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EXHIBIT A | EXECUTIVE SUMMARY

Affordable and workforce housing have long been recognized as a substantial need for residents of the City of Brevard and the surrounding area. Transylvania County was identified by HUD as a priority geography for this funding opportunity. The City of Brevard is the largest city, county seat, and primary employment center in Transylvania County.

In an effort to promote increased development and retention of affordable and workforce housing within its corporate jurisdiction, the City of Brevard established the Housing Trust Fund in 2012. Since then, housing affordability has become even more of a crisis as many key members of the workforce, including teachers, police officers, construction workers, retail workers, and home health aides, on average, cannot afford to live in Brevard or Transylvania County.

In the past two years, the City of Brevard has reaffirmed its commitment to addressing the housing crisis. Significant time and resources to identify, address, mitigate, and remove barriers to affordable housing production and preservation. These efforts include:

- Proactively been taking steps to remove regulatory barriers to housing that existed within the City's development regulations, including permitting missing middle housing types by-right, allowing more opportunities for infill development, and regulating short-term rentals that have been constraining the housing supply.
- Contracting the University of North Carolina School of Government's Development Finance Initiative to support the City in attracting private investment for housing development.
- Expanding the authority of the Housing Trust Fund to support a myriad of housing efforts within the City's corporate limits and Transylvania County within the City's extraterritorial jurisdiction.
- Endowing Housing Trust Fund with the equivalent of two cents of the city's $.48 property tax rate in 2023 and one and a half cents in 2024.

Despite the City's ongoing work, numerous barriers that hinder our ability to produce and preserve more affordable access still exist, including:

- Limited developable area, with a significant portion of the area constrained by steep slopes in the mountains and/or floodplains with the French Broad River.
- Significant infrastructure constraints, with utility infrastructure being limited and, in some cases, reaching the end of their intended lifespan.
- High construction costs, exacerbated by the capital required to extend utilities and/or undergo significant site work.
- State law preemption that hinders local government's ability to pursue proactive policies for affordable housing production and preservation.
- Lack of funding available at the local, state and federal level.

The City's vision for this proposal is to proactively remove infrastructure barriers to housing production and to invest in communities through preservation programs. To realize that vision, the City of Brevard is requesting $4,000,000 to complete the following activities:

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- ***Azalea / Rhododendron Neighborhood Sewer Extension***: The first grant-funded project is extending sewer utilities to the Azalea / Rhododendron neighborhood in Transylvania County. This predominately low-income neighborhood is plagued with failing septic systems that are costly, or in some cases impossible, to repair. Extending sewer utilities to the 125 residential parcels in this area will address a major public health concern, preserve the naturally occurring affordable housing found in the neighborhood, and create a favorable environment for developers to create new housing opportunities on the vacant parcels. The funding secured with the PRO Housing grant will fund two elements of the project - (1) engineering design to extend sewer to the entire neighborhood ($348,000) and (2) the first phase of construction ($1,744,000). The first phase of construction will include the main trunkline of the sewer infrastructure along Old Hendersonville Highway and construction of the pump station that is necessary to serve the entire neighborhood. Completing the first phase of construction will serve 30 of the 125 lots, ensure the required pump station is completed, and better position the project for future funding opportunities.
- ***Woodland Terrace Sewer Extension***: The next grant-funded project is extending sewer utilities to a 7.8-acre parcel on Woodland Terrace owned by Transylvania Habitat for Humanity ($687,000). The Woodland Terrace project represents a pivotal initiative project by Habitat to address the growing need for affordable housing in our community. This development will feature approximately 47 cluster homes, designed to create a close-knit, sustainable, and affordable neighborhood for low- to moderate-income families. These homes will include a variety of housing models, such as duplexes, triplexes, and quadraplex homes, providing flexibility and diversity in housing options to meet the needs of the community. The municipal sewer service is a key component for advancing a multi-family development.
- ***Housing Trust Fund Affordable Housing Preservation Programs***: The final grant-funding activity is endowing the City of Brevard's Housing Trust Fund for affordable housing preservation programs ($1,221,000). These programs will enable low-income homeowners to rehabilitate existing affordable housing units, improve quality and safety of the housing units, and remain in their community. The Housing Trust Fund investment will implement many of the City's housing strategies, as identified in the *Building Brevard 2030* Comprehensive Land Use Plan, by preserving affordable housing throughout the City of Brevard's entire planning jurisdiction. The Housing Trust Fund has eligibility requirements that require funding goes to low-income households with a guaranteed affordability of at least 15 years (with preference going to projects that have longer affordability periods). Furthermore, the investment in preservation programs, home repairs, and tap fee reimbursement will ensure the current residents of the Azalea / Rhododendron neighborhood are able to remain in their homes and benefit from the newly established resources.

The City of Brevard is fully committed to this project. As the lead agency, the City is committing $912,688 in in-kind. The project is anticipated to be completed in December 2028, but the proposed activities will enable the production and preservation of affordable housing units long after the grant's period of performance.

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EXHIBIT B | THRESHOLD REQUIREMENTS AND OTHER SUBMISSION REQUIREMENTS

Threshold Eligibility Requirements (Section III.D)

The City of Brevard has carefully reviewed the threshold eligibility requirements and affirms:

1. *Resolution of Civil Rights Matters* – The City does not have any unresolved civil rights matters, including no charges, cause determinations, lawsuits, or letters of findings referenced in Section III.D.1 subparagraphs (1)-(5).
2. *Timely Submission of Applications* – The City is submitting the application before the deadline of 10/15/2024 11:59:59PM Eastern.
3. *Eligible Applicant* – The City of Brevard is a city government incorporated in the State of North Carolina in 1868.
4. *Number of Applications* – The City of Brevard is only submitting one application.

Other Program-Specific Requirements (Section IV.G)

1. *Limited English Proficiency* – While the City of Brevard is committed to including all people, regardless of English proficiency, in its programs and services, the LEP population does not trigger the thresholds that require translation services. According to the 2022 ACS 5-year estimates, only 2.9% of the population speaks a language other than English at home (0.8% Spanish, 1.8% other Indo-European languages, 0.3% other languages). However, the City will include Spanish language contact information on public outreach materials and provide interpretation as needed, as we have done on previous CDBG projects.
2. *Physical Accessibility* – The City of Brevard held a public hearing on October 8, 2024, in accordance with the public participation requirements included in the NOFO. The meeting was held at Brevard City Council Chambers at 95 W. Main Street, Brevard, NC 28712. This facility is on the first floor of the publicly-available government building that meets all accessibility requirements of the Americans with Disability's Act (ADA), North Carolina Building Code, and the relevant sections of the Rehabilitation Act of 1973. In addition, all notices of and communications during the public meetings were provided in a manner that is effective for persons with hearing, visual and communication-related disabilities. The public hearing notices were mailed to affected property owners and occupants in the Azalea / Rhododendron neighborhood, published for two weeks in the Transylvania Times, and posted at various locations around Brevard, including the Mary C. Jenkins Community and Cultural Center. The meeting is also live-streamed with the recording accessible on the City of Brevard's YouTube Channel (https://www.youtube.com/@thecityofbrevardnc).
3. *Environmental Review* – If awarded, the project will require an environmental assessment according to 24 CFR 58.36 and 8-step decision making process for floodplains (24 CFR 55.20) for both of the proposed new sewer lines. The home rehabilitation work will fall under the categorical exclusion (Subject to 58.5) level of review. All of the Environmental Review Records will be prepared by experienced staff from Land of Sky Regional Council. No work or choice limiting actions may begin outside of administrative activities until the environmental certification and Request for Release of Funds has been approved by HUD.

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EXHIBIT C | NEED

i. Demonstrate your progress and commitment to overcoming local barriers to facilitate the increase of affordable housing production and preservation

(a) Improved Laws, Regulations and Land Use Policies

City Council held an affordable housing summit in November 2021 to reaffirm its commitment to address this crisis. In response, staff dedicated significant time and resources to identify, address, mitigate, and remove barriers to affordable housing production and preservation. Since then, housing affordability has become even more of a crisis as many key members of the workforce, including teachers, police officers, construction workers, retail workers, and home health aides, on average, cannot afford to live in Brevard or Transylvania County. The major efforts undertaken by the City of Brevard are described in detail below and in subsection (b).

Since then, the City of Brevard has proactively been taking steps to remove regulatory barriers to housing that existed within the City's zoning and development regulation.

- *Comprehensive Land Use Plan Update*: The housing summit coincided with the launch of the City's Comprehensive Land Use Plan update, ***Building Brevard 2030***, the first comprehensive planning effort since 2002. Affordable housing consistently ranked among the top priorities of community members during outreach and engagement. In fact, during plan development the community overwhelmingly identified housing as the most important goal for the future of Brevard, specifically, "*Expand housing opportunities for all residents while preserving the character of Brevard and its neighborhoods*." The plan includes numerous recommendations for addressing the housing shortage and affordability crisis and outlines a housing toolkit that describes an array of strategies available to North Carolina municipalities. This land use policy document, formally adopted in March 2023, has **led to the development of numerous ordinance amendments** to address dimensional requirements that may serve as obstacles to housing, creation of new "missing middle" housing types and allocation of funding to affordable housing initiatives [these elements are outlined in further detail below].

- *Multiple Missing Middle Housing Types Allowed By-Right*: Several of the changes related to increasing the types of housing permitted in different areas of the City. These changes were to allow "missing middle housing," the range of house-cale buildings with multiple units, to be allowed by-right without the need for discretionary approval by City Council or the Board of Adjustment. The first of these changes was **allowing triplexes and quadraplexes by-right** in all residential zoning districts (i.e., all zoning districts except General Industrial) in June 2022. Since then, no new triplexes or quadraplexes were created. Feedback from developers was that the maximum allowable density and the required amount of parking were limiting developability of this type of housing. With this information, Staff amended the parking requirements to a hybrid model where some zoning districts have a minimum amount of parking required and others, where there is available public parking and/or on-street parking, have a maximum amount of parking instead. As part of these changes, the zoning districts where these housing typologies are most likely to occur have a reduced parking minimum of one space per dwelling unit. Staff also initiated an ordinance amendment to **allow "cluster home development" by-right**. A cluster home development, also referred to as "cottage courts," allows for small lot residential development in a manner that organizes multiple dwellings around a common

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open space, designed as a cohesive whole and maintained in shared stewardship by residents. Additionally, a density bonus is attached to this type of development, where the maximum allowable density is increased to 50% greater than the underlying zoning district. Allowing cluster home developments will not only create more diverse housing options, but also allow for greater development potential on challenging sites with limited road frontage, environmental constraints, or topographic limitations. This amendment was adopted by City Council in June 2024. Though no new cluster homes have been permitted, Staff is reviewing plans for a residential neighborhood with approximately 66 dwellings, which will have three cluster home developments. Other affordable housing developers, including Transylvania Habitat for Humanity, are also preparing plans for new cluster home developments. Lastly, Staff **increased the allowable size of accessory dwelling units (ADUs)** from 800 square feet to 1,200 square feet. This change was adopted in December 2022 in response to feedback from constituents. Since its adoption, 10 new ADUs have been built and one smaller residential home was converted to an ADU with a new primary structure built on-site. All of three of these amendments facilitate "gentle" increases in density and increase the variety of housing types available at different levels of affordability, while also encouraging affordable housing throughout the city rather than in segregated and concentrated areas.

- *Infill Development Allowances:* The City adopted amendments to the subdivision regulations to allow for irregular lot shapes and more efficient usage of land. The cost of land in Transylvania County has jumped in recent years, and it has become cost-prohibitive for many would-be homeowners (see the *Acute Need for Housing* subsection below for more details). Vacant and underutilized parcels in established neighborhoods are ripe with opportunities for infill development. With property values skyrocketing, selling excess land with the intention of development generates new income for property owners and reduces their annual property taxes. The purchaser, on the other hand, buys a more affordable property in a desirable neighborhood with amenities and connectivity. In November 2022, City Council passed an ordinance amendment to **allow irregular or "flag" lots** to be created in its jurisdiction. These types of lots have reduced road frontage requirements with functional access for ingress, egress, and utilities provided along a long narrow strip of property and the portion of the lot where development is intended typically situated, at least in part, behind the adjoining lots. Allowing irregular or "flag" lots facilitate infill development that fit the existing context of a neighborhood in its scale and character. Since this ordinance passed 2 of the 24 subdivisions approved created flag lots. Additionally, City Council approved amendments in June 2024 that increased opportunities for denser development without the need for subdivision by adopting robust **group development regulations**. By permitting "group developments" by-right, development can occur with more than one principal building on a single parcel (e.g., allowing two quadraplexes on a parcel). This new change is critical for the success of the cluster home developments and other permitted missing middle housing types, as described above, because it allows for additional development opportunities without the need to subdivide the parcel.
- *Short-Term Rental Regulations*: The State of North Carolina significantly limits the authority that cities have to **regulate short-term rentals (STR)**. With the County's abundance of natural resources and booming tourism sector, STRs have increasingly impacted Brevard's housing stock, as demonstrated by the increase in seasonable homes

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and vacant units that are unavailable to long-term renters. In the fall of 2021, City Council established the Short-Term Rental (STR) Taskforce, charged with obtaining data on STRs in the City, understanding the preemptive regulations at the State level, assessing the positive and negative impacts, and providing recommendations to City Council on how to proceed. The City of Brevard quickly identified short-term rentals as detrimental to housing development that is more affordable and further constraining the housing stock. This effort was driven by a desire to ensure housing units developed in Brevard are used as a home, instead of an STR. In August 2023, City Council approved the regulations proposed by the Taskforce. Now, STRs are only permitted in mixed-use zoning districts, not within the General Residential zoning district. One major component of the amendments was altering the definition of STR to be whole-house rentals where a permanent resident does not live on site. This change allows residents to rent their homes, a section of their home, and/or an accessory dwelling unit on a short-term basis as an additional source of income. As part of the outreach conducted by the Taskforce, many residents reported that the ability to rent part of their home is an essential revenue source that allows them to stay in their homes and prevents displacement. Since the ordinance was adopted, there have been no new whole-house STRs permitted in the City's jurisdiction. Planning Department staff continues to investigate zoning code enforcement cases against illegal STRs and discuss the ordinance changes with property owners, sellers, and prospective purchasers to ensure the housing supply is not further constrained.

