THE CITY OF ASHEVILLE

Staff Report

Council Meeting Date: December 12, 2023

Subject: Land Use Incentive Grant Application - 115 Fairview Road

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

Action Requested: Consider approval of the Land Use Incentive Grant application for Catalyst Capital Partners, LLC at 115 Fairview Road.

Review:

- Catalyst Capital Partners has applied for a Land Use Incentive Grant (LUIG) for their development at 115 Fairview Road per the LUIG Policy adopted by City Council on June 22, 2021.
- The proposed development consists of 281 rental apartments and community spaces.
- The affordable units will be a mix of studios and 1, 2, and 3-bedroom apartments.
- Housing represents 100% of all rentable square footage, excluding the parking structure.
- Of the +/- 281 residential units, 57 rental apartments (20%) will be affordable, serving individuals and families earning at or below 80% of the Area Median Income (AMI) for a minimum of 20 years.
- The project encompasses 8.25 acres of land on Fairview Road just outside Biltmore Village, PIN 9647-99-4447.
- The applicant's estimated appraised post-completion value of the property is $79.9 million (see attached application).
- The project, as presented to staff, meets the LUIG Policy Eligibility Requirements.
- Per the LUIG Scoring Matrix (attached) and based upon the policy, the project qualifies for 80 points which equals 16 years of grants in the amount of the City Property Taxes payable on the 115 Fairview Road Development.
- The developer requests additional points totaling 105 or 21 years (see below).

Proposal:

- Affordable Rental Housing
    - The proposed project will provide fifty-seven (57) affordable units (20% of the total units) to individuals and families earning at or below 80% AMI, with 29 (50% of the affordable units) accepting rental assistance for an affordability period of twenty (20) years. Under this category, the project qualifies for 20 points.
- Rental Assistance
    - The proposed project will accept 29 Housing Choice Vouchers / Rental Assistance in the community. The proposed project will house one person from the Homeless By-Name List for 5 points. Under this category, the project qualifies for 15 points.
- Superior Locational Efficiency
    - The proposed project is located within 1 mile from a job or urban center (Walmart Shopping Center is defined as an Urban Center), and within a .5 mile from a Transportation Amenity (near to 2 transit lines w/one-hour frequency). Under this category, the project qualifies for 10 points.
- Energy Efficiency
    - The developer has committed to using Energy Efficiency (EE) / Energy Star Certification. Under this category, the project qualifies for 5 points.
- Universal Design: The project has committed to using Universal Design for 20% of the units, which qualifies for 10 points.
- Non-Qualified Census Tract: The project is located in a Non-Qualified Census Tract, which qualifies for 10 points.

- Staff has scored the project with 80 points, which qualifies the project for sixteen (16) years of Land Use Incentive Grant.
- Staff recommends 18 years of total grant in response to additional site remediation costs (further described in the next bullet and sub-bullets below).
- The applicant requests an additional 25 points for a 21-year grant term (105 points).

    1) The applicant requests an additional 15 points for locational efficiency because there are multiple bus lines near the location, convenience stores, a 1.2-mile walk from the high school, and a 1.4-mile walk from Oakley Elementary.

       The policy does not provide adding points for multiple transportation amenities.

    2) The applicant is also requesting an additional 10 points due to the presence of asbestos resulting in an additional $500,000 cost.

       The policy does allow developers to request additional years due to site-specific costs. This decision is at City Council's discretion.

- The applicant acknowledges the $80,000 per unit subsidy cap for the affordable units and requests a total grant of $4,560,000 (57 units x $80,000).
- Because the $80,000 per unit subsidy cap results in a capped grant value of $4,560,000, the number of years determines how the total amount would be paid out.
    - A 16-year grant would equate to payments of up to $285,000 per year.
    - An 18-year grant would equate to payments of up to $253,333 per year.
- During the November 27th Housing and Community Development Committee meeting, the applicant made a verbal commitment to set aside 29 of the units for voucher holders with an understanding that if voucher holders cannot be found after working with the Housing Authority, units may be rented at 80% AMI. The Resolution language reads as follows:
    - 50% of the affordable housing units will be reserved for HACA Housing Choice Vouchers and voucher holders will receive priority as to the leasing of said units. To this end, the developer will notify HACA of the actual or pending availability of eligible units on a monthly basis. If no voucher holder is able to commence tenancy when an eligible unit becomes available, that unit may be leased as an affordable unit, and the next available unit shall be reserved and marketed to a voucher holder under the same terms and conditions.

