THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting: December 12, 2023

Subject: Revisions to Housing Trust Fund Policy

Staff Resource(s): Sasha Vrtunski, Affordable Housing Officer
Hunter Spitzer, Affordable Housing Specialist

Action Requested: Adoption of a resolution approving revisions to the Housing Trust Fund Policy prior to initiating the Fiscal Year (FY) 2024-25 funding cycle.

Background:

- On June 13, 2000, the City Council created the Housing Trust Fund (HTF) with the adoption of a HTF Policy and the approval of a $400,000 allocation to the fund for Fiscal Year 2001.
- Each year thereafter, the City Council has dedicated funding from the City's General Fund to the HTF. For the past 5-10 years, the budgeted amount has been $500,000.
- From 2001 to 2019, the HTF lent approximately $15 million and produced over 1,300 affordable housing units.
- Starting in 2022, the City aligned its funding application and award timeline with Buncombe County's to assist in decision-making and provide more predictability to the development community.
- For the next funding cycle, the request for funding applications will be published mid-December 2023, with awards announced in late April 2024.
- The Housing Trust Fund Policy was last revised in December 2022.
- In the FY 2023-24 funding cycle, the City Council allocated $4,387,850 to construct 239 units.
- Staff is pursuing changes to the HTF Policy before the upcoming funding FY 2025 cycle.
- There is approximately $4.1 million currently available in the Housing Trust Fund for allocation in the next cycle.

Policy Revision Process

As a part of their work plan, the Affordable Housing Advisory Committee (AHAC) reviewed the Housing Trust Fund policy with the intention of making recommendations with a limited scope.

- AHAC HTF Policy revision recommendations: November 2
- HCD HTF Policy consideration and recommendation: November 27
- City Council HTF Policy review and vote to consider approval: December 12

AHAC Recommendations

AHAC met on November 2, 2023, and voted unanimously (8-0) to recommend the attached policy changes to the HCD Committee. In summary, those changes included:

- Revised priorities for the use of the Housing Trust Fund Dollars
    - More units, deeper affordability, accepting vouchers, and longer affordability periods are the highest priorities.
- A recommendation to realign the HTF scoring card with policy priorities
    - Develop separate scoring for ownership and rental projects
    - Set a minimum score requirement for receiving special loan terms

- Clarifying language and organization of content to help with the policy's clarity

Staff Recommended Policy Changes

- Staff generally agrees with most of AHAC's suggested revisions, with some exceptions. Staff have also revised the funding cap from 10% of total development costs to 10% of total development costs per affordable unit. This effectively leverages City funds in mixed-income projects. A summary of the recommended revisions is below:

Substantive Recommendations for HTF Policy Changes

Section	AHAC	Staff Recommendation	Implication
Priorities	Changed the wording for the priorities to make them general priorities, and eliminated a few priorities.	Agree with AHAC's recommendation	Longer list of priorities, but captures the city's goals in multiple areas.
Eligible Uses	Allow offsite infrastructure improvements as an eligible expense (e.g. water or sewer lines in the public right-of-way, etc).	Allow offsite infrastructure improvements only if shown that they only benefit the affordable development.	Ensures that City funds go directly to the development and not other unrelated projects.
Affordability	Added definition of affordability period for Downpayment Assistance programs.	Agree with AHAC's recommendation	Adds clarity to the policy
Loan Terms	No recommendation	Changing maximum loan amount from 10% of Total Development Cost to 10% of total development cost **per affordable unit.**	No change for 100% affordable projects, but reduces loans for mixed-income developments. Also aligns with Buncombe County's policy.
Underwriting & Post Closing	None	Relocating these sections to a procedure document that will be shared with applicants and the public. These are operational items, not Council-approved policy items.	A cleaner, more concise policy that is aligned with Council goals, plus allows staff flexibility to update procedures.
Affirmative Marketing/Fair Housing	Renamed the Affirmative Marketing section "Fair Housing". Added anti-discrimination language and additional language about the marketing of units.	Agree with AHAC's recommendation	Clearer, more detailed language about the City's expectations around marketing and non-discrimination of unit leasing.

Scoring	General recommendations about increasing the importance of affordability levels, voucher set-asides, and affordability periods. AHAC did not make full recommendations for the entire scoring rubric.	Overall, staff recommends amending in the spirit of AHAC's recommendations; however, more time is needed to assess the recommendations.	Scoring is one tool used to evaluate applications and will be more important if there are more requests than funding available. For now, staff recommends thoroughly assessing how changes to the scoring rubric would incentivize different development types. No further changes are recommended to the rubric at this time.

Committee(s):
- The Affordable Housing Advisory Committee voted 8-0 on their recommendations at their November 2, 2023 meeting.
- The Housing and Community Development Committee voted 3-0 in favor of the amendments at their November 27, 2023 meeting.

Pro(s):
- Clarifications to the policy will help applicants and decision-makers with applications and decision-making.
- Changing the loan term to funding only affordable units ensures good use of City funds.

Con(s):
- More time is needed to assess changes to the scoring rubric.

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

Staff Recommendation
- Staff recommends adopting the Housing Trust Fund Policy as outlined in the revised policy document.

Suggested Motion:
- Move that the Asheville City Council adopt the revised Housing Trust Fund Policy.

Attachment(s):
- Resolution
- Revised Housing Trust Fund Policy (clean version)
- Revised Housing Trust Fund Policy (red-lined version)
- Existing Scoring Rubric
- AHAC Recommendations for HTF policy changes
- Current Housing Trust Fund Policy

RESOLUTION NO. 23- _____

RESOLUTION TO APPROVE AMENDMENTS TO THE CITY'S HOUSING TRUST FUND POLICY

WHEREAS, on September 12, 2000, the City Council of the City of Asheville first appropriated funds and adopted policies and detailed program guidelines for administering a Housing Trust Fund to assist in the development and preservation of affordable housing in the City; and

WHEREAS, the Affordable Housing Advisory Committee made recommendations for policy changes at their November 2, 2023 meeting and those changes clarify the priorities of the Fund; and

WHEREAS, staff continues to recommend incremental changes to the policy in response to the current housing market, City goals, and to increase the efficiency of City dollars; and

WHEREAS, the following changes are being proposed to the policy:

1. Rewording of priorities of the Housing Trust Fund.
2. Clarified the language for the expenditure of funds for infrastructure improvements.
3. Modify the cap on requests from 10% of total estimated project costs to 10% of total development cost per affordable unit.
4. Added a definition for affordability periods for down payment assistance programs.
5. A Fair Housing section with clearer, more detailed language about the City's expectations around affirmative marketing and non-discrimination of unit leasing.
6. General rewording and organization of the policy to increase clarity.

WHEREAS, the City Council's Housing and Community Development Committee has reviewed the proposed policy amendments and has made its recommendation to Council to approve the amendments as proposed;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE THAT:

1. The City of Asheville Housing Trust Fund Policy is hereby amended.
2. The amended policy is effective as of the date of this resolution.

Read, approved, and adopted 12th day of December, 2023.

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City Clerk Mayor

Approved As To Form:

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City Attorney