- *Updated Architectural Standards (anticipated Fall 2024):* Like most other communities across the nation, there is general opposition to larger, new development by people who live nearby. Those that express the "Not In My Back Yard" (NIMBY) sentiment towards affordable housing fear the potential negative impact to their neighborhood, citing diminished property values, increased traffic, destruction of the natural environment, and changing neighborhood character. The procedural delays associated with soliciting engagement or community review and the combatting the opposition to new affordable housing can put additional pressure on the already-thin margins and threaten the financial feasibility of the project. In December 2023, the City of Brevard hired an architecture and planning consulting firm, Plusurbia, to **update the architectural standards** in the Unified Development Ordinance for the first time since their debut in 2006. These changes aim to address new building materials, changing construction trends, and the desires of community stakeholders. The new standards will contribute to Brevard's quality of life, with the ultimate goal of ensuring new development and investment in existing structures will enhance the character of the community for a strengthened sense of local identity. The project kicked off by engaging over 400 residents to share their vision for the character of Brevard and some of its prominent areas. Not only will updating the architectural standards with modern building practices by-right will reduce the procedural delays associated with additional City Council and Board of Adjustment meetings, but this initiative will also ensure new larger developments align with the character of Brevard and face less "NIMBY" backlash about "not fitting in" with the community. These regulations are in development and are anticipated to be adopted by the end of the 2024.

(b) Other Recent Actions Taken to Overcome Barriers to Facilitate the Increase of Affordable Housing Production and Preservation

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In addition to the regulatory changes, the City of Brevard has also pursued other housing strategies and new initiatives to overcome barriers to affordable housing production and preservation:

- *Housing Trust Fund Reform*: In an effort to promote increased development and retention of affordable and workforce housing within its corporate jurisdiction, the City of Brevard established the Housing Trust Fund in 2012 as a part of its CDBG-funded Cottages of Brevard housing development, which created 48 new affordable units. The Housing Trust Fund was intended to serve as a flexible source of funding that can be used to support a variety affordable housing activities and initiatives. However, the Housing Trust Fund, as initially established, was not effective as a tool for the creation and preservation of affordable housing. This was in part due to the funding limitations and overly prescriptive requirements mandated in the bylaws. The City's Housing Committee worked to revise the Housing Trust Fund bylaws and policies starting in June 2022. As part of this effort, the Committee reviewed the North Carolina General Statutes, examined housing programs in other cities, discussed the ideal process for distributing funds, and identified priorities for investment. In March 2023, City Council expanded the scope of the Housing Trust Fund and established funding priorities. Staff also prepared a new guidebook that is intended to serve as information materials outlining the requirements, policies, and procedures for funding requests for potential applicants. The Housing Trust Fund now can support a myriad of housing efforts that serve residents within its corporate limits and Transylvania County within the City's extraterritorial jurisdiction (ETJ). Since the amendments passed, the Housing Trust Fund has had limited success; the small amount of available funding has been earmarked for the pursuit of a City-supported project (described in detail below). However, the reformed Housing Trust Fund lays the groundwork for the City to support affordable housing production and preservation.
- *Funding Allocations:* Brevard City Council identified funding affordable housing initiatives as a top priority in the FY 2023-2024 budget. The approved budget **endowed the Housing Trust Fund** with the equivalent of two cents of the city's $.48 property tax rate. This is the first time City Council has contributed to the Housing Trust Fund since its establishment in 2012. The renewed investment was intended to be an annual commitment to continue to bolster the funding available for affordable housing initiatives. In FY 204-2025, City Council continued funding the Housing Trust Fund with the equivalent of one and a half cents of the city's $.48 property tax rate. This is a significant commitment as North Carolina municipalities have few statutorily approved revenue sources with which to fund public services. By dedicating an allocation of the tax rate, Brevard's governing board prioritized housing over other needs. Currently, the Housing Trust Fund has approximately $584,000 in cash and $172,500 in receivables. As previously stated, this relatively small amount of funding is earmarked for the predevelopment services and potential gap funding necessary for the City-supported project (described below). The City is also taking steps dispose of excess City-owned land that cannot accommodate larger-scale affordable housing development projects with the proceeds going into the Housing Trust Fund.
- *Pursuing a City-Supported Affordable Housing Project*: In March 2023, the City of Brevard engaged the University of North Carolina School of Government's Development Finance Initiative (DFI) for $90,000 to assess affordable housing development opportunities and support the City in attracting private investment for housing

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development. The scope of work includes assessing the scale and scope of the housing crisis with a comprehensive needs assessment, identifying potential sites for large-scale affordable housing projects, conducting a financial feasibility study on a selected site, and assisting the City in soliciting a development partner. The goal of this project is to reduce the risk associated with new affordable housing development by conducting predevelopment analysis, public engagement, and preliminary design work for a future development partner. DFI completed the housing needs assessment and opportunity site identification in the fall 2023. Based on DFI's preliminary analyses, the City elected to partner with the Brevard-Davidson River Presbyterian Church (the Church) to utilize Church-owned land for affordable housing development. In June 2024, the City and the Church entered into a lease agreement with an option to purchase the property to begin predevelopment work on the site. Geotechnical assessment was conducted on the site that revealed 15 to 18 feet of soft soil content that was incompatible with large scale development and would cost significantly more in site preparation and stabilization than an average site in the area.

In addition to the City-led efforts, the City of Brevard contributes to the broader regional housing efforts.

- **Transylvania County** is conducting a **Comprehensive Housing Study** for the entire county, including the City of Brevard. The goal is to obtain information about the type, size, location, and price of housing required to meet the current and future needs of residents living and working in the county.
- **Land of Sky Regional Council (LOS)** is a multi-county, local government planning and development organization. They provide technical assistance to local governments and administer projects and programs which benefit our region's residents, businesses and non-profits as well. The City of Brevard has worked closely with LOS for many years to identify barriers, implement effective housing strategies, and pursue funding opportunities in pursuit of these programs. LOS has vast experience in administering federal and state grants and will serve as a key member of the project team (see *Exhibit E – Capacity*). The City of Brevard has participated in numerous LOS affordable housing summits, community engagement activities, fair housing trainings, regional analysis of impediments, grant proposals and other projects to address the affordable housing crisis at a local and regional level. LOS is currently establishing a **Regional Housing Alliance** to strengthen partnerships and pursue additional funding sources beyond HOME and LIHTC funds for the region, including a new regional Housing Trust Fund. Brevard's HTF will serve as a model to inform the regional effort. Multiple members of the Regional Housing Alliance provided feedback and input for this application.
- The **Asheville Regional Housing Consortium** is a four-county consortium, consisting of Buncombe, Henderson, Transylvania and Madison Counties, that distributes HOME funds from the US Department of Housing and Urban Development to projects in the region through a competitive application process. The City of Asheville is the lead entity for the consortium (Participating Jurisdiction) and administers the HOME funds for the area, and a representative from the City of Brevard sits on the board of the Consortium and participates in all funding decisions. Historically, the projects have been concentrated in

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Buncombe and Henderson Counties. In recent years, the Consortium members have prioritized funding across the four-county region and have allocated funds to projects in Transylvania County in 2022 and 2023.

- The **Brevard-Transylvania Housing Coalition** brings together local leadership from non-profits, faith congregations, government officials and concerned citizens. Initiated by Sharing House, a local faith-based supportive service provider, the Coalition convened its first meeting in November of 2022 and meets monthly with a focus on breaking down the barriers of access for low- and moderate-income households. The City of Brevard and both of the partners included in this grant application – Transylvania County and Habitat for Humanity – serve on the coalition. The goal of the Coalition is to share information, collaborate on projects and initiatives, advocate for local housing reform, and host education and engagement events. Most recently, the Coalition hosted a community tour in recognition of World Homelessness Day on October 10, 2024. The tour highlighted how local organizations provide shelter, rental assistance, and housing support for residents facing housing instability in Transylvania County by

ii. Do you have acute need for affordable housing? What are your remaining affordable housing needs and how do you know?

Transylvania County was identified by HUD as a priority geography for this funding opportunity. The County exceeded the threshold requirement for two of the three measures – the *Off-Pace Factor* and the *Housing Affordability Factor*. The City of Brevard is the largest city, county seat, and primary employment center in Transylvania County. Approximately one-third of the County's population (33,400) lives within the City of Brevard and its Extra-territorial Jurisdiction (ETJ). The proposed project will entirely serve residents of Transylvania County, both inside the City limits and within the City's ETJ.

Affordable and workforce housing have long been recognized as a substantial need for residents of the City of Brevard and the surrounding area. In March 2023, the City of Brevard engaged the University of North Carolina School of Government's Development Finance Initiative (DFI) to conducted a robust housing needs assessment to understand the acute need for housing in Brevard and assess affordable housing development opportunities. This report resulted in statistical evidence that validates the anecdotal accounts of Brevard residents and employers.

Over 800 low- to moderate-income (LMI) households in Brevard have housing needs. In this context, "housing needs" are defined as (1) spending at least 30% of their annual income on housing-related costs, (2) living in units without plumbing or kitchen facilities, or (3) living in units with more than 1 person per room. There are approximately 1,165 LMI renters, of whom 530 (45%) have housing need and 300 (25%) have severe housing need. Of Brevard's 635 LMI homeowners, 305 (48%) have housing need, and 110 (17%) have severe housing need.

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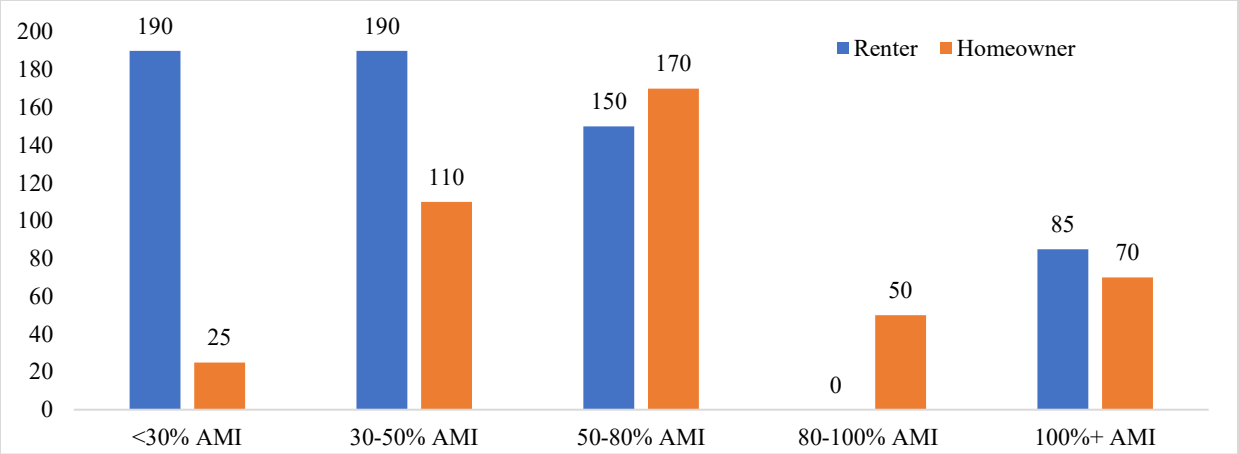


Figure 1: Number of Households with Housing Needs by Income Level [Source: HUD CHAS (2020)]

This number is anticipated to grow as the housing stock continues to age. Approximately 17% of housing units in Transylvania County were built before 1959. In the City of Brevard, this increases to 61%. Many older homes, particularly those built before 1959, lack basic amenities, such as heating, electrical, or plumbing. These deficiencies pose serious health and sanitation risks to occupants, especially seniors and low-income families living in these homes.

Many key members of the workforce, including teachers, police officers, construction workers, retail salespersons, childcare workers, and home health aides, cannot afford to live in Brevard. Approximately 1,200 employees commute to Brevard from outside Transylvania County. Over half of Brevard's commuters (700 people) make less than $40,000 per year (below 80% AMI). Many stakeholders in this situation used to live in Brevard and were pushed out by prices or want to live in Brevard but can't enter the housing market.

Half of Transylvania County's workforce is employed in industries with average wages of less than $40,000 a year. For example, the average retail wage in Transylvania County is approximately $30,000 per year, but the estimated annual cost for non-housing related expenses in a single-person household (i.e., transportation, healthcare, and food) is $30,000, which leaves $0 leftover for housing-related costs. Similarly, Transylvania County School first-year teachers earn $37,000 for the 2022-2023 school year. To earn the area median income, a teacher without a master's degree must have at least 14 years of experience. As Brevard's economy grows, housing that is affordable across a range of wages will likely become even more critical. These lower-wage industries are growing in number of employees and growth in these sectors impacts ongoing housing needs.

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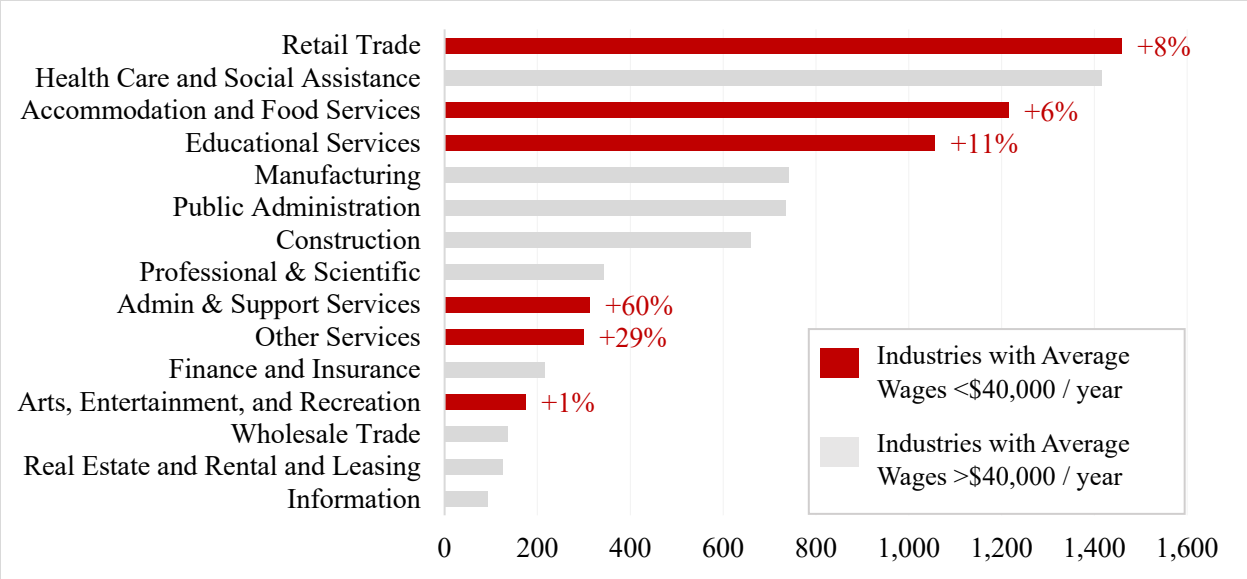


Figure 2: Employees in Transylvania County by Industry (2021) [Source: LEHD on the Map; Economic Policy Institute]

The rise in housing costs over the last four years, post-pandemic, has increased the number of cost-burdened households, due to the increasingly competitive rental and home buying market. Even though net migration was increasing prior to COVID, the housing market activity has accelerated since. Home sales have increased by 50% during the pandemic, driven primarily by second home and investor purchases. 40% of the homes sold were bought by individuals or entities with mailing addresses outside of Transylvania County. Because single-family homes make up a third of rental housing types, this increase in non-resident home purchases reduces the availability of homes both for renter and for owner-occupied sales.

