THE CITY OF ASHEVILLE

Staff Report

Council Meeting Date: February 14, 2023

Subject: Land Use Incentive Grant Application - 157 New Leicester Highway

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

Action Requested: Adoption of a resolution approving an application for the Land Use Incentive Grant application for Cohen-Esrey Development Group/157 New Leicester Highway.

Review:

- Cohen-Esrey Development Group has applied for a Land Use Incentive Grant (LUIG) for their development at 157 New Leicester Highway per the LUIG policy adopted by City Council on June 22, 2021.
- The development consists of 141 rental apartments and community space.
- Housing represents 100% of all rentable square footage.
- Of the +/- 141 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 4.7 acres of land on New Leicester Highway in West Asheville, currently divided into two parcels known as 157 and 99999 New Leicester Highway and PIN's 9629-70-3496 and 9629-70-0376.
- Estimated Tax Value of the property is $26.5 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. [Applicant has agreed to a longer period of 30 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
    - 30 total points for affordability,
    - 10 points for rental assistance,
    - 5 points for housing someone from the Homeless by Name list,
    - 10 points for the location,
    - 15 points for energy efficiency and green building, and
    - 10 points for Universal Design
    - for a total score of 80 points.
- Per the policy, this will equal 16 years of grants in the amount of the City Property Taxes payable on the 157 New Leicester Highway 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.
- Unit mix for affordable units is 15 one bedroom units and 14 two bedroom units.

Proposal:

- Affordable Rental Housing
    - The proposed project will provide twenty-nine (29) affordable units (20% of the total units) to individuals and families earning at or below 80% AMI, with 19 (50% of the affordable units) accepting rental assistance, for an affordability period of thirty (30) years.
    - Under this category, the project qualifies for 30 points.
- Rental Assistance
    - The proposed project will accept 15 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.
- Superior locational efficiency
    - The proposed project is located within 1 mile from a job or urban center (Patton Ave at Haywood Rd.), and within a .5 mile from a Transportation Amenity (grocery store).
    - Under this category, the project qualifies for 10 points.
- Energy Efficiency
    - The developer has committed to using Energy Efficiency (EE) / Energy Star Certification and a 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 80 points, which qualifies the project for sixteen (16) years of Land Use Incentive Grant.

Council Goal(s):

- Quality Affordable Housing
- An Equitable and Diverse Community

Committees:

- The Housing and Community Development Committee reviewed this item on February 8, 2023 and voted 3-0 in support of the request.
- The Finance and Human Resources Committee will review this item on February 14, 2023.

Pro(s):

- The proposed project will provide 29 affordable rental housing units to households earning 80% 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 29 affordable units are located in West Asheville (walkability score of 44 - car dependent, bike score of 30 - somewhat bikeable, minimal bike infrastructure) and provide employment & shopping options for individuals and families who fall within the 80% AMI incomes.
- Cohen-Esrey Development Group will communicate with the Asheville Housing Authority and others that they are accepting Housing Choice Vouchers and Rental Assistance as the development prepares to come online.

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 $316,700 and pays city property taxes of approximately $1,276 annually.
- Under the estimated tax value of $26.5 M post-completion, the annual city property tax will be approximately $106,795.
- The difference is $105,519 which would be granted to the property owner annually after payment for 16 years.

- For 16 years and 29 affordable units at or below 80% AMI, the city will grant back a total of $1,688,299 over the 16 years of the LUIG which equals $58,217 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 16, the City will receive the approximate $106,795 annually in city tax revenue (depending on future property tax increases, etc.).
- Please note the City will still receive property taxes of approximately $1,276 per year in years 1 -16.
- The City sets aside a budget annually for Land Use Incentive Grants.

Staff Recommendation:

- Staff recommends approval of the request.

Suggested Motion:

- Motion to adopt City Council to approve the Land Use Incentive Grant application for Cohen-Esrey Development Group / 157 New Leicester Highway.

Attachment(s)

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

RESOLUTION NO. 23-_____

RESOLUTION APPROVING A LAND USE INCENTIVE GRANT AGREEMENT WITH COHEN-ESREY DEVELOPMENT GROUP FOR A DEVELOPMENT LOCATED AT 157 NEW LEICESTER HIGHWAY

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 Cohen-Esrey Development Group / 157 New Leicester Highway 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 Cohen-Esrey Development Group development located in West Asheville will be, for purposes of this LUIP, a +/- 141 unit multi-family rental development project that is located in close proximity to a transit line, and will fulfill an important public purpose in that it will provide 20% 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 80% of the area median income), and accept housing choice vouchers / rental assistance for 10% of the units, will house a person from the Homeless-by-name list, the proposed project is located within 1 mile of an Urban Center, within a .5 mile from a Transportation Amenity, will achieve Energy Star Certification and green building certification, and 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 Cohen-Esrey Development Group to support the development of the project at 157 New Leicester Highway. The estimated annual land use incentive grant would be the difference between the current City tax ($1,276) and the post-completion City tax, currently estimated to be $106,795. The City would allow an estimated annual grant of $105,519. The grant is approved for a period of 16 years with the total grant amount not to exceed $1,688,299. 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 14th day of February, 2023.

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CITY CLERK MAYOR

Approved as to form:

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CITY ATTORNEY