THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: November 15, 2022

Subject: Land Use Incentive Grant Application - 110 River Hills Road

Staff Resource(s): Sasha Vrtunski, Affordable Housing Officer
Kevin Lynn, Affordable Housing Specialist

Action Requested: Adoption of a resolution approving a Land Use Incentive Grant application for Orange Capital Advisors LLC at 110 River Hills Road.

Review:

- Orange Capital Advisors LLC has applied for a Land Use Incentive Grant (LUIG) for their development at 110 River Hills Road per the LUIG Policy adopted by City Council on June 22, 2021.
- The proposed development consists of 153 rental apartments and community space.
- Of the +/- 153 residential units, 31 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 20 years.
- The affordable units will be a mix of 1 and 2 bedroom apartments, with 17 one bedroom and 14 two bedroom units.
- Housing represents 100% of all rentable square footage, excluding the parking structure.
- The project encompasses 10.9 acres of land on River Hills Road in East Asheville, PIN 9658-42-0239.
- The applicant's original estimated appraised value of the property was $51.5 million post-completion (see attached application).
- The applicant is proposing an $80,000 per unit subsidy for the affordable units, which would bring the estimated taxable value to $36.7 million post-completion and would equal a total grant value of $2,480,000 or $145,882 per year over a 17 year period for the 31 affordable units.
- The project, as presented to staff, meets the following LUIG Policy 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;
    - The proposed development is located inside the city limits;
    - The proposed development provides residents convenient access to jobs and services; and
    - 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
    - 20 total points for affordability,
    - 15 points for rental assistance,
    - 10 points for the location, 20 points for energy efficiency,
    - 10 points for Universal Design, and
    - an additional 10 points for building in a non-Qualified Census Tract, for a total score of 85 points.
- Per the policy, this will equal 17 years of grants in the amount of the City Property Taxes payable on the 110 River Hills Road Development.
- The total benefit limit under the policy is for 21 years, or 105 points.

- 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 has the additional benefit of opening up a unit in Public Housing where there are waiting lists.

Proposal:

- Affordable Rental Housing
    - The proposed project will provide thirty-one (31) affordable units
        - (20% of the total units) to individuals and families earning at or below 80% AMI,
        - with 16 (50% of the affordable units) accepting rental assistance, for an affordability period of twenty (20) years.
    - Under this category, the project qualifies for 20 points.
- Rental Assistance
    - The proposed project will accept 16 Housing Choice Vouchers / Rental Assistance in the community.
    - 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 (Walmart Shopping Center is defined as an Urban Center),
    - Within a .5 mile from a Transportation Amenity (near to 2 transit lines w/ one hour frequency).
    - Under this category, the project qualifies for 10 points.
- Energy Efficiency
    - The developer has committed to using Energy Efficiency (EE) / Energy Star Certification and solar panels.
    - Under this category, the project qualifies for 20 points.
- Universal Design:
    - The project has committed to using Universal Design for 20% of the units, which qualifies for 10 points.
- Non-Qualified Census Tract:
    - The project is located in a Non-Qualified Census Tract, which qualifies for 10 points.
- Staff has scored the project with 85 points, which qualifies the project for seventeen (17) years of Land Use Incentive Grant.
- Using an $80,000 per unit subsidy, the estimated taxable value is $36.7 million post-completion and would equal a total grant value of $2,480,000 or $145,882 per year over a 17 year period for the 31 affordable units.
- This request complies with the policy, such that the anticipated City taxes received from the finished development will be greater or equal to the value of the annual incentive.

Council Goal(s):

- Quality Affordable Housing
- An Equitable and Diverse Community

Committee(s):

- The Housing and Community Development Committee reviewed this item on October 18, 2022 and voted 2-0 in support of the request.
- The Finance Committee reviewed the request on October 25, 2022 and voted 3-0 in support of the request.

Pro(s):

- The proposed project will provide 31 affordable rental housing units to households earning 80% or less of area median income;
- The proposed project will have an affordability period of twenty (20) years;
- The proposed project should have a significant economic impact.
- Construction wages and material purchases will positively affect the local and regional economy;

- The 31 affordable units are located in East Asheville near jobs and two transit lines (WE1 and S5) (walkability
- Score of 29 - car dependent, bike score of 26 - somewhat bikeable, minimal bike infrastructure)
- Provide employment and shopping options for individuals and families who fall within the 80% AMI incomes.
- Orange Capital Advisors LLC will communicate with the Asheville Housing Authority and others that they are accepting Housing Choice Vouchers for 16 of the affordable units 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 construction.

Fiscal Impact:

- The project parcel has a current tax value of $563,600 and pays City property taxes of approximately $2,271 annually.
- This will continue to be paid throughout the benefit period.
- Using an estimated tax value of $36.7 million post-completion, the annual City property tax will be approximately $148,153.
- The difference is $145,882, which would be granted to the property owner annually after payment for 17 years.
- For 17 years and 31 affordable units at or below 80% AMI, the City will grant back a total of $2,480,000 over the 17 years of the LUIG which equals $80,000 per unit of subsidy which is equal to the maximum subsidy cap noted in the LUIG Policy.
- After year 17, the City will receive the approximate $148,153 annually in City tax revenue (depending on future property tax value and rates, etc.).
- Please note the City will still receive property taxes of approximately $2,271 per year in years 1 -17.
- The City sets aside a budget annually for Land Use Incentive Grants.

Suggested Motion:

- Motion to recommend that City Council approve the Land Use Incentive Grant application for Orange Capital Advisors LLC / 110 River Hills Road with a per unit subsidy of up to $80,000 and total grant value of up to $2,480,000.

Attachment(s)

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

RESOLUTION NO. 22-_____

RESOLUTION APPROVING A LAND USE INCENTIVE GRANT AGREEMENT WITH ORANGE CAPITAL ADVISORS LLC FOR A DEVELOPMENT LOCATED AT 110 RIVER HILLS 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 Orange Capital Advisors LLC / 110 River Hills 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 Orange Capital Advisors LLC development located in East Asheville will be, for purposes of this LUIP, a +/- 153 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, will include solar panels, employ Universal Design in 20% of the units and is located in a non-qualified census tract;

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 Orange Capital Advisors LLC to support the development of the project at 110 River Hills Road. The estimated annual land use incentive grant would be the difference between the current City tax ($2,271) and the post-completion City tax, currently estimated to be $148,153. The City would allow an estimated annual grant of $145,882. The grant is approved for a period of 17 years with the total grant value estimated at $2,480,000. 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 15th day of November, 2022.

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CITY CLERK MAYOR

Approved as to form:

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CITY ATTORNEY