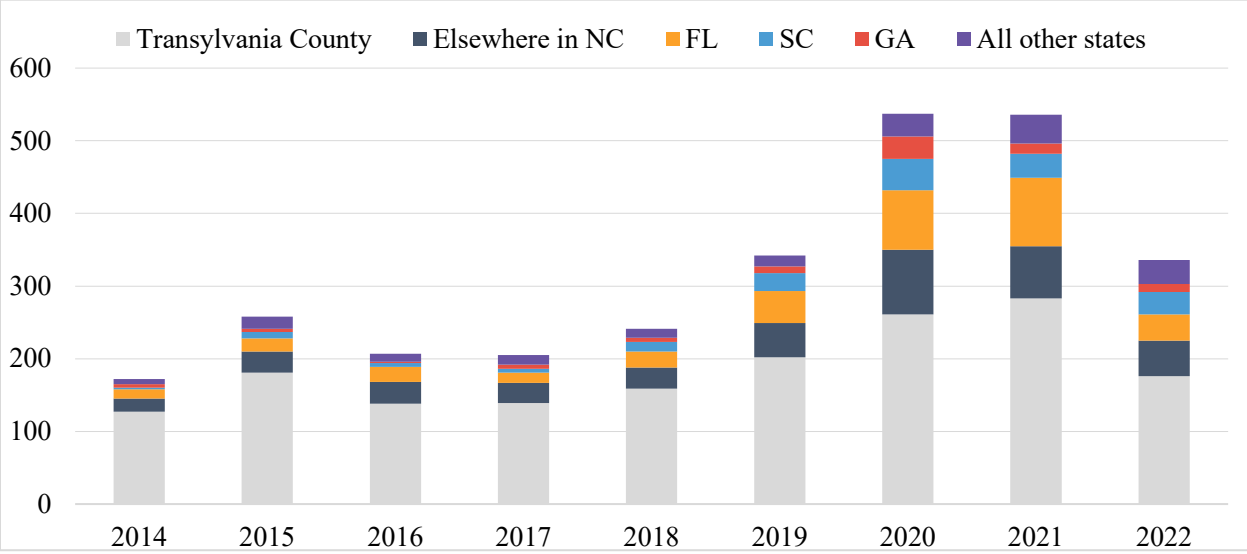


Figure 2: Single-family Home Sales in Transylvania County by Buyer Mailing Address [Source: DFI Analysis of Transylvania County tax parcel data]

Unsurprisingly given the home sale trends, additional pressure on Brevard's housing stock has been created by a tripling of seasonal use properties. In 2021, over 10% of the housing units in the

City were reserved for seasonal use and off-market for year-round renters. Over the same time period, the vacancy rate for year-round rentals fell to 0%. There has been a net increase in units in the City over the last decade, yet of the 436 net new units added, over 300 are for seasonal use, and the rental and homeowner vacancy rates remain below 1%.

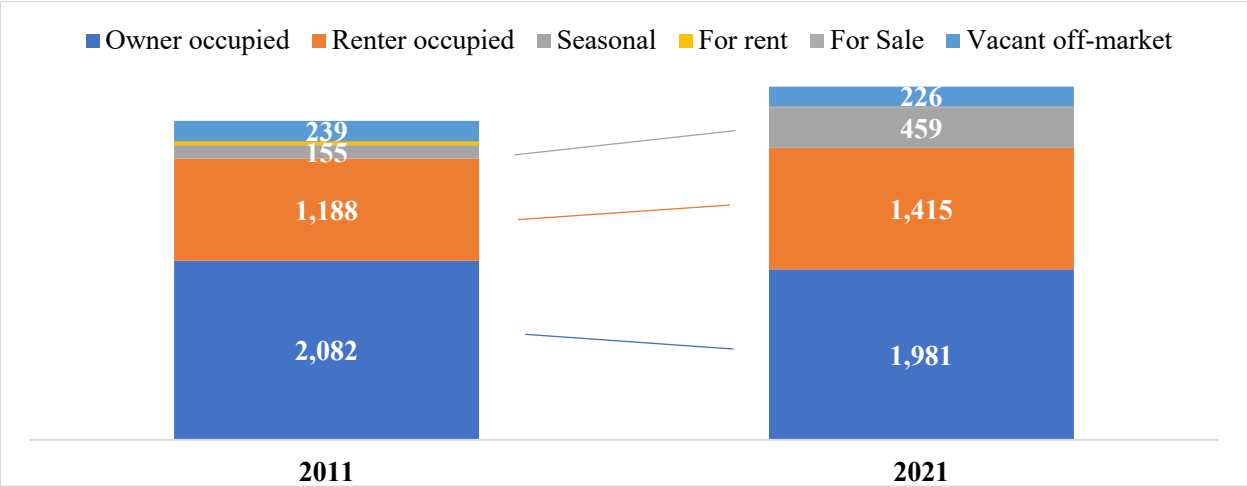


Figure 4: Brevard Housing Units by Occupancy [Source: ACS 2021, 5-year estimates]

Despite the increase in rental units, Transylvania County lowered its affordability and lost lower-priced rent units. The number of rental units costing over $1,000 in monthly rent more than doubled over this period. This, coupled with the low vacancy rates, has resulted in households with higher incomes occupying units affordable to lower-income households. Over half of the units affordable to households earning 50% of AMI or below are occupied by renters with higher incomes.

For homeowners, the increased demand is reflected in rising costs for new housing and average home sale prices. The median sales price for homes sold in Transylvania County in 2Q 2024 was $520,000. This is more than double the pre-pandemic median sales price ($258,000, 2Q 2019). Now, the household income needed to purchase the median sales price is $107,000, which reflects 140% AMI for a family of four.

During the pandemic, demand for land in Transylvania County broke historic records. The number of land sales increased by nearly 300% since 2011 and land sale prices jumped by 900%. This level of increase in land purchases, especially given the limited developable land in the region [see *Additional Barriers* below], along with the uptick in land prices directly affects homeowners, and because developers pass on those costs to tenants, this impacts renters in the region as well.

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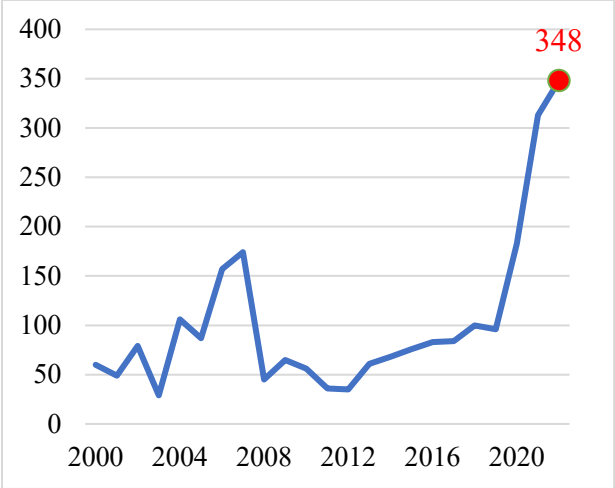


Figure 3: Sale Transactions for Undeveloped Lots <5 acres in Transylvania County [Source: DFI analysis of tax parcel data]

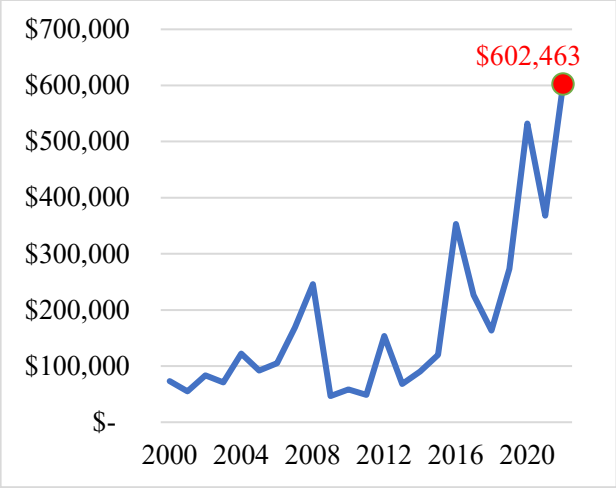


Figure 4: Sale Price per Acre for Undeveloped Lots <5 acres in Transylvania County [Source: DFI analysis of tax parcel data]

The heightened demand for land and skyrocketing home prices coupled with the dwindling developable land available has created displacement pressures on many of Brevard's in-town neighborhoods. These displacement pressures disproportionately impact communities of color and lower income areas.

One threatened area is the historic Rosenwald neighborhood, a traditionally African American community located adjacent to Downtown. This historic community is seeing immense residential investment, with new, half-million-dollar homes being constructed next to historic one-story frame houses built in the 1950s and 1960s. This gentrification often leads to significant displacement pressures, as rising property values and rents push long-time residents out of their homes. These neighborhood changes threaten the long-standing community that has deep cultural and historical roots in the area, resulting in a loss of social networks and cultural identity. These changes underscore the urgent need for housing preservation initiatives that prioritize the needs of existing residents while promoting community stability and fostering high opportunity neighborhoods.

iii. What key barriers still exist and need to be addressed to produce and preserve more affordable housing?

Despite the City's ongoing work to address barriers through the regulatory reforms and other initiatives outlined above, numerous barriers that hinder our ability to produce and preserve more affordable access still exist.

- *Sensitive Topography and Limited Developable Area*: One of the greatest constraints is the topography of the region. With the French Broad River to the east and Pisgah National Forest to the west, Brevard is surrounded by many valuable natural resources; this contributes to the high quality of life, but significantly limits the developable land in the area. Much of the available land, generally on the outer edges of the City's planning jurisdiction, is constrained by steep slopes and/or floodplains that prohibit or significantly limit the development potential. In an effort to reduce the fiscal burden on households, the City of Brevard participates in the Community Rating System (CRS), a voluntary incentive

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program that recognizes and encourages community floodplain management practices that exceed the minimum requirements of the National Flood Insurance Program (NFIP). The City of Brevard is a Level 8 community, which equates to a 10% discount on flood insurance premiums. Even the land not within a hazard areas face difficult environmental site conditions that hinder development potential and effectively eliminate opportunities for affordable housing developments. As stated previously, the City partnered with the Brevard-Davidson River Presbyterian Church to utilize Church-owned land for affordable housing development. In June 2024, the City and the Church entered into a lease agreement with an option to purchase the property to begin predevelopment work on the site. Geotechnical assessment was conducted on the site that revealed 15 to 18 feet of soft soil content that was incompatible with large scale development and would cost significantly more in site preparation and stabilization than an average site in the area. High-level cost estimates revealed that the cost of site remediation and preparation alone would be four times more expensive than an average site.

- *Infrastructure Constraints*: Brevard also suffers from significant infrastructure limitations. Water and sewer infrastructure is limited, and many existing pipes are at the end of their intended lifespan. Due to the topography of the area, water or sewer infrastructure that is built as a part of new development often must include costly pump or lift stations. Existing City pumps and lifts are at the upper end of their functional capacities, and if a project were to build enough houses to cause those capacities to be met, then the cost of necessary upgrades would be borne by the developer, resulting in higher listing prices of the homes to offset the added expense. The City of Brevard owns and operates the larger of the two wastewater collection and treatment systems in Transylvania County. The collection system serves more than 3,600 customers and consists of 55 miles of gravity sewer lines, 6 miles of force mains, and a wastewater treatment facility (WWTP) that discharges into the French Broad River. The plant is permitted to treat 2.5 million gallons of sewage a day and currently receives 1.7 million gallons. With increased development in city limits, the plant has struggled to remain in compliance with the organic waste treatment standards. As the WWTP quickly draws closer to the 80% capacity mark, the City must plan to expand operations. Earlier this year, the City hired an engineering firm to perform projections and evaluate possibilities for the expansion or potential replacement of the WWTP. Streets within the City face similar issues. In a 2021 condition survey, over 23% of City-owned street mileage was rated as either "Poor" or "Very Poor." New streets are occasionally constructed and dedicated to the city, but these are typically very short cul-de-sac streets that offer no real increase in connectivity. Any new street of a substantial length would inevitably have to contend with topographical challenges that quickly drive the cost of road construction up, which is then passed along to the buyers of the homes built along it.
- *High Construction Costs*: In addition to the high cost of land described above, high construction costs have further hindered development. With the limited infrastructure and challenging topography, construction typically requires utility extension and/or significant site work. These are large up-front expenses that are borne by the developer before even breaking ground. The impact on the bottom line reduces the financial feasibility of the project and, typically, leads to an increase in rent or purchase price to overcome the financial gap. Coupled with the limited availability of contracts and high inflation, construction costs are projected to continue increasing in the years to come. Just recently,

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the feasibility of an affordable housing development was threatened by rising construction costs. In 2022, Fairhaven Meadows, a 60-unit affordable housing complex in Brevard city limits, was awarded Low Income Housing Tax Credits (LIHTC) from the North Carolina Housing Finance Agency. Due to rising construction costs, the project initially submitted by the developer to NCHFA had a multi-million-dollar funding gap. The developer was forced to reduce the scale of the project in order for the financing to pencil out. The now 42-unit project is under final review by City staff and is anticipated to begin construction in winter 2024, a year behind schedule.

