity to share our enthusiasm with you.

– Willie Jones, for the Board of Directors of the Smithville Community Coalition

EXECUTIVE SUMMARY

We all acknowledge that Smithville will change in the future. The real question facing us is, what must Smithville do to shape and control its destiny? Smithville is facing four existential threats:

- A rapidly aging population,
- Relatively low land values due to isolation and blight,
- A very marketable location, and,
- Introduction of Bus Rapid Transit (BRT) stop.

This Smithville revitalization program, constructed around six principles that respond to the existential threats, is also an affirmation of the type of community we need in the future.

- No residents in currently occupied homes will be displaced.
- The “new Smithville” will honor its heritage as a historically African-American neighborhood. The new community will be approximately 50% existing and 50% new.
- Seniors who own their homes can continue to live in them until they are ready to sell in the future.
- This phase of the revitalization will be limited to blighted sections of Smithville, those with empty land and empty buildings.
- The new community will be developed in such a way that current residents will not be displaced by escalating real estate taxes.
- New development in Smithville will be mixed income and mixed tenure, covering the spectrum from 30% of AMI to 120% of AMI, with the majority of new development targeting incomes below 80% of AMI.

In the first draft of the plan, less than 5, most likely 3, currently occupied homes may need to be purchased to provide transportation right of ways, but those households will be able to remain in Smithville and compensated as a part of the redevelopment.

There is no such thing as a neighborhood revitalization plan tailored to every single owner or renter in Smithville. This plan is our attempt to create something that is fair, responsive to the first six principles above, and capable of being implemented. Change always requires compromises, and we have attempted to listen to you, the community, and craft something that meets the goals expressed to us in previous meetings.

We will compensate everyone fairly for their land assets. The two significant vulnerabilities of this plan is: (a) significant numbers of landowners holding out and refusing to sell vacant land in an attempt to squeeze out a few dollars more, and, (b) investors and speculators buying and holding property to make money without regard to the long term impact on land or home prices. By the end of February, we will have most of the lots appraised. Also, the Mecklenburg appraisals just came out in January 2019. So, we have a good idea of the value of each parcel. We are willing to pay that price.

There are three parts to the revitalization plan. First, we want to raise approximately \$250,000 to create a loan pool that will allow us to provide a second mortgage for up to 25 seniors living in Smithville in return for a Right of First Refusal to purchase their home when they decide to leave it. This second mortgage will not require payments from the homeowner but repaid upon sale of the house in the future. Habitat for Humanity has agreed to assist anyone who wants to have home repairs funded with this RoFR loan.

No residents in currently occupied homes will be displaced.

The “new Smithville” will honor its heritage as a historically African-American neighborhood. The new community will be approximately 50% existing and 50% new.

Second, all occupied homes which do not want to participate in this program can be sold on the open market just as they can be sold now. We will attempt to accommodate any current homeowner south of Catawba who wants to sell their home to this revitalization effort.

Third, we will have partners build on currently vacant properties. All land purchased will be subject to long term income restrictions. We have interviewed experienced potential development partners who will be under contract to provide housing within the parameters of the program we have described. We have viewed their products and their cost structure for delivering their homes as a part of this process.

We have contracted Neighboring Concepts, to work with the Town and us as the master planner for the “new Smithville.” We have had lots in the target area appraised. That report will help us confirm the amount of capital we will need to purchase properties and determine values after the revitalization. We are projecting rents to range from \$450/month to \$900/month on one to three-bedroom units. We are expecting approximately 25 senior units and about 55 family units at this time. These units will allow seniors who want to leave their homes, an opportunity to stay in the neighborhood.

We are projecting home sales prices to range from \$175,000 to \$250,000, with a median price of \$220,000. This cost spectrum allows us to include annual household incomes as low as \$45,000 and up to \$75,000. All of these incomes qualify for down payment assistance from bank programs. If the home values stay in that range, then the increase in real estate taxes on the existing properties can be better planned for and managed.

We are also including the Smithville Rosenwald School renovation. It is a historic structure and essential icon in the neighborhood. Included in our plan is an attempt to bring the school/center back to its original design as a community resource. We want to purchase the school/center and create an operating fund to maintain its financial viability into the future.

In summary, Smithville will become a multi-ethnic, mixed-

income, mixed-tenure neighborhood of primarily working-class residents.

The SCC developed the plan in this document based on discussions and comments at several neighborhood meetings. We now need your thoughts on this approach. If we proceed as described above, we will need to raise approximately \$3.5 million in total to implement this plan.

This plan is fair, reasonable, and capable of implementation, but only if the Smithville community work for it. That includes mobilizing to obtain town and county support and demonstrate the viability of this approach for philanthropic support.

Development Program

Rental

40 units at 50% of AMI

20 units at 40% of AMI

20 units at 30% of AMI

Total of 80 units

Ownership

25 units targeting 60% of AMI

25 units targeting below 80% of AMI

25 units below 120% of AMI

Total of 75 units

Our total program plans are for approximately 155 units on blighted vacant land. We plan for 80 units serving below 50% AMI renters and 75 units for buyers below 120% of the AMI. Of the 75, 50 units will help below 80% AMI buyers and 25 units serving below 60% of AMI buyers.

We can create this level of affordability by acquiring all the land needed and putting in the core infrastructure. This approach gives the revitalization the ability to use variable land costs to enhance the affordability of both the rental and ownership housing.

PROGRAM SUMMARY

The revitalization program attempts to address four key objectives:

1. Eliminate displacement of current primarily low-income residents of Smithville,
2. Eliminate blight and create value for the remaining homeowners in Smithville,
3. Connect Smithville to the town of Cornelius, and,
4. Reposition Smithville as an emerging mixed-income, mixed-tenure, and multi-ethnic neighborhood of the future, primarily occupied by households making less than 80% of the AMI.

The financial program is built around two primary forms of financing, Target Area financing and Right of First Refusal financing.

Within the target area, we are seeking a \$3 million loan from the county that will bridge lot sales and infrastructure installation in the target area. With the \$3 million, we will purchase approximately 40 parcels of blighted land in the target area and install new infrastructure based on the layout in the master plan.

Within the target area, where the density is approximately 1.5 units per acre, we will replace that with approximately five units per acre. The significance is twofold; first, increasing the density allows us to pay the existing owners the appraised value of the property. Second, it ushers in a density that is consistent with today's market subdivisions.

We will subsidize the 80-unit low-income rental component in two ways. First, we will charge them nominally for the land, and recruit a nonprofit developer who will eliminate the need to pay real estate taxes on the low-income rentals. The combination of very low land costs and not paying real estate taxes, create a sufficient subsidy to make the rental housing, located in a high-income area like Cornelius, competitive for 9% Low Income Housing Tax Credits.

For the homeownership, we subsidize the affordability by differentially allocating land costs to each home. For instance, if we assume that the house costs are comparable across the board, then the difference in sales price will be the cost of the lot or land costs. Because we will have purchased the land and installed the infrastructure with the \$3 million in county funding, we can sell the land at a reduced cost per lot. By differentially valuing the lots, we can have a nominal land cost on the buyers at 50% of AMI and a much larger land cost on buyers at 120% of AMI. The land costs will come as a "soft second" mortgage in addition to the deed restriction.

All of the houses will come with a deed restriction that both recognizes the post-sale increase in value but is structured as an incentive for the buyer to remain in the home at least 15 years.

