THE CITY OF ASHEVILLE

Staff Report

Council Meeting Date: July 25, 2023

Subject: Land Use Incentive Grant Application - 46 Aston Street

Staff Resource(s): Sasha Vrtunski, Affordable Housing Officer
Nikki Reid, Community & Economic Development Director

Action Requested: Recommend that City Council delay consideration of the Land Use Incentive Grant (LUIG) application for Aston Flats LLC / 46 Aston Street until the LUIG Policy has been revised and addresses micro-apartments.

Background:

- Aston Flats LLC applied for a Land Use Incentive Grant (LUIG) for their micro-apartment development at 46 Aston Street in the fall of 2022.
- Due to the timing of committee meetings and holidays, the LUIG application was first considered by the Housing & Community Development Committee (HCD) in February 2023.
- Micro-apartments typically comprise 200-350 square feet.
- The current LUIG Policy does not address micro-apartment projects and the City has not developed any specific policies or practices for these types of units.
- After their initial review of the LUIG application for the project located at 46 Aston, HCD requested that the Affordable Housing Advisory Committee (AHAC) make a recommendation on how micro-apartments should be considered under the LUIG Policy.
- AHAC and staff are recommending delaying consideration of LUIG applications and awards for micro-apartment projects until the LUIG Policy is revised and includes clear standards for micro-apartment projects.
- HCD approved the recommendation to delay consideration of LUIG applications on May 16, 2023, with a 2-0 vote.
- On June 20, HCD approved the recommendation 2-1 to delay consideration of the application for the 46 Aston project until the LUIG Policy has been revised to include micro-apartments.
- On June 27, the Policy, Finance & HR Committee reviewed the application but did not take a vote on the 46 Aston Project.
- AHAC also recommended that if Council wanted to proceed with consideration of micro-unit applications, that developers should fully address all of the committee's concerns and commit to setting aside 50% of the affordable units for voucher holders.
- AHAC's specific concerns included:
    - 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.
- Staff and the developer have verified that these units will meet the requirements for voucher units. The other concerns expressed by AHAC remain unaddressed.
- Council voted on June 27, 2023 to suspend LUIG applications for micro-apartment projects until the LUIG Policy is updated.

Review:

- A LUIG application has been submitted for 46 Aston Street per the LUIG Policy as updated and adopted by City Council on June 22, 2021.
- The development consists of 231 rental micro-apartments and community space. These units are expected to be between 200-350 square feet.
- Housing represents 100% of all rentable square footage.
- Of the 231 proposed residential units, 47 rental apartments (20%) will be affordable, serving individuals and families earning at or below 80% of the Area Median Income (AMI). The affordability period will be 21 years to match the 21 year grant period.
- The project encompasses one parcel on Aston Street in the Central Business District. Currently the parcel is .64 acre (PIN 9648-39-6557) with an existing building on it. The building will remain and two new parcels will be created totalling .47 acre.
- Estimated Tax Value of the property is $24 million post-completion (see attached application).
- The project, as presented to staff, meets the following Eligibility Requirements:
    - The proposed development consists of two or more dwelling units for rent;
    - At least 20% of the units will meet the affordability standards set by the City of Asheville for households earning at or below 80% of the Area Median Income (AMI).
    - The affordable units will be affordable to and leased to income-eligible households for at least 20 years.
    - The proposed development is located inside the city limits.
    - The proposed development provides residents convenient access to jobs, schools, and services.
    - The proposed development is over the 70% residential threshold in use based on square footage not to include a parking structure if applicable.
- Per the LUIG Scoring Matrix (attached) and based upon the policy, the project will receive 20 total points for affordability, 10 points for rental assistance, 50 points for the location, 15 points for energy efficiency, 10 points for Universal Design, for a total score of 105 points. Per the policy, this will equal 21 years of grants in the amount of the City Property Taxes payable on the 46 Aston Street Development.
- As a part of the LUIG program, 50% of the affordable units will accept vouchers, which generally benefit households at 50% AMI or below. When Housing Choice vouchers are utilized, this also opens up a unit in Public Housing where there are waiting lists.
- All units in the project will be micro-units.