- *Limited Local Funding Options*: With high land acquisition and construction costs, the availability of funding becomes one of the greatest obstacles for affordable housing development. Locally, the City of Brevard is a small municipality with limited funds generated almost exclusively from modest property tax revenue. City Council's recent appropriations to the Housing Trust Fund (two cents per $100 of property value in FY 2023 and one and a half cents per $100 of property value in FY 2024) can support a few smaller projects annually or serve as developer gap financing every few years. After two fiscal years and a few smaller projects, the current cash balance in the HTF is $645,000. While this is an important investment and demonstrates the City's commitment to housing, it is not enough to make a large impact on the affordable housing shortage in the area. Dogwood Health Trust, which serves the 18-county western NC region and the Qualla Boundary, is the other main local resource for housing funding and provided nearly $13M in grants in 2023; however, this is a very competitive resource due to the large geographic footprint. Many of the projects selected focus on especially vulnerable populations like those that need permanent supportive housing and seniors. Dogwood is not yet ready to invest the LOS Regional Housing Trust Fund, which is why the City's Trust Fund remains a critical resource for local efforts.

- *State Law Preemption:* The State of North Carolina has a number of preemptive regulations that affect the ability of a local government to pursue proactive policies for affordable housing production and preservation. First, North Carolina explicitly prohibits local governments from regulating the amount of rent that can be charged for privately-owned single-family or multiple unit residential properties (North Carolina General Statutes Section 42-14.1). This **rent control** ban was passed in 1987 with no modifications since. Rent control or stabilization is an important tool for anti-displacement because it allows current residents to remain in their homes longer. State law also precludes local governments from implementing any **property tax-based preservation programs**. The North Carolina State Constitution includes a "uniformity clause," which requires uniform property tax rates on all property throughout a taxing jurisdiction and uniform property tax classifications (meaning exemptions and exclusions) throughout the entire state. This clause prohibits innovative tax-based anti-displacement programs for income-qualifying homeowners, such as setting limits on annual property tax increases, offering homestead exemptions that exclude a share of the home's value from the property tax calculation, or deferring the collection of increased property taxes until the resale of the property. These types of programs have successfully supported long-time homeowners stay in their homes and communities across the nation. State law preemption also extends to regulatory policies for affordable housing production. The State constitution and general statutes do not grant local governments the power to enact **inclusionary zoning**, which involves using zoning

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authority to mandate private development to produce affordable housing units as part of their project. North Carolina General Assembly grants cities "adequate authority to execute the powers, duties, privileges, and immunities conferred upon them by law" (North Carolina General Statutes Section 160A-4). The ramifications of this as it relates to inclusionary zoning have been debated state-wide. Though three municipalities have implemented mandatory inclusionary zoning, the prevailing interpretation is that North Carolina municipalities cannot enact mandatory inclusionary zoning requirements. Even if a municipality were to move forward with that policy, the strict rent control ban precludes any for-rent inclusionary zoning policies, only for-sale units.

- *Not Competitive in State and Federal Programs*: Furthermore, the City of Brevard and Transylvania County are not positioned to receive funding through competitive state and federal programs. For instance, the County is, typically, not competitive in the Low-Income Housing Tax Credit Program (LIHTC) administered through the North Carolina Housing Finance Agency (NCHFA). The NCHFA allocates funding based on the geographic and income limit designations. Transylvania County is located in the "Western" region, which only receives 16% of the funding awards annually. The County is also considered "moderate-income" with other counties in the region being higher funding priorities. This is due in part to the high-income residents in the Lake Toxaway community located twenty miles southwest of Brevard. The limited infrastructure and challenging topography result in lower scores in the "Location and Site Suitability" criteria, as well. These factors all contribute to a low likelihood of award from one of the largest sources of funding for affordable housing, and, as a result, developers are unlikely to pursue projects in the area. Fairhaven Meadows, awarded in 2022, was the affordable housing tax credit award for family housing in Brevard since 2009 and only the fourth in the city's history. As part of the 2022 Qualified Allocation Plan, a bonus point was given to new construction projects in counties declared a federal disaster area under Tropical Storm Fred, which included Transylvania County. In the highly competitive funding program, that one additional point and added preference towards funding projects in the Western Region resulted in Fairhaven Meadows receiving LIHTC.

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EXHIBIT D | SOUNDNESS OF APPROACH

i. What is your vision?

Proposed Activities and Why They are Appropriate

As described in *Exhibit C – Need*, the City has made significant improvements to the ordinances and regulations to facilitate production of a more diverse, dense housing stock. These improvements, however, continue to have limited success due to other key barriers. **The City's vision for this proposal is to proactively remove infrastructure barriers to housing production and to invest in communities through preservation programs.** To realize that vision, the City of Brevard is requesting $4,000,000 to complete the following activities:

- *Activity 1*: Engineering to Extend Sewer to the Azalea / Rhododendron Neighborhood ($348,000)
- *Activity 2*: Construction of the Main Spine and Pump Station to Extend Sewer to the Azalea / Rhododendron Neighborhood ($1,744,000)
- *Activity 3*: Engineering and Construction to Extend Sewer to Habitat for Humanity's Project on Woodland Terrace ($687,000)
- *Activity 4*: Endowing the Housing Trust Fund for Affordable Housing Preservation Programs ($1,221,000)

The specific vision and scope of each project component is described in detail below.

Activities 1 & 2: Azalea / Rhododendron Neighborhood Sewer Extension

The first grant-funded project is extending sewer utilities to the Azalea / Rhododendron neighborhood in Transylvania County. This predominately low-income neighborhood is plagued with failing septic systems that are costly, or in some cases impossible, to repair. Extending sewer utilities to the 125 residential parcels in this area will address a major public health concern, preserve the naturally occurring affordable housing found in the neighborhood, and create a favorable environment for developers to create new housing opportunities on the vacant parcels.

The funding secured with the PRO Housing grant will fund two elements of the project - (1) engineering design to extend sewer to the entire neighborhood and (2) the first phase of construction. The first phase of construction ($1,744,000) will include the main trunkline of the sewer infrastructure along Old Hendersonville Highway and construction of the pump station that is necessary to serve the entire neighborhood. Completing the first phase of construction will serve 30 of the 125 lots, ensure the required pump station is completed, and better position the project for future funding opportunities.

In 2020, door-to-door income surveys along with web and telephone surveys were conducted to identify LMI households along with other key HUD demographics in the Azalea / Rhododendron neighborhood. This outreach effort surveyed the 93 households in the area (67 owner-occupied and 26 renter-occupied), with the remainder of the properties being vacant. Of the households surveyed, 54% were low-income, earning less than 80% of AMI in 2020. 20 of those households were classified as extremely low- (30% AMI in 2020) or very low-income (50% AMI in 2020). At that time, 167 people resided in the neighborhood. The neighborhood is predominately white, with 14 residents identifying as non-white (African American or two or more races). 24% of the people

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living in the neighborhood are elderly (over the age of 62). While this data is a few years old, the character of the neighborhood has remained largely unchanged, and most of the households were owner-occupied, which typically means less turnover. These surveys were conducted at the onset of the COVID-19 pandemic. As described in *Exhibit C – Need*, affordability in Brevard and Transylvania County continues to worsen in the years following the pandemic.

The Azalea / Rhododendron neighborhood is an area of opportunity less than a mile from many of the County's major employment centers (Downtown and Transylvania Regional Hospital), educational institutions (Brevard Middle School, Blue Ridge Community College and Brevard College), grocery stores, recreational facilities, etc. However, not having adequate sewage has stifled the area and perpetuates the underserved nature of the area. This proposal will ensure the underserved area near community assets becomes a well-resourced area of opportunity.

Because this neighborhood is underserved with respect to utilities, the residents rely on aging septic tank systems that are either failing or rapidly approaching the end of their life spans with no space or proper site conditions for replacements other than municipal sewer. Through two different household surveys (2005 NCDEQ Wastewater Elimination Discharge (WaDE) and 2020 follow-up), 27 homes (22%) have been identified with failing septic and are illicitly discharging their wastewater. 18 of these homes are LMI households. Transylvania County Department of Public Health reports that none of the failing septic systems have been replaced and no remediation has been undertaken since the last survey in 2020. The Department of Public Health has also determined that repairing septic systems is impossible in some circumstances due to the high clay content of the soil preventing water absorption, insufficient available space, inability to meet required setbacks and other site-specific issues. The choices in these cases are limited to either pumping and hauling the sewage to an approved wastewater treatment facility or abandoning the structure as a residence.

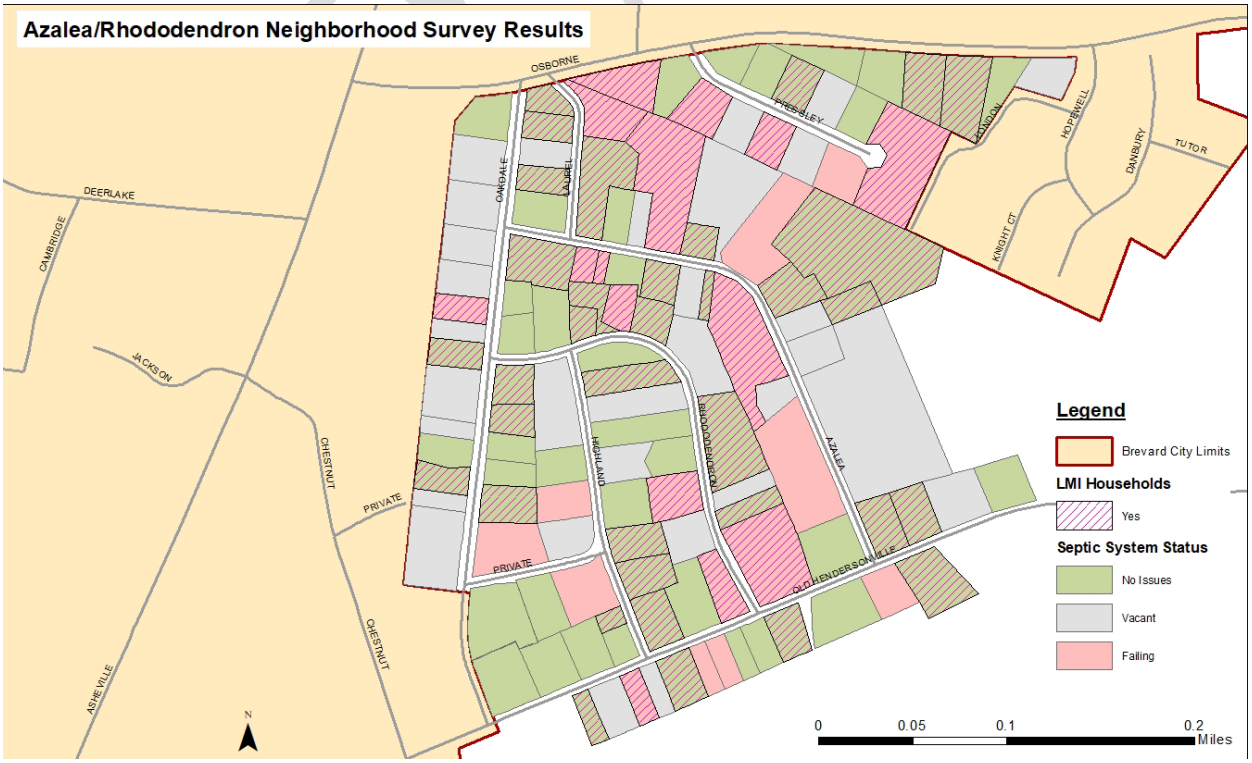


Figure 7: Project Location and Resident Survey Findings [Source: Land of Sky Regional Council with results from 2020 neighborhood survey]

It is assumed by Transylvania County Department of Public Health and the City of Brevard that the septic issues have become more extensive in recent years. This is in part because of the flooding that has plagued the area. Transylvania County is one of the wettest counties in North Carolina, with some areas receiving over 100 inches of precipitation annually. As a result, the French Broad River, which spans the entire County, is subject to frequent flooding. The Gilbreath Branch is located in the Azalea / Rhododendron neighborhood and flows directly into the French Broad River just south of the neighborhood. Failing septic systems are a major source of bacteria pollution and other pathogens in the region's waterways. The illicit discharge generated by failing septic systems in this neighborhood flows directly into the French Broad River degrading its water quality.

More than a quarter of the properties in the Azalea / Rhododendron neighborhood are vacant. The majority of those vacant parcels are unable to be developed because they cannot secure a septic permit from the Transylvania County Health Department due to the high clay content of the soil preventing water absorption, insufficient available space, inability to meet required setbacks and other site-specific issues. **The only way for development to occur in on the 8+ acres of vacant properties is with public sewer**. If the vacant parcels are developed as affordable housing, they will have access to the Housing Trust Fund programs, but there will also be benefits with development of market-rate housing. The reduction of barriers to housing development in the area will also improve the production of housing in general and produce indirect improvements in affordability generated through increased supply of market-rate housing.

Installing new utilities and improving the infrastructure is critical for the development and preservation of affordable housing in this opportunity neighborhood. With the high cost of infrastructure and topographic constraints, the financial resources required to extend sewer infrastructure are beyond the capacity of the City. The need to invest in this high-opportunity neighborhood by preparing it for future housing and preserving the existing housing for low-income residents is paramount and cannot be accomplished without outside resources. This project will permanently remove the infrastructure barrier that has stifled development in the neighborhood, improve the community resilience, and facilitate the preservation of affordable housing in an area of opportunity. Furthermore, this project achieves all three of the CDBG National Objectives:

1. ***National Objective: Benefiting low- and moderate-income persons.*** This project fulfills the first national objective because the majority of the current residents in the Azalea / Rhododendron neighborhood are low-income, earning less than 80% of AMI.
2. ***National Objective: Preventing or eliminating slums or blight.*** The Azalea / Rhododendron neighborhood is riddled with failing septic systems and faulty sanitation facilities that threaten the health and safety of the neighborhood. This blight is perpetuated with a lack of sewer infrastructure that can be used to remedy the issues.
3. ***National Objective: Meeting other community development needs.*** In addition to the immense need for affordable housing, the environmental consequences of the failing septic system pose a serious and immediate threat to the health and welfare of the broader community. The severe lack of adequate sanitation facilities has led to illicit discharge that flows directly into the French Broad River. The degradation of the French Broad River's

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water quality has had a drastic impact on the health of the entire region – not just Transylvania County.

Activity 3: Woodland Terrace Sewer Extension

The next grant-funded project is extending sewer utilities to a 7.8-acre parcel on Woodland Terrace owned by Transylvania Habitat for Humanity (Habitat). The municipal sewer service is a key component for advancing a multi-family development planned by Habitat, consisting of at 47 housing units on the recently acquired parcel.

