THE CITY OF ASHEVILLE

Staff Report

City Council Meeting Date: July 27, 2021

Subject: Land Use Incentive Grant Application - Millstone Management - 66 Long Shoals

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 Millstone Management / 66 Long Shoals.

Review:

- Millstone Management has applied for a Land Use Incentive Grant (LUIG) for their development at 66 Long Shoals per the LUIG policy adopted by City Council and amended on June 22, 2021.
- The development consists of 86 rental apartments with 17 of the homes (20%) serving individuals and families earning at or below 80% Area Median Income (AMI) for a minimum of 20 years.
- The project consists of one 2.85 acre parcel (PIN# 964479788200000) located within the Asheville city limits at 66 Long Shoals Road near Biltmore Park.
- The developer estimates an approximate total development cost of $18M.
- Estimated Tax Value of the property is $14.517M 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:
    - 30 total points for affordability,
    - 20 points for the location,
    - 20 points for energy efficiency including solar panels, and an additional
    - 10 points for building in a Non-Qualified Census Tract,
    - 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 66 Longs Shoals Development.

Proposal:

- Affordable Rental Housing
    - The proposed project will provide seventeen (17) affordable units (20% of the total units) to individuals and families earning at or below 80% AMI,
    - With 9 (50% of the affordable units) accepting rental assistance,
    - For an affordability period of twenty (20) years.
    - Under this category, the project qualifies for 30 points.
- Rental Assistance
    - The proposed project will accept 9 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 ½ 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 the use of Solar Panels.
    - Under this category, the project qualifies for 20 points.
- Building in a NON-Qualified Census Tract
    - The developer is building in a NON QCT, where at least 50% of the households have incomes *over* 60% of the Area Median Gross Income (AMGI) or a poverty rate under 25%.
    - Under this category, the project qualifies for 10 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 - July 20, 2021 - Approved Unanimously

Pro(s):
- The proposed project will provide 17 affordable rental housing units to households earning 80% or less of area median income;
- The proposed project will have an affordability period of twenty (20) years;
- The proposed project addresses the pressing need for affordable one-bedroom apartments with 8 Studio units and 9 One (1) bedrooms for a total of 17 affordable units;
- The proposed project should have a significant economic impact. Construction wages and material purchases will positively affect the local and regional economy;
- The 17 affordable units are located near Biltmore Park (walkability score of 43 - car dependent; bike score of 35 - somewhat bikeable, minimal bike infrastructure) and provide employment & shopping options for individuals and families who fall within the 80% AMI incomes.
- Millstone Management 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 current tax value of $1,638,900 and pays city property taxes of approximately $6,605 annually.
- Under the estimated tax value of $14,517,000 post-completion, the annual city property tax will be approximately $58,504.
- The difference is $51,899 which would be granted to the property owner annually after payment for 16 years.
- For 16 years and 17 affordable units at or below 80% AMI, the city will grant back a total of $830,384 over the 16 years of the LUIG which equals $48,846 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 $58,504 annually in city tax revenue (depending on future property tax increases, etc.).
- Please note the City will still receive property taxes of approximately $6,605 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 Millstone Management / 66 Long Shoals.

Attachment(s)

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

RESOLUTION NO. 21-_____

RESOLUTION APPROVING A LAND USE INCENTIVE GRANT AGREEMENT FOR A DEVELOPMENT LOCATED AT 66 LONG SHOALS (MILLSTONE MANAGEMENT)

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. § 160D-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 Millstone Management / 66 Longs Shoals 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 Millstone Management development located near Biltmore Park will be a 86 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 17 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 10% of the affordable housing units (9 units), and the proposed project is located within .25 mile of a 1⁄2 hour transit stop served by an existing sidewalk, near an Urban Center, within 1 mile from job or urban center, within a .5 mile from a Transportation Amenity, will achieve Energy Star Certification with Solar Panels 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 Millstone Management to support the development of the project at 66 Long Shoals Road. The estimated annual land use incentive grant would be the difference between the current annual City tax ($6,605) and the estimated post-completion annual City tax currently estimated to be $58,504. The City would allow an estimated annual grant of $51,899. The grant is approved for a period of 16 years with the total grant value estimated at $830,384. 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 27th day of July, 2021.

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CITY CLERK MAYOR

Approved as to form:

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CITY ATTORNEY