THE CITY OF ASHEVILLE

# Staff Report

**Council Meeting Date:** October 12, 2021

**Subject:** Land Use Incentive Grant Application - Kassinger Development Group - 130 Charlotte Street

**Staff Resource(s):** Paul D'Angelo, CD Program Director
Nikki Reid, Interim CED Director

**Action Requested:** Approve the application for the Land Use Incentive Grant application for the Kassinger Development Group (KDG) / 130 Charlotte Street.

**Review**:

- KDG has applied for a Land Use Incentive Grant (LUIG) for their development at 130 Charlotte Street per the LUIG policy adopted by City Council and amended on June 22, 2021.
- The development is residential rental / mixed use with 186 total units,167 One bedrooms and 19 Two bedrooms, with Housing representing a majority of the overall rentable square footage.
- Of the 186 residential units, 37 rental apartments (20%) will be affordable, serving individuals and families earning at or below 80% of the Area Median Income (AMI), with half of those units, 19, accepting Housing Choice Vouchers / Rental Assistance for individuals and families at or below 60% AMI, for a minimum of 20 years. Note - KDG is offering 30 years.
- The project encompasses 2.34 acres of land bound on Charlotte Street, pin number 9649-53-7348.
- The developer estimates a total development cost of approximately $42,900,000 (see attached application).
- Estimated Tax Value of the property is $26,970,000 post-completion.
- 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.
- Per the LUIG Scoring Matrix (attached) and based upon the policy, the project will receive:
    - 40 total points for affordability,
    - 20 points for the location, and an additional
    - 20 points for energy efficiency,
    - for a total score of 80 points.
- Per the policy, this will equal 16 years of grants in the amount of the City Property Taxes payable on the 130 Charlotte Street Development.

**Proposal:**

- Affordable Rental Housing
    - The proposed project will provide:
        - thirty-seven (37) affordable units (20% of the total units) to individuals and families earning at or below 80% AMI,
        - with 19 (50% of the affordable units) accepting rental assistance, for an affordability period of thirty (30) years.
        - Under this category, the project qualifies for 30 points.

- Rental Assistance
    - The proposed project will accept 19 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 .25 mile of a 1⁄2 hour transit stop served by an existing sidewalk,
        - within 1 mile from a job or urban center, and
        - within a .5 mile from a Transportation Amenity.
    - Under this category, the project qualifies for 20 points.

- Energy Efficiency
    - The developer has committed to using Energy Efficiency (EE) / Energy Star Certification and Solar Panels for the common areas.
    - Under this category, the project qualifies for 20 points.

- Staff has scored the project with 80 points, which qualifies the project for sixteen (16) years of Land Use Incentive Grant.

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

**Committee(s)**:
- Housing & Community Development Committee - September 21, 2021 - Unanimous Approval

**Pro(s):**
- The proposed project will provide:
    - 37 affordable rental housing units to households earning 80% or less of area median income,
    - with half of those units, 19, accepting Housing Choice Vouchers / Rental Assistance for individuals and families at or below 60% AMI.
- The proposed project addresses the pressing need for affordable one-bedroom apartments with:
    - approximately 32 One (1) bedrooms, and
    - 5 Two (2) bedrooms
    - for a total of 37 affordable units;
- The proposed project will have an affordability period of thirty (30) years;
- The proposed project should have a significant economic impact.
- Construction wages and material purchases will positively affect the local and regional economy;
- The 37 affordable units are located in North Asheville (walkability score of 65 - somewhat walkable, bike score of 60 - bikeable, some bike infrastructure) and provide downtown employment & shopping options for individuals and families who fall within the 80% AMI incomes.
- KDG 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 has a combined current tax value of $3,612,300 and pays city property taxes of approximately $14,558 annually.
- Under the estimated tax value of $26,970,000M post-completion, the annual city property tax will be approximately $108,689.
- The difference is $94,131 which would be granted to the property owner annually after payment for 16 years.

- For 16 years and 37 affordable units at or below 80% AMI, the city will grant back a total of $1,506,096 over the 16 years of the LUIG which equals $40,705 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 16, the City will receive the approximate $108,689 annually in city tax revenue (depending on future property tax increases, etc.).
- Please note the City will still receive property taxes of approximately $14,558 in years 1 - 16.
- The City sets aside a budget annually for Land Use Incentive Grants.

**Suggested Motion:**

- Motion to approve Land Use Incentive Grant application for KDG / 130 Charlotte Street.

**Attachment(s)**

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

RESOLUTION NO. 21-_____

RESOLUTION APPROVING A LAND USE INCENTIVE GRANT AGREEMENT FOR A DEVELOPMENT LOCATED AT 130 CHARLOTTE STREET (KASSINGER DEVELOPMENT GROUP / KDG LLC)

---

WHEREAS, The City of Asheville has the authority pursuant to N.C. Gen. Stat. § 158-7.1 and § 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 and workforce housing to increase the City's population, taxable property and business prospects, per N.C. Gen. Stat.§ 158-7.1, and encourage the development of 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 KDG LLC / 130 Charlotte Street 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 RCG LLC development located in North Asheville will be, for purposes of this LUIP, a 186 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 37 units of moderate 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 50% of the affordable housing units (19 units), and the proposed project is located within .25 mile of a 1⁄2 hour transit stop served by an existing sidewalk , within 1 mile from job or urban center, within a .5 mile from a Transportation Amenity, will achieve Energy Star Certification and Building in a NON-Qualified Census Tract;

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 KDG LLC to support the development of the project at 130 Charlotte Street. The estimated annual land use incentive grant would be the difference between the current City tax ($14,558) and the estimated post-completion City tax due currently estimated to be $108,689. The City would allow an estimated annual grant of $94,131. The grant is approved for a period of 16 years with the total grant value estimated at $1,506,096. 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 12th day of October, 2021.

_____ _____

CITY CLERK MAYOR

Approved as to form:

_____

CITY ATTORNEY