Transylvania Habitat for Humanity, an affiliate of Habitat International, is a nonprofit housing organization that has tirelessly supported our county for 40 years. Habitat's model is to build homes for qualifying families and individuals at no profit. In exchange, homeowners pay an affordable mortgage payment that does not exceed 30% of their gross monthly income and perform a minimum of 200 hours of sweat equity as part of their partnership with Habitat.

The Woodland Terrace project represents a pivotal initiative project by Habitat to address the growing need for affordable housing in our community. This development will feature approximately 47 cluster homes, designed to create a close-knit, sustainable, and affordable neighborhood for low- to moderate-income families. These homes will include a variety of housing models, such as duplexes, triplexes, and quadraplex homes, providing flexibility and diversity in housing options to meet the needs of the community.

Obtaining sewer services to this parcel is vital for the project to succeed. This site has been contemplated for affordable housing in the past, with a developer preparing an application for LIHTC through the North Carolina Housing Finance Agency; however, that project did not move forward, in part, because of the high cost of extending sewer infrastructure to the site. The wetlands and flood hazard area on the property limit the viability of a project relying on septic systems. The preliminary design, which was used to inform the cost estimate, includes a force main that crosses the floodway. The project will comply with all floodway development regulations included in the CDBG program requirements outlined in CPD-17-013.

The Woodland Terrace neighborhood will also be an environmentally conscious development, incorporating creek restoration in partnership with Conserving Carolina. This collaboration will help preserve the natural surroundings, promote environmental sustainability, provide a common area greenspace for the residents to enjoy, and enhance the livability of the neighborhood.

Upon completion, Woodland Terrace neighborhood will provide affordable, decent housing for approximately 47 families, helping to alleviate the housing crisis in Brevard. It will foster a sense of community among residents while contributing to the city's broader goals of inclusive and sustainable urban development. This project is aligned with Habitat's mission to build strength, stability, and self-reliance through shelter.

Similar to the sewer extension to the Azalea / Rhododendron neighborhood above, this project will permanently remove the infrastructure barrier that has hindered development on the site in the past, particularly because the extension includes crossing the floodway. This grant activity is appropriate because it meets the following national objectives:

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1. ***National Objective: Benefiting low- and moderate-income persons.*** All units (at least 31 single-family homes and duplexes) developed by Transylvania Habitat for Humanity on Woodland Terrace will serve residents earning 80% of AMI or less.

Activity 4: Housing Trust Fund Affordable Housing Preservation Programs

The final grant-funding activity is endowing the City of Brevard's Housing Trust Fund for affordable housing preservation programs. These programs will enable low-income homeowners to rehabilitate existing affordable housing units, improve quality and safety of the housing units, and remain in their community. The Housing Trust Fund investment will implement many of the City's housing strategies, as identified in the *Building Brevard 2030* Comprehensive Land Use Plan, by preserving affordable housing throughout the City of Brevard's entire planning jurisdiction. The Housing Trust Fund has eligibility requirements that require funding goes to low-income households with a guaranteed affordability of at least 15 years (with preference going to projects that have longer affordability periods). Furthermore, the investment in preservation programs, home repairs, and tap fee reimbursement will ensure the current residents of the Azalea / Rhododendron neighborhood are able to remain in their homes and benefit from the newly established resources. These activities will preserve affordable housing across a broad area in a HUD-identified priority geography, Transylvania County.

As previously described, the City of Brevard's Housing Trust Fund (HTF) is a flexible source of funding for affordable housing initiatives. As described in *Exhibit C – NEED,* City Council recently expanded the scope of the HTF to support a myriad of housing programs and established funding priorities. Pairing the infrastructure investment with these preservation programs is critical to curb displacement of LMI residents in the Azalea / Rhododendron neighborhood.

An assortment of activities are eligible for HTF funding, including developer gap financing, homeowner assistance, and renter assistance, but funding received through the PRO Housing grant will be allocated to *preservation programs*. The goal of these programs is to help preserve affordable homeownership and assist homeowners to live in healthy, safe, and accessible homes. Potential projects include:

- Critical housing repairs and replacements (roofs, floors, plumbing, hot water, HVAC, etc.)
- Accessibility modifications (ramps, handrails, door widening, non-slip surfaces, etc.)
- Weatherization and energy efficiency (insulation, ventilation, windows, appliances, etc.)
- Reimbursement of expenses incurred to connect to City services (reimbursement of utility tap fees, annexation application fee, etc.)

Eligible residents, developers or other providers may request funds from the HTF to support this mission of preserving affordable housing in the City of Brevard and its ETJ. All funding requests are reviewed by the Housing Committee, who will make a recommendation to the City Council regarding fund allocation.

In order to qualify for funding through the HTF, beneficiaries must have a gross income of 80% of AMI or less for homeowners and 60% of AMI or less for renters. The affordable building or unit that is subject to program funding must be dedicated to beneficiaries at the designated income level for a minimum of 15 years. The funding priorities established by the City's Housing

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Committee and City Council reflect community needs and high-quality development standards. They include the following:

- Projects with longer-term affordability (beyond the 15 years required for eligibility);
- Projects with serve households of very low- and extremely low-income;
- Projects that are located near grocery stores, schools, recreational activities, employment centers, and other community assets;
- Projects that implement best practices in energy efficiency, low impact development, and universal design.

With this grant-funded activity, the following national objectives are met:

1. ***National Objective: Benefiting low- and moderate-income persons.*** All funding that is granted from the Housing Trust Fund is required to serve households earning less than 80% of AMI for a minimum of 15 years, with deeper affordability and longer-term requirements earning higher preference.
2. ***National Objective: Preventing or eliminating slums or blight.*** The Housing Trust Fund preservation programs will fund critical home repairs and other preservation projects that allow residents to stay in their homes and prevent involuntary displacement due to rising costs and unsafe facilities.

Addressing Key Barriers and Advancing Housing Initiatives

The proposed project directly addresses many of the major barriers identified in *Exhibit C – Need* – specifically:

- *Infrastructure Constraints*: The proposal will permanently remove this barrier in two areas by extending sewer infrastructure. These investments will contribute to the production of new affordable housing units and preservation of a predominately low-income neighborhood. As previously stated, housing production in these areas cannot occur in these areas without the sewer infrastructure due to the topographic challenges and inability to build adequate septic facilities.
- *Sensitive Terrain and Limited Developable Area*: The prevalence of environmentally sensitive areas significantly limit the development potential of a large portion of the City's jurisdiction. This proposal will allow two areas that are encumbered by flood hazards – the Azalea / Rhododendron neighborhood and the Woodland Terrace property – to be developed safely and sustainably. These areas would not be able to be developed to the full potential without the provision of sewer infrastructure, particularly because of the inability to use septic systems due to the high clay content of the soil.
- *Limited Local Funding Options*: The proposal will propel the City's affordable housing initiatives forward. The impact of the limited local funds available will be tripled with the infusion of federal grant dollars. Without the additional funds, it would take at least 16 years of annual contributions to the Housing Trust Fund to collect the funds necessary to complete these projects.

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- *Inability to Implement Property Tax Preservation Programs*: State law preempts municipalities from creating property tax-based preservation programs. For a city with limited local funds, this prohibition severely limits the ability to preserve naturally-occurring affordable housing. Instead, the proposal is requesting funds for the City to launch its own preservation programs that can make an impact in the lives of community members.

This proposal also aligns with numerous housing actions in the *Building Brevard 2030* Comprehensive Land Use Plan:

- Utilize the Housing Trust Fund to leverage private investment to create affordable housing units
- Provide support for the preservation and rehabilitation of existing affordable housing
- Address housing shortage by removing barriers to multi-family and "missing middle" housing opportunities

Furthermore, this proposal advances the city's other housing initiatives, including the recently passed regulatory changes.

- In the Azalea / Rhododendron neighborhood, the vacant properties and underutilized parcels present an unparallelled opportunity for increased density through infill development. New development that is connected to sewer infrastructure will not require large septic fields, which opens up land for additional housing units. This new area can be developed using the myriad of recent regulatory changes, including allowing irregular or "flag" lots, missing middle housing types, such as triplexes and quadraplexes, and larger accessory dwelling units. In fact, Transylvania Habitat for Humanity was approached by a property owner in the area that is interested in donating the property if the sewer infrastructure is extended, and the land could accommodate up to five additional housing units.
- The Woodland Terrace property owned by Habitat for Humanity will be built as a cluster home development. This recently adopted development typology allows for denser residential development to be clustered around a common open space. The ordinance allows for a density bonus of 50% greater than the underlying zoning district, which would allow Habitat to create an additional 15 housing units on the property.

In designing this proposal, the City of Brevard has taken steps to create new housing opportunities without inviting displacement. Displacement pressures can come from transformational infrastructure investment, but by pairing this with the $1.2 million investment in affordable housing preservation programs, the residents of the Azalea / Rhododendron neighborhood will be able to remain in their homes and benefit from the improvements to the area.

How Proposal Compares to Similar Efforts and Lessons Learned

This application includes an amended proposal that was submitted during the 2023 PRO Housing funding cycle. In the prior application, the City requested $6,000,000, and prioritized funding the entire Azalea / Rhododendron neighborhood sewer extension ($4.8 million) and housing preservation programs ($1.2 million). The changes in this proposal reflect a reduced ask amount,

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expanded geographic scope of the infrastructure investments, and laying the foundation for the next phase of sewer extension into the Azalea / Rhododendron neighborhood. Additionally, the amended ask focuses on supporting both preservation and creation of new units – with the extension to the undeveloped parcel owned by Transylvania Habitat.

This proposal also draws from a previous CDBG-I grant proposal to extend sewer infrastructure to the Azalea / Rhododendron neighborhood. This effort was unsuccessful, in part, because there was hesitation from the LMI households to connect to the municipal utilities. It is the policy of the City of Brevard to only extend sewer utilities to areas within the corporate limits. However, given the severe need in this neighborhood and the prevalence of naturally occurring affordable housing, City Council is waiving the requirement for low- to moderate-income households in need of sewer connection to resolve an immediate danger to the public health and safety. Waiving the annexation requirement further ensures preservation by not placing an additional cost burden on households with City taxes. The annexation requirement was the main reason that some LMI households surveyed in 2020 did not want to connect, thus it is expected that all households in need can now be served. City Council plans to offer the waiver to property owners of low-income or those that place a deed restriction on the property to facilitate the creation of affordable housing on the vacant parcels. If a property owner voluntarily chooses to annex into the City limits, low-income homeowners can apply for a reimbursement of expenses incurred for annexation and connection to the sewer infrastructure (application fee, surveying / recording, etc.) through the Housing Trust Fund's preservation funds. These changes are the direct result of the lessons learned from the prior engagement. As part of the public comment received for this grant proposal, the City heard that multiple LMI households that were previously unwilling to connect will if the annexation requirement is waived.

When considering the preservation efforts, this effort draws on preservation efforts from other North Carolina municipalities and local nonprofits that have similar programs. Housing Trust Funds are a common tool for municipalities to pool resources from various sources for affordable housing initiatives. The City of Brevard's recent amendments to the Housing Trust Fund identified priority programs by learning from successful programs across the State [detailed in *Exhibit C – Need*]. Many North Carolina municipalities (such as the City of Asheville, the City of Raleigh, the Town of Chapel Hill, the Town of Carrboro, and Orange County) have successful Housing Trust Funds that provide funding for home repairs and accessibility improvements for LMI households. With a population of approximately 8,000, the City of Brevard is significantly smaller than most of those jurisdictions but recognized the paramount need for establishing this flexible funding source and the importance of investing in housing preservation programs. These municipalities informed how the City can be a project partner and funding source for these efforts. In fact, the City of Brevard has consulted with other smaller municipalities about establishing their own Housing Trust Fund.

When determining the types of housing programs that would be necessary, the City of Brevard engaged residents and affordable housing providers, such as Transylvania Habitat for Humanity and Housing Assistance Corporation [for more information on these organizations and their role in project implementation, please refer to *Exhibit E – Capacity*]. Outreach indicated a strong need for home repairs, assistance for aging residents, and reimbursement of the expenses to acquire necessary sewer connection (tap fees).

This proposal is innovative in that it pairs significant infrastructure investment in high opportunity areas with affordable housing preservation efforts to avoid involuntary displacement of residents.

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As described in *Exhibit C – Need,* infrastructure is a challenge in Transylvania County, but also more generally in Western North Carolina. As other Western North Carolina jurisdictions consider expanding and improving utilities, this project could serve as a model for combining infrastructure investment with anti-displacement strategies.

How Proposal Advances and Complements Other Planning Initiatives, Land Use Reforms, and Other Community Assets

In addition to the affordable housing initiatives that are being advanced with this proposal (described above), the directly advances many of the City's other planning initiatives and priorities. In the City's Comprehensive Land Use Plan, *Building Brevard 2030,* these efforts advance all 8 of the stated goals:

- *Goal 1*: **Expand housing opportunities** for all residents while **preserving the character** of Brevard and its neighborhoods.
- *Goal 2*: Encourage a development pattern that respects Brevard's sense of place and **prioritizes liable communities**.
- *Goal 3*: Ensure **fairness and equity** in providing for the **health, safety, and welfare** of all citizens and groups.
- *Goal 4*: Create a built environment that prioritizes a safe, active, multi-modal transportation system and **community health and wellness**.
- *Goal 5*: Celebrate Brevard's natural resources through **conservation of environmentally sensitive areas**, improving access to recreation, and restoration of native ecosystems.
- *Goal 6*: Integrate arts, culture, diversity, and history into everyday life and b**uild on Brevard's identity as a dynamic community to live, work, play and create**.
- *Goal 7:* Support **economic vitality** and grow the tax base, cultivate local businesses, and attract sustainable industry.
- *Goal 8*: Plan for **efficient, equitable, resilient infrastructure** and services that maintain and improve **quality of life** throughout the City.

Community's Environmental Risks and How Proposal Promotes Community Resilience

Flooding is one of the city's most significant environmental risks. On average, Transylvania County receives 70 inches of rain annually, making it one of the wettest counties in North Carolina. The high level of precipitation in Transylvania County leads to excess runoff and inland flooding and contributes to the recurring water quality issues facing the French Broad River. The heavy precipitation and inland flooding can also exacerbate erosion and landslides, which is an additional danger given the steep slope areas in Transylvania County.

