Aston Flats/46 Aston Street

Land Use Incentive Grant Request

City Council
July 25, 2023

THE CITY OF ASHEVILLE

Key Takeaways

- Land Use Incentive Grant (LUIG) application for a micro-apartment project at 46 Aston includes 47 units (20%) to be affordable for 21 years at 80% or below (total of 231 units) with a total grant of $1,953,152.
- The current LUIG Policy does not address micro-apartment projects.
- Council voted 6-0 on June 27 to temporarily pause consideration of LUIG applications for micro-apartment projects until the LUIG Policy is revised.
- Staff recommends that City Council delay consideration of the LUIG application for 46 Aston Street until the policy has been revised.
    - On June 20, HCD voted 2-1 to delay consideration of the application for 46 Aston Street micro-apartments until the policy is revised.
- The LUIG Policy will be revised as part of the Affordable Housing Plan update in Fiscal Year 2024.
    - The contract to select a vendor for this project is also being considered at the July 25 Council meeting.

Background

- **February 2022:** City Council approved a LUIG for 217 Hilliard, a micro-apartment project. The project had a total of 80 units, with 16 affordable at 80% AMI for 20 years. The total incentive grant is $592,790. To-date, the project has not completed the necessary permitting for construction.
    - The LUIG Policy is technically silent on micro-units.
    - When reviewing this application, staff saw benefit in using 217 Hilliard as a pilot because of the relatively small grant size ($29,640 per year for 20 years).
        - The total grant for 217 Hilliard was $592,790 compared to the proposed $1,953,152 grant for 46 Aston.
- **September 2022:** Aston Flats LLC applied for a LUIG for their development at 46 Aston Street. Because of committee timing and holidays, the request was heard by HCD in February 2023.
- **February 2023:** HCD reviewed the application and the Committee requested that AHAC review the ***LUIG Policy in regards to micro-unit requests*** (not the project itself).

Background - Policy Review

- **March and April 2023:** AHAC discussed the LUIG Policy and considerations related to micro-units.
- **May 2023:** AHAC voted 12-0 recommending the delay in consideration of LUIG applications and awards for micro-apartment projects until the policy is revised and includes clear standards for micro-apartment projects.
    - AHAC also recommended that if Council wanted to proceed with consideration of micro-apartment applications, that developers should fully address their concerns and commit to setting aside 50% of the affordable units for voucher holders.
      <u>AHAC's concerns included:</u>
        - Whether the incentive should be adjusted to account for the smaller unit size.
        - The demand for smaller unit size, limited kitchen/shared kitchens among those people seeking affordable housing.
        - Whether micro-housing projects need subsidies in order to be built.
        - Micro apartments meeting qualifications for vouchers of the issuing agency (HUD, VA, etc) and the applicable rent payment standards.

Background - Policy Review

- **May 2023:** In alignment with staff and AHAC's recommendation, HCD recommended delaying consideration of LUIG micro-apartment applications (2-0 vote).
- **June 2023**: Council voted 6-0 to delay consideration of LUIG applications for micro-apartment projects until the LUIG Policy is updated.

The timeline for LUIG Policy review has not yet been determined with the Affordable Housing Plan Consultant. Staff has communicated that this item is top priority in the planning process.

Project Background - 46 Aston Street

- The development consists of 231 apartments and community space on .47 acres of land at 46 Aston Street.
- Housing represents 100% of all rentable square footage.
- Of the 231 residential units, 47 rental apartments (20%) will be affordable, serving households earning at or below 80% of the Area Median Income (AMI) for a minimum of 21 years (affordability period matches the grant term).
- The developer estimates a taxable value after construction at $24 million.
- All units in the proposed development are microunits/studios.
- As proposed, the total grant would be **$1,953,152** or $93,007 per year at a subsidy of $41,566 per year.

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Policy Considerations - 46 Aston Street

- Delaying the decision about a Land Use Incentive Grant for 46 Aston is not a reflection of the overall quality of the project. This project will provide housing in a central location where residents can access many services and jobs without having to own a car.

- The following concerns expressed by AHAC have been addressed:
  - The developer has confirmed with the Housing Authority and the Veteran's Administration that the units will qualify for voucher use.
  - According to the HUD Voucher Handbook on Special Unit types, these units are not categorized as Single Room Occupancy, so they are categorized as efficiencies or studios instead.
  - The developer committed to set aside all 47 affordable units for voucher holders.

