Land Use Incentive Grant (LUIG) Policy Update

City Council

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THE CITY OF ASHEVILLE



Key Takeaways

- This Land Use Incentive Grant (LUIG) update will allow existing market rate units to convert to affordable units to help preserve & protect affordable housing.
- Affordable units from existing housing stock can be added more quickly than new construction which can take 2 to 3 years to come online.
- We are asking our Development Partners to assist more with the acceptance of Housing Choice Vouchers - Individuals & Families at or below 60% Area Median Income.
- Community Outreach & Marketing for Equity & Inclusion

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The City's Role in Affordable Housing

- To Produce, Preserve & Protect Affordable Housing in Partnership
  - Funding
  - City-owned Land
  - Regulatory
  - Convener / Collaborator

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Current Land Use Incentive Grant

- Every 5 points can earn one year of economic incentive -

  - Equivalent to City property taxes (with full improvements calculated) in excess of currently assessed city taxes at the time of LUIG application for one year applied annually, to be dated from the date of release of all occupancy permits for the project. LUIG not to exceed 20 years plus one.

  - LUIGs are paid with General Fund dollars and are budgeted annually.

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Amended Land Use Incentive Grant

- Every 5 points can earn one year of economic incentive -
    - Equivalent to City property taxes (with full improvements calculated) in excess of currently assessed city taxes at the time of LUIG application for one year applied annually, to be dated from the date of release of all occupancy permits for the project.
    - Land Use Incentive Grant (LUIG) not to exceed 20 years plus one.
    - For adding affordable units to an existing all market rate rental complex, the tax value on the building will be granted back but not the land value.

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Amended LUIG Points

- 25 pts. for converting at least 20% of the units, within 2 years, for individuals and families at or below 80% Area Median Income (AMI), for a minimum of 20 years.
- 40 pts. for converting at least 20% of the units, within 2 years, for individuals and families at or below 80% Area Median Income (AMI), for a minimum of 30 years.

Current LUIG Example - New Construction

- Current Tax Value of Vacant Land equals City Taxes paid of $1000.

- After Construction (Improvements) of 100 rental apartment homes, with at least 20% of the units affordable to individuals & families at or below 80% AMI for at least 20 years, the new Tax Value of the land and new building equals City Taxes paid of $41,000.

- The City would grant back the “Improvements” value - $40,000 - for X years based on the LUIG Grant.

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LUIG Example - Conversion

- A current apartment complex of 166 units pays approximately $68,640 in City Taxes - $8,482 Land Value City Taxes, **$60,158** Building Value City Taxes.
- The apartment complex is purchased by a company interested in adding at least 20% of the units affordable to individuals & families at or below 80% AMI for at least 20 years - **33 Units**.
- Once the company meets the targeted numbers - 20/80/20 (2 years) - the City would grant back the full building value - **$60,158** - for X years based on the LUIG Grant.

- *Based on current vacancy rates, the City could add 7 affordable units almost immediately for a 166 unit apartment community.*

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Other Changes of Note - HCV

- At least 20% of the units must meet the affordability standards set by the City of Asheville (Appendix 1) for individuals & households earning 80% or less of the Area Median Income (AMI), which would include at least 50% of the affordable units accepting Rental Assistance like Housing Choice Vouchers (HCV).

- Example to Qualify -
  - 100 home rental community - 20 affordable units
    - 10 affordable @ < 80% AMI
    - 10 HCV / Rental Assistance
  - The developer must demonstrate good faith efforts if 50% of the affordable units are not rented to HCV holders.

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Other Changes of Note - Outreach

- Community Engagement & Outreach for the Affordable Units for Equity & Inclusion
  - Whether building new or purchasing old, CD expects our development partners to reach out to organizations, groups, and stakeholders about the affordable units coming online for rent.
  - Community Development encourages our development partners to outreach and engage with all their neighbors in the immediate vicinity of your build or building purchase.

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Other Changes of Note - Outreach

- At a minimum, CD requires you to outreach and meet with, in a timely lease-up manner, the following organizations -

    - Housing Authority of the City of Asheville (HACA)
    - Homeward Bound
    - Mountain Housing Opportunity (MHO)
    - Asheville Area Habitat for Humanity (AAHH)
    - Thrive Asheville
    - Asheville Buncombe Community Land Trust (ABCLT)
    - OnTrack
    - The nearest Neighborhood Association
    - All churches & businesses within in a half mile

Affordable Housing Work “2020” +

Lee Walker Heights

360 Hilliard

Amaranth

Ironwood Apartments

Habitat for Humanity

HB Days Inn PSH

458 units of affordable housing

157 < 30% AMI
106 < 50% AMI
132 < 60% AMI* rental
55 < 80% AMI rental
8 < 80% AMI homeownership

$15.02M* City investment - HTF, Bond, LUIG - leveraged alongside nonprofit & private investment

$32,795 per unit - meeting developers half way in the $80k in subsidy needed for an affordable unit

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Recommendation

- Motion to approve the amended Land Use Incentive Grant Policy with the proposed changes as outlined.

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Questions

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