In an effort to reduce the fiscal burden on households, the City of Brevard participates in the Community Rating System (CRS), a voluntary incentive program that recognizes and encourages community floodplain management practices that exceed the minimum requirements of the

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National Flood Insurance Program (NFIP). The City of Brevard is a Level 8 community, which equates to a 10% discount on flood insurance premiums.

Because precipitation and flooding are major risks for the community, each element of the proposal with strengthen the community resilience:

- *Azalea / Rhododendron Neighborhood Sewer Extension*: A large portion of the Azalea / Rhododendron neighborhood is encumbered by floodway and other flood hazards. Runoff in the area and contamination from the failing septic systems are contributing factors to the water quality issues impacting the French Broad River and its tributaries. The installation of sewer infrastructure will ensure residents have a safe and efficient means of waste disposal that does not continue to contaminate the region's waterways and groundwater.
- *Transylvania Habitat for Humanity Woodland Terrace Sewer Extension*: Similar to the Azalea / Rhododendron neighborhood, the property on Woodland Terrace owned by Habitat for Humanity has flood hazard area and wetlands on the property. Connecting the property to sewer infrastructure will prevent contamination and degradation of the environmentally sensitive areas. Habitat also intends to keep development away from the flood hazard areas (floodway and 100-year floodplain) and preserve the wetlands as open space. Habitat also uses energy-efficient features in their new homes and best practices in resilient design.
- *Housing Trust Fund Preservation Programs*: The preservation programs established as part of this grant will be used for the repair and/or rehabilitation of housing owned or occupied by LMI households. Many critical home repairs that are imperative for residents to continue occupying the structure can emerge due to persistent flooding, aging infrastructure, and environmental hazards. Among other things described above, programs will be able to fund critical home repairs and replacements (roofs, floors, plumbing, hot water, HVAC, etc.) and the installation of weatherization measures and energy-efficient features (insulation, ventilation, windows, etc.). With these types of improvements, the home will be able to withstand environmental risks, and the occupant will be able to reside in the home for years to come. Furthermore, one of the stated priorities of the Housing Trust Fund is to fund projects that utilize low-impact development techniques to manage stormwater, which will incentivize green development practices as part of the housing repairs.

Potential Roadblocks that Might Impede Implementation

Like any other major project, there is a risk that the construction costs will rise or that there will be unforeseen expenses. The cost estimate for the sewer extension uses conservative estimates and includes an industry-standard 10% contingency budget. Another potential roadblock is easement acquisition. Both sewer extension projects require utility easements on private properties that allow the City to install and maintain the infrastructure in perpetuity. The costs of securing easements may vary from anticipated costs due to extended negotiations and/or higher appraised values than anticipated.

Partnership will be key to implementation of the preservation programs. The City is not an expert in ongoing management of home repair projects. The partnership of organizations with established programs, relationships with vendors / contractors, and capacity for constant management will be

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critical in ensuring timely utilization of the grant funds. Two of these organizations, Transylvania Habitat for Humanity and Housing Assistance Corporation, have expressed a strong interest in using the funds for repair programs, as described in *Exhibit E – Capacity*. In the event these organizations are unable to participate, the City continues to establish relationships with other organizations, religious institutions, developers, and partners that can assist in the implementation of preservation programs.

ii. What is your geographic scope?

This proposal serves the City of Brevard's corporate limits and its extraterritorial jurisdiction (ETJ) in Transylvania County. The infrastructure investment is concentrated in two high-opportunity areas that are underserved by utilities - the Azalea / Rhododendron neighborhood and Woodland Terrace. The Azalea / Rhododendron neighborhood is centrally located less than a mile from many of the County's major employment centers (Downtown and Transylvania Regional Hospital), educational institutions (Brevard Middle School, Blue Ridge Community College, and Brevard College), grocery stores, and recreational facilities. The Woodland Terrace property, located further south, is adjacent to the new Estatoe Trail greenway. This segment of the pedestrian and bicycle path is currently under design and will ultimately connect Downtown to Brevard High School, passing through numerous other activity areas and connecting to parks and other recreational amenities throughout the City. The City's request for preservation funding through the Housing Trust Fund will serve residents of the City of Brevard and within its ETJ in the County. In total, this proposal will facilitate increased production and preservation of affordable housing in 14.7 square miles of Transylvania County.

Key Stakeholders and How We are Engaging Them

This application has been prepared with input from years of engagement around the housing needs, barriers, and opportunities in Transylvania County.

The key stakeholders for this project are the residents and property owners in the Azalea / Rhododendron neighborhood and the current and future low-income residents of Brevard and its extraterritorial jurisdiction in Transylvania County. In developing this proposal, the City conducted outreach by:

- Engaging partners for support in preparing the application (e.g., Land of Sky Regional Council, Transylvania County, and Transylvania Habitat for Humanity);
- Advertising the public hearing in the local newspaper (The Transylvania Times) on September 23, 2024, and September 30, 2024;
- Mailing letters to the residents and property owners of the Azalea / Rhododendron neighborhood about the grant proposal and inviting them to the public hearing;
- Publishing the draft proposal on the City's website;
- Hosting a public comment form on the City's website;
- Conducting a public hearing on October 8, 2024;

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- Publishing an announcement about the public comment period in the local newspaper (The Transylvania Times) on September 26, 2024, and October 3, 2024;
- Soliciting comments from many of the City's affordable housing and supportive service providers.

A summary of all input received can be found in *Appendix A – Comments Received*.

The City also used past engagement efforts to inform the application, in addition to the grant-specific outreach.

- In 2020, the City and the Land of Sky Regional Council conducted a comprehensive survey of the Azalea / Rhododendron neighborhood as part of a previous CDBG-I grant application. The outreach was a door-to-door income survey, along with web and telephone surveys, to identify LMI households along with other key HUD demographics in the Azalea / Rhododendron neighborhood.
- As part of the Building Brevard 2030: Comprehensive Land Use Plan development the City of Brevard conducted robust community engagement aimed to reach as many people as possible, and this effort served as the driving force for Plan development. In total, more than 110 participants attended public meetings and workshops and over 1,000 survey responses were received. The engagement quickly identified housing as a top priority for engagement. The number one goal selected by the community was "*Expand housing opportunities for all residents while preserving the character of Brevard and its neighborhoods*." This engagement effort launched a robust discussion about the community's desire for neighborhood preservation and protection of the historic and cultural identity with staff and members of City Council. Affordable housing preservation efforts were recognized as a vital tool for keeping residents in their neighborhoods, near employment opportunities, and as part of a thriving, diverse community. As illustrated in *Exhibit C – Need*, the rising housing costs would be cost-prohibitive for residents to find another dwelling.
- Most recently, the City of Brevard launched an update of the architectural standards. While these changes aim to address new building materials and changing construction trends, the engagement sparked a discussion around community character. The initiative kicked off by engaging over 400 residents to share their vision for the character of Brevard and some of its prominent areas. The community overwhelmingly called for the preservation of historic structures and neighborhoods.

Outreach and proactive advertisement of the Housing Trust Fund programs are imperative in ensuring the programs are effective. In addition to publicizing information through regional news outlets and digital media platforms, City staff will work with partners to provide information and technical assistance to potential applicants to improve the accessibility of these programs and reduce barriers for residents to submit applications. The City of Brevard is fortunate to have several dedicated partners who will assist in outreach to LMI households, including:

- Non-profit supportive services providers (e.g., Transylvania Habitat for Humanity, Housing Assistance Corporation, Pisgah Legal Services, Sharing Housing, and The Haven of Transylvania County);

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- Educational institutions (e.g., Transylvania County Schools, Blue Ridge Community College, and Brevard College);
- Religious institutions (e.g., Bethel A Baptist Church, Brevard-Davidson River Presbyterian Church, among others);
- Community facilities (e.g., Mary C. Jenkins Community and Cultural Center, Transylvania County Library); and
- Advocacy groups (e.g., Brevard-Transylvania Housing Coalition, El Centro Comunitario Hispano Americano).

The City also participated in the 2020-2024 Asheville Regional Housing Consortium (ARHC) Consolidated Plan development through stakeholder engagement meetings in Transylvania County as well as through representation on the ARHC. The proposed projects address three out of the five priority housing needs identified during the process: promote homeownership for low-income households, target low-wealth neighborhoods for improvements, and preserve existing housing. The City will also participate in the next Consolidated Plan update which is kicking off this fall.

Affirmatively Furthering Fair Housing Requirements

The crux of this proposal is creating well-resourced areas of opportunity through infrastructure investment and paired with preservation and anti-displacement measures. Specifically with the Azalea / Rhododendron neighborhood, the proposal will provide vital sewer utilities to a high opportunity neighborhood where development has been stifled. By including the preservation programs in the proposal, the residents in the Azalea / Rhododendron neighborhood will be able to remain in the neighborhood and benefit from the necessary infrastructure investment.

The racial composition of the households that will be served is not fully known at this time. Based on the income surveys from the 2020 CDBG-I application for the Azalea / Rhododendron neighborhood, representing 169 people, the neighborhood is predominantly white, non-Hispanic. There were five Hispanic, six African–American, four bi-racial (white/AA), and four other multi-racial people in the neighborhood at the time. Potential residents for Habitat's Woodland Terrace project have not yet been identified. Likewise, the people who will be served in the future through the City's Housing Trust Fund are unknown. However, the City of Brevard promotes Fair Housing principles that prohibit discrimination in housing based on race, color, sex, religion, national origin, disability, familial status, as well as age. All projects assisted with Housing Trust Fund money are required to abide by these principles.

According to the ACS 2021 5-year estimates, Transylvania County is 90% White and 3.4% Black, 3.6% Hispanic, 0.7% Asian, 0.5% Native American, and 2.2% Multi-Racial. Census data does not show any areas of racial concentration, or segregation, in part due to the small number of people of color in the community. More broadly, Brevard has taken numerous steps over the last few decades to remove barriers to the development of affordable housing. In 2006, the City of Brevard participated in the first regional Analysis of Impediments conducted by LOS, which largely looked at zoning and land use policies, and identified limits on multi-family housing as a permitted use, which has since been addressed and expanded from one zoning district to all districts except General Industrial. It also identified the lack of new multi-housing developments as a restriction on fair housing choice, which drove efforts to fund and implement projects like the Cottages at

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Brevard, a 48-unit affordable housing development completed in 2012. Both multi-family developments that will be supported through this project will continue to address this issue.

The City of Brevard also participated in the last regional Analysis of Impediments completed in 2011 and used the findings to guide the development of the only other Housing Trust Fund in the region outside of the City of Asheville, which is significant for a community of under 7,000 people at the time it was established.

Since the last regional AI, LOS has only completed updates for communities over 10,000 to facilitate more in-depth analysis and the development and implementation of local strategies to overcome barriers to fair housing choice. However, the City of Brevard has continued to pursue strategies to identify and overcome barriers through zoning and subdivision updates as well as comprehensive planning outlined in *Exhibit C - Need*. The City has also sought to fund infrastructure investments to facilitate both new affordable housing development and the preservation of existing affordable housing stock, like that found in the Azalea / Rhododendron neighborhood. While the neighborhood does meet the >51% LMI criteria for HUD-funded infrastructure investment, 46% of the households in the neighborhood are above the moderate-income threshold, and there is interest in the vacant parcels from market-rate housing developers because the neighborhood is considered attractive due to its proximity to the county's major employment centers.

With the current and anticipated future mix of market-rate housing in a geographically well-situated neighborhood, there is not a risk of concentrating affordable housing in a low-opportunity areas through this project. Likewise, the Woodland Terrace development is adjacent to the new Estatoe Trail, near Brevard High School, and surrounded by a mix of assessed home values ranging from less than $100,000 to nearly $800,000. To address the risk of displacement in the Azalea / Rhododendron neighborhood, the $1.2 million investment in affordable housing preservation programs will provide resources for residents in need to be able to remain in their homes and benefit from the improvements to the area. The Woodland Terrace development will also remain permanently affordable through the Habitat for Humanity program.

Historically, land use, city investment, and market forces have perpetuated wealth and opportunity inequality across racial and ethnic groups in Transylvania County. In recent years, the City of Brevard has prioritized investment in infrastructure and community amenities in neighborhoods that have been historically marginalized.

The City has taken steps in designing the grant activities to allow Azalea / Rhododendron neighborhood residents to have access to this critical infrastructure without increasing the housing cost burden for residents and contributing to involuntary displacement pressures. Brevard City Council is waiving the annexation requirements for LMI households in need of sewer connection. Waiving the annexation requirement further ensures preservation by not placing an additional cost burden on households with City taxes. If a property owner voluntarily chooses to annex into the City limits, LMI homeowners can apply for reimbursement of expenses incurred for annexation and connection to the sewer infrastructure (application fee, surveying / recording, etc.). Pairing the infrastructure investment with these efforts and the other preservation programs enables LMI households in the Azalea / Rhododendron neighborhood to remain in affordable housing near amenities, public services, jobs, transit, schools, and other important community assets.

While the occupants of the future affordable housing developments that will be supported through the proposed infrastructure investments have not been identified, people from all of the protected

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classes will be encouraged to apply through targeted outreach, and the size and design of the units will be suitable for both families and people with disabilities. The City will continue to partner with multiple area non-profits to ensure that the needed supportive services are available to the residents, and residents may also use the Transylvania County transportation services, which offers both paratransit and medical transportation.

Accessibility and independent living are important project goals, both for people with disabilities and seniors. Transylvania County is an aging county, with a median age of 52.4 and 29% of the population aged 60 or older. Senior housing has been identified as an acute need in multiple studies, so this population will also be targeted for the new affordable units. Based on the 2020 income surveys, there are 40 seniors, 28 female head of households, and 26 people with disabilities in the Azalea / Rhododendron neighborhood that will be served by the infrastructure improvements once fully implemented. The Housing Trust Fund also provides the resources people need to stay safely in their homes through critical home repairs and accessibility modifications.

To ensure equitable access to the proposed improvements and resources, the City will continue to participate in the Brevard / Transylvania Housing Coalition, whose mission is to ensure that every resident has access to safe, affordable housing and which envisions a community where housing promotes equity, dignity, and opportunity for all. The coalition's core values are fundamentally based in equitable outcomes, and also inform the City's efforts:

- Keep people and communities first. We will honor the diversity of lived experiences by listening to understand before taking action or seeking to be understood.
- Partnering with Purpose. We will foster collective impact by promoting collaboration and shared learning.
- Support existing neighborhoods. We will strive to avoid gentrification, repair and restore existing housing, and create new, safe, and affordable housing within our communities.
- Make decisions based on data. We will use studies and available databases to support our strategies, programs, and initiatives.
- Build generational wealth and family stability. We will use housing ownership as a means for building home equity that can be passed on.
- Create a sustainable, equitable future anchored in community collaboration, a commitment to justice and inclusivity, and ensuring housing that is accessible to all.

