THE CITY OF ASHEVILLE

**STAFF REPORT**

**Council Meeting Date:** August 23, 2022

**Subject:** Housing Trust Fund Request in the amount of $850,000 for the Purchase of 16 Restaurant Court - Multifamily affordable housing project by Mountain Housing Opportunities

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

**Action Requested:** Adopt a resolution to authorize an $850,000 Housing Trust Fund (HTF) loan to Mountain Housing Opportunities (MHO) with 0% interest and deferred for a period of 40 years and secured with a deed of trust, for the purpose of purchasing the land for affordable housing at 16 Restaurant Court.

**Background**:

- MHO is pursuing a Low Income Housing Tax Credit development project for property located at 16 Restaurant Court.
- The project will build 50-60 new affordable rental apartments in close proximity to Tunnel Road, with convenient access to jobs, transit, grocery stores, and other retail.
- The project site is 1.31 acres.
- The proposed development includes a mix of 1 and 2 bedrooms and will have an affordability mix for households at or below 60% Area Median Income (AMI) with a number of units at 50%, 40% and 30% AMI or below.
- Affordability period will be at least 40 years, but the developer generally intends for the project to be affordable for the life of the buildings.
- Project will also have 20% of the units (10-12) reserved for young adults aging out of foster care.
- Researchers have found that between 31% and 46% of youth exiting foster care experience homelessness by age 26 (National Alliance to End Homelessness).
- MHO is going to apply for Foster Youth to Independence vouchers to assist with the housing for those aging out of foster care.
- Additionally, the developer plans to have Project Based Vouchers from the Housing Authority for the City of Asheville (HACA) for the remainder of the units that will support overall operating costs and reserves for the project.
- Environmental review will take place in fall 2022 (Sept - Oct) before the loan closing.
- MHO anticipates that construction will be completed and the property will open in summer 2025.
- The total estimated project cost is $11.1 million, ranging from $187,000 to $224,000 per unit depending on the final number of units.
- MHO has requested $850,000 from the Housing Trust Fund (HTF) to purchase the property with 0% interest and deferred for a period of 40 years and secured with a deed of trust.
- While not a part of the regular review process, the Affordable Housing Advisory Committee (AHAC) discussed the proposal at their August 4 meeting and voted to recommend that City Council support the request.
- After purchasing the property, MHO intends to pursue funding from the following sources for the development (note that the total City request is equivalent to the total future requests of Buncombe County and Dogwood Health Trust):

| Funding Source | Amount |
|---|---|
| City of Asheville HTF (current request) | $850,000 (reduced from $950,000) |
| City of Asheville HTF (potential future request) | $661,100 |
| Buncombe County | $1,511,100 |
| Dogwood Health Trust | $1,511,100 |
| Bank loan | $3,100,000 |
| Equity | $3,528,000 |
| ESTIMATED TOTAL | $11,161,300 |

**Proposal**

- MHO has requested $850,000 from the Housing Trust Fund (HTF) to purchase the property.
- The request is to have the funding structured as a deferred loan to MHO with 0% interest for 40 years.
- The loan will be due and repaid at the end of the 40 years.
- For land acquisition, the City uses three tools to secure the affordable housing investment:
    - (1) Deed restrictions for affordable housing that carry with the land to protect funds;
    - (2) Deed of trust in first position until construction, that sets forth the terms of repayment; and
    - (3) a funding agreement that states if construction does not commence within three years of the property purchase, the city will recoup its investment either through loan repayment or other legal redress pursuant to the Deed of Trust. .
- This City retains sole discretion regarding legal remedies.
- If tax credits are approved for the project within the three (3) year time period, this deadline can be extended up to 2 more years.
- Previously, the City approved $1 million in HTF funding for an affordable housing project at this location by another developer.
- The development did not occur, and the City has not spent any funds at this site.
- This previous funding approval would need to be rescinded as a condition of closing on the HTF Loan to MHO.

**Council Goal(s):**

- Quality Affordable Housing
- An Equitable and Diverse Community

**Committee(s)**:

- Housing and Community Development Committee (HCD) - July 19, 2022 - procedural discussion
- HCD - August 16, 2022 - recommended approval 2-1

**Pro(s):**

- This funding will support the purchase of 1.3 acres for the construction of 50-60 new affordable apartments, with approximately 20% of those units reserved for youth aging out of foster care.
- This is a vulnerable population at risk of becoming homeless after leaving the foster care system.
- The affordability period will be 40 years, and the developer has the intention of keeping the units affordable for the life of the building.
- The subsidy per unit in this request is $17,000 per unit, which is a good value given the incomes served by the development.

