THE CITY OF ASHEVILLE

Staff Report

City Council Meeting Date: May 24, 2022

Subject: Land Use Incentive Grant Application - Reed Creek Greenway Plaza - 421 Broadway Street

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

Action Requested: Approve the application for the Land Use Incentive Grant application for Reed Creek Greenway Plaza LLC / 421 Broadway Street

Review:

- Reed Creek Greenway Plaza LLC has applied for a Land Use Incentive Grant (LUIG) for their development at 421 Broadway Street per the LUIG policy adopted by City Council and amended on June 22, 2021.
- This project includes one parcel that the city acquired in 2000 for affordable housing, and a second parcel that the city acquired from DOT for the developer with the agreement that it would be used for affordable housing.
- Both parcels were sold to the applicant for fair market value with the condition that the project include 20% of the units affordable to households at 60 % AMI or less. There is a deed restriction already in place for those parcels.
- If approved, the LUIG agreement will include additional benefits from the developer beyond the existing deed restrictions, and include more parcels of land that are not currently restricted.
- The development consists of 49 apartments and commercial space. For the purposes of this LUIG application, Reed Creek Greenway Plaza LLC is only asking for a LUIG for the residential building of the larger project.
- Housing represents 100% of all rentable square footage.
- Of the 49 residential units, 10 rental apartments (20%) will be affordable, serving individuals earning at or below 60% of the Area Median Income (AMI) for a minimum of 30 years, 2 units (5%) will be affordable, serving individuals earning at or below 80% of the Area Median Income (AMI) for a minimum of 30 years .
- The residential portion of the project encompasses .39 acres of land bound by Broadway Street, with the current PIN numbers below that will be consolidated into one parcel. These are the PINS of the land used for the residential portion of the project.
    - 9649-14-3592
    - 9649-14-3483
    - 9649-14-4386
    - 9649-14-4359
- The developer estimates a total development cost of approximately $9.15M (see attached application).
- Estimated Tax Value of the property is $9.15M post-completion.
- This is currently the same as the construction value.
- Staff expects the taxable value to be lower than this amount after completion.
- 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 a total score of 105 points (see Proposal below).

- Per the policy, this will equal 21 years of grants in the amount of the City Property Taxes payable on the residential portion of the Reed Creek Greenway Plaza Development.

Proposal:

- Affordable Rental Housing
    - The proposed project will provide a total of twelve (12) affordable units: 10 apartments (20%) will be affordable, serving individuals earning at or below 60% of the Area Median Income (AMI), 2 units (5%) will be affordable, serving individuals earning at or below 80% of the Area Median Income (AMI). Six of the units (50% of the affordable units) will accept rental assistance (20 points).
    - All 12 units will be affordable for a minimum of 30 years (10 points).
    - Under this category, the project qualifies for 30 points.
- Low Income
    - 20% of the units will be affordable, serving individuals earning at or below 60% of the Area Median Income (AMI).
    - Under this category, the project qualifies for 10 points.
- Rental Assistance
    - The proposed project will accept five (5) Housing Choice Vouchers / Rental Assistance in the community, and possibly consider more.
    - The project will also house one person from the Homeless by Name list.
    - 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, and within a .5 mile from a Transportation Amenity.
    - Under this category, the project qualifies for 10 points.
- Brownfield Redevelopment
    - The proposed project includes land that is designated as a Brownfield.
    - Under this category, the project qualifies for 10 points.
- Energy Efficiency
    - The developer has committed to using Energy Efficiency (EE) / Energy Star Certification, Green Building certification and to installing solar panels.
    - Under this category, the project qualifies for 30 points.
- Universal Design
    - The building will include Universal Design in 20% of the units.
    - Under this category, the project qualifies for 10 points.l
- Staff has scored the project with 105 points, which qualifies the project for twenty-one (21) years of Land Use Incentive Grant.

Council Goal(s):

- Quality Affordable Housing
- An Equitable and Diverse Community

Committee(s):

- Housing & Community Development Committee - May 17, 2022 - approved 3-0.
- Finance Committee - May 24, 2002
    - The Finance Committee will review the application the same day as the City Council.

Pro(s):

- The proposed project will provide 12 affordable rental housing units. Ten units to individuals earning 60% or less of area median income and two units earning 80% or less of area median income;
- The proposed project will have an affordability period of thirty (30) years;
- The project will include energy efficiency, green building and solar panels;
- The proposed project addresses the pressing need for affordable one-person housing units (studios).
- The proposed project should have a significant economic impact.

- Construction wages and material purchases will positively affect the local and regional economy;
- The 12 affordable units are located at the edge of Montford (walkability score of 61 -somewhat walkable, bike score of 58 - bikeable, some bike infrastructure) and provide shopping options for individuals who fall within the 80% AMI incomes.
- Reed Creek Greenway Plaza 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 vacant parcels where the building will be built has an estimated current tax value of $259,000 and pays city property taxes of approximately $1043 annually.
- Under the estimated tax value of $9.15M post-completion, the annual city property tax will be approximately $36,893.
- The difference is $35,850 which would be granted to the property owner annually after payment for 21 years.
- For 21 years and 10 affordable units at or below 60% AMI and 2 affordable units at or below 80% AMI, the city will grant back a total of $752,850 over the 21 years of the LUIG which equals $62,737 per unit of subsidy which is lower than the estimate of up to $80,000 in subsidy for 80% AMI homes as noted in Council Work Sessions and a subsidy cap noted in the LUIG Policy.
- After year 21, the City will receive the approximate $36,893 annually in city tax revenue (depending on future property tax increases, etc.). Please note the City will still receive property taxes of approximately $1043 per year in years 1 - 21.
- 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 Reed Creek Greenway Plaza / 421 Broadway Street.

Attachment(s)

- Application
- Resolution
- LUIG Policy
- 2021 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 421 BROADWAY STREET (Reed Creek Greenway Plaza 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 Reed Creek Greenway Plaza LLC / 421 Broadways Street 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 Reed Creek Greenway Plaza LLC development located in Montford will be, for purposes of this LUIP, a +/- 49 unit multi-family rental development project that is located in close proximity to transit lines, and will fulfill an important public purpose in that it will provide 12 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 60% and 80% of the area median income), and accept housing choice vouchers / rental assistance for 10% of the units (5 units), and provide housing for one person from the community's Homeless by Name list, and the proposed project is located within 1 mile from job or urban center, within a .5 mile from a Transportation Amenity, will achieve Energy Star Certification, a green building certification and install solar panels, redevelop a brownfield, employ Universal Design in 20% of the units;

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 Reed Creek Greenway Plaza LLC to support the development of the project at 421 Broadway Street. The estimated annual land use incentive grant would be the difference between the current City tax ($1,043) and the estimated post-completion City tax currently estimated to be $36,893. The City would allow an estimated annual grant of $35,850. The grant is approved for a period of 21 years with the total grant value estimated at $752,850. 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 24th day of May, 2022.

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CITY CLERK MAYOR

Approved as to form:

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CITY ATTORNEY