THE CITY OF ASHEVILLE

Staff Report

Council Meeting Date: May 23, 2023

Subject: Land Use Incentive Grant Application - Fairhaven Summit

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

Action Requested: Approve the application for the Land Use Incentive Grant for Commonwealth Development Corporation/Fairhaven Summit Apartments.

Review:

- Commonwealth Development Corporation has applied for a Land Use Incentive Grant (LUIG) for their development at Fairhaven Summit per the LUIG Policy adopted by City Council on June 22, 2021.
- The development consists of 77 rental apartments and community space.
- Housing represents 100% of all rentable square footage.
- Of the +/- 77 residential units, 29 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 30 years.
- The project encompasses 7.43 acres of land on Sweeten Creek in South Asheville, currently divided into two parcels known as 3124 and 3130 Sweeten Creek Road and PIN's 9655-33-0929 and 9655-33-2749.
- Estimated Tax Value of the property is $12,425,000 million post-completion (see attached application).
- The project, as presented to staff, meets the Eligibility Requirements for the LUIG program.
- 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 vouchers are utilized, this also opens up units in Public Housing where there are waiting lists.
- The planned unit mix for affordable units is 15 one bedroom units and 14 two bedroom units.
- This project was also approved for a $500,000 Housing Trust Fund loan at the April 25, City Council meeting

Proposal & Scoring:

- Affordable Rental Housing - 120 points
  - The proposed project will provide seventy-seven (77) affordable units (100% of the total units) to individuals and families earning an average of at or below 60% AMI
  - The affordability period will be a minimum of 31 years (10 points)
  - 50% of the units will be for low-income families (20 points).
- Rental Assistance - 50 points
  - The proposed project will have 50% of the units accepting vouchers of different kinds.
  - The developer is working with the Housing Authority to provide 20 units for project based vouchers.
  - An additional 12% of units will prioritize households participating in the state of North Carolina's KEY program, which serves very low- income households with disabilities who are in need of supportive services.
- Energy Efficiency - 5 points
  - The developer has committed to using Energy Efficiency (EE) / Energy Star Certification.
- Universal Design - 10 points
  - The project has committed to using Universal Design for 20% of the units.
- Building in a Non-Qualified Census Tract (NON QCT) - 10 points

    - The developer is building in a NON QCT, where at least 50% of the households have incomes over 60% of the Area Median Gross Income (AMGI) or a poverty rate under 25%. The poverty rate in this Census Tract is 3.5%.
- Staff has scored the project with 195 points, which qualifies the project for twenty-one (21) years of Land Use Incentive Grant.

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

Committee(s):
- The Housing and Community Development Committee reviewed this item on April 18, 2023 and voted 3-0 in support of the request.
- The Policy, HR and Finance Committee reviewed this item on May 9, 2023 and voted 3-0 in support of the request.

Pro(s):
- The proposed project will provide 77 affordable rental housing units to households earning an average of 60% or less of area median income;
- The proposed project will have an affordability period of thirty (30) years;
- The proposed project should have a significant economic impact;
- Construction wages and material purchases will positively affect the local and regional economy;
- The 77 affordable units are located in South Asheville (walkability score of 36 - car dependent, bike score of 10 - somewhat bikeable, minimal bike infrastructure) and provide employment & shopping options for individuals and families who fall within the 0 - 80% AMI incomes.
- Commonwealth Development Corporation is working with the Asheville Housing Authority to have 26% of the units be Project based vouchers, which will give priority to current Housing Authority residents with Tenant Mobility Choice vouchers for these units, and after that, other voucher applicants on the waiting list for project based vouchers.
- 50% of the units are required to participate in NC's Targeting program, with required notification and lease-up procedures. This program targets individuals enrolled with an approved supportive housing provider who are at risk of (or experiencing) homelessness and who have a disability requiring supportive services.

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

Fiscal Impact:
- The two parcels included in the project have a current tax value of $394,600 and pays city property taxes of approximately $1,590 annually.
- Under the estimated tax value of $12.43 Million post-completion, the annual city property tax will be approximately $50,072.
- The difference is $48,482 which would be granted to the property owner annually after payment for 21 years.
- For 21 years and 77 affordable units at or below and average 60% AMI, the city will grant back a total of $1,018,132 over the 21 years of the LUIG which equals $13,222 per unit of subsidy which is lower than the estimate of up to $80,000 in subsidy for 80% AMI homes as noted in the LUIG Policy.
- After year 21, the City will receive the approximate $50,072 annually in city tax revenue (depending on future property tax increases, etc.). Please note the City will still receive property taxes of approximately $1,590 per year in years 1 -21.
- The City sets aside a budget annually for Land Use Incentive Grants.
- Fairhaven Summit has also been approved for a $500,000 Housing Trust Fund loan.

Staff Recommendation:
- Staff recommends approval of the request.

Suggested Motion:

- Motion to approve the Land Use Incentive Grant application for Commonwealth Development Corporation / Fairhaven Summit Apartments.

Attachment(s)

- Application Package
- LUIG Policy
- 2022 Affordable Housing HUD Area Median Income (AMI) Rents / Appendix 1

RESOLUTION NO. 23-_____

RESOLUTION APPROVING A LAND USE INCENTIVE GRANT AGREEMENT WITH COMMONWEALTH DEVELOPMENT CORPORATION FOR A DEVELOPMENT LOCATED AT 3124/3130 SWEETEN CREEK 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, the Commonwealth Development Corporation Corporation/3124/3130 Sweeten Creek 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 Commonwealth Development Corporation development located in South Asheville will be, for purposes of this LUIP, a +/- 77 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 100% of total units of low-income housing (defined as rents that require payment of no more than 30% of gross income for a household with an income at or below an average of 60% of the area median income), and accept housing choice vouchers / rental assistance for 50% of the units, will achieve Energy Star Certification, is located in the units will be affordable for 30 years, and the project will employ Universal Design in 20% of the units;

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 Commonwealth Development Corporation to support the development of the project at 3124/3130 Sweeten Creek Road. The estimated annual land use incentive grant would be the difference between the current City tax ($1,590) and the post-completion City tax, currently estimated to be $50,072. The City would allow an estimated annual grant of $48,482. The grant is approved for a period of 21 years with the total grant amount not to exceed $1,018,132. 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 approval of the City Attorney.

Read, approved and adopted this 23rd day of May, 2023.

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CITY CLERK MAYOR

Approved as to form:

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CITY ATTORNEY