- This redevelopment aligns with the City of Asheville's Consolidated Plan goals of prioritizing rental housing affordable to 60% AMI and below.
- The Consolidated Plan is a U.S. Department of Housing and Urban Development required planning document that is updated every five years.
- The development is located in a corridor with access to both jobs and amenities.
- The $850,000 loan will be secured with a Deed of Trust, and if the project is not built, the City will be paid back by the sale of the parcel.

**Con(s):**
- The request does not fall easily into the Housing Trust Fund Policy.
- The upfront City investment (before other funding commitments are secured) and the delayed repayment are the two main issues of non-compliance. The upfront investment is perhaps the largest risk, but will be secured with a Deed of Trust.

**Fiscal Impact**:
- The project would require $850,000 from the City's HTF to be distributed in Fall 2022.
- MHO has expressed their intention to apply for additional Housing Trust Funds for construction in the amount of $661,100.

**Staff Recommendation:**
- Staff recommends approval based on the following:
    - The policy gives room for negotiation on repayment when extremely low income households are being served.
    - The provision of 10-12 units for youth coming out of foster care, who are vulnerable to becoming homeless.
    - Staff also recommends having the affordability period match the loan term at 40 years and MHO has agreed to this term.
    - Staff also recommends having a clause in the Loan Agreement that gives MHO three to five years from the purchase of the property to begin construction, or else MHO will be required to repay the loan and/or the city may seek other legal redress pursuant to the Deed of Trust.
    - MHO has committed to securing investments from Buncombe County and Dogwood Health Trust before returning to the City for any additional funding requests.

**Suggested Motion:**
- Move to recommend that the Asheville City Council approve Mountain Housing Opportunities' request for $850,000 Housing Trust Fund loan to construct 50-60 multifamily apartments for households at or below 60% AMI at 16 Restaurant Court, including 10-12 units for young adults aging out of foster care.

**Attachment(s):**
- Resolution
- HTF application materials
- Housing Trust Policy

RESOLUTION NO. 22-_____

RESOLUTION APPROVING THE HOUSING TRUST FUND LOAN AWARD REQUESTED BY MOUNTAIN HOUSING OPPORTUNITIES TO ALLOW THEM TO DEVELOP MULTIFAMILY APARTMENTS AT 16 RESTAURANT COURT

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WHEREAS, on September 2, 2000, the City Council of the City of Asheville first appropriated funds and adopted policies and detailed program guidelines for administering a Housing Trust Fund to assist in the development and preservation of affordable housing in the City; and

WHEREAS, Mountain Housing Opportunities has requested an $850,000 Housing Trust Fund (HTF) loan to purchase property for the development of fifty(50) to sixty (60) apartments, which will be made available to individuals and households at or below 60% of Area Median Income (AMI); and

WHEREAS, ten (10) to twelve (12) of the units (20%) will be reserved for youth aging out of foster care, a vulnerable population at risk for becoming homeless; and

WHEREAS, the $850,000 will go to the purchase of the 1.31 acres at 16 Restaurant Court, and will be secured with a Deed of Trust and the City will be in first position until permanent equity and loans are a part of the project; and

WHEREAS, if the project does not commence construction within (3) three years of the property purchase, Mountain Housing Opportunities will be required to repay the loan or the city may seek other legal redress pursuant to the Deed of Trust. If tax credits are approved for the project within the three (3) year time period, this deadline may be extended up to 2 more years; and

WHEREAS, the Affordable Housing Staff has determined that the current affordable housing development proposed by Mountain Housing Opportunities qualifies for a Housing Trust Fund Loan under the current policy; and

WHEREAS, an exception to the HTF policy is requested to extend the loan term to forty (40) years, beyond the maximum period of thirty (30) years allowed by the policy and Affordable Housing Staff recommends this exception; and

WHEREAS, the HTF loan shall accrue no interest, with repayment to occur at the end of the forty (40) year term; and

WHEREAS, the City Council's Housing and Community Development Committee reviewed the request from Mountain Housing Opportunities for a Housing Trust Fund loan at its August 16, 2022, meeting, and recommended that City Council approve the loan request;

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

A Housing Trust Fund loan in the amount of $850,000, amortizing at 0.0% interest for a term of forty (40) years, to Mountain Housing Opportunities for the purchase of property for the development of 50 or more multifamily apartments located at 16 Restaurant Court. The apartments will be restricted to individuals and households earning 60% or less of the Area Median Income (AMI). 20% of the units will be reserved for youth aging out of foster care who have housing vouchers. All units shall have a forty (40) year affordability period, enforced by a

deed covenant in a form acceptable to the City Attorney; and the City Manager is hereby authorized to negotiate and execute any and all documents necessary to give effect to this approval.

Read, approved and adopted this 23rd day of August, 2022.

_____ _____

City Clerk Mayor

Approved as to form:

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City Attorney