Right of First Refusal Subordinate Mortgage

We will raise \$250,000 to create a pool to fund these mortgages. The mortgages of \$10,000 per structure, will be targeted to homeowners, primarily seniors, living within the Smithville neighborhood but not within the Target Area. This loan serves two functions. First, many of the homes are more than a hundred years old, and due to the income of the owner, are unable to secure rehabilitation loans. The \$10,000 can be in addition to funding provided by other programs, like Habitat for Humanity, who will be managing the repairs done with these subordinate mortgages. The second function of this mortgage is to provide an incentive to sell the house, in the future, to someone making less than 80% of the area median income. The \$10,000 differential should create a competitive advantage for the house goes on the market since the \$10,000 can be forgiven if the buyer's income is eligible. Also, if a family member takes ownership of the house, as long as they are income eligible, the mortgage can be rolled over.

Partnerships

The success of this program depends upon a working relationship with all partners. First, the residents of Smithville must help us identify and find heirs on some of the vacant properties. These residents will also help us get the word out and make current or former residents comfortable with our revitalization plan. We are funding training for the residents to be able to do this as part of this program.

Second, the Board of Commissioners of Mecklenburg County must help us by providing a \$3 million grant or loan based on anticipated future tax revenue from the revitalization. This proposal asks them to step beyond their traditional line of responsibility and help shape an approach that can work in areas of the county outside of Charlotte. County funding will also pay for the Smithville Rosenwald School renovation. That facility will be maintained into the future by incorporating its operations into the professional management of the affordable rental housing part of our program.

Third, the Town of Cornelius will be the glue that makes all of this work. The Town will install Nannie Potts Lane and a connector road from the Lane to S. Hill St. The Town will also manage the core infrastructure work being done on site with County funds. The town will use the value of the land it owns in Smithville to contribute to new infrastructure in the Target Area. Last, the town will fund between \$250,000 and \$300,000 toward completing the infrastructure in the Target Area.

In return for these investments, we accomplish some incredible things in ways that have not been done before in this area. We save a historic African-American community, eliminate blight, connect the neighborhood to great town amenities, eliminate displacement, create housing for working people, and intentionally design a mixed income, mixed tenure, and multiethnic workforce neighborhood.



SMITHVILLE – THE PAST AND THE FUTURE

“History has repeatedly demonstrated that investment without protective equitable policy and process mechanisms lead to gentrification, displacement and a lack of access to benefits in many low-income and communities of color.

... Communities of color and low-income neighborhoods want greater investment that preserves and strengthens current residents, business and cultures, instilling value in people rather than displacing them.”¹

History of Smithville

Founded in 1910, Smithville is one of the oldest communities in Cornelius, with roots dating back to the 1880s. Cornelius, founded in 1893 and incorporated in March 1905, is the second youngest of Mecklenburg County’s six incorporated towns. Mecklenburg County contains seven municipalities including the city of Charlotte and the towns of Cornelius, Davidson, and Huntersville (north of Charlotte); and the towns of Matthews, Mint Hill, and Pineville (south and southeast of Charlotte).

From its founding until its annexation in 1972, Smithville was the largest concentration of African-Americans in the Cornelius/Davidson area. It existed as unincorporated Mecklenburg County until 1972.

From its inception through the early 1970s, the section of town called Smithville suffered from the impacts of segregation

in the housing market. Unlike other parts of Mecklenburg County where whites lived, the residents and real estate owners of Smithville were not able to participate in the FHA insurance programs, allowing those owners access to federally insured loans.

The community, which is now part of Cornelius, eventually became known as Smithville because the Jacob L. Smith family owned the land, including the cotton fields where many of the men and women in the neighborhood worked as laborers and sharecroppers. Jacob Smith began to parcel out his property to black families in 1908, hoping they would create a community and not have to, once again, as in slavery, separate from their families. Some could pay cash for the land and for those who could not, Smith gave them the land. Blacks secured loans at the Cornelius Bank. Smithville consisted of a combination of African-American mill workers, service workers, domestic and farm workers through the 1970s.

How Did This Neighborhood Become Distressed?

As with most historically African-American neighborhoods that started near the turn of the 20th century, they bear the footprints of racial segregation and capital starvation. Segregation determined African-American employment opportunities. The communities were capital starved because for African-Americans it was extremely difficult to get credit and build net worth.

A combination of federal housing policy and segregation limited the appreciation of housing and real estate in Smithville. This community suffered from an artificially low level of business development compared to other neighborhoods with comparable density. Congress and state legislatures granted exemptions to bank safety-and-soundness regulations only for Federal Housing Administration (FHA)-insured mortgages.

The Federal Housing Administration, which was established in 1934, supported segregation efforts by refusing to insure mortgages in and near African-American neighborhoods — a policy known as “redlining.” At the same time, the FHA was subsidizing builders who were mass-producing entire subdivisions for whites — with the requirement that African Americans could not purchase homes in the new developments.

Thus, if the FHA would not insure a borrower, that borrower could not get a low-down-payment, long-term mortgage from any source. The net impact has been overall lower home values in Smithville, the inability to enhance family net worth, and a historical inability to upgrade the quality of the real estate as it aged.

This government practice was swiftly adopted by private banks, too, during an era of massive homeownership expansion in the U.S. And the visual language of the maps became a verb: To redline a community was to cut it off from essential capital. To be redlined was something even worse.

The federal government eventually retreated from the practice, and the Fair Housing Act outlawed it in 1968. But black communities have warned that it still exists in subtler and

changed forms, in bank tactics that have targeted these same neighborhoods for predatory lending.

History of Cornelius and the Annexation of Smithville

According to, *A Town by Any Other Name: From Virgin Springs to Lake Norman: A History of Cornelius, North Carolina* by Leslie B. Rindoks, Smithville, known as Lemley until 1910, emerged just after the Civil War, approximately 1869, when former slaves were freed.

The Catawba River was dammed in 1962 creating Lake Norman. This physical change brought additional development, and ultimately Cornelius annexed Smithville in 1972. Before that, Smithville functioned as unincorporated Mecklenburg County. Smithville residents had attempted to be annexed in 1967 but were turned down, according to the town, for lack of a tax base.

From the 1880s, Cornelius has grown from a small cotton weighing town into a rapidly growing suburb of Charlotte where the population has grown from roughly 12,000 in 2002 to 30,000 by 2016.

The damming of the Catawba River was as influential as the cotton industry to Cornelius’ development and growth. Duke Power created Lake Norman in 1963 as a “working” lake to produce hydroelectric power. This amenity has contributed to the attractiveness of Cornelius as a destination and a place to live.



Current Ownership Trends

The section of the town of Cornelius called Smithville covers approximately 67 acres. According to tax records, there are 152 real estate parcels in Smithville. Individuals or their family members own a significant majority of the land and plots. There are no large or moderate sized rental units under professional management or housing residents with federal income subsidies. Of the 152 parcels, three are owned by churches and 43 are owned by a person or entity possessing multiple properties.

Because of redlining, segregation, and difficulty in accessing capital, most homes in this sub-neighborhood are obsolete because of their age, systems, and square footage. A large percentage of residents are seniors who are at least 75 years old. In short, the neighborhood is facing a dramatic transformation within the next five years. In addition to the historically African-American families in Smithville, there are currently four white families and two Hispanic families south of Catawba Avenue. There are six white families north of Catawba Avenue in Smithville.

Based on data gained in a door to door survey in August/September 2017, we were able to look deeper into the household information.

