THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: August 23, 2022

Subject: Development of City-owned property at 319 Biltmore by Laurel Street Residential

Staff Resource(s): Sasha Vrtunski, Affordable Housing Officer
Nikki Reid, Community & Economic Development Director
Jannice Ashley, Senior Assistant City Attorney

Action Requested: Adopt a resolution to approve a Purchase and Sales agreement with Laurel Street Residential LLC for the development of mixed income and affordable housing at 319 Biltmore.

Background:

- As part of the affordable housing bond initiative, the City embarked on the development of City-owned land for affordable housing.
- To assist with this process, the City hired Lord Aeck Sargent (LAS) to conduct a site suitability assessment for City-owned properties.
- LAS presented their final report to the City Council in December of 2018.
- That study recommended that the 319 Biltmore site include housing for a mix of incomes.
- Because the 319 Biltmore site adjoins Maple Crest Apartments, the goal has always been to develop multifamily units that will complement the income mix at Maple Crest Apartments.
- The apartments at Maple Crest are a Rental Assistance Demonstration conversion of the former Lee Walker Heights, serving a mix of incomes, all under 60% Area Median Income (AMI).
- In winter 2020, the City released a request for proposals (RFP) for development of the 319 Biltmore property.
- Nine proposals were received and Homes Urban was selected as the top ranked firm.
- Following the scoring process, the City initiated negotiations with Homes Urban.
- In February 2022, Homes Urban withdrew their proposal.
- The City then approached Laurel Street Residential (LSR), which was the second ranked firm.
- The City signed a Letter of Intent with LSR on February 21, 2022, and began negotiating terms of an agreement.
- Staff is seeking approval of a resolution in support of the proposed deal points for a Purchase and Sales Agreement with LSR.
- The proposed Purchase and Sales Agreement will contractually bind the City to sell the property to LSR on certain terms and conditions listed below, namely for the production of the promised affordable units in exchange for conveying the property at below market value ($1).
- Since the beginning of the 319 Biltmore project, market conditions have changed substantially.
- Construction costs have increased 30-40% over the past three years, and interest rates have also risen.
- LSR initially thought that they would need a Housing Trust Fund loan and a Land Use Incentive Grant, but re-worked their model to reduce the per unit subsidy and now are asking for only the land as the subsidy for the affordable units.

Proposal

- Laurel Street Residential (LSR) and City staff have negotiated terms of a Purchase and Sales Agreement, to include multifamily rental housing comprising:
    - At least 215 rental units, with 20% (43 units) being affordable at 60% AMI or below for a period of 30 years.
    - Half of the 60% AMI affordable units will accept vouchers - either project based or Housing Choice vouchers.
    - The developer is pursuing project based vouchers with the Housing Authority, which helps with the project underwriting.
    - Another 10% (22 units) will be affordable at 80% AMI or below
    - The project will have a mix of one, two, and three bedrooms in all income brackets.
    - LSR is committing to a 30 year affordability period.
    - The affordability mix includes:

Incomes Served	**Studio / 1 bedroom**	**2 bedrooms**	**3 bedrooms**	**Totals**
60% AMI & below	22 (11 accept vouchers)	15 (7 accept vouchers)	6 (4 accept vouchers)	43
80% AMI & below	7	9	6	22
Market rate	102	38	10	150
Total	**131**	**62**	**22**	**215**

- Total number of bedrooms in the proposed development is approximately 321.
- Laurel Street Residential, the proposed development company, is among the very few black and female owned for profit development companies in North Carolina.
- The company has an additional Minority / Women-owned Business (MWB) participation of 30% in the development and construction of the project.
- Commercial space of approximately 1,000 s.f.
- Construction to be completed within 24 months of closing on financing.
- Land conveyed to LSR for $1, in consideration of the affordability with accompanying deed restrictions.
- In addition to the development of units and buildings, the sale of the land to LSR is contingent on several benchmarks being met:
    - Approval of the Conditional Zoning (CZ) application giving entitlement to the development.
    - The City to fund the construction of a traffic signal at White Fawn Drive.
- Once the Purchase and Sales Agreement is final, LSR will begin their site planning process, working towards a Technical Review Committee submittal and CZ approval process. This will include community input into the design of the project.
- After the CZ is approved, the City and LSR will enter into a development agreement based on the terms approved by City Council and the Conditional Zoning conditions.
- The actual sale of the land will occur after all approvals have been obtained and construction is ready to begin.
- With the City's initial land purchase price, the proposed per unit subsidy is currently estimated to be approximately $81,500 per affordable unit.
- This total is reflective of the City being the sole partner in subsidizing the affordability.

Council Goal(s):

- An Equitable and Diverse Community
- A Well-Planned and Livable Community
- Quality Affordable Housing

Committee(s):

- Housing & Community Development (HCD) - July 19, 2022 - procedural discussion; and
- HCD - August 16, 2022 - recommended approval 3-0.

