THE CITY OF ASHEVILLE

Staff Report

Council Meeting Date: June 14, 2022

Subject: Land Use Incentive Grant Application - Hilliard Flats LLC - 217 Hilliard Avenue

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

Action Requested: Adoption of a resolution approving the application for the Land Use Incentive Grant application for Hilliard Flats LLC / 217 Hilliard Avenue.

Review:

- Hilliard Flats LLC has applied for a Land Use Incentive Grant (LUIG) for their development at 217 Hilliard Avenue per the LUIG policy adopted by City Council and amended on June 22, 2021.
- The development consists of 80 micro housing units and community space.
- For the purposes of this LUIG application, Hilliard Flats LLC is only asking for a LUIG on parcels containing the +/- 80 residential units of housing.
- Micro units each have a sink, area for a microwave or other small appliances.
- There is a full kitchen and a lounge for shared use on each floor.
- Housing represents 100% of all rentable square footage.
- Of the +/- 80 residential units, 16 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 project encompasses 0.187 acres of land bound by Hilliard Avenue in Downtown Asheville, with the current pin number below that will be subdivided into two parcels, one with the existing house on Grove Street.
    - 9648-29-6171
- The developer estimates a total development cost of approximately $7.2M (see attached application).
- Estimated Tax Value of the property is $7.2M post-completion. This is currently the same as the construction value.
- 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.
- The LUIG policy requires that the grant be approved by Council before zoning approval.
- This project received zoning approval last fall at the Planning and Zoning Commission.
- As no building permits have been issued, staff believe the project falls within the intent of the policy.
- Per the LUIG Scoring Matrix (attached) and based upon the policy, the project will receive a total score of 105 points. (see Proposal below).

Proposal:

- Affordable Rental Housing
    - The proposed project will provide sixteen (16) affordable units (20% of the total units) to individuals and families earning at or below 80% AMI, with 8 (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 8 Housing Choice Vouchers / Rental Assistance in the community, and possibly consider more.
    - Under this category, the project qualifies for 10 points.
- Superior locational efficiency
    - The proposed project is located within the Central Business District, 0.25 mile of a 1⁄2 hour transit stop served by an existing or future sidewalk, within 1 mile from a job or urban center, and within a 0.5 mile from a Transportation Amenity.
    - Under this category, the project qualifies for 50 points.
- Energy Efficiency
    - The developer has committed to using Energy Efficiency (EE) / Energy Star Certification.
    - Under this category, the project qualifies for 5 points.
- 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 - April 27, 2022 - approved 2-1.
- Finance Committee - May 24, 2022 - approved 3-0.

Pro(s):
- The proposed project will provide 16 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 addresses the pressing need for affordable one-person housing units.
- The proposed project should have a significant economic impact.
- Construction wages and material purchases will positively affect the local and regional economy;
- The 16 affordable units are located in Downtown Asheville (walkability score of 89 - very walkable, bike score of 69 - bikeable, some bike infrastructure) and provide downtown employment & shopping options for individuals and families who fall within the 80% AMI incomes.
- Hilliard Flats 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 parcel will be subdivided and the vacant piece where the building will be built has an estimated current tax value of $195,404 and pays city property taxes of approximately $787 annually.
- Under the estimated tax value of $7.2M post-completion, the annual city property tax will be approximately $29,016.
- The difference is $28,228 which would be granted to the property owner annually after payment for 21 years.
- For 21 years and 16 affordable units at or below 80% AMI, the city will grant back a total of $592,790 over the 21 years of the LUIG which equals $37,049 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 $29,016 annually in city tax revenue (depending on future property tax increases, etc.).
- Please note the City will still receive property taxes of approximately $787 per year in years 1 - 21.

- The City sets aside a budget annually for Land Use Incentive Grants.

Suggested Motion:

- Motion to approve the Land Use Incentive Grant application for Hilliard Flats LLC at 217 Hilliard Avenue.

Attachment(s)

- Application Package
- LUIG Policy
- 2021 Affordable Housing HUD Area Median Income (AMI) Rents / Appendix 1
- Resolution

RESOLUTION NO. 22-_____

RESOLUTION APPROVING A LAND USE INCENTIVE GRANT AGREEMENT FOR A DEVELOPMENT LOCATED AT 217 HILLIARD AVENUE (Hillard Flats 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 Hilliard Flats LLC / 217 Hilliard Avenue 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 Hilliard Flats LLC development located in Downtown 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 16 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 (8 units), and the proposed project is located within the Central Business District, within 1 mile of a job center, within .25 mile of a ½ hour transit stop, within a .5 mile from a Transportation Amenity, will achieve Energy Star Certification, will receive green building certification, 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 217 Hilliard Avenue. The estimated annual land use incentive grant would be the difference between the current City tax ($787) and the estimated post-completion City tax currently estimated to be $29,016. The City would allow an estimated annual grant of $28,228. The grant is approved for a period of 21 years with the total grant value estimated at $592,790. 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 14th day of June, 2022.

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CITY CLERK MAYOR

Approved as to form:

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CITY ATTORNEY