Proposal:

- Affordable Rental Housing
    - The proposed project will provide forty-seven (47) affordable units (20% of the total units) to individuals and families earning at or below 80% AMI, with 23 (50% of the affordable units) accepting rental assistance, for an affordability period of twenty-one (21) years. Under this category, the project qualifies for 20 points.
- Rental Assistance
    - The proposed project will accept 24 Housing Choice Vouchers / Rental Assistance in the community, and possibly consider more. 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.
- Locational Efficiency
    - The proposed project is located in the Central Business District (30 points), within a ¼ mile of a 30-minute transit stop (10 points), within 1 mile from a job or urban center (downtown, hospital district) (5 points), and within a .5 mile from a Transportation Amenity (schools, Transit Center) (5 points). Under this category, the project qualifies for 50 points.
- Energy Efficiency
    - The developer has committed to using Energy Efficiency (EE) / Energy Star Certification and green building certification. Under this category, the project qualifies for 15 points.
- Universal Design: The project has committed to using Universal Design for 20% of the units, which qualifies for 10 points.
- Staff has scored the project with 105 points.

Analysis

- Delaying the decision about a LUIG 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.
- LUIGs are intended to subsidize the affordability of a portion of the units, not to enable a project to be built.
- In response to AHAC's concerns, the following 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.
- Several of the concerns raised by AHAC remain unaddressed:
    - The market demand for these units by people who need affordable housing is untested.
    - It is uncertain as to whether subsidies are needed for the rents to be affordable or if the market price itself will fall within affordable rates.
    - It is not clear in the policy as to whether the incentives should be of a lower amount due to the smaller units sizes.
- A previous micro-unit project, 217 Hilliard, was approved in 2022 for a LUIG with the same developer. At the time Staff and HCD did not raise concerns regarding providing a subsidy for these types of units, with a total of 80 units, and 16 affordable units, for a total subsidy cost of $592,790.
    - The developer has delayed construction due to rising costs, but is working to get it underway in the near future.
    - The Hilliard project was taken through the LUIG process in June 2022 and there have been 4 standard-unit LUIGs approved since then.
    - Overall, the increased number of total LUIG approvals and the larger subsidy being requested here, combined with the lack of clarity around the role of subsidies for micro-units have created questions for both staff and AHAC about LUIG and micro-apartments.

Council Goal(s):

- Quality Affordable Housing
- An Equitable and Diverse Community

Committee(s):

- Housing & Community Development Committee - June 20, 2023 - approved the recommendation 2-1 to delay consideration of the application for the 46 Aston project until the LUIG Policy has been revised to include micro-apartments.
- Policy, Finance & HR Committee - June 27, 2023 - declined to vote on the project. There were two members present and no consensus on the vote.

Pro(s):

- The LUIG Policy was not developed with this type of development in mind and does not address some of the issues it brings up, like smaller units, limited kitchens and the amount of the incentive granted.
- Delaying consideration of this LUIG will give time for the LUIG Policy to be revised in a more holistic way and give City Council more information to consider about these types of projects.
- With more time, input and also expertise from our Affordable Housing Plan consultants (starting in August/September), the City can more carefully consider how scarce City resources are being spent on affordable housing subsidies and what types of subsidies are the highest priority.
- 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.

Fiscal Impact:

- Approval of the staff recommendation to delay consideration and approval of this application has no fiscal impact.
- If HCD and City Council approves the application, the fiscal impact is as follows:
    - The two parcels totalling .47 acre that will be created have a current tax value estimated at $921,273 and pays city property taxes of approximately $3,173 annually.
    - Under the estimated tax value of $24 million post-completion, the annual city property tax will be approximately $96,720.
    - For 21 years and 47 affordable units at or below 80% AMI, the City will grant back a total of $1,953,152 which equals $41,566 per unit of subsidy which is lower than the estimate of up to $80,000 in subsidy for 80% AMI homes as noted in Council Work Sessions and a subsidy cap noted in the LUIG Policy.
    - After year 21, the City will receive the approximate $96,720 annually in city tax revenue (depending on future property tax increases, etc.). Please note the City will still receive property taxes of approximately $3,173 per year in years 1 -21.
    - Land Use Incentive Grant payments are planned as part of the annual budget process.

Staff Recommendation

- 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 to recommend 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.

Attachment(s)

- HCD Staff Report for 46 Aston, February 8, 2023
- HCD Staff Report on LUIG policy and Micro-apartments, May 16, 2023
- Application Package
- LUIG Policy
- 2023 Affordable Housing HUD Area Median Income (AMI) Rents / Appendix 1