THE CITY OF ASHEVILLE

STAFF REPORT

City Council Meeting: June 22, 2021

Subject: Adoption of changes to the Land Use Incentive Grant Policy (LUIG), as recommended by Community Development Staff

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

Action Requested: Approval of an amendment to the LUIG Policy last updated in November, 2020.

Background:

- In November of 2010, City Council first adopted a Land Use Incentive Policy that provided incentives to encourage development projects that fulfill important public purposes directly addressing annual strategic goals set by Council such as affordable housing.
- Council directed that the Policy be reviewed yearly after its adoption.
- Since that time, the Policy has been revised six times in March of 2011, January of 2013, August of 2014, September of 2015, September of 2018, October of 2019 and November of 2020.
- The draft LUIG is attached with recommended changes and highlighted items are for discussion.
- A continued goal of Community Development, per community discussions with stakeholders and developers, is to make policies easy to comprehend, usable & equated to an investment partnership dollar amount to be used as a source in a proforma / balance sheet.
- Changes of note -
    - Allow a LUIG for partner developers who purchase an existing market rate building and would like to add at least 20% of the units, for individuals and families at or below 80% Area Median Income (AMI), for a minimum of 20 years.
    - The LUIG is a grant back of the tax value on the full building value, but not the land value.
    - 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.
    - 50% of the affordable units should be rented to Housing Choice Voucher holders / Rental Assistance. The developer must demonstrate good faith efforts if 50% of the affordable units are not rented to Housing Choice Voucher holders.
    - Community Outreach & Engagement for Affordable Units

Council Goal(s):

- Quality Affordable Housing
- An Equitable and Diverse Community

Committee(s):

- Affordable Housing Advisory Committee (AHAC) - May 6, 2021, approved for HCD.
- Housing & Community Development (HCD) Committee - May 18, 2021, approved for City Council

Pro(s):

- The proposed amendments come from staff based on recent usage of the updated LUIG Policy dated November, 2020, and developers interested in adding affordable units to their purchase to be a part of the solution.
- Potential quicker addition of affordable units (within 2 years) versus waiting for new construction.

- The policy follows Community Development efforts of creating policies that are easy to comprehend, usable & equated to a partnership investment dollar amount to be used as a source in a proforma / balance sheet.
- Additional clarity from an Equity lense with our Equity & Inclusion Department.

Con(s):
- Concern of foregoing / reduction of future property tax dollars in exchange for affordable housing.

Fiscal Impact:
- Future LUIG grant subsidies should remain the same or could potentially increase if we are able to preserve affordable housing units with this update.
- Like all LUIG updates, the more use of this policy as an affordable housing tool would require a higher yearly budgeted amount to cover the grant of the property taxes.

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

Attachment(s):
- 2021 "Appendix 1" Affordable Rents
- Current Land Use Incentive Grant Policy, dated November 2020
- Draft 2021 Land Use Incentive Grant with updates & suggestions
- Resolution

RESOLUTION 21-

RESOLUTION AMENDING THE CITY OF ASHEVILLE'S LAND USE INCENTIVE POLICY

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

WHEREAS, the Asheville City Council last adopted an update to the Land Use Incentive Grant Policy on November 10, 2020; and

WHEREAS, the Asheville City Council believes it is necessary to modify and clarify the City's existing Land Use Incentive Policy ("LUIP") in order to further encourage the use of the LUIP and to more specifically set forth the requirements and considerations for Council approved appropriations for affordable housing including the importance of preserving affordable housing by allowing developers to utilize this policy to convert a percentage of market rate units to affordable; and

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

The City's Land Use Incentive Policy last amended on November 10, 2020, adopted (Resolution No. 20-207) is hereby revised and amended as shown on Exhibit A, attached hereto and incorporated here by reference and this version hereby replaces and supersedes all prior amendments to this Policy.

Read, approved and adopted this 22nd day of June, 2021.

_____ _____

City Clerk Mayor

Approved as to form:

_____

City Attorney