THE CITY OF ASHEVILLE

Staff Report

Council Meeting Date: April 26, 2022

Subject: Waive reimbursements for Permanent Supportive Housing for at 148-150 River Ford Parkway

Staff Resource(s): Nikki Reid, Community & Economic Development Department Director

Action Requested: Amend the assignment of the real estate contracts for property on 148-150 River Ford Parkway to Shangri-La Industries, Inc. by waiving the reimbursement of $79,500 in due diligence costs for the purposes of creating permanent supportive housing

Background:

- Last year, the City entered into a contract to purchase real estate at 148 and 150 River Ford Parkway, however the City did not move forward with the purchase.
- Alternatively, on December 14, 2021 City Council authorized the assignment of its contract to purchase the property to ShangriLa Industries, Inc. (ShangriLa).
- ShangriLa, in partnership with Step Up, Inc., plans to purchase the property and renovate the hotel for permanent supportive housing for 100+ chronically homeless individuals and veterans.
- After consulting with the U.S. Department of Housing and Urban Development (HUD), it is now clear that a full federal Environmental Assessment is needed prior to a real estate transaction of the property, which has resulted in a 90 day delay in the real estate closing.
- ShangriLa has, therefore, asked for a 90 day extension from the property owners, which is costing them $250,000 in additional earnest money and a daily rate of $2,500 in lost revenue for the hotel.
- ShangriLa has also shared that increasing construction costs are impacting their financial model for the renovations.
- ShangriLa has inquired if the City would be able to help mitigate these additional costs.
- To assist, the City has the ability to waive reimbursements from the closing in the amount of $79,500 that ShangriLa had previously agreed to pay to the City in December as part of the assignment.
- These expenses represent the City's sunk costs that were spent to secure and perform its due diligence on the Ramada property, prior to the involvement of ShangriLa.
- These expenses include option fees paid to the seller that were applicable to the purchase price and fees paid for surveys, Phase One environmental, property inspections and appraisals.
- The reimbursements were to be paid at the real estate closing and waiving this requirement will enable cost savings that will ultimately assist in finalizing the extension for the real estate closing.

Council Goal(s):

- Quality affordable housing
- A Well-Planned and Livable Community

Committee(s):

- None

Pro(s):

- Creates needed permanent supportive housing units
- Leverages new investment of private-sector resources and national expertise

Con(s):

- None

Fiscal Impact:

- The City will forgo reimbursements of due diligence and pursuit costs that were spent from the Affordable Housing Capital Improvement Program (CIP) funds on the real estate acquisition at Ramada
    - $44,500 in due diligence, including appraisals, environmental reviews, surveys, property inspections, etc.
    - $35,000 in non-refundable deposits to the seller

Suggested Motion:

- Motion to amend the assignment of the real estate contracts for property on 148-150 River Ford Parkway to Shangri-La Industries, Inc. by waiving the reimbursement of $79,500 in due diligence costs for the purposes of creating permanent supportive housing.

Attachment(s)

- Resolution

RESOLUTION NO. 22-_____

RESOLUTION TO AMEND THE ASSIGNMENT OF THE REAL ESTATE CONTRACTS FOR PROPERTY ON 148-150 RIVER FORD PARKWAY TO SHANGRI-LA INDUSTRIES, INC. BY WAIVING THE REIMBURSEMENT OF $79,500 IN DUE DILIGENCE COSTS FOR THE PURPOSES OF CREATING PERMANENT SUPPORTIVE HOUSING

WHEREAS, the City previously entered into contracts to purchase 148 and 150 River Ford Parkway for the purpose of creating emergency shelter; and

WHEREAS, the City assigned those purchase contracts to ShangriLa Industries, Inc. with a specific provision that the City be reimbursed $79,500 for due diligence costs related to the property; and

WHEREAS, Shangri-La Industries, Inc. has assumed the contracts and intends to purchase the property for the purpose of creating permanent supportive housing, and has further agreed to execute a 50 year deed restriction for this purpose; and

WHEREAS, the requirement to perform a federal Environmental Assessment has caused a delay in the real closing and has resulted in increased costs for the time extension; and

WHEREAS, to assist in bearing these additional costs, the City has the ability to waive the reimbursement of $79,500 as stated above; and

WHEREAS, additional permanent supportive housing is a critical need in our community;

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

The City Council of the City of Asheville hereby authorizes the City Manager to amend the assignment of the real estate contracts for 148 and 150 River Ford Parkway to Shangri-La Industries, Inc. by waiving the reimbursement of $79,500 in due diligence costs for the purpose of creating permanent supportive housing.

Read, approved and adopted the 26th day of April, 2022.

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City Clerk Mayor

Approved as to form:

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City Attorney