Council Goal(s):
- Quality Affordable Housing
- An Equitable and Diverse Community

Committee(s):
- The Housing and Community Development Committee reviewed this item on November 27, 2023, and voted 1-2 on a motion of support for the request (motion failed).
- The Policy, Finance, and Human Resources Committee will review this item on December 12, 2023, before the City Council meeting.

Committee(s):
- The Housing and Community Development Committee reviewed this item on November 27, 2023, and voted 1-2 on a motion of support for the request (motion failed).
    - Concerns aligned with the Thrive report were cited for the no votes.
    - There was also a concern about the need for more deeply affordable housing in the Oakley school district.

LUIG Program Background
- The LUIG program was created to incentivize the inclusion of affordable units at 80% AMI in projects that otherwise would have only offered market-rate rents.
- The LUIG Policy was not designed to produce units for lower-income residents (50% AMI or less) without additional funding layers like vouchers or other sources.

- Over time the policy has been revised, slowly increasing the percentage of affordable units required, the length of the affordability period, and adding in voucher acceptance to help serve those at 60% AMI and below.
- In 2019, the point structure was changed to make the longer affordability periods and higher numbers of affordable units feasible. Since that change, there has been an increase in the volume of LUIG requests.

Thrive Asheville Report Background

- Thrive Asheville received $135,000 in ARPA funding from the City for their landlord-tenant partnership program and to study the outcomes of the Land Use Incentive Grant Program and Housing Trust Fund.
- As a part of the study, Thrive looked at census information for the city, including median household incomes by race, household size, and voucher data from the Housing Authority.
- Thrive also looked at City permit data, LUIG, and Housing Trust Fund data to see where city funding has supported affordable units.

Thrive Asheville Report Highlights and City Programs/Policies

- The median income of African American and Latinx households is below 50% AMI for a family of four.
- 80% AMI for a family of four was $60,100 in Asheville (50% AMI was $37,550) (HUD data, 2021)
- The report shows a graph of the completed affordable units that the City approved between 2018-2022, the majority of units serve households at 60% AMI and below.
- A greater proportion of overall LUIG funding has gone toward producing “affordable” units at the 80% AMI level.
- The conclusions written by Thrive were speculative, not definitive:
    - “city housing investments that target incomes at higher ends of affordability (e.g. 60-80% AMI) likely exacerbate racial and gender gaps in our community because our most underserved community members, on average, fall below this AMI band.”
- Thrive recommended further research on these issues.

LUIG Program Equity Assessment

- The City is currently working with Enterprise Community Partners on an Affordable Housing Plan.
- Updates to the Affordable Housing Plan will include recommendations on affordable housing incentives, including LUIG and the Housing Trust Fund.
- Enterprise was selected partly because of its commitment to centering equity in its recommendations.
- Research and plan development is currently underway, staff expects to have recommendations back from Enterprise by May 2024.

Pro(s):

- The proposed project will provide 57 affordable rental housing units to households earning 80% or less of area median income;
- The proposed project will have an affordability period of twenty (20) years;
- The proposed project should have a significant economic impact. Construction wages and material purchases will positively affect the local and regional economy;
- The 57 affordable units are located in Central/East Asheville near jobs and two transit lines (S5 and S1) (walkability score of 42 - car-dependent, bike score of 17 - somewhat bikeable, minimal bike infrastructure) and provide employment and shopping options for individuals and families who fall within the 80% AMI incomes.
- Catalyst Capital Partners will communicate with the Asheville Housing Authority and others that they are reserving Housing Choice Vouchers for 29 of the affordable units and Rental Assistance as the development prepares to come online, as outlined above.

