THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: August 22, 2023

Subject: Haywood Street Community Development Housing Trust Fund Loan Revisions

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

Action Requested: Approve revisions the Housing Trust Fund Loan including unit count and affordability levels for the Haywood Street Community Development project at 339, 343 & 357 West Haywood Street

Background:

- In October 2021, City Council approved a grant of $296,000 to Haywood Street Community Development (HSCD) for pre-development expenses related to developing affordable housing on West Haywood Street.
- In February 2022, City Council approved funding to develop approximately 45 affordable apartments with community space at 343 & 357 West Haywood Street.

Funding partners for the West Haywood Street Project

Organization	Type	Use	Amount
City of Asheville	Grant Grant HTF Loan	Pre-Development Purchase of Land Construction Total	$ 296,000 $ 1,300,000 $ 904,000 **$ 2,500,000**
Buncombe County	Grant	Construction	**$ 749,000**
Dogwood Health Trust	Grant	Construction	**$ 2,000,000**

- The two grants from the City have been disbursed and the property has been purchased.
- Earlier this calendar year, HSCD redesigned the project and assembled a third parcel into the development (339 West Haywood Street), which allowed for a reduction in building height. The reduced building height lowered project construction costs and impacted the number of units (decreasing from 45 to 41).
- The new project area measures approximately 1.23 acres.
- Due to project design revisions, HSCD seeks to revise the affordability requirements of the project (see below for details).

Proposal:

- With the redesign of the building, there are changes to the number of units, bedroom mix, and affordability levels in the project (see table below).
- These changes require approval by the City Council as the affordability levels and numbers of units differ from the original resolution passed by Council in February 2022.
- HSCD would like more flexibility in income levels to accommodate households as they stabilize and their incomes potentially increase.
- Residents would still have vouchers but would not be restricted to the 30% AMI level.

- All units will be restricted to households with 80% AMI and below.
- Fifty percent (50%) of all units would be reserved for voucher holders.
- Haywood Street Community Development ***intends*** to exceed this goal and lease 90% of the units to voucher holders, but this will not be reflected in the permanent deed restriction.

Proposal for the Redesigned Project:

	Original Proposal	**Revised Proposal**
Total Units	45 units	41 units
Income Restrictions	23 units at 30% AMI 9 units at 60% AMI 13 units at 80% AMI	41 units at 80% AMI
Units reserved for Voucher holders (Deed Restricted)	23 units (30% and below) = 56% of total units	21 units (50% AMI and below) = 50% of total units, with the intent to exceed this goal and lease 90% of units (37) to voucher holders
Total Units by Bedrooms	24 - 1 bedroom units 18 - 2 bedroom units 3 - 3 bedrooms units	20 - 1 bedroom units 17 - 2 bedroom units 4 - 3 bedroom units

- HSCD's total updated proposed project budget is $12,042,715, including due diligence and soft costs, with $7,818,520 estimated for construction.
- HSCD was approved for a loan of $904,000 from the City's Housing Trust Fund (HTF) under the following terms: no interest and deferred payments for the first 10 years; interest only at a rate of 1% for the next 10 years; at year 20, the loan will either (1) convert to an amortizing loan, paying principal and interest, on a 30-year amortization at a 1% interest rate, or (2) the HTF principal will be repaid in full as part of a refinance of the total debt stack at the time.
    - No changes are being requested to the loan terms.

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

Committee(s):
- The Housing and Community Development (HCD) Committee will review this item at their meeting on Monday, August 21, 2023.

Pro(s):
- The project produces 41 apartment homes for individuals and families at or below 80% AMI.
- Fifty percent (50%) of the units will be reserved for voucher holders.
- HSCD ***intends*** to lease thirty-seven (37) of the units (90% of the total units) to voucher holders who have incomes at or below 50% AMI.
- This project leverages partnership funding from both Buncombe County and Dogwood Health Trust.
- This project is deed restricted to permanent affordability, ensuring a long-term supply of affordable rental units in Asheville at this location.
- The reduced height profile of the building will have a less visual impact on the WECAN neighborhood.

Con(s):

- The new proposal decreases the number of affordable units from 45 to 41.
- There is an increase in the subsidy per unit with the reduced number of total units in the project. The subsidy per unit will increase from $55,556 to $60,976. Based on the benchmark of $80,000 per unit, the $60,976 per unit subsidy is reasonable for permanently affordable units.

Fiscal Impact:

- No additional resources are required, the amount of the Housing Trust Fund loan ($904,000) would remain the same as originally approved.

Staff Recommendation:

- Staff recommends approving the revised affordability levels and unit count for the project.

Suggested Motion:

- Move to approve the revised affordability levels and unit count for the Housing Trust Fund Loan for the Haywood Street Community Development project at 339, 343 & 357 West Haywood Street.

Attachment(s):

- Resolution
- Development Plans
- 2023 AMIs

RESOLUTION NO. 23-_____

RESOLUTION APPROVING A REQUEST BY HAYWOOD STREET COMMUNITY DEVELOPMENT TO REVISE THE TERMS OF THE HOUSING TRUST FUND LOAN APPROVED BY CITY COUNCIL IN 2022 FOR AFFORDABLE RENTAL HOMES ON PROPERTY LOCATED AT 339, 343 & 357 WEST HAYWOOD STREET

WHEREAS, pursuant to NCGS §160D-1311, the City is authorized to expend funds for community development programs and activities; and

WHEREAS, the City and region continue to face a severe current and projected shortage of affordable housing; and

WHEREAS, Haywood Street Community Development (developer) was awarded $1.3M to fund the purchase of the real estate at 343 & 357 West Haywood Street and a $904,000 Housing Trust Fund (HTF) loan for the development of forty-five (45) rental homes in 2022; and

WHEREAS, construction costs have significantly increased and Haywood Street Community Development has re-designed the apartment building to lower construction costs; and

WHEREAS, Haywood Street Community Development has included 339 West Haywood Street in the development site; and

WHEREAS, Haywood Street Community Development will construct forty-one (41) rental homes which are to be made available for rent to individuals and families with all units to be affordable to households at 80% AMI and below and 50% of units will be leased to voucher holders at 50% AMI and below; and

WHEREAS, Haywood Street Community Development has agreed to make the property subject to permanent affordable housing deed restrictions held by the City such that the affordable rents charged at this location will be affordable in perpetuity; and

WHEREAS, Haywood Street Community Development has agreed that in the event the project does not come to fruition that the property will be sold and funds repaid to the City within an agreed upon timeframe; and

WHEREAS, the HTF loan terms are to remain the same and will be structured as no interest and deferred payments for the first 10 years, interest only at a rate of 1% for the next 10 years, at year 20 the loan can be paid in total or will convert to an amortizing loan on a 30-year amortization at a 1% interest rate and will be secured by a deed of trust; and

WHEREAS, the City Council's Housing and Community Development Committee has reviewed the proposal from the Developer, and has made its recommendation to Council to approve the request;

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

The City Council of the City of Asheville hereby approves the request by Haywood Street Community Development for revising the affordability terms of the $904,000 Housing Trust Fund loan to construct 41 permanently affordable rental homes on property located at 339, 343 & 357 West Haywood Street in the City of Asheville per the terms and conditions stated herein and authorizes the City Manager to negotiate and enter into any agreements necessary to give effect to this resolution.

Read, approved and adopted this 22nd day of August, 2023.

_____ _____

City Clerk Mayor

Approved as to form:

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City Attorney