Fiscal Impact:

- Approval of a Purchase and Sales Agreement will obligate the City to sell the land to LSR for the purchase prices of $1.
- The City purchased the land from Duke Progress for $5.3 million in 2020 with bond funding and spent an additional $400,000 in bond funding to prepare the site for development.
- The proposed agreement will also obligate the City to complete the traffic signal at the intersection of White Fawn Drive, John Walker Avenue, and Biltmore Avenue.
- A large portion of the funding for the signal has already been identified and has been committed by a grant.
- The City expects to allocate additional infrastructure bond funding of at least $400,000 to complete the signal.

Pros:

- The proposal complies with policy for implementing affordable housing on city owned land.
    - The project will have a minimum of 20% of units affordable at 60% AMI for 30 years and accept vouchers for half of those units.
    - The developer is also providing an additional 22 units at 80% AMI for 30 years.
- As for additional community benefits, the developer is providing low-cost space to a non-profit or community development organization and has committed to 30% MWBE participation in the project's construction.
- The City accomplishes the goal for this site of creating a mixed income community that complements and supports the Maple Crest (formerly Lee Walker Heights) public housing community.
- The City will gain approximately 65 new affordable housing units for a period of 30 years.
- The approval of the proposal will allow the developer to move forward with design and conditional zoning application for the property.
- Utilizes City-owned land to produce affordable housing in a public/private partnership with a for-profit developer.

Cons:

- The total number of units is less than what was initially set forth in the City's vision process, due to the site constraints and increased construction costs.

Staff Recommendation:

- Staff recommends approval of the Purchase and Sales Agreement based on the following:
    - Staff supports the development in concept, however the per unit cost is comparatively high.
    - The project will result in a mixed-income development adjacent to Lee Walker Heights, which aligns with the initial vision for the property.
    - Complies with Policies for Implementing Affordable Housing on City-owned Land.
    - Develops 215 total units in a highly sought after location, with 65 of those units being affordable.

    - Provides affordability across 1, 2 and 3 bedroom units, allowing opportunities for families.

Suggested Motion:

- Move to recommend that the Asheville City Council authorize the City Manager to negotiate and enter into a Purchase and Sales agreement with Laurel Street Residential for the development of 319 Biltmore.

Attachment(s):

- Letter from Laurel Street Residential
- Resolution

RESOLUTION NO. 22 -_____

RESOLUTION AUTHORIZING THE SALE OF CITY OWNED PROPERTY AT 319 BILTMORE AVENUE TO LAUREL STREET RESIDENTIAL FOR AN AFFORDABLE HOUSING DEVELOPMENT

WHEREAS, N.C. Gen. Stat. sec. 160D-1311(b) authorizes the City to undertake community development programs and activities and to exercise those powers granted by law to municipal housing authorities; and

WHEREAS, N.C. Gen. Stat. sec. 157-9, the City is authorized to sell property for multi-family affordable housing development where at least 20% of the units are affordable to households at 60% of Area Median Income (AMI) or less for at least 15 years and in so doing, is exempt from the property conveyance rules of G.S. 160A, Article 12 (i.e., private sale is permissible and competitive bidding is not required); and

WHEREAS, N.C. Gen. Stat. sec. 160D-1316 further authorizes the City to convey property by private sale to any public or private entity that provides affordable housing to persons of low and moderate income under procedures and standards established by the local government; and

WHEREAS, the City owns approximately 5.5 acres of real property located at 319 Biltmore Avenue and 311 Biltmore Avenue, and this site has been identified by City Council as suitable for affordable and workforce housing, more particularly identified on the Buncombe County tax map as PIN No(s). 9648-46-0425 and 9648-46-1623; and

WHEREAS, on February 5, 2020, the City of Asheville issued a Request for Proposals for 319 Biltmore Avenue for the lease or sale of the property a mixed-use, mixed-income development to increase the supply of affordable/mixed income housing in Asheville;

WHEREAS, at the direction of Council, the terms of sale and use were negotiated with Laurel Street Residential LLC, who submitted a qualified and timely proposal in response to the City's Request for Qualifications and Proposals for development of the property located at 319 Biltmore Avenue; and

WHEREAS, Laurel Street Residential LLC agrees to construct a minimum of 215 units,parking spaces, 1000 square feet of commercial space and a community space for residents; and

WHEREAS, Laurel Street Residential LLC has agreed to purchase the property for the price of $1.00 subject to an affordable housing deed restriction that requires the development of a minimum of 65affordable units within the 215 unit development or 20% of the total number of units available to 60% AMI households and below and 10% of the total units to 80% AMI households and below for a period of at least 30 years;

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

1. The City Manager is hereby authorized to execute documents and convey to the Laurel Street Residential Inc by private sale a portion of City real property located at 311 and 319 Biltmore Avenues in its entirety, upon the terms agreed upon by the City and Laurel Street Residential LLC, and upon the approval of the City Attorney;
2. The City Clerk is hereby authorized to publish a notice summarizing the contents of this resolution once after its adoption in a newspaper of general circulation within the City, and no sale shall be consummated hereunder until 10 days after publication of such notice.

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

_____ _____

City Clerk Mayor

Approved as to form:

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City Attorney