LUIG Policy and Micro Apartments

Policy Considerations for Micro Apartment Applications For Land Use Incentive Grants

City Council
June 27, 2023

THE CITY OF ASHEVILLE

Key Takeaways

- As requested by the Housing & Community Development Committee (HCD), the Affordable Housing Advisory Committee (AHAC) reviewed the LUIG Policy as it relates to micro-apartments.
- AHAC recommended delaying consideration of LUIG applications with micro-apartments until the LUIG Policy is reconsidered and revised in its entirety.
- In alignment with AHAC, staff is recommending that City Council temporarily suspend consideration of micro-apartment applications for the Land Use Incentive Grant (LUIG) program until the policy is revised to include specific standards for micro-apartment projects.
- HCD voted 2-0 on May 15 in support of this recommendation.

Background

- The current LUIG Policy is silent on micro-apartments which are substantially smaller than a typical studio unit.
    - Typically, a micro-housing unit is 250 to 400 sq. ft.; studio units are 400 to 650 sq. ft., and a one bedroom unit is 650 to 750 sq. ft.
- Appendix 1, which is used to determine allowable rents for affordable projects includes rents for studio/efficiency apartments, but does not have rents outlined for micro-apartments.
- In February 2023, HCD considered an application for micro-apartments at 46 Aston Street, a project with a total of 231 units, 47 affordable units.

Background

- HCD requested that AHAC make a recommendation on how micro-apartments should be treated under the LUIG Policy.
- AHAC spent the majority of their meetings in April and May discussing the issues involved, and also general issues with the LUIG Policy.
- After review of AHAC's motion from their May 4, 2023 meeting, staff is recommending a temporary suspension of the consideration of micro-apartment applications and awards for the LUIG program.
- The LUIG Policy will be reviewed with other affordable housing policies and existing affordable housing incentives as part of the Affordable Housing Plan update which will occur during Fiscal Year 2023-24.

LUIG Policy Discussion at AHAC

- At their May 4 meeting, AHAC outlined specific concerns and issues with subsidizing micro-housing through the LUIG program, including:
  - Should LUIG incentives be adjusted to account for the smaller unit size?
  - Does the smaller unit size and shared common kitchen concept meet the needs of those seeking affordable housing?
  - Micro-housing rents in other cities appear to be substantially below market rents, so do micro-housing projects need subsidies in order to be built?
  - Do the micro-apartments meet qualifications for vouchers of the issuing agency (HUD, VA, etc.) and the applicable rent payment standards?

AHAC Recommendation

- AHAC recommends developing micro-housing policy recommendations as part of our overall review of LUIG Policy, which is scheduled to be completed in November.
- In the meantime, AHAC suggests the City may want to defer LUIG decisions for micro-housing or alternatively have developers fully address all of the committee's concerns, and commit to setting aside 50% of the affordable units for voucher holders.

This motion was approved 12-0 at the May 4, 2023 AHAC meeting.

Committees

- HCD considered this recommendation at their May 20, 2023 meeting and voted 3-0 to support a temporary pause in considering LUIG applications for micro-apartment projects.
    - At the same meeting, HCD indicated that they would consider the application for 46 Aston micro-apartments at their next meeting on June 20, 2023.

Pros of Approving the Recommendation

- Temporarily pausing the review and approvals of applications will allow the opportunity to look at the policy objectively without the deadline for a specific project waiting on a Council decision.
- A pause will also allow a more comprehensive review of how City resources are being spent on affordable housing subsidies.
- Consultants for the Affordable Housing Plan, which will begin in August, will advise the City on the LUIG Policy before final revisions are made.

Fiscal Impact

- This action requires no additional City resources and has no fiscal impact.

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Recommended Motion

- Motion to recommend that City Council temporarily suspend consideration of Land Use Incentive Grant applications for micro-apartment projects until the policy is revised and includes standards for micro-apartment projects.

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