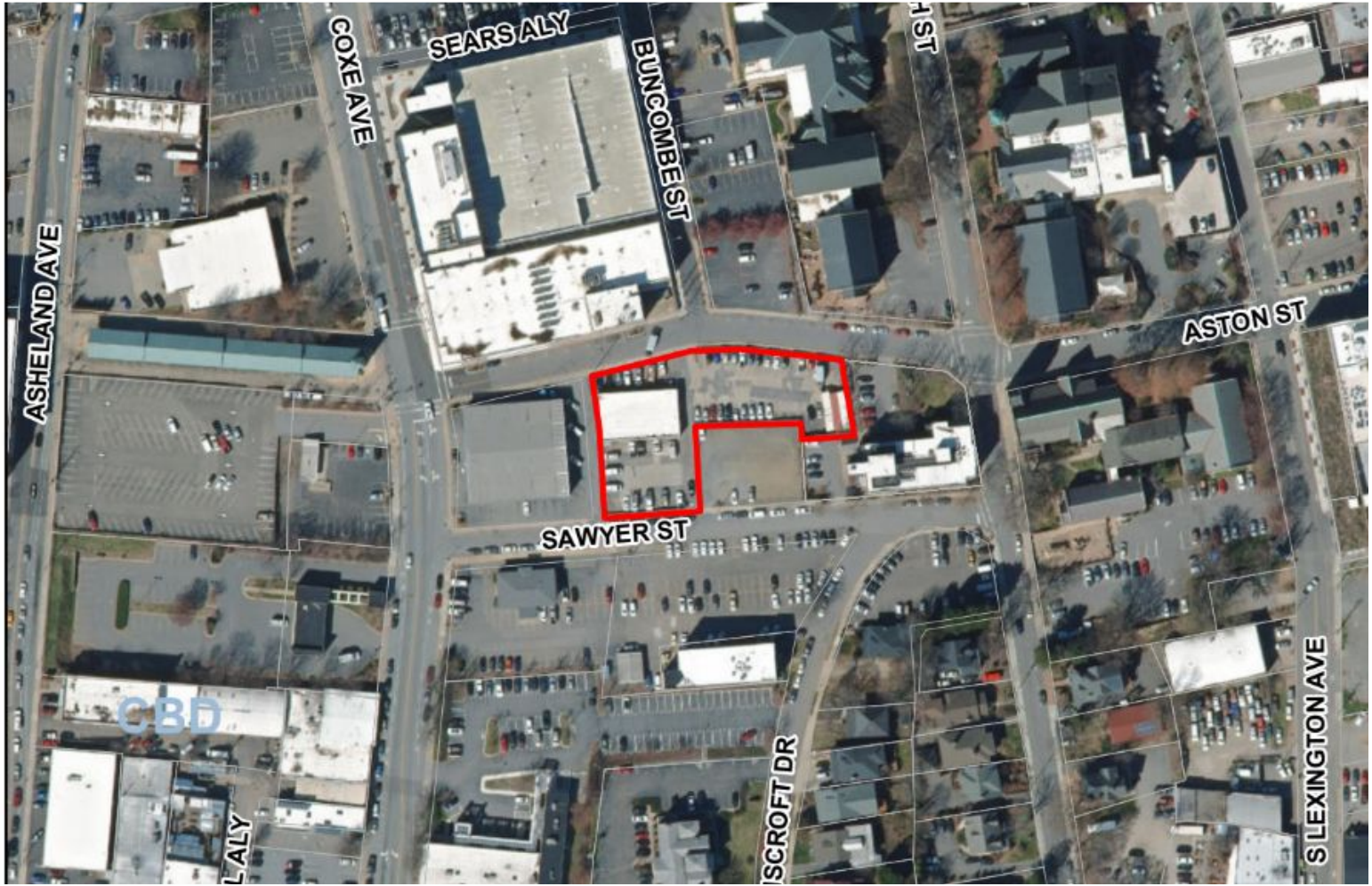
Policy Considerations - 46 Aston Street

- Several of the concerns raised by AHAC remain unaddressed:
  - The market demand for these units by people who need affordable housing has not yet been proven in the community.
  - Confirmation on the need for subsidies in order to ensure affordable rents.
  - The role of the LUIG program is to subsidize the affordability of a portion of the units, not to enable a project to be built.
  - Clarification on if incentive amounts should be lower to account for smaller unit sizes.

- **June 2023**: HCD reviewed the project and voted 2-1 in favor of staff"s recommendation to delay consideration of this application until the LUIG Policy is updated.

- **June 2023:** The Policy, Finance & HR Committee declined to to take action on the application.

Project Location



Pro(s):

- Delaying consideration of this LUIG will give time for the policy to be revised in a more holistic way and give City Council more information to consider about these types of projects, including input from the Affordable Housing Plan consultants (starting in August/September).
- Approving the staff recommendation will be in line with the Council action on June 27, 2023 to suspend consideration of LUIG micro-apartment applications until the policy is reviewed.

Con(s):

- A delay in a decision about the LUIG for 46 Aston will compromise certainty for the developer around subsidies for the affordable units.

Staff Recommendation

- Because the LUIG Policy does not currently address this type of project, staff recommends that City Council delay consideration of the application for the Land Use Incentive Grant application for Aston Flats LLC / 46 Aston Street until the LUIG Policy has been revised and addresses micro-apartments.

Suggested Motion

- Motion that City Council delay consideration of the Land Use Incentive Grant application for Aston Flats LLC / 46 Aston Street until the LUIG Policy has been revised.

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