- Smithville is the largest intact African-American community in Northern Mecklenburg County.
- It is the gateway to downtown Cornelius.
- It has both residential and commercial real estate.



- Of the 152 parcels in Smithville, four are undevelopable as standalone properties because of size and location, three are owned by African-American churches that are active in the neighborhood. Four parcels are commercial, one has a former Rosenwald School sitting on it, and one new house was built and occupied in 2018. A subdivision with approximately 17 homes, was developed in the early 1970s. Otherwise, Smithville has not changed over the past 100 years.
- Of the 152 parcels in Smithville, there are approximately 81 occupied homes in the sub-neighborhood, leaving about 71 empty lots or lots without occupants.
- Of the 81 occupied units, approximately 57 are owner-occupied.
- Of the owner-occupied units, 38 of 57 are owned by seniors. Of the 38 homes owned by seniors, most will likely change hands within the next few years because the seniors are typically at least 75 years old.
- Lot sizes vary significantly in Smithville. They range from 4800 ft.² to 25,000 ft.², with the majority ranging between 9300 ft.² and 12,600 ft.². The majority of lots are unusually long at between 200 feet and 250 feet. Lot width also varies, ranging from around 40 feet to 100 feet.

Existential Threats

Smithville faces four existential threats:

- A rapidly aging population,
- Low land values due to isolation and blight,
- A very marketable location, and,
- The introduction of a Bus Rapid Transit stops at the edge of the nationhood.

In short, something will happen to approximately 20 acres of vacant and blighted urban land, with primarily low-income African-American residents, soon. History in the Charlotte Metro area has taught us that Smithville residents are not doing a “Chicken Little.” We have seen what happens when there is no plan and we “let the market decide.” In Charlotte, we have witnessed gentrification displacing historical residents in Brooklyn, Cherry, Grier Heights, Belmont, Wilmore, and NoDa. Gentrification brought higher home prices and rents and altered the demographics of neighborhoods that were once populated by minorities, who mostly had lower incomes than the newcomers.



Vision for the Transformation of Our Neighborhood

This vision is consistent with the view that communities of color and low-income neighborhoods want greater investment that preserves and strengthens current residents, business and cultures, instilling value in people rather than displacing them. We have agreed on a series of outcomes we will produce by implementing this plan. We have also established some development principles to guide our work.

Revitalization Goals

1. Smithville will transition into a new multi-ethnic, mixed-income, mixed-tenure community with greater access to employment centers.
2. There will be no displacement of current residents.
3. The old neighborhood will coexist with the new housing for a 50/50 old/new structures neighborhood.
4. Promote remembrance, respect for the history of the neighborhood by renovating the historic Smithville Rosenwald School into a community use facility. That facility will house and display the historical memories of those who made Smithville a great place to live for over a century.
5. Provide a fund for seniors to invest in their homes so they can continue to live in the community until they decide to leave.
6. Produce 80 new units of rental housing serving both seniors and working families, targeting incomes between 30% and 50% of AMI.

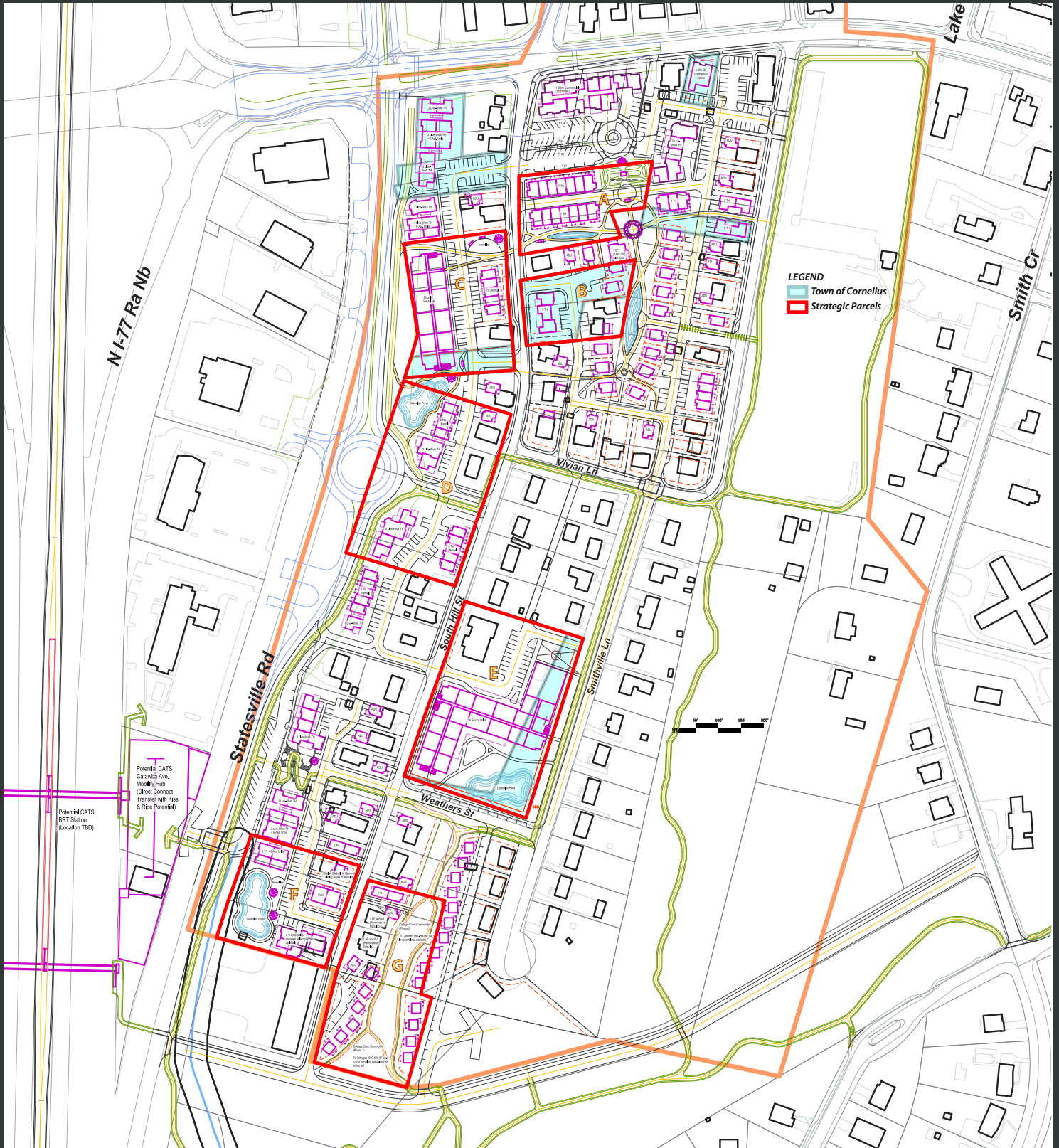
7. Produce 75 new mixed-income ownership units with the majority targeting incomes below 80% of AMI. Units receiving resources from this program will carry deed restrictions to ensure long-term affordability while also allowing the buyers to build future equity.
8. Connect Smithville to the rest of Cornelius by adding street connections and pedestrian paths.
9. Add new infrastructure and modernize existing infrastructure to facilitate connectivity and handle new development in Smithville.

Principles

This Smithville redevelopment program is constructed around six principles that respond to existential threats.

