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Council questions condo policy

Members say they'll push officials to better monitor who benefits from city's affordable housing efforts.

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Charlotte City Manager Curt Walton has told a City Council member he would look into how city rules allowed a business owner and a BMW mechanic to each qualify for a government affordable housing program.

His comments came in response to a question about an Observer story that showed how the businessman and the mechanic bought studio units at the Metropolitan meant to help lower income families. The 101-unit complex is at the Midtown Square redevelopment, a mix of retail stores, homes and offices near the Interstate 277 loop.

The buyers qualified under the rules because they submitted income tax statements to the sellers that showed their income did not exceed the \$52,000 income limit when they applied to purchase the affordable units in 2006.

The mechanic said by the time his deal closed earlier this year, he was making more than the maximum income allowed.

The businessman, Kevin Craft, a chiropractor, said he owns a Gold's Gym in Mooresville and a \$500,000 house on Lake Norman.

Craft said he left his practice in 2005 in a disagreement with his business partner and took no salary for the year. He said his gym did not turn a profit.

But some City Council members said they will push city administrators to monitor more closely who benefits from the city's efforts to expand affordable housing.

"When I read about it, my heart sank," City Council member Susan Burgess said. "I was livid."

"Something will change," said council member Edwin Peacock.

In 2005, city and county leaders awarded developers a \$12.3 million grant to help them build a Home Depot, Target and other stores and about 200 condominiums.

The agreement required builders to set aside 10 percent of the condo units for buyers who make no more than 80 percent of the area median income. Charlotte's area median income is about \$64,400 for a family of four.

City leaders said they were trying to ease concerns that residents would be priced out of the neighborhood.

Tax records show five affordable studio units have sold for around \$200,000, a price some city officials criticize as too high.

Peter Pappas, a principal developer at the redevelopment, said all of the buyers were required to show tax returns to prove their income.

Last week, Walton replied to an e-mail from Burgess, who asked him to explain what happened. He wrote that he had spoken to Pappas several weeks ago about the issue.

Walton said the buyers may have used "IRS loopholes" to buy the condos.

In another e-mail to Burgess, Walton said: "Income can be structured so that somebody can have high income in years one and three, for example, yet year two may be essentially zero. We're going to look at our procedures from our side, but we can't close that particular loophole."

Walton did not return repeated calls seeking comment.

A spokeswoman with the city's economic development office, which negotiated the grant agreement with developers, sent a prepared statement that said officials would review in March whether developers met the terms of the agreement before the city gives developers a portion of the grant.

Some City Council members noted affordable housing was a small piece of a multi-million-dollar economic development project. Others said they have mixed feelings and want administrators to study the issue.

Councilman Warren Turner has said the city should consider making more demands on developers who receive subsidies in exchange for including affordable housing. But he said he doesn't necessarily want to exclude lower-income families who possess the ability to increase their earning potential.

"I don't know how you deal with that," he said. "You hope people improve their quality of life."

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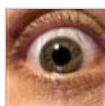
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