THE CITY OF ASHEVILLE

STAFF REPORT

City Council Date: May 10, 2022

Subject: $1.2 Million Funding for Reimagining Deaverview Phase I

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

Action Requested: Authorize the City Manager to negotiate and enter into a grant agreement with the Housing Authority of the City of Asheville (HACA) in the amount of $1.2 million from General Obligation (GO) Affordable Housing Bond funds.

Background:

- The Reimagining Deaverview - Phase I will build 82 new affordable mixed-income housing units serving families earning between 10% and 80% of Area Median Income (AMI).
- The majority of units will serve those below 60% AMI, and when averaged, incomes for the project will be below 60% AMI.
- These units will replace 82 of the existing 160 units at Deaverview, but will allow residents who want to stay in the Deaverview community to move once and not experience any displacement during construction.
- The total project cost is estimated at approximately $16.45 Million, and the project is seeking funding through a combination of 9% Low Income Housing Tax Credit (LIHTC) funds, NCHFA Loan funds, permanent loan financing, Housing Authority Funds, Buncombe County grant funds in the amount of $935,286 and City grant funds in the amount of $1.465 million. The developer fee for this project is within the limits set by NCHFA.
- The Housing Authority originally requested $1.2 Million for the project, but has asked the City to raise that amount to $1.465 Million to cover the gap in funding.
- 42 of the 82 units will continue to have deep subsidies, serving families below 50% of AMI.
- HACA's current families have an average income of just over $10,000 or 20% of AMI.
- The City's full funding of $1.2 million will fund eligible project costs including such costs as demolition of the community building, site work, infrastructure and construction at 275 Deaverview Road.
- Though not a requirement of the City funding, requirements for HUD Davis Bacon (appropriate local prevailing wages from the US Department of Labor) & Section 3 (to the greatest extent possible, the developer will provide training, employment, contracting and other economic opportunities to low- and very low-income persons) will be followed in this redevelopment.
- This funding is similar to past City/County/Housing Authority partnerships.
- As a precedent, the City had previously partnered with the Housing Authority and Buncombe County on funding for Maple Crest at Lee Walker Heights.
- The City utilized CIP, Fund Balance, and Affordable Housing Bond to facilitate a grant of funds.
- This recommendation is similar to that situation in that it is a grant, and does not utilize the Housing Trust Fund.
- The Housing Authority is seeking a grant of funds from both the City and the County to support their 9% tax credit application.

Request

- HACA has requested that the City's funds be structured as a grant to HACA, which HACA will invest in the project consistent with Low Income Housing Tax Credit requirements.
- City staff agrees based on the following:

    - City funding is contingent on the award of a 9% Low Income Housing Tax Credit (LIHTC) proposal.
    - City funding is contingent on Buncombe County also agreeing to provide a grant of $935,286.
    - City funding is contingent upon HACA putting in $1.2M from their reserve fund.
    - $1.2 million for 82 units at Deaverview is a subsidy of $14,634 per unit (which aligns with the subsidy level typically approved for the City's HTF loans).
    - Per HACA, this project will provide affordability in perpetuity as is consistent with the Housing Authority's mission.
    - The mission of the HACA is to provide safe, quality, and affordable housing, to expand available resources, and to collaborate with the community to create opportunities for resident self-reliance and economic independence.
    - HACA often houses our most vulnerable and hardest to house residents, and have been fulfilling this mission since 1940.
- Given the low subsidy per unit to assist our very-low AMI residents and families, a guarantee of perpetual affordability, the importance of this neighborhood redevelopment and the future success of the 82 individuals and families, City Staff agrees that a grant to HACA is appropriate.

Committee(s):
- Housing and Community Development Committee (HCD) - April 27, 2022 - approved 3-0.

Council Goal(s):
- An Equitable and Diverse Community
- A Well-Planned and Livable Community
- Quality Affordable Housing

Pro(s):
- This funding supports 82 new affordable and replacement units that will be permanently affordable, a subsidy of $14,634 per unit, which represents a comparatively high value for the City subsidy given the target incomes being served by this development.
- The development of these units will allow 82 households to move into new units without being displaced during construction (no demolition of existing units until there are new units available).
- Aligns with the purpose of GO Housing Bonds in making progress on Affordable Housing Bond Projects.
- The redevelopment of Deaverview Apartments, when considered in the context of the larger Deaverview area as a whole, will generate affordable mixed-income housing.
- City funds will be used to fill the gap on a Low Income Housing Tax Credit (LIHTC) proposal and without these funds, the project would not be possible.
- This redevelopment aligns with the City of Asheville's Consolidated Plan goals of prioritizing rental housing affordable to 60% AMI and below.
- While the funding is structured as a grant, draw requests, after the initial disbursement, will only be disbursed when sufficient work has been completed and verified by the City.