1. No residents in currently occupied homes will be displaced.
2. The new “Smithville” will honor its heritage as a historically African-American neighborhood. The new community will be approximately 50% existing and 50% new.
3. Seniors who own their homes can continue to live in them until they are ready to sell in the future.
4. The redevelopment will be limited to blighted sections of Smithville, those with empty land and empty buildings.
5. The new development will be managed so that current residents will not be displaced by escalating real estate taxes.
6. New development in Smithville will be mixed income and mixed tenure, covering the spectrum from 30% of AMI to 120% of AMI, with the majority of new development targeting incomes below 70% of AMI.

DRAFT MASTER PLAN



REVITALIZATION TARGET AREA

Redevelopment tasks will target the section of Smithville south of Catawba Avenue, which is where the blighted parcels are concentrated. There are approximately 15 vacant acres of land in the Target Area covering approximately 40 plots.

In addition to the concentration of blight, parts of this section of Smithville has a history of sewer problems and standing water. As a result, some owners have approached us about purchasing their homes because of structural deficiencies from long term water damage. There are no plans on record to help these residents address their drainage problems.

The target area for the revitalization includes most of the Smithville parcels south of Catawba Ave. in Cornelius. In total, 48 parcels are covering approximately 21.8 acres of land excluding roads. Our revitalization plan anticipates repositioning approximately 40 of these parcels. The remaining parcels fall into two categories. First, some houses within the boundaries are occupied, and we expect to work around these homes. Second, some of the parcels will not be able to be developed until Nannie Potts Lane, and the connector road is completed, which will create the necessary frontage to make the parcels/homes marketable.

Within the target area, approximately seven parcels are investor-owned and total about 2.3 acres. The town of Cornelius owns ten parcels totaling approximately 2.8 acres. The remaining parcels, approximately 31 are privately owned and cover approximately 16 acres.

The real blight is in the Target Area. In addition to the homes being very old and capital starved, their front setbacks vary, making it difficult to widen streets and add sidewalks. Since we have pledged to protect existing owners and occupants, replacing individual distressed homes and adding new infrastructure on parts of the site will happen over time. However, all of the new development will have a higher standard of infrastructure and quality for new structures.

PARCEL #	AREA (ACRES)	TVALUE11	TVALUE19
9	0.06	\$26,100.00	\$8,600
10	0.29	\$13,500.00	\$35,000
12	0.308	\$13,500.00	\$35,000
15	0.455	\$62,000.00	\$90,900
16	0.224	\$6,800.00	\$19,300
25	0.189	\$6,800.00	\$19,300
31	0.854	\$27,000.00	\$70,000
33	3.15	\$79,900.00	\$85,700
39	0.183	\$20,300.00	\$54,200
40	0.378	\$13,500.00	\$35,000
41	0.336	\$13,500.00	\$35,000
43	0.105	\$13,500.00	\$19,300
45	0.216	\$13,500.00	\$19,300
46	0.26	\$6,800.00	\$19,300
48	0.284	\$6,800.00	\$19,300
52	0.235	\$0.00	\$71,600
57	0.204	\$11,000.00	\$19,300
59	0.21	\$9,900.00	\$20,000
66	0.295	\$15,300.00	\$19,300
74	0.214	\$6,800.00	\$19,300
75	0.441	\$13,500.00	\$35,000
79	0.289	\$34,700.00	\$72,600
86	0.323	\$13,500.00	\$35,000
92	0.069	\$6,800.00	\$12,300
93	0.22	\$6,800.00	\$19,300
94	0.312	\$13,500.00	\$35,000
102	0.658	\$33,700.00	\$87,600
107	0.49	\$25,600.00	\$45,900
108	0.384	\$13,500.00	\$35,000
114	0.247	\$10,800.00	\$35,000
123	0.192	\$10,800.00	\$19,300
128	0.222	\$6,800.00	\$19,300
135	0.562	\$13,500.00	\$35,000
140	0.232	\$13,500.00	\$35,000
141	0.24	\$6,800.00	\$35,000
146	0.076	\$2,700.00	\$17,500
149	0.278	\$6,800.00	\$19,300
152	1	\$45,000.00	\$96,800
59	15.013		
-11		\$658,300.00	\$1,404,600
48			

TARGET AREA PROPERTIES TO PURCHASE

Target
Area



MUST FIND NEW AND BETTER WAY

The release of the 2018 North Mecklenburg Demographic and Housing Assessment in January 2019 has provided some excellent and current information on affordable housing needed in North Mecklenburg. Housing affordability is a serious problem, and the towns have not focused resources on addressing it. More work and planning needs to happen to align the jobs created to housing resources.

In their section titled “Addressing the Need for Housing at Diverse Price Points in North Mecklenburg,” several stakeholders supported the notion that certain policies need to be adopted and implemented to have an impact on the availability of affordable housing. Significantly, in the section titled, “The Existing Affordable Housing in Historic African-American Communities,” it referenced those neighborhoods being under attack. It also talked about the housing stock being obsolete in many ways. Last, it noted the lack of capital investment over a sustained period within the historic African-American communities.

These are not new findings for the Smithville community. Those residents have known this for a long time and see it every day in the number of speculators attempting to purchase their property. Long term disinvestment is a prevalent pattern in low-income African American neighborhoods with high levels of homeownership. It is complicated to aggregate the land into a sizable development so land is sold on a lot by lot basis and there are no controls in place to protect the residents who are pressured to leave or priced out due to increased taxes. Most recently Smithville residents had to fight to have NCDOT look at traffic alternatives that would not negatively affect their homes and neighborhood. A recent article in The Charlotte Observer titled “Investors bombard gentrifying areas in Charlotte with offers. But experts urge caution,”¹ where speculators make false claims regarding property ownership risks to pressure owners to sell cheaply. The pressure is unrelenting.

The Smithville Revitalization Plan comes into play is focused on combatting this problem. Implementing this plan will converge two imperatives. First, we can save and transition Smithville without displacing the current residents or families of those residents in the future. Second, we can reposition and

revitalize Smithville into a neighborhood providing affordable housing targeting workforce incomes. The SCC also believes that time is of the essence. We are a bit behind the curve in proposing a comprehensive solution but are challenged to do it now.

We believe that the plan we are proposing is the right way to go. However, addressing the two imperatives, protecting a historic community and providing workforce housing, is very difficult to pull off in the present environment. Making this work requires changes from the historical method of housing production in the North Mecklenburg towns. There is no proven “private sector” approach to addressing this problem in today’s environment. It is very different than waiting for developers to bring proposals to the town for review. It requires the town and the county to work with the community to create a shared vision, and then to work collectively to implement the vision.

The “new and better way” is to create a public-private partnership with clear goals and a sound implementation strategy and plan. This approach protects the current residents while planning for the community of the future. We want to prepare for a future that will protect the historical legacy and ensure that there is affordable housing now and in the future.

Our proposal is efficient and viable because the revitalization of Smithville will add significant value to other properties within the TIF boundary. This approach is using the future value of real estate, not encumbered with income restrictions, to fund today’s affordable housing needs.

We believe that the vision we have presented in this plan addresses the significant issues identified in the demographic and housing assessment. We look forward to talking with you as we work together to make this happen.