In addition to the Faith + Housing Social Impact Summit, the Coalition has held listening sessions in the Rosenwald Neighborhood to understand issues of gentrification and displacement; created an advocacy toolkit and provides advocacy training for people interested in attending governmental meetings so that they can speak about topics related to affordable housing; and provides housing tours so that the public can visit and learn about the organizations that make up the Continuum of Care in Transylvania County related to shelter, support services, and housing.

This ethos of equity and inclusion will also be extended to the project implementation. The NC Department of Administration Office for Historically Underutilized Businesses offers a statewide solicitation portal where the City will post all requests for qualifications and proposals. Selected contractors will also be encouraged to engage women and minority-owned businesses as sub-contractors. RFQs and RFPs will also be sent directly to applicable M/WBEs.

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Budget Proposal

The City of Brevard is requesting $4,000,000 to complete the following activities:

- *Activity 1*: Engineering to Extend Sewer to the Azalea / Rhododendron Neighborhood ($348,000)*
- *Activity 2*: Construction of the Main Spine and Pump Station to Extend Sewer to the Azalea / Rhododendron Neighborhood ($1,744,000)
- *Activity 3*: Engineering and Construction to Extend Sewer to Habitat for Humanity's Project on Woodland Terrace ($687,000)*
- *Activity 4*: Endowing the Housing Trust Fund for Affordable Housing Preservation Programs ($1,221,000)*

The budget for the proposed activities is $6,109,116. $4,000,000 is requested from the PRO Housing grant program, and $2,109,116 will be provided as leverage [detailed in *Exhibit F – Leverage* and *Detailed Budget Worksheet 424-CBW*].

The City of Brevard contracted Summit Engineering Group, Inc., a private civil engineering firm, to provide updated cost estimates for the two sewer extension projects using industry-accepted costs and standards.

- The Azalea / Rhododendron Phase 1 sewer extension consists of 1,900 linear feet of gravity sewer main, sewer taps for 30 residential properties, 11 manholes, and a new pump station.
- The Habitat for Humanity Woodland Terrace extension consists of 870 linear feet of force main sewer line, and a new sewer life station.

The $1,221,000 in Housing Trust Fund Preservation funding could serve between 80 and 240 households, depending on the level of investment required for each home repair or other preservation activity (estimated at $5,000 to $15,000). The budgeted award amount aligns with grants for home repairs in the area. Transylvania Habitat for Humanity and Housing Assistance Corporation can provide a maximum of $10,000 in grant funding as part of their home repair programs. By providing up to $15,000 per LMI household, the program can defray the majority of costs for major repairs that would allow them to remain in their homes.

Alternative Funding Scenarios

While full funding for the City's proposed activities would do the most to address the barriers identified by this application, the City could make progress on the project goals without the full amount. The City would prioritize fully funding the sewer extension projects and scale back the preservation programs, if necessary.

If we were only granted half of the requested amount (approximately $2 million), we would only be able to fund engineering for the Azalea / Rhododendron neighborhood sewer extension (Activity 1); engineering and construction for the Habitat for Humanity Woodland Terrace sewer extension (Activity 3); and a reduced amount of preservation programs (Activity 4) [see * on budget chart above]. With this reduced funding strategy, the City would be able to make significant progress on all elements on the project and would not be compromising on the geographic scope,

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balance of preservation and production efforts, investment in high-opportunity areas, and other important facets of the proposal.

The reduced award amount would mean the City is required to seek additional funding for the sewer extension to the Azalea / Rhododendron neighborhood Phase 1 (main spine and pump station) and Phase 2 (remainder of the neighborhood) construction. This would further the

Timeline Proposal

The anticipated timeline for the engineering for the sewer extension project in the Azalea / Rhododendron neighborhood and construction of the main spine and pump station is 18 months. The Woodland Terrace sewer extension project has an anticipated timeline of 11 months for engineering and construction. The Housing Trust Fund preservation programs will be launched within a few months, with funding distributions anticipated in January 2026. The detailed project timeline with proposed activities, milestones, relevant sub-tasks, and planned start and completion dates for each task can be found in the attached Gantt chart. with activity descriptions below:

Task 1: Project Initiation (February 2025– April 2025)

The project start date provided in the grant program documentation is February 10, 2025. Once the grant agreement is executed, Staff will launch the project with community engagement in the Azalea / Rhododendron neighborhood. This outreach will focus on explaining the project and program and establishing open lines of communication with community members. This will likely be done through a combination of mailing information, door-to-door outreach, and public meetings to discuss project details. Transylvania County Department of Public Health will assist in this engagement with community members. Concurrently, the City will launch the solicitation and procurement process for the sewer extension engineer. This is anticipated to take three months with City Council approving the contract by May 2025.

Task 2: Engineering for the Sewer Extension to Azalea / Rhododendron Neighborhood and Construction of the Main Spine and Pump Station (May 2025– January 2027)

Once engineering services have been procured during project initiation, the detailed design and survey work are expected to begin in May 2025 and should take six months to complete. Once both the system design and environmental review (discussed in Task 5) are complete, the project will be formally bid and contracted by the end of February 2026. Sewer construction is expected to begin in March 2026 and take 8 months to complete. The residential connections for the 50 LMI households will be completed in the two months following system activation, by the end of January 2027.

Task 3: Construction for the Sewer Extension to Transylvania Habitat for Humanity's Parcel on Woodland Terrace (February 2025 – September 2025)

Similar to the Azalea / Rhododendron sewer extension project, the detailed design and survey work are expected to being in May 2025, following the procurement processes in Task 1, and would take 1 to 2 months to complete. Sewer construction is expected to begin in October 2025 and take 4 months to complete.

Task 4: Housing Trust Fund Preservation Programs (February 2025– December 2027)

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Staff will begin developing the applications for Housing Trust Fund funding at the onset of the project. Program awareness and outreach are key to the success of the preservation programs. In addition to publicizing information through regional news outlets and digital media platforms, staff will work with partners to provide information and technical assistance to potential applicants to improve the accessibility of these programs and reduce barriers for residents to submit applications. The application deadline is anticipated in July 2025.

Once applications are received, City staff will review the submissions for completeness and allow applicants to resubmit after making revisions. This additional time allows for greater accessibility of the programs and allows staff the chance to provide technical assistance if necessary. The governing board of the Housing Trust Fund, the City's Housing Committee, and a group of community representatives will review the applications and make funding recommendations for City Council's approval. The recommendations are anticipated in September 2025 and City Council's approval occurring the following month. After the funding awards are made, Staff will prepare the funding agreements establishing the award amount, expenditure deadlines and reporting requirements. The expenditure deadlines will depend on the scope and scale of the project but are not expected to exceed two years. Fund distribution occurring upon execution.

Task 5: Housing Trust Fund Preservation Programs (2nd Funding Cycle, if necessary)

The City is establishing a second funding cycle in the event all of the available funds are not expended during the first cycle. Only as many funding cycles will be completed as necessary to use the available funds. In doing so, the project prioritizes expending funds in Year 1 of the grant application, even if the entire $1.2 million cannot be distributed at first. Additional marketing and outreach will be conducted in the second funding cycle to ensure the entire amount is expended and invested in the community.

Task 6: Project Administration and Reporting (Ongoing)

Project administration is largely focused on CDBG compliance activities. Note: compliance activities related to procurement and contracting are not included separately in this section, but rather embedded in Task 1 Project Initiation, Task 2 Azalea / Rhododendron Sewer Extension, and Task 3 Woodland Terrace Sewer Extension. After project initiation, compliance plans for equal employment and procurement; fair housing; Section 3; Section 504; and language access will be developed to guide project activities.

The project will require an environmental review including the 8-step floodplain management decision making process before the sewer engineering design work is completed and the sewer line extension is put out to bid. Once the project is cleared to proceed through the FONSI/NOI/RROF process, and construction begins, the focus will be on labor standards compliance through employee interviews and certified payroll review. If the construction contractor needs to hire positions as a part of the project that will trigger Section 3 activities.

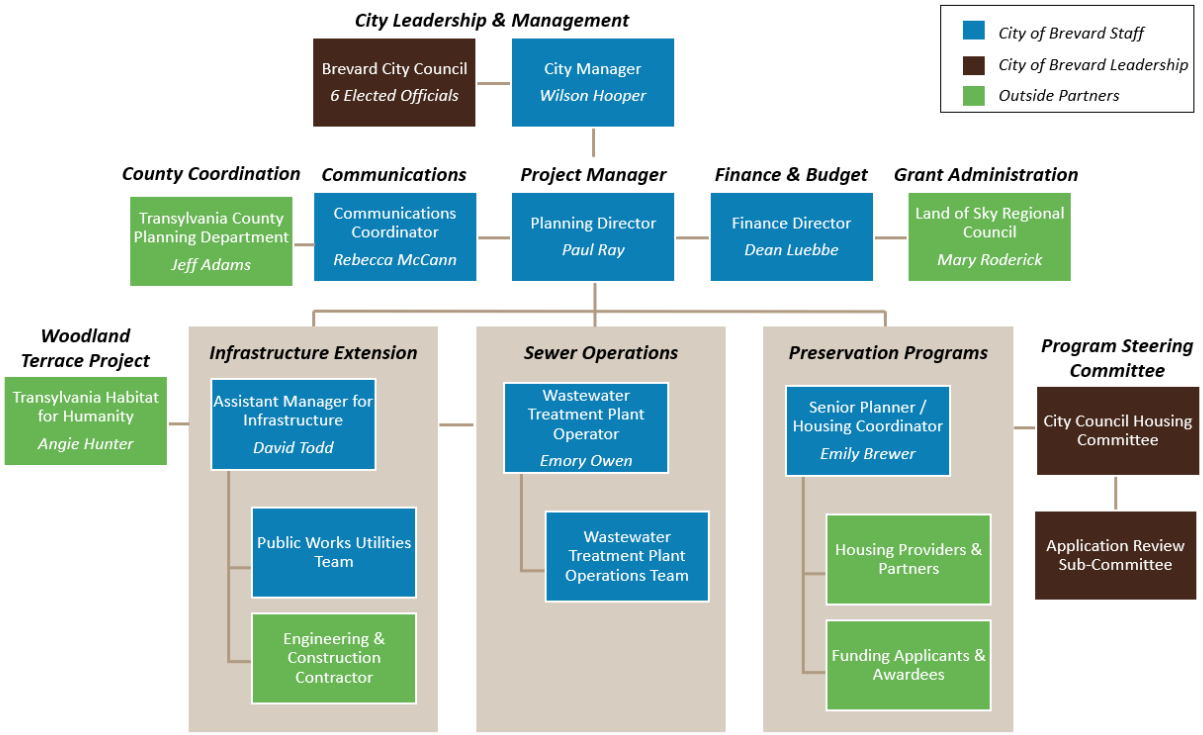
Project administration will also include reviewing the contractor pay apps and assisting with requisitions, and well as semi-annual labor reporting and the preparation of the Annual Performance Report. Additional activities include maintaining admin files to provide for HUD monitoring, and project close-out once all projects have been completed.

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EXHIBIT E | CAPACITY

i. What capacity do you and your Partner(s) have? What is your staffing plan?



Core Project Team

The project will be led and managed by the City of Brevard, with support from many outside partners. Planning Department staff will manage the project and oversee all activities, with six additional full-time staff that will oversee specific project elements. A description of these staff members and their responsibilities are outlined below:

- Paul Ray, Planning Director, will lead this effort as the Project Manager. As Planning Director, Mr. Ray oversees all planning, zoning, and development matters and has experience managing multi-million-dollar grants for the City of Brevard. Recently, the City of Brevard and the North Carolina Department of Transportation jointly received nearly $46 million in funding from US Department of Transportation's Rebuilding American Infrastructure with Sustainability and Equity program (RAISE) and Nationally Significant Federal Lands and Tribal Projects program (NSFLTP) to fund the Transylvania County portion of the Ecusta Trail, a 20-mile multi-use trail extending from Downtown Brevard to Downtown Hendersonville. Mr. Ray serves as the project manager for the City and works alongside NCDOT, Henderson County, and other project partners. Mr. Ray works closely on all procurement activities (planning, design and construction) for planning-related projects and oversees all of the housing initiatives undertaken by the City of Brevard.
- Emily Brewer, Senior Planner / Housing Coordinator, will serve as Assistant Project Manager, specifically focusing on implementing the preservation programs. Ms. Brewer is the City's representative on the Asheville Regional Housing Consortium, serves as the staff support for the City's Housing Committee and Housing Trust Fund and has led the City's

affordable housing initiatives over the last two years. She brings an array of experience in real estate finance, equitable development, community engagement, and housing program development. Ms. Brewer is the liaison for all applicants and funding recipients of the Housing Trust Fund.

- Land of Sky Regional Council will serve as a key project partner in administering the grant and managing reporting. Mary Roderick, Planning Director for Economic & Community Development, has managed multiple CDBG grants for infrastructure improvements; building rehabilitation and conversion to affordable housing; home rehab; and pedestrian improvements. She also has extensive federal and state grant management experience including with FEMA, EDA, and ARPA funding.
- Dean Luebbe, Finance Director / Assistant City Manager, will oversee and coordinate all expenditures related to the grant-activities. Mr. Luebbe is experienced in managing large contracts and complex budgets for the City.
- David Todd, Assistant City Manager for Infrastructure, Utilities and Public Works, will assist with reviewing engineering documents, procurement for the sewer extension, and project and construction management assistance and oversight of the implementation of utility and infrastructure improvements. While new to the City of Brevard, Mr. Todd has 30 plus years of project and construction management experience recently managing all aspects of a $34 million student housing project including budget management, issuance of design agreements, securing construction contracts and assuring quality control. Mr. Todd also brings experience working with grantors, donors, community stakeholders and other government agencies.
- Emory Owen, Wastewater Treatment Plant Superintendent, will advise on the installation of the infrastructure and oversee the wastewater management and treatment of all discharge generated by the Azalea / Rhododendron neighborhood. The City of Brevard owns and operates the largest wastewater collection and treatment system in Transylvania County, serving more than 3,600 customers. Mr. Owen is the lead operator and supervisor of the City's 2.5 MGD wastewater treatment facility that discharges into the French Broad River.
- Rebecca McCann, PhD, Communications Coordinator, will assist in ongoing project communication with the stakeholders and educate the public about the preservation programs. As a public information officer, Dr. McCann is experienced at disseminating information to key partners, soliciting feedback from constituents and coordinating with multiple agencies and partners. During the recent construction of the City's multi-million-dollar downtown streetscape renovations, Dr. McCann synthesized critical project information and timelines and provided regular updates to NC Department of Transportation, Brevard's Main Street organization, business owners, and residents.
- Wilson Hooper, City Manager, will oversee the project and provide strategic direction. Mr. Hooper will communicate progress on grant activities and related expenditures to elected officials as the primary point of contact.