Con(s):
- None

Fiscal Impact:
- Approval of this request would reduce the existing balance of approximately $7.4M in available Affordable Housing bond funds to a remaining estimated balance of $6.2 Million.

Suggested Motion:

- Move to authorize the City Manager to negotiate and enter into a grant agreement with the Housing Authority of the City of Asheville in the amount of $1.2 million according to the terms and conditions herein.

Attachment(s):

- Resolution
- Reimagining Deaverview Phase I Sources and Uses
- Schematic Designs for Reimagining Deaverview Phase I

RESOLUTION NO. 22-_____

RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND ENTER INTO A GRANT AGREEMENT WITH THE HOUSING AUTHORITY OF THE CITY OF ASHEVILLE IN THE AMOUNT OF $1.2 MILLION IN FUNDING IN SUPPORT OF THE REIMAGINING DEAVERVIEW PHASE I PROJECT

WHEREAS, the City and region face a serious current and projected shortage of affordable housing; and

WHEREAS, the Asheville Housing Authority, in collaboration with Mountain Housing Opportunities and a team of affordable housing design professionals, after consultation with the current residents of Deaverview Apartments, has developed a plan for Phase I of Reimagining Deaverview, which will replace 82 of the 160 existing housing units with 82 new affordable mixed-income units serving families earning between 10% and 80% of Area Median Income (AMI). The majority of units will serve those below 60% AMI, and when averaged, incomes for the project will be below 60% AMI,42 of which will continue to have deep subsidies, serving families well below 50% of AMI; and

WHEREAS, the Housing Authority of the City of Asheville's (HACA) redevelopment of Deaverview Apartments, an existing public housing development, is seeking key funding for the initial phase of redevelopment in an amount not to exceed $1.2 million; and

WHEREAS, the award of City funds is conditional upon HACA receipt of an award of Low Income Housing Tax Credit (LIHTC) funds, $ 935,286 in funds from Buncombe County and $1.2 Million in funds from HACA; and

WHEREAS, the total development costs of the Project are estimated to be approximately $16.45 Million and the project will be funded through a combination of 9% Low Income Housing Tax Credit (LIHTC) funds, NCHFA Funds, Housing Authority Funds, Buncombe County grant funds in the amount of $ 935,286 and the City grant funds in the amount of $1.2 million; and

WHEREAS, City Staff has identified a the General Obligation (GO) Housing Bond as a funding stream that supports this $1.2 million funding request in a fiscally responsible manner; and

WHEREAS, City Staff believes that the $1.2 million in key funding for the initial phase of the redevelopment should be granted based upon: 1) the low subsidy per unit to assist very-low Area Median Income (AMI) families; 2) the guarantee by HACA of affordability in perpetuity; 3) the provision of units to those most vulnerable in our community; and 4) the importance of this redevelopment to the future success of the 82 individuals and families, and the unique 78 year relationship between the City of Asheville and HACA;

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

1. The City of Asheville strongly supports this redevelopment effort and the application to the North Carolina Housing Finance Agency for Low Income Housing Tax Credits to provide key equity funding for the initial phase; and

2. The City hereby commits an amount not to exceed $1.2 million to the Reimagining Deaverview Phase I redevelopment project, conditional on the award $ 935,286 from Buncombe County and $1.2 million from the Housing Authority and the award of 2022 Low Income Housing Tax Credits to the project by the North Carolina Housing Finance Agency; and

3. The City Council of the City of Asheville hereby authorizes the City Manager to negotiate and enter into a grant agreement with the Housing Authority of the City of Asheville for $1.2 million in City funding in support of the redevelopment of Reimagining Deaverview Phase I in accordance with the terms and conditions stated herein.

Read, approved and adopted the 10th day of May, 2022.

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City Clerk Mayor

Approved as to form:

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City Attorney