¹The Charlotte Observer. February 20, 2019. Chemtob, Danielle and Portillo, Ely. “Investors bombard gentrifying areas in Charlotte with offers. But experts urge caution,”

ACQUISITION AND INFRASTRUCTURE FINANCING WITH TIF GRANT/LOAN

We are proposing a synthetic TIF of approximately \$3,000,000 to finance the purchase of land and infrastructure upgrades for the Smithville Revitalization Program. Project Development Financing (from now on referred to as a TIF) is a type of debt financing in which a unit of local government, in this case, Mecklenburg County, establishes a district and borrows money to fund public infrastructure projects that will benefit (and incentivize) new private development in the area. The unit of local government pledges as security for the loan, (and uses it as funds to repay the loan) the incremental increase in property tax revenue generated within the district, due to the rise in property valuation caused by the new development.

There is no legal process for creating a synthetic TIF. A unit of local government must follow all of the procedures for the particular borrowing mechanism that it chooses. The unit pledges the infrastructure constructed/improved/purchased (or a portion thereof) as security for the loan. However, that unit anticipates using the incremental property tax revenue generated from the new development that was incentivized by the public infrastructure investment to repay the loan.

In the case of the Smithville Revitalization Program, incentives will be created for new development in three neighborhoods.

1. The target area south of Catawba, with the western border being US 21 and the eastern boundary being Ferry Street, and finally, the southern border will be Nannie Potts Lane. That area will receive 80 multifamily rental units, and 75 income restricted homeownership units.
2. Other than the target area, the streets to the north of the target area, including the Catawba Avenue commercial corridor, Holiday Lane to the West, Ferry Street to the east, and up to parcels 99 and 32 will attract additional private investment.
3. The final private investment area is south of the target area. Connecting S. Hill St. to Nannie Potts Lane opens up approximately 9.9 acres of land for private development.

The TIF area will include the 40 vacant parcels directly within the target area, plus, an additional 24 vacant residential parcels totaling approximately 21 acres within the TIF district

but outside of the target area. Of the about 21 acres, all are buildable except for approximately 5.4 acres that have a Duke Power easement across it. That leaves approximately 15 acres of land for investment and improvement that will not have income restrictions on it.

TIF Boundaries

The boundaries of the TIF District are on the map on page 18. The borders would adhere to the town's definition of Smithville with the following additions:

- All the land between Burton Lane and Holiday Lane, north of Catawba Avenue is included in the TIF boundary.
- The property on the South side of Catawba Avenue at the intersection of Ferry Street over to the intersection of Catawba Avenue and Smith Circle will be included.
- The land on the West Side of Smith Circle down to Willow Pond Road and proceeding along Willow Pond Road to the intersection of the to be built Nannie Potts Lane.

Vacant Land Within TIF Borders – Outside Target Area

We also include some vacant commercial lots in the TIF District. We include the east side of Holiday Lane that provides for the QT properties and the commercial property on Holiday Lane south of the QT site that is around 1.46 acres. A parcel of this size can generate significant real estate tax revenue for the TIF district. If, like QT, the commercial land includes parcels with a Burton Lane frontage, the revenues would be even greater.

Included are the commercial properties on the south side of Catawba Avenue from the Smithville Park down to Smith Circle, on the west side of the street, then proceeding south on Smith Circle to the intersection of Willow Pond Road. The adjacent table points out the vacant parcels within the TIF area outside the Target Area. Excluding streets, 24 parcels are totaling approximately 21 acres of land with already installed infrastructure.

Vacant Land Within TIF Borders

TIF Grant/Loan

The Smithville Revitalization Plan will produce approximately 80 affordable multifamily units on land purchased within the target area. We will select a nonprofit developer so there will be no real estate taxes on the 80-unit affordable component of the revitalization. We have met with The Housing Partnership, explained our program, and they are excited about participating in the revitalization program. Also, the land where the multifamily units are sited will include a land loan that is not serviced but sets parameters to maintain affordability into the future.

All of the annual real estate tax revenue from the mixed-income ownership units within the target area is available to service TIF debt. The average market value on the restricted units will be approximately \$219,000 per unit. The increment from restricted income home sales can fund roughly \$2,247,000 from the county and another \$696,000 from the town of Cornelius. With revenue from just the restricted homeownership units, the project can support more than \$2,900,000 in TIF funding.

The Smithville Revitalization Plan will incentivize development around the target area. We are projecting a minimum of 55 market homes being developed on land south of the target area and some vacant parcels north of Catawba Avenue. The increment from market home sales of 55 homes will generate at least \$1,900,000 for the county and \$701,000 for the town for potential TIF funding. That is an additional \$3 million for a total of approximately \$5.8 million from housing incentivized by the Smithville Revitalization Plan.

A TIF loan of approximately \$3,00,000 from the County will be used to fund approximately \$1,750,000 in acquisitions of blighted parcels and roughly \$1.25 million to support infrastructure within the target area. This high level of subsidy allows us to fund the 80 units of affordable multifamily housing and 75 units of single-family homeownership targeting incomes between 50% of AMI and 120% of AMI. The net impact of TIF funding is that the project can skew land costs to meet income targeting.

The most efficient way to contract the core infrastructure work is to have the town manage the design and construction of the work. We will soon work our way through the details of this approach. The most pressing step in the process is to get an engineer on board and create a working group that includes the home builders, the rental developer, and the the town, to work through all the details.

PARCEL #	PARCEL ID	AREA (ACRES)	TVALUE19
0	00319301	0.67	\$245,500
3	00319210	0.393	\$51,000
4	00518106	0.32	\$106,600
5	00518233	0.165	\$118,500
11	00519115	0.2628	\$45,000
17	00518107	0.052	\$15,400
18	00519199	0.1112	\$900
21	00519105	5.3897	\$140,100
24	00319208	0.431	\$52,300
26	00518234	0.13	\$96,300
28	00319212	0.443	\$99,200
49	00518105	0.368	\$122,600
58	00319214	0.235	\$25,400
63	00319204	0.372	\$196,100
68	00319302	0.284	\$40,900
84	00319206	0.406	\$158,400
99	00319215	0.432	\$52,400
121	00319314	0.084	\$12,100
122	00518102	0.152	\$45,000
150	00518126	0.427	\$35,000
	519120	2.1	\$87,500
	519130	0.337	\$80,100
	519129	0.353	\$80,500
	517101	7.153	\$193,100
	24	21.0707	\$2,099,900
	SF	917,840	



TIF Grant Assumptions

We made some assumptions in valuing the future real estate tax revenue stream. (1) In an attempt to reach a revenue neutral estimate, we took the 2019 valuation and adjusted the tax rate to 0.5905% so that the tax bill for 2019 will be equal to the tax bill for 2018. This does not include the typical 2%-2.5% added to the rate for inflation. The restricted units were vacant land in 2011 and 2019 valuations. The restricted units will be valued based on the income restrictions which will be below market.

