THE CITY OF ASHEVILLE

STAFF REPORT

Committee Meeting: July 27, 2021

Subject: $2 Million Funding Grant for Acquisition of Days Inn

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

Action Requested: Resolution authorizing the City Manager to negotiate and enter into a grant agreement for $2 Million with Homeward Bound in support of the acquisition of the Days Inn located at 201 Tunnel Road for permanent supportive housing; and associated budget amendment.

Background:

- Homeward Bound is proposing a permanent supportive housing (PSH) apartment project for our homeless population.
- The agency intends to acquire the Days Inn located at 201 Tunnel Road.
- The motel sits on a 2.95 acre site and contains 128 guest rooms in two, 2 story buildings.
- This project will be an adaptive reuse of the existing motel and will create 85 affordable housing rental units for people experiencing chronic homelessness.
- Homeward Bound will convert 85 of the 128 rooms into permanent supportive housing units by adding a small kitchenette to each of the 85 units.
- The remaining rooms will be converted into office space for case managers, program managers, clinical staff, a permanent supportive housing director, and other agency staff.
- Space will also be provided for community partners to deliver on-site supportive services to residents.
- A Phase 1 Environmental Review / Environmental Assessment has been conducted with no findings.
- Housing units are targeted to special needs and underserved populations.
- This is a critical strategy in ending chronic homelessness and a key component of the Continuum of Care, providing an exit from homelessness for people with the most complex needs.
- The project will create affordable housing in perpetuity with a deed of trust and/or deed restriction reflecting this agreement.
- The total project cost is estimated at approximately $13.5 million with $6.5 million associated with property acquisition.
- The requested funding, as outlined below, will be used entirely for property acquisition.
- Homeward Bound anticipates closing on the property on or around August 14, 2021.
- Homeward Bound is seeking funding from the following sources for acquisition:

Funding Source - Acquisition	**Amount**
City of Asheville	$2,000,000
Dogwood Health Trust	$2,000,000
Buncombe County	$2,000,000
Private Donor	$500,000

TOTAL	$6,500,000

Homeward Bound anticipates needing $6,900,000 to upfit the property for Permanent Supportive Housing & $1,166,062 in annual operation costs, with annual revenues anticipated at $1,321,900.

- Homeward Bound has requested that the City's funds be structured as a grant to Homeward Bound in the amount of $2 million for acquisition costs to provide 85 permanent supportive housing units.
- The City agrees that the lives of the chronically homeless in our community will greatly benefit by expediting this project.
- The City understands that this commitment and funding is important for Homeward Bound as it seeks other governmental/HUD sources of support for acquisition and renovation.
- The grant of City funds will be conditional upon closing of the property.

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

Committee(s):
- Housing & Community Development Committee - May 18, 2021 - Approval
- City Council - June 22 2021 - Approval of Support for the project

Pro(s):
- This funding would help create 85 permanent supportive housing units.
- The proposed project is targeted to end homelessness for at least 85 people experiencing chronic homelessness, which aligns with the City of Asheville's Consolidated Plan goals.
- This investment per unit will be $23,529 which is below our per unit investment for permanently affordable housing.
- Permanent Supporting Housing Projects, such as this one, can save a jurisdiction or municipality anywhere from $17k to $37k per person per year.

Con(s):
- None

Fiscal Impact:
- $2M in American Rescue Plan Act (ARPA) funding as discussed on July 27, 2021, during the Council Worksession on ARPA funding.

Suggested Motion:
- Move to approve a $2M Grant to Homeward Bound to support its purchase of the Days Inn located at 201 Tunnel Road from American Rescue Plan Act (ARPA) funds; and the associated budget amendment.