Con(s):

- Cost estimates are not yet fully developed, and project costs, as presented, may change as it moves towards development.

Fiscal Impact:

- The project parcel has a current tax value of $1,612,000 and pays City property taxes of approximately $6,494.36 annually. This will continue to be paid throughout the benefit period.
- Using an estimated tax value of $79.9 million post-completion, the annual City property tax will be approximately $321,997.
- The annual difference in tax is $315,500, which exceeds the policy cap of $80,000 per unit subsidy. To align with the policy, the City would pay $253,333 annually.
- For 18 years and 57 affordable units at or below 80% AMI, the City will grant back a total of $4,560,000 over the 18 years of the LUIG.
- After year 18, the City will receive approximately $321,997 annually in City tax revenue (depending on future property tax value and rates, etc.). Please note the City will still receive property taxes of approximately $6,494.36 per year in years 1 -18.
- The City sets aside a budget annually for Land Use Incentive Grants.

Suggested Motion:

- Motion to approve the Land Use Incentive Grant application for Catalyst Capital Partners / 115 Fairview Road with a per unit subsidy of up to $80,000 and a total grant value of up to $4,560,000 over a period of 18 years.

Attachment(s)

- Resolution
- Application Package
- LUIG Policy
- 2023 Affordable Housing HUD Area Median Income (AMI) Rents / Appendix 1

RESOLUTION NO. 23-_____

RESOLUTION APPROVING A LAND USE INCENTIVE GRANT AGREEMENT WITH CATALYST CAPITAL PARTNERS FOR A DEVELOPMENT LOCATED AT 115 FAIRVIEW ROAD

WHEREAS, the City of Asheville has the authority pursuant to N.C. Gen. Stat. § 160D-1316 to provide incentive grants (or appropriations) to encourage development projects that fulfill important public purposes in the City of Asheville; and

WHEREAS, these public purposes include the development of affordable housing for persons of low and moderate-income, per N.C. Gen. Stat. § 160A-1316, which are also principal components of the City's annual strategic goals and other adopted plans; and

WHEREAS, the City Council of Asheville has adopted a Land Use Incentive Policy (LUIP) in order to encourage the development of projects that meet the aforementioned goals and plans; and

WHEREAS, Catalyst Capital Partners/ 115 Fairview Road development represents the type of project envisioned for support within those goals and the LUIP; and

WHEREAS, in support of those strategic goals and the Land Use Incentive Grant policy criteria adopted by the City Council, the Catalyst Capital Partners development located in East Asheville will be, for purposes of this LUIP, a +/- 281 unit multi-family rental development project that is located in a non-Qualified Census Tract, and will fulfill an important public purpose in that it will provide 20% of total units of affordable housing (defined as rents that require payment of no more than 30% of gross income for a household with an income at or below 80% of the area median income), those units will be affordable for 20 years, will house someone from the Homeless by Name list, will be energy efficient, achieve Green Certification, and the project will employ Universal Design in 20% of the units;

WHEREAS, 50% of the affordable housing units will be reserved for HACA Housing Choice Vouchers and voucher holders will receive priority as to the leasing of said units. To this end, the developer will notify HACA of the actual or pending availability of eligible units on a monthly basis. If no voucher holder is able to commence tenancy when an eligible unit becomes available, that unit may be leased as an affordable unit, and the next available unit shall be reserved and marketed to a voucher holder under the same terms and conditions.

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

The Asheville City Council hereby approves a Land Use Incentive Agreement with Catalyst Capital Partners to support the development of the project at 115 Fairview Road. The estimated annual land use incentive grant would be the difference between the current City tax ($6,494) and the post-completion City tax, currently estimated to be $321,997. The City would allow an estimated annual grant of $253,333. The grant is approved for a period of 18 years, with the total grant amount not to exceed $4,560,000. The City Manager is hereby authorized to execute a Land Use Incentive Policy Agreement setting forth the conditions of compliance for both parties, subject to the approval of the City Attorney.

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

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CITY CLERK MAYOR

Approved as to form:

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CITY ATTORNEY