THE CITY OF ASHEVILLE

Staff Report

Council Meeting Date: July 26, 2022

Subject: Land Use Incentive Grant Application - 221 Long Shoals Road

Staff Resource(s): Sasha Vrtunski, Affordable Housing Officer
Nikki Reid, CED Director

Action Requested: Adoption of a resolution of a Land Use Incentive Grant for Millstone Ventures LLC for development on 221 Long Shoals Road.

Review:

- Millstone Ventures LLC has applied for a Land Use Incentive Grant (LUIG) for their development at 221 Long Shoals Road per the LUIG policy adopted by City Council on June 22, 2021.
- The development consists of 186 rental apartments and community space.
- Housing represents 100% of all rentable square footage.
- Of the +/- 186 residential units, 20% (estimated to be 37 units) 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 project encompasses 5.36 acres of land on Long Shoals Road in South Asheville, currently divided into three parcels known as 221, 217, and 99999 Long Shoals Road and PIN's 9644-68-0892; 9644-69-0059; 9644-69-2035.
- Estimated Tax Value of the property is $31.4 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.
    - 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:
    - 20 total points for affordability,
    - 10 points for rental assistance,
    - 10 points for the location,
    - 15 points for energy efficiency,
    - 10 points for Universal Design, and
    - an additional 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 221 Long Shoals Road 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 18 one bedroom units and 19 studio units.
- The units accepting vouchers will be the one bedroom units and 1 studio.

Proposal:

- Affordable Rental Housing
- The proposed project will provide:
    - 20% of the total units (estimated at 37 units) as affordable units to individuals and families earning at or below 80% AMI,
    - with 50% of the affordable units (estimated at 19 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 19 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 (Biltmore Town Square), and within a .5 mile from a Transportation Amenity (Ingles, schools).
    - 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.

Council Goal(s):

- Quality Affordable Housing
- An Equitable and Diverse Community

Committee(s):

- Housing & Community Development Committee - June 21, 2022 - approved 3-0.
- Finance Committee - July 26, 2022 Approved 3-0, with a request that the developer consider changing the unit mix of the affordable units to include some 2 bedroom units.
- Affordable Housing Advisory Committee (AHAC) - July 7, 2022. Staff presented the project to AHAC for their feedback and comments. Comments centered on the need for units with more bedrooms, and concerns around affordable units being equitable to others - finishes, unit sizes and location of units within a development.
    - The developer is not able to commit to units with additional bedrooms at this time, citing a jump in construction cost per unit from a 1 bedroom to a 2 bedroom unit.
    - The same finishes will be used in the affordable units, and they are not going to be segregated from other units.

Pro(s):

- The proposed project will provide 20% of the total units (estimated at 37 units) as 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 affordable units are located in South Asheville (walkability score of 48 - car dependent, bike score of 27 - somewhat bikeable, minimal bike infrastructure) and provide employment & shopping options for individuals and families who fall within the 80% AMI incomes.
- Millstone Ventures LLC 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 three parcels included in the project have a current tax value of $3,369,600 and pays city property taxes of approximately $13,579 annually.
- Under the estimated tax value of $26 Million post-completion, the annual city property tax will be approximately $104,941.
- The difference is $91,361, which would be granted to the property owner annually after payment for 17 years.
- For 17 years and 37 affordable units at or below 80% AMI, the city will grant back a total of $1,553,149 over the 17 years of the LUIG which equals $41,977 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 17, the City will receive the approximate $104,941 annually in city tax revenue (depending on future property tax increases, etc.). Please note the City will still receive property taxes of approximately $13,579 per year in years 1 -17.
- The City sets aside a budget annually for Land Use Incentive Grants.

Suggested Motion:

- Motion to approve a Land Use Incentive Grant for Millstone Ventures LLC for development at 221 Long Shoals Road.

Attachment(s)

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

RESOLUTION NO. 22-_____

RESOLUTION APPROVING A LAND USE INCENTIVE GRANT AGREEMENT FOR A DEVELOPMENT LOCATED AT 221 LONG SHOALS ROAD (Millstone Ventures, LLC)

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 Millstone Ventures LLC / 221 Long Shoals 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 Millstone Ventures LLC development located in South Asheville will be, for purposes of this LUIP, a +/- 186 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 a job 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 to Millstone Ventures LLC to support the development of the project at 221 Long Shoals Road. The estimated annual land use incentive grant would be the difference between the current City tax ($13,579) and the estimated post-completion City tax currently estimated to be $104,941. The City would allow an estimated annual grant of $$91,361. The grant is approved for a period of 17 years with the total grant value estimated at $1,553,149. The City Manager is hereby authorized to execute a Land Use Incentive Program Agreement setting forth the conditions of compliance for both parties, subject to approval of the City Attorney.

Read, approved and adopted this 26th day of July, 2022.

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CITY CLERK MAYOR

Approved as to form:

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CITY ATTORNEY