(2) For market units, we took the same approach since there were no structures on that land. We assumed just 55 residential units in the TIF boundaries selling for \$250,000 per home. We reduced the value of the land by netting out the value, based on the county 2019 valuations, all of the vacant land in the TIF boundaries. We did not include any projected commercial income within the TIF boundaries towards the increment. As a result, we have made an extremely conservative estimate on the projected real estate tax revenues within the boundaries. Last, we assumed a 3% rate for 20 years to come to a \$3,000,000 loan

Income Restricted Units

Number Restricted Units	75
Estimated Market Value Per Restricted Unit	\$219,000
Total Market Value Restricted Units	\$16,425,000
Less 2019 Basis	-\$1,404,600
Estimated Increment on 2019 Basis	\$15,020,400
Property Tax Rate -- County	0.5905%
Property Tax Rate -- Town	0.1830%
Projected Annual Increment to County -- Restricted	\$88,695
Projected Annual Increment to Town -- Restricted	\$27,487
Tax Increment Available for Debt Service (1.2 DCR -- County Restricted)	\$73,913
Tax Increment Available for Debt Service (1.2 DCR -- Town Restricted)	\$22,906

Market Rate Units

Market-Rate Units	55
Estimated Market Value Per Unit Market	\$250,000
Total Market Value Market Rate Units	\$13,750,000
Less 2019 Basis	-\$2,099,900
Estimated Increment on 2019 Basis	\$11,650,100
Property Tax Rate -- County	0.5905%
Property Tax Rate -- Town	0.1830%
Projected Annual Increment to County -- Market	\$68,794
Projected Annual Increment to Town -- Market	\$25,288
Tax Increment Available for Debt Service (1.2 DCR -- County Market)	\$57,328.20
Tax Increment Available for Debt Service (1.2 DSC) -- Town Market	\$21,073.66

Debt

Supportable Debt -- County Restricted	\$2,461,718
Supportable Debt -- Town Restricted	\$762,903
Supportable Debt -- County Market	\$1,909,354
Supportable Debt -- Town Market	\$701,872
Total Supportable Debt 3% Interest, 20 Year Amortization	\$5,835,848

Proposed TIF Grant from County

Supportable Debt -- County on Restricted and Unrestricted	\$3,000,000
Loan to Value of RE Tax Stream	\$4,371,072
	69%

DEVELOPMENT PLAN FOR SMITHVILLE REVITALIZATION

The revitalization program is a two-phase plan. Phase I will include all of the properties north of Vivian Lane, and the parcel and land associated with the former Cornelius Rosenwald School. We expect to start reaching out to property owners as soon as the county loan closes and can fund.

Phasing it in this way allows us to proceed with the acquisition of approximately 18 parcels enabling us to start marketing the neighborhood and to start building the new street and alley network in the master plan for this section of the Target area.

We will initiate the design of the infrastructure while we are acquiring parcels. This approach also allows the rental developer to start their building foundation design in conjunction with the infrastructure design.

Our team estimates that it will take approximately six months to reach sales agreements with Phase I property owners, to acquire the requisite properties to initiate infrastructure installation. During these six months, the infrastructure will be designed, priced, and have contract documents negotiated.

We are estimating that it will take approximately six months to complete the installation of all of the infrastructure in Phase I. That means that homebuilding can start around the end of the second calendar quarter of 2020.

Site control and zoning are the critical path items for the rental component. The rental part must also submit a preliminary financing application to the North Carolina Housing Finance Agency by January 18, 2020. To meet this deadline, the rental developer will need to initiate design during the third calendar quarter of 2019. This schedule will give us approximately three months of lag time in case the rental developer has to adjust their plan if we are unable to acquire certain parcels.

The Development Plan has four components. First, and the most direct part of the plan requires approximately \$3 million in funding from the county. Second is the acquisition of blighted parcels, many that will have difficult title issues to resolve requiring some court actions. We expect this to be time-consuming and we are anticipating that we will need a combination of a broker and an attorney to work through many of the title issues. We have been working with the McIntosh Law Firm, located in Davidson, to review the probable approaches to resolving the "heir land" or intestate related issues.

Third, the infrastructure design is not very difficult, nor is the installation. The infrastructure budget assumes some on-site dirt fill and retaining walls. The site is no more complicated than subdivisions in the adjacent towns.

Fourth, all the vertical partners that we have discussed this with are very experienced and have produced the types of products that we are asking them to build. The senior rental building and the mixed-income rental building will have to be custom designed because of their likely location. We expect to start those conversations with the developer by summer 2019. That should give them sufficient to select their architect and engineers so that they can complete schematic designs by the end of calendar 2019.

We have also reviewed and visited the products that the homebuilders are proposing for the site. There will be two basic housing types produced for ownership, single-family homes and townhomes. We have reviewed comparable products by the builders and are confident that they are sufficiently experienced to work with us and comment on infrastructure designs as needed.

Once the infrastructure design documents are nearly complete, all of the vertical producers will meet and offer comments. We also expect to allocate the lots for the Phase I builders around that time.

During the Summer of 2019, once we receive access to the charitable funds, we will begin our Right of First Refusal Second Mortgage Program. Our Town Habitat will administer this. Habitat will work with owners needing rehabilitation work on their homes to develop a scope and organize the work. Habitat will also hold the second mortgages and be responsible for finding affordable buyers as homes change hands in the future.

Phase 2 acquisition will overlap phase 1. If it is a site that we have targeted, we will contact those owners in the third quarter of 2019. All the parcels will be appraised by March 2019, and as soon as the funding is available, we will initiate acquisition on lots in the target area.

Infrastructure design and construction should be very similar to Phase I since we do not anticipate significant site challenges. Some of the phasing and planning will be impacted by our ability to access streets during construction. It is possible that NC DOT will be doing work on US 21 that may overlap with work on Nannie Potts Lane and S. Hill St. These are some of the details that have to be worked out over the next few months.

Budget Notes:

1. A consultant is budgeted to interface between the site contractor, the town, the builders, and the SCC. A private developer typically does this, but our hybrid approach still needs a technically competent person that contractors and builders trust. If the town manages infrastructure, this can be moved to that budget.
2. Legal fees include: creating subordinate mortgage documents for the RoFR loan, the Soft Second loans on each home sold, helping resolve some intestate issues, and

educating community members.

3. Marketing costs will be incurred for a community newsletter and a website so that stakeholders and the community can monitor progress.

Below are the budget and anticipated cash flow for the project. This budget does not include the Master Developer Costs which are in the next section.

LAND DEVELOPMENT BUDGET AND CASH FLOW

	Budget	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
TIF Loan	\$3,000,000	\$500,000	\$750,000	\$750,000	\$750,000	\$250,000				
Town 1	\$376,700	\$188,350	\$0	\$188,350	\$0	\$0	\$0	\$0	\$0	\$0
Lot Sales	\$3,152,500	\$0	\$0	\$0	\$525,417	\$788,125	\$788,125	\$788,125	\$262,708	\$0
Town 2	\$300,000	\$0	\$0	\$0	\$150,000	\$0	\$0	\$150,000	\$0	\$0
Total Inflows	\$6,829,200	\$688,350	\$750,000	\$938,350	\$1,425,417	\$1,038,125	\$788,125	\$938,125	\$262,708	\$0

	Budget	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Land	\$1,850,000	\$0	\$370,000	\$370,000	\$370,000	\$370,000	\$370,000	\$0	\$0	\$0
Consultant	\$195,000	\$0	\$39,000	\$58,500	\$58,500	\$39,000	\$0	\$0	\$0	\$0
Infrastructure	\$2,750,000	\$0	\$275,000	\$275,000	\$825,000	\$550,000	\$275,000	\$275,000	\$275,000	\$0
Town Infrastructure	\$676,700	\$188,350	\$0	\$188,350	\$150,000	\$0	\$0	\$150,000	\$0	\$0
Legal & Other Fees	\$125,000	\$41,667	\$0	\$41,667	\$0	\$41,667	\$0	\$0	\$0	\$0
Appraisal & Title	\$60,000	\$20,000	\$0	\$20,000	\$20,000	\$0	\$0	\$0	\$0	\$0
Marketing	\$25,000	\$0	\$0	\$0	\$25,000	\$0	\$0	\$0	\$0	\$0
Taxes	\$50,000	\$0	\$0	\$25,000	\$0	\$0	\$25,000	\$0	\$0	\$0
Insurance	\$80,000	\$0	\$0	\$0	\$80,000	\$0	\$0	\$0	\$0	\$0
Rosenwald School	\$350,000	\$0	\$0	\$0	\$116,667	\$175,000	\$58,333	\$0	\$0	\$0
Contingency	\$250,000	\$0	\$0	\$0	\$50,000	\$75,000	\$75,000	\$50,000	\$0	\$0
Total Outflows	\$6,411,700	\$250,017	\$684,000	\$978,517	\$1,695,167	\$1,250,667	\$803,333	\$475,000	\$275,000	\$0