Attachments:
- City Council Approval of Support - June 22 2021
- Presentation
- Resolution
- Budget Amendment

RESOLUTION NO. 21-_____

RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND ENTER INTO A GRANT AGREEMENT WITH HOMEWARD BOUND IN THE AMOUNT OF $2 MILLION I IN SUPPORT OF THE ACQUISTION OF THE DAYS INN FOR PERMANENT SUPPORTIVE HOUSING

WHEREAS, pursuant to NCGS 160D-1311, the City is authorized to expend funds for community development programs and activities; and

WHEREAS, the City and region continue to face a serious current and projected shortage of affordable housing; and

WHEREAS, City Council approved a Letter of Support for the acquisition of the Days Inn Motel on Tunnel Road to be redeveloped into 85 units of Permanent Supportive Housing, assisting homeless individuals and families below 30% Area Median Income (AMI) and committing key funding for the initial phase of redevelopment - Acquisition -in an amount not to exceed $2 million; and

WHEREAS, the grant of City funds will be conditional upon closing of the property; and

WHEREAS, the redevelopment of the Days Inn property will replace the existing 128 room motel with 85 units of permanent supportive housing, an intervention that combines affordable housing assistance with voluntary support services to address the needs of chronically homeless people, and is a proven solution to homelessness for the most vulnerable chronically homeless people by pairing housing with case management and supportive services; and

WHEREAS, all 85 units will have deep subsidies, serving families well below 30% of AMI;

WHEREAS, the total development costs of the Project are estimated to be approximately $13.5 Million and the project will be funded through a variety of sources, for both acquisition and rehabilitation, with acquisition sources identified below; and

Funding Source - Acquisition	**Amount**
City of Asheville	**$2,000,000**
Dogwood Health Trust	$2,000,000
Buncombe County	$2,000,000
Private Donor	$500,000
TOTAL	$6,500,000

WHEREAS, City grant funds will be granted directly to Homeward Bound at closing specifically for acquisition only; and

WHEREAS, City Staff has identified a funding source that supports this $2 million funding request in a fiscally responsible manner and sourced from the following funds:

American Rescue Plan Act (ARPA)	$2,000,000
TOTAL	$2,000,000; and

WHEREAS, the disbursement of funds to Homeward Bound shall be administered in accordance with the following schedule, and upon City's receipt of proof of Purchase Agreement and Closing date & time: $2,000,000 within 3 days of closing (projected closing date: August 14, 2021); and

WHEREAS, City Staff recommends that the $2 million in key funding for the acquisition phase of the development be granted based on: 1) the important public benefit of Permanent Supportive Housing to the community and to the lives of the chronically homeless in our community; 2) the creation of housing units that are targeted to special needs and underserved populations who will greatly benefit from this project; 3) the low subsidy per unit to assist very-low Area Median Income (AMI) families, $23,529 per unit; 3) the guarantee by Homeward Bound of permanent affordability; 4) case management, agency staff, community partners and Homeward Bound's headquarters will be located directly on site to deliver on-site supportive services directly to residents; 5) the importance of this redevelopment as a critical strategy in ending chronic homelessness and a key component of the Continuum of Care, providing an exit from homelessness to housing for people with the most complex needs; and 6) the importance of this redevelopment to the future success of the 85 individuals and families to be housed, and the unique 30 plus year relationship between the City of Asheville and Homeward Bound;

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

The City Council of the City of Asheville hereby authorizes the City Manager to negotiate and enter into a grant agreement with the Homeward Bound for $2 million in City funding in support of the acquisition of the Days Inn on Tunnel Road in accordance with the terms and conditions stated herein.

Read, approved and adopted the 27th day of July, 2021.

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City Clerk Mayor

Approved as to form:

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City Attorney

ORDINANCE NO. _____

BUDGET ORDINANCE AMENDMENT

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE

That the City of Asheville Fiscal Year 2021-22 Budget Ordinance be amended to add an appropriation of $2,000,000 and amend the Special Revenue Fund as follows:

SPECIAL REVENUE FUND

Revenues:

Federal Revenue Distribution - ARPA	$2,000,000
Total Revenues	$2,000,000

Appropriations:

Grant Agreement / Acquisition	$2