The City of Brevard is a municipality established in 1868 and governed by an elected body, City Council. Brevard City Council, comprised of five city councilors and a mayor, has prioritized affordable housing initiatives, stating it as a top priority during the previous two annual strategic planning retreats. Under North Carolina General Statutes, City Council has the legal authority to

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effectively implement the activities in this proposal by extending public infrastructure into previously underserved areas, entering into development agreements to ensure affordability provisions are achieved, and distributing funds to eligible LMI households for home repairs and improvements.



Figure 5: Brevard PRO Housing Core Team (from left to right: Rebecca McCann, Dean Luebbe, Mary Roderick, Paul Ray, Emily Brewer, Wesley Shook, Wilson Hooper, and Mayor Maureen Copelof)

Azalea Neighborhood Sewer Extension Implementation

The City will procure a contractor for the engineering and construction of the sewer extension in the Azalea / Rhododendron neighborhood following federal Uniform Guidance. Once installed, the City's Public Works Department will install the sewer taps, assist residents in connecting to the new wastewater collection system, and maintain the infrastructure. The City's Wastewater Treatment Plant operators are responsible for monitoring and treating the discharge.

Transylvania County Department of Public Health will serve as a partner in the sewer extension efforts by advising on the remediation efforts, providing education to the residents with failing septic systems in the area, and continued monitoring of the health of the neighborhood. The Transylvania County Commissioners voted unanimously to support the project and contribute in-kind staff time to support the initiative.

Woodland Terrace Sewer Extension Implementation

Transylvania Habitat for Humanity, an affiliate of Habitat International, is a nonprofit housing organization that supports low- and very low-income residents of our county find and stay in safe, affordable housing.

The City will procure a contractor for the engineering and construction of the sewer extension to the Woodland Terrace neighborhood following Uniform Guidance. Once installed, the City and Transylvania Habitat for Humanity will continue to collaborate on the project to ensure the new homes are connected

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Preservation Program Providers

Transylvania County has numerous affordable housing providers that support creation and preservation initiatives. This includes Transylvania Habitat for Humanity and Housing Assistance Corporation. With this funding, the City of Brevard will be able to support many of these organizations that have existing programs.

- Transylvania Habitat for Humanity's Critical Home Repair program alleviates housing conditions which pose an imminent threat to the life or safety of low-income resident homeowners (below 80% of AMI), as well as those with special needs. The program addresses critical repairs, such as roof replacement, floor repairs, and HVAC / hot water heater repairs, and funds modifications that prevent displacement of seniors, the disabled, or very low-income occupants. To date, Habitat has completed critical repairs for 47 homeowners in Transylvania County. They received $120,000 of funding from the North Carolina Housing Finance Agency for repairs to 12 additional homes.
- Housing Assistance Corporation (HAC) is a non-profit organization that strives to provide safe and affordable housing for persons of limited income living in Transylvania County, Henderson County and the surrounding areas. The organization has predominately worked in Henderson County but is actively pursuing opportunities to expand its presence in Transylvania County. One way that the organization is expanding its impact is the Home Repair Program to eliminate health and safety hazards. This includes (1) repairing floors, water heaters, plumbing, and roofs; (2) weatherizing of homes; and (3) installing ramps, handrails, and other accessibility modifications. In 2021 alone, the Home Repair program served 83 individuals and made 292 repairs in the region.

Both of these organizations have been consulted in this application process and have expressed interest in using the Housing Trust Fund to expand and improve affordable housing supply. Both are also experienced in protecting fair housing choice in the county and operating programs that have provided tangible reductions in racial disparities.

The City of Brevard's Housing Committee is the policy committee guiding all housing-related activities being undertaken by the City and serves as the governing board for the Housing Trust Fund. The Committee is responsible for reviewing all requests and applications for Housing Trust Fund funding and making recommendations to City Council. In reviewing the applications, the Housing Committee consults with a group of community members that reflect the diverse composition of Brevard and provide first-hand insight on the state of housing in the community. This group, the Application Review Sub-Committee, will consist of a variety of groups related to affordable housing and development, including low- to moderate-income residents, real estate developers, housing finance experts, homelessness service providers and community leaders/advocates.

Application Preparation

This grant application was prepared by the City of Brevard and the Land of Sky Regional Council, with support from the other project partners, specifically:

- Emily Brewer, Senior Planner / Housing Coordinator, City of Brevard

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- Paul Ray, Planning Director, City of Brevard
- Mary Roderick, Planning Director for Economic & Community Development, Land of Sky Regional Council

Experience Working with Civil Rights and Fair Housing Issues

Local governments play a crucial role in addressing civil rights and fair housing issues by implementing policies that promote equity and inclusion. The City of Brevard encourages any person wishing to file a complaint of housing discrimination in the city to do so by informing the City Manager, who will notify the North Carolina Human Relations Commission about the complaint. The City also administers and enforces the minimum housing standards and the zoning regulations that promote safe, diverse, and accessible housing. From a legal perspective, the City of Brevard does not have any does not have any unresolved civil rights matters, including no charges, cause determinations, lawsuits, or letters of findings.

Transylvania Habitat for Humanity has 40 years of experience working with civil rights and fair housing issues. Habitat's mission includes addressing the lack of affordable housing for low-income and vulnerable populations in Brevard and the surrounding communities. This work inherently ties into fair housing and civil rights by focusing on providing access to housing for those who might otherwise face discrimination or economic barriers to homeownership. In addition to home building, the organization has many other programs and initiatives that align with broader civil rights and fair housing goals, particularly in ensuring access to safe, affordable housing for marginalized, low-income, and historically disadvantaged communities:

- The Rosenwald Community Revitalization Project addresses longstanding housing needs in Brevard's historically significant black community. By focusing on revitalizing this area and ensuring access to critical home repairs for long-time resident seniors, Habitat is tackling historical housing inequities and ensuring that marginalized groups receive fair and equitable housing opportunities.
- Habitat has programs specifically designed to help veterans, a population that often faces housing insecurity and barriers to fair housing opportunities. Working with major corporate partners like Lowe's and Owens Corning highlights efforts to address the housing needs of veterans, ensuring that they are provided equitable access to decent, safe and affordable homes.
- Transylvania Habitat for Humanity's heirs' property advocacy initiative aims to address the challenges of heirs' property ownership, a complex issue affecting families, especially in minority and rural communities. These properties can lead to ownership disputes and deprive families of wealth building, often due to historical discriminatory practices in property laws. Through recent grant funding, Habitat will participate in peer learnings and cohorts over the next 2 years working to resolve these land and homeownership issues, which directly impact the civil rights of property owners.
- Habitat's Critical Home Repair Program, set to complete 200 critical home repairs by 2025, focuses on ensuring that marginalized and vulnerable populations, especially BIPOC, seniors and low-income homeowners, have access to safe and habitable homes. This effort addresses fair housing issues by prioritizing individuals who may face disproportionate barriers to maintaining their homes due to economic or social disparities.

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EXHIBIT F | LEVERAGE

The City of Brevard is fully committed to supporting the proposed activities. As the lead agency, the City is committing the following as leverage:

- Staff time and capacity over the duration of the project for the core team members identified in *Exhibit E – Capacity,* specifically Planning Director Paul Ray, Senior Planner / Housing Coordinator Emily Brewer, Finance Director / Assistant City Manager Dean Luebbe, Assistant City Manager for Infrastructure David Todd, Communications Coordinator Rebecca McCann, and City Manager Wilson Hooper;
- Staff time and capacity for the Public Works crew team for servicing and maintenance of the new municipal sewer lines (pro-rated based on the team composition);
- Staff time and capacity for the Wastewater Treatment Plan administration and monitoring of the wastewater discharge and the impact to the sewer system (pro-rated based on the team composition);
- Fringe benefits for City staff at a rate of 35% of salary expenses;
- Time and capacity for the City Attorney, specifically focused on deed recording, contract drafting, and other related legal assistance;
- The contract with Land of Sky Regional Council for grant administration *[executed Technical Services contract included];*

Additionally, Transylvania County is committing in-kind staff time from the County's Planning Director and Department of Public Health employees to assist in the engagement and outreach for the projects.

The total leverage contribution is $2,089,116, which equates to 52% of the requested $4,000,000. The leverage documentation attached in this exhibit reflect valid, accurate and firm commitments of future support.

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EXHIBIT G | LONG-TERM EFFECT

i. What permanent, long-term effects will your proposal have? What outcomes do you expect?

The proposed activities will enable the production and preservation of affordable housing units long after the grant's period of performance.

- *Azalea / Rhododendron Sewer Extension:* Upon completion of grant-funded activities, the main spine of the Azalea / Rhododendron neighborhood will have access to a functional wastewater collection system and the remainder of the neighborhood will be fully engineered and designed. Utility extension is a crucial factor in removing barriers to housing production, as it provides essential services to previously underserved areas. By expanding utilities, developers can more easily build new housing, as the absence of necessary infrastructure often deters investment. This access not only reduces construction costs and timelines but also enhances the attractiveness of these areas for potential residents. With utilities extended, the neighborhood can grow more sustainably, accommodating new housing while ensuring that residents have the basic services that they need. This ultimately fosters the development of affordable, accessible, and resilient housing options, addressing housing shortages and promoting community stability.
    - Deliverables: Engineering design plans for the entire Azalea / Rhododendron neighborhood and completed construction of the main spine and pump station
- *Habitat for Humanity Woodland Terrace Sewer Extension*: Similarly, at the conclusion of the grant-funded activities, the Woodland Terrace property will have access to a functional wastewater collection system and construction will have started on the 31+ unit affordable housing project. The project is unable to move forward without this vital infrastructure. Habitat for Humanity uses a deed restriction model with a first-right-of-refusal that ensures the housing units developed are maintained as affordable housing units in perpetuity. Furthermore, the new sewer infrastructure can support additional extensions in the future with the most challenging and cost-prohibitive section (crossing the floodway) completed.
    - Deliverable: Completed construction of the sewer extension to the Woodland Terrace property
- *Housing Trust Fund Preservation Programs*: The preservation programs will reduce other housing expenses by improving the health and safety of the home. By repairing roofs, floors, windows, insulation, HVAC, and other critical features, the ongoing cost of maintenance and the burden of a large replacement will be removed entirely. Home repair programs, such as the ones included in this proposal, are proven tools to permanently preserve naturally occurring affordable housing, reduce ongoing housing costs, and ensure residents are not displaced from their community. By assisting residents in maintaining their properties, these initiatives help stabilize neighborhoods, allowing rather than being forced our due to rising property values or deteriorating living conditions. When homeowners can invest in their properties without the burden of significant financial strain, it fosters a sense of community and belonging. Preserving affordable housing through repair programs also contributes to broader economic stability. As homes are maintained and improved, the overall housing stock in the area becomes more desirable, attracting investment without displacing residents. This balance prevents the cycle of gentrification that often leads to rising rents and the exodus of long-time residents. By focusing on

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preservation rather than new construction alone, these programs ensure that LMI families have the opportunity to remain in their neighborhood, ultimately creating a more equitable and diverse urban landscape. At the conclusion of the program, the City will have preserved affordable and safe housing for dozens of LMI households.

- Deliverable: Preservation grants to LMI households (estimated 85 to 254 households, depending on the grant amounts)

The City of Brevard will also ensure the housing created and preserved through this program remains affordable through shared equity deed restrictions. These deed restrictions for affordable housing are legal agreements placed on the titles that ensure that the home receiving a one-time public investment is maintained as affordable in the long-term. These restrictions can limit rental rates or resale prices, thereby preventing market fluctuations from driving costs beyond reach for LMI families. The City's Housing Trust Fund bylaws require projects to maintain affordability for a minimum of 30 years, and the City's Housing Committee is working to establish clear guidelines for deed restriction terms. In recent discussions, the Committee affirmed prioritizing ongoing affordability over wealth-building, given the dire need for affordable housing and the City's limited local funds. The City also plans to include a first-right-of-refusal where the City has the option to purchase the property or transfer that option to another income-eligible buyer. These requirements will ensure the funding distributed as part of this proposal will have a long-term impact, well past the grant performance period.

The City is committed to the long-term success of this project and will monitor the outcomes of this project beyond the grant period. Ultimately, the project will be successful in the long-run if:

- The LMI households in the Azalea / Rhododendron neighborhood have access to the municipal wastewater collection system and are not displaced as a result;
  - Target Outcome: The City leverages the engineering design work funded by this grant to raise the remaining $2.8 million for sewer extension to the rest of the Azalea / Rhododendron neighborhood
  - Target Outcome: All 125 lots have access to sewer infrastructure and 0 households are involuntarily displaced
- The failing septic systems are remediated in the Azalea / Rhododendron neighborhood, improving the environmental health of the community;
  - Target Outcome: No failing septic systems remain in the neighborhood
- The vacant and underutilized parcels in the Azalea / Rhododendron neighborhood are developed as additional housing units, with the majority being affordable for low-income persons;
  - Target Outcome: 60 new housing units are constructed and at least 50% of the new housing units are reserved for LMI households
- The Transylvania Habitat for Humanity affordable housing project on Woodland Terrace is completed;
  - Target Outcome: 47 new affordable housing units are constructed

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- The preservation programs created through the Housing Trust Fund can support dozens of LMI households throughout the area stay in safe, affordable housing;
    - Target Outcome: 100 homes are preserved through grants from the Housing Trust Fund's preservation programs
- The program serves as a model for other communities embarking on large infrastructure investments that risk displacement of LMI households.

These achievements will have a permanent, long-term effect on LMI households in the City of Brevard and Transylvania County.

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