THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: February 22, 2022

Subject: Haywood Street Community Development Land Acquisition and Housing Trust Fund Request

Staff Resource(s): Nikki Reid, Community & Economic Development Director
Marybrook Cox, Community Development Analyst

Action Requested: Authorize a request by Haywood Street Community Development for $1.3M in funding to purchase land and a $904,000 Housing Trust Fund loan to construct 45 permanently affordable rental homes on property located at 343 & 357 West Haywood Street in the City of Asheville.

Review:

- Haywood Street Community Development has proposed the development of approximately 45 affordable apartments with the 5550 sq. ft. in community space on a 0.857 acre on a parcel located at 343 & 357 West Haywood Street.
- Haywood Street Congregation is an urban ministry with its main headquarters located at 297 Haywood Street.
- Core programs include weekly worship, a clothing closet, community garden, a free community lunch known as the Downtown Welcome Table, and Haywood Street Respite, which offers a safe place for adults experiencing homelessness to stay on a short term basis after being discharged from a hospital.
- Haywood St. has formed a 501(c)3 non-profit, known as Haywood Street Community Development (HSCD), with the intention to provide permanent affordable housing to the most vulnerable members of the Asheville community.
- HSCD is partnering with Ward Griffin of Grace Construction, a local development firm with over 80 years of development experience, and Austin Tyler with Dewey Property Advisors, to purchase, develop and construct the project.
- While HSCD has been serving the homeless community for quite some time, this will be their first effort towards developing a permanent residential apartment project.
- HSCD intends to construct its first development consisting of a single building with approximately 45-units, to be leased with permanent affordability deed restrictions as follows:
    - 23 units at 30% AMI for voucher holders,
    - 9 units at 60% AMI, and
    - 13 units affordable to households at 80% AMI.
- City Council previously authorized a grant in the amount of $296,000 for due diligence and associated pursuit costs to HSCD for this project.

Proposal:

- HSCD's total proposed project budget is $10,181,496, including due diligence and soft costs, with $7,356,102 estimated for construction.
- HSCD seeks a grant of $1.3M for the purchase of 0.857 acres of land at 343 & 357 West Haywood Street in the WECAN neighborhood.
- The land will be secured by a deed restriction for permanent affordable housing at the site. Should a project not come to fruition, HSCD must sell the site and repay the City the grant amount.
- HSCD seeks a loan of $904,000 from the City's Housing Trust Fund (HTF) under the following terms:
    - No interest and deferred payments for the first 10 years

    - Interest only at a rate of 1% for the next 10 years
    - At year 20, the loan will either (1) convert to an amortizing loan, paying principal and interest, on a 30 year amortization at a 1% interest rate OR (2) the HTF principle will be repaid in full as part of a refinance of the total debt stack at the time
- HSCD has secured a grant from Buncombe County in the amount of $749,000 for the construction costs.
- HSCD has applied for $2M in funding from the Dogwood Health Trust.
- HSCD has a loan commitment of $4,121,624 from an area lender.
- HSCD is contributing $809,872 in equity to the project.
- If approved by the City Council, the transfer of the funding will be conditioned on the completion of further project due diligence, including confirmation that all zoning and necessary permits have been secured and that all financing commitments necessary to build and operate the project are in place.

Council Goal(s):
- Quality Affordable Housing
- An Equitable and Diverse Community

Committee(s):
- The Housing and Community Development (HCD) Committee reviewed and unanimously approved the proposal on February 15, 2022.

Pro(s):
- The project produces 45 apartment homes for individuals and families at or below 30, 60% and 80% AMI.
- Strategic opportunity to invest in a partner offering deep affordability and a community of care in connection with Haywood Street's core services.
- The project is ideally located near many downtown employment opportunities, with good access to transit and essential services.
- This project leverages partnership funding from both Buncombe County and Dogwood Health Trust (pending approval).
- This project will be deed restricted to permanent affordability, ensuring a long-term supply of affordable rental units in Asheville at this location.

Con(s):
- The combined land and loan amount per unit is above the Housing Trust policies recommendation of $20,000 per unit.
- Project requests a total 50 year amortization for the loan, which is an exception to the HTF policy that requires loans to be limited to 30 years.

Fiscal Impact:
- This action includes a $904,000 loan from the City's Housing Trust Fund, and an allocation of $1.3M from the City's Affordable Housing General Obligation (GO) Bond Landbanking program.
- Both of these amounts are already included in the adopted budget so no budget amendment is required with this action.

Suggested Motion:
- Move to approve a request by Haywood Street Community Development for $1.3M in funding to purchase land and a $904,000 Housing Trust Fund loan to construct 45 permanently affordable rental homes on property located at 343 & 357 West Haywood Street in the City of Asheville.

Attachment(s):
- Development Plans
- 2021 AMIs

RESOLUTION NO. 22-_____

RESOLUTION APPROVING A REQUEST BY HAYWOOD STREET COMMUNITY DEVELOPMENT FOR $1.3M TO FUND THE PURCHASE OF PROPERTY AND $904,000 AS A HOUSING TRUST FUND LOAN TO CONSTRUCT 45 PERMANENTLY AFFORDABLE RENTAL HOMES ON PROPERTY LOCATED AT 343 & 357 WEST HAYWOOD STREET

WHEREAS, pursuant to NCGS 160D-1311, the City is authorized to expend funds for community development programs and activities; and

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

WHEREAS, Haywood Street Community Development (developer) has requested $1.3M to fund the purchase of real estate at 343 & 357 West Haywood Street and a $904,000 Housing Trust Fund (HTF) loan for the development of forty-five (45) rental homes, which are to be made available for rent to individuals and families with 13 units affordable to households at 80% AMI, 9 units at 60% AMI and 23 units at 30% AMI for voucher holders; and

WHEREAS, Haywood Street has agreed to purchase the property subject to permanent affordable housing deed restrictions held by the City such that the affordable rents charged at this location will be affordable in perpetuity; and

WHEREAS, Haywood Street has agreed that in the event the project does not come to fruition that the property will be sold and funds repaid to the City within an agreed upon timeframe; and

WHEREAS, the HTF loan is to be structured as no interest and deferred payments for the first 10 years, interest only at a rate of 1% for the next 10 years, at year 20 the loan can be paid in total or will convert to an amortizing loan on a 30 year amortization at a 1% interest rate and will be secured by a deed of trust; and

WHEREAS, the City Council's Housing and Community Development Committee has reviewed the proposal from the Developer, and has made its recommendation to Council to approve the request;

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

The City Council of the City of Asheville hereby approves the request by Haywood Street Community Development for $1.3M in funding (Affordable Housing GO Bond Funds) to purchase land and a $904,000 Housing Trust Fund loan to construct 45 permanently affordable rental homes on property located at 343 & 357 West Haywood Street in the City of Asheville per the terms and conditions stated herein and authorizes the City Manager to negotiate and enter into any agreements necessary to give effect to this resolution.

Read, approved and adopted this 22nd day of February, 2022.

_____ _____

City Clerk Mayor

Approved as to form:

_____

City Attorney