BALANCE	\$417,500									
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Inflows Less										
Outflows		\$438,333	\$66,000	-\$40,167	-\$269,750	-\$212,542	-\$15,208	\$463,125	-\$12,292	\$0
Cumulative Total		\$438,333	\$504,333	\$464,167	\$194,417	-\$18,125	-\$33,333	\$429,792	\$417,500	\$417,500

SCC – MASTER DEVELOPER

We are attempting to raise approximately \$500,000 from philanthropic sources to fund the organizational leadership of the Smithville revitalization (a complex undertaking of this nature needs a funded leadership function).

The role that I am proposing, and is behind the assumptions in the attached numbers, is that the Smithville Community Coalition, or a subsidiary organization, will function as the Master Developer for the Smithville Revitalization Plan. In this role, the SCC will be responsible for:

- Aggregating resources to purchase the land,
- Buying and holding the property through a subsidiary,
- Designing, funding, and installing needed infrastructure repairs and upgrades, in locations where the town is not performing the same tasks,
- Recruiting a successful and experienced rental developer and negotiating a development agreement, and,
- Recruiting and contracting with experienced, affordable, moderate, and market homebuilders to build and sell affordable homes within the economic and financial parameters of the program that we develop as the Master Developer.

Philanthropy's Critical Role

The first task is to build a development entity, or company, which we will need to accomplish this. We will ask the philanthropic community to fund or capitalize the company. Our specific "ask" to the philanthropic community is funding for two years of operation as a nonprofit developer, in essence, as a Community Development Corporation (CDC).

This funding would include all the things that we have promised Davidson United Methodist Church and the United Way. Also, it would add:

1. Buying and holding the land through a subsidiary or affiliate,
2. Creating the legal documents for the Right of First Refusal second mortgages and the soft second mortgages on homes,
3. Getting the property appraised, and,
4. Identifying and recruiting owners to participate in the

Right of First Refusals program.

Though we will have partners in the Town and the County, the Smithville Community Coalition must be responsible for ensuring that the programs are implemented within the parameters agreed to by the community. For instance, we want the master planner to be under contract to the community organization as opposed to a municipal body. We also want to take the lead in structuring legal documents and development agreements with the rental developer and the homebuilders.

The Smithville Community Coalition will also be responsible for fundraising for the redevelopment of the historic Rosenwald School. The project acquisition costs are in the TIF budget. The TIF budget also includes approximately \$350,000 for the renovation of the facility. The coalition will be responsible for reaching out to other funders who support saving historic structures. The renovated Rosenwald School will be the new center of Smithville, extending its long tradition of serving the community into the future.

This funding level assumes that we will have a full-time staff person for two years with 30% of the salary set aside for benefits. It also expects that we will have an office in Smithville and incur typical office expenses. Below are budget assumptions.

USES	Budget	Funded	Need
Financial Literacy Training	\$7,500	\$5,000	\$2,500
Community Advocacy Training	\$4,500	\$4,500	\$0
Urban Planner	\$60,000	\$12,000	\$48,000
Vacant/Abandoned Owner's Research	\$25,000	\$3,000	\$22,000
Legal Documents	\$25,000		\$25,000
Appraisals	\$12,000	\$8,000	\$4,000
Marketing and Art	\$35,000		\$35,000
Right of First Refusals (25)	\$250,000		\$250,000
Staffing	\$93,600		\$93,600
Office Expenses	\$20,000		\$20,000
Total Soft Costs	\$532,600	\$32,500	\$500,100



ROSENWALD SCHOOL – SMITHVILLE ICON¹

A part of the Smithville Revitalization Plan includes purchasing and rehabilitating the historic Cornelius Rosenwald School. This is part of honoring Smithville's heritage as a historically African-American neighborhood. We want to ensure that the next generation is able to see something that has been a part of the neighborhood for a century. It's also important that the new population moving into Smithville understand and appreciate its legacy as an African-American neighborhood and the critical role the neighborhood played in the lives of African-Americans in the area and in historic Cornelius.

Most of the information on the school has been researched by the Cornelius Historical Society and made available to the public. I have included excerpts from their research in this section.

The Smithville Rosenwald School is a physical representation of the history of segregation in the 1920s in a then rural black community through the 1950s. The school was a focal point for Smithville's predominately black community from the 1920s through the 1950s. Then, it served as a community center, starting in 1954 when the Mecklenburg County Board of Education auctioned the school for \$2500. It then became the Better Community Club, which housed everything from a barber shop to a restaurant, to a vaccination clinic.

Originally built in the 1920s as a schoolhouse under the Rosenwald School Program; a program established in early 1900s to improve education for African Americans in the

South. Booker T. Washington conceived the idea of a "hands-on self-help" approach to education which he called "industrial education." He used Northern philanthropists to help this effort and headed the Tuskegee Institute, a major black college, before teaming with Julius Rosenwald, CEO of Sears, Roebuck and Company to build rural schools for the black community.

Together, Washington and Rosenwald were among the first to utilize the matching grant idea. Rosenwald and the community came up with the cash and the school board agreed to operate the facility. A Rosenwald Fund official later wrote: "not merely a series of schoolhouses, but a community enterprise in cooperation between citizens and officials, white and colored."

Deanna Kerrigan, external programs manager for the North Carolina Museum of History, states, "The schools are important in North Carolina history because they really show how communities, some very small, could come together, raise the money and commit human resources to building high quality schools. They really paint a picture of how resourceful rural communities were and are."

Approximately 5350 such schoolhouses were built across 15 southern states. North Carolina had the majority of the structures with more than 800 schools, 26 in Mecklenburg County alone. The large number schools in Mecklenburg County is attributable to the county being a large cotton-growing region which remain strongly rural, despite the growth of the city of Charlotte at that time.

Ten of these structures in Mecklenburg County remain today. The schools were characterized by large windows to allow the sun to light the rooms, as electricity often did not reach rural areas in those times. Design was carefully planned specifying room size and height, blackboard and desk placement, paint colors and use of window shades to maximize the use of natural light. The Rosenwald School Program has been called the “most influential philanthropic force that came to the aid of African-Americans at that time.”

The school was built in 1922 at a cost of \$4000. African-Americans contributed \$500; the white community contributed \$2600; and, the Rosenwald Fund contributed \$900. Of the approximately 160 elementary aged African-American children in the area, 135 students were enrolled with an average daily attendance of 102. It operated as a school until the late 1940s.

As was typical of Rosenwald schools at the time, there was a two-seat privy located behind the school which students lined up to use during recess. There are two grades per class with the principal as one of the teachers. The school operated seasonal split sessions to allow the children to help their families during planting and harvest times. At Thanksgiving, the community came together at the school one large celebration where everyone brought a dish to share. According to residents, Smithville was a tight community where everybody knew everybody. They learn, play, prayed, worked and socialized together.

The original roof has been replaced; however, it has been preserved below the replacement tin roof according to the owner. The owner also reported that the original wood planks remain under the vinyl siding. The windows on the northern side of the building have been replaced with like kind one-over-one windows and preserve the original opening size. The original building was expanded to include a barbershop and restaurant, to serve the needs of the local residents. The expansion wing on the south side of the building covered up the large banks of windows that characterize Rosenwald schools. Both the barbershop and restaurant are now closed. The school was designated as a local historic landmark on October 16, 2006.

We have included purchasing the Cornelius Rosenwald School in our acquisition budget. In addition, we have included approximately \$350,000 for a historic consultant, demolition of the additions and the renovation of the school back to its original form. In addition to the acquisition and preliminary design, demolition, and shoring of the structure, we expect to raise additional funds from other sources to complete the rehabilitation of the historic structure.

¹ Couresty of Cornelius Historical Society

BUT-FOR TEST

A synthetic TIF gives the County and Town the authority to undertake projects that are expected to increase property value and tax revenue earned in a particular area under guarantee the future revenues earned above and beyond the pre-TIF baseline will be used to pay for the project and associated public services. While rising property values may seem to run counter to the notion of creating affordable housing, governments may put in the designation that a certain percentage of the revenues be put towards building or preserving affordable housing units within the district.¹

Several factors can be included in a “but for” analysis. From the Smithville Community Coalition’s perspective, we have been unable to find an example of affordable housing production in Mecklenburg County over the past decade that did not include some form of public financing. The particular problem we face in Smithville is that the town of Cornelius is not large enough to have all the tools available in a city like Charlotte. We need assistance from the County and the Town to create affordable housing in Smithville. But-for public funding, we have no other alternatives available for preventing future displacement of the Smithville neighborhood and its residents.

After speaking to a land developer, a capital investment fund, and a lender, we have concluded that the typical private land development model cannot produce affordable home ownership in Smithville. We have modeled a scenario that assumes a patient investor with a high-risk tolerance, which, according to the lender and investor, is what we need. In that scenario, if we can find anyone willing to do it, the cost would be about \$62,000 per finished lot value. If we add that to the cost of a house, a minimum of \$175,000, we start the affordability at \$237,000 and escalate to \$312,000. For contrast, our program is providing housing in a band between \$175,000 to \$250,000.

We have created a financial analysis with the assumptions provided by an equity fund and a financing institution that underwrites land investments. That is available separately because it is too large to fit on a page.

The differences fall into two categories. First, the return on equity and debt, or profit, is close to \$1M. Second, the risk profile of “equity at risk” is over \$400,000, which would require a land developer to put up an additional guarantee of a like amount. There are a return and risk profile that taken together, would require a substantial developer to put that amount of their balance sheet at risk. The minimum of additional capital needed would be around \$1.4M that would be added to project costs and work their way through to land sales prices. The reality is that we could not find a single land developer who would go down that path. Maybe one is out there, but we could not find them.

Our plan calls for 80 units of rental housing targeting incomes below 50% of the AMI. Charlotte supports low-income housing production with the Trust Fund. There is no comparable resource in North Mecklenburg. Our plan addresses this challenge in four ways. First, in our project, the land for affordable rental housing is \$0, or a land subsidy worth over \$1M based on cost/sf. Second, our program covers the cost of land acquisition and infrastructure. Third, our revitalization program is tailored to attract a non-profit developer who would be exempt from real estate taxes. Fourth, Cornelius, and the project’s site location is very competitive for 9% Low Income Housing Tax Credits. The combination of these four contributing factors allows Smithville to compete for state resources.

Smithville is currently a low-income neighborhood attempting to transition in such a way that the current residents stay in place, and the neighborhood repositions with new residents, whose incomes are primarily below 80% of AMI. Historic African-American neighborhoods in Charlotte Metro are places where few of the original families can continue to live, even if they had the opportunity. Smithville is the largest intact African-American community in North Mecklenburg. Without a public intervention to retain its current residents, and to attract workforce incomes, this neighborhood will follow the route of other gentrified African-American communities.

In summary, there is no other solution for producing affordable housing in North Mecklenburg with a substantial subsidy because of land and infrastructure costs. Add to those costs, vertical production, and it prices rental options out of the range that people making less than 50% of the AMI. It also pushes prices of ownership housing beyond the incomes of buyers earning 50% to 80% of the AMI.

Without intervention in some form of subsidy, we are facing the death of Smithville and any hope of creating affordable housing in Cornelius or other locations in North Mecklenburg.

¹ Allbee, Allison, and Rebecca Johnson, & Jeffrey Lubell. 2015. “Preserving, Protecting, and Expanding Affordable Housing: A Policy Toolkit for Public Health.” http://www.changelabsolutions.org/sites/default/files/Preserving_Affordable_Housing-POLICYTOOLKIT_FINAL_20150401.pdf

SUMMARY

Now that we have collectively had a chance to digest the 2018 North Mecklenburg Demographic and Housing Assessment released in January, there is no longer a debate on the need for producing affordable housing in Cornelius and North Mecklenburg.

In their section titled “Addressing the Need for Housing at Diverse Price Points in North Mecklenburg,” several stakeholders supported the notion that specific policies need to be adopted and implemented to have an impact on the availability of affordable housing.

Significantly, in the section titled, “Protecting Existing Affordable Housing in Historic African-American Communities,” it referenced those neighborhoods being under pressure. It also talked about the housing stock being obsolete in many ways. Last, it noted the lack of capital investment over a sustained period within those traditional African-American communities.

These are not new findings for the Smithville community. Those residents have known this for a long time, and see it every day in the number of speculators attempting to purchase their property. This is a widespread pattern in low-income African American neighborhoods with high levels of homeownership. It is challenging to aggregate the land into a sizable development so land is sold on a lot by lot basis and there are no controls in place to protect the residents who are pressured to leave or priced out due to increased taxes.

The Smithville Revitalization Plan will fill this void. Implementing this plan will converge two imperatives. First, we can save and transition Smithville without displacing the current residents or families of those residents in the future. Second, we can reposition and revitalize Smithville into a neighborhood providing affordable housing targeting workforce incomes.

To add more immediacy to our challenge, between November 2018 and this past week, the second week in February 2019, four senior residents died and their heirs, who do not live in Cornelius, are reviewing their options.

We believe that the plan we are proposing is the right way to go. However, addressing the two imperatives, protecting a historic community and providing workforce housing, is very difficult to pull off in the present environment. Making this work requires changes from the historical method of housing production in the North Mecklenburg towns.

It is a very different approach than waiting for developers to bring proposals to the town for review. It requires the town and the county to work with the community to create a shared vision, and then to work collectively to implement that vision.

The Smithville community, the County, the Town, and local philanthropies must coordinate our work and efficiently focus resources on creating a community development organization, funding acquisition, and infrastructure. We have identified high-quality providers who will work within the parameters of this plan. This program/plan can get done if we work together to achieve the Smithville Revitalization Plan.

We believe that the vision we have presented in this plan addresses the significant issues identified in the demographic and housing assessment. We look forward to talking with you as we work together to make this happen.

List of Contributors

Below is a list of potential partners who have reviewed our program and indicated their interest in participating. They have provided valuable insights but the assumptions and conclusions in this plan were made by or reviewed by the Board of Directors of the Smithville Community Coalition.

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