THE CITY OF ASHEVILLE

STAFF REPORT

City Council Meeting Date: October 26, 2021

Subject: Haywood Street Community Development Due Diligence Grant Agreement

Staff Resource(s): Nikki Reid, Economic Development Program Director
Paul D'Angelo, Community Development Program Director

Action Requested: Adopt a resolution to amend a Grant Agreement with Haywood Street Community Development for additional due diligence costs in their pursuit of the development of approximately 42 permanently affordable rental homes.

Review:

- Haywood Street Congregation has proposed the development of approximately 42 affordable apartments with the potential for 5550 sq. ft. in community space on a .83 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 with onsite supportive services.
- HSCD hopes to construct its first development consisting of a single building with approximately 42-units, to be leased with permanent affordability deed restrictions requiring rental of units to households earning 80% and below of the Area Median Income ("AMI"), with a goal to have up to half of the apartments at or below 30% AMI as may be reasonably feasible, and approximately 5,500 square feet of community space.
- Last year, the City was working on an agreement to sell City owned property located at Asheland Ave. to HSCD for this affordable housing development and HSCD incurred costs in due diligence and design in anticipation of being able to purchase that property.
- However, after significant input from the community, it was determined that the Asheland property was not an appropriate site for this development.
- Due to the aforementioned reason, as well as due to a need for the type of affordable housing proposed, the City is exploring a partnership with HSCD to develop the affordable housing project on a different site and has committed $71,000 in due diligence funding in the form of a Grant Agreement, with $10,000 in an earnest money deposit for the purchase of the site and $61,000.00 for due diligence investigations, including surveying, environmental site assessments, geotech analysis, title examination, and civil and architectural site planning, and any other investigations of the site as may be necessary or desirable, at the discretion of HSCD.

- The Grant Agreement also states that HSCD and the City shall work toward the goal of an additional grant agreement ensuring comprehensive opportunities including purchase of the West Haywood Street site and construction of the development.
- With the property under contract, HSCD is asking for an Amendment to their Grant Agreement and an additional $225,000 in grant funding to pursue those additional investigations and due diligence of the site, using Affordable Housing Bond dollars as the City's funding source.
- HSCD reserves the right to return to the City for additional grant agreement funding to include purchase of the site and construction of the development if due diligence items point towards the successful development of a 42 unit affordable housing community.
- Additional "Eligible Project Costs" could include site infrastructure costs, including without limitation, abatement, demolition, mobilization, erosion and stormwater control, excavation and grading, materials testing, retaining walls, guard rails, fencing, sewer, water, fire, electrical, and gas lines and other infrastructure improvements, landscape, streets, sidewalks, parking lots, related engineering costs for site work and any other costs approved by the City Manager or his/her designee.
- If the purchase of the property does not proceed to closing, Haywood Street will assign the rights to and provide copies of any and all due diligence items to the City who will be the rightful and final owner of the materials.

Committee(s):
- The Housing & Community Development Committee unanimously recommended moving this forward at their meeting on October 19, 2021.

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

Pro(s):
- The approval of the amendment to the Grant Agreement will allow the developer to continue their due diligence work and finalize their other sources of financing necessary to move forward with the purchase and development of the property.
- The City will gain 42 new permanently affordable housing units under 80% AMI, with a goal of up to half of the apartments at or below 30% AMI and approximately 5,500 square feet of community space.
- This development aligns with the City of Asheville's Consolidated Plan goals of prioritizing the development of affordable rental housing to individuals & families at or below 60% AMI.

Con(s):
- Funds are granted towards the due diligence phase of this project.
- A final successful project depends on HSCD obtaining financing, securing project zoning approvals and receiving clear legal title for the property.
- If HSCD is not able to clear these steps, then the parcel may not be purchased and a project may not be constructed.

Fiscal Impact:
- With the approval of this amendment, a total of approximately $296,000 will be allocated towards this project utilizing the previously approved budget from the 2016 General Obligation Bond Program.

Suggested Motion:
- Motion to adopt a resolution amending a Grant Agreement with Haywood Street Community Development for additional due diligence costs in their pursuit of the development of approximately 42 permanently affordable rental homes.

Attachment(s):

- Resolution
- Map

RESOLUTION NO. 21-_____

RESOLUTION AUTHORIZING AN AMENDMENT TO THE GRANT AGREEMENT WITH THE HAYWOOD STREET COMMUNITY DEVELOPMENT FOR DUE DILIGENCE IN THEIR PURSUIT OF THE DEVELOPMENT OF APPROXIMATELY 42 PERMANENTLY AFFORDABLE RENTAL HOMES

WHEREAS, Haywood Street Community Development is under contract to purchase real property located at 343 & 357 W. Haywood Street with the intention to construct permanent, deeply affordable housing to the most vulnerable members of the Asheville community; and

WHEREAS, the City of Asheville previously entered into a grant agreement with Haywood Street Community Development to fund $71,000 of initial due diligence on the property; and

WHEREAS, Haywood Street Community Development has received the results of the initial due diligence, and based on the positive findings, is now ready to pursue a second phase of due diligence investigations, including surveying, environmental site assessments, geotech analysis, title examination, and civil and architectural site planning, and any other investigations of the site as may be necessary or desirable, in amount of $225,000 for a total grant agreement amount of $296,000; and

WHEREAS, pursuant to N.C.G.S. 160D-1316, the City is authorized to appropriate and expend funds for residential housing construction for sale or rental to persons and families of low and moderate income;

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

The City Manager is hereby authorized to execute an amendment grant funding agreement with the Haywood Street Community Development in the total amount of $296,000 for the purpose of completing due diligence efforts for an affordable housing development on this property. In addition, the City Manager is hereby authorized to execute any and all documents necessary to give effect to this resolution, subject to approval by the City Attorney, and compliance with applicable North Carolina law.

Read, approved and adopted this 26th day of October, 2021.

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City Clerk Mayor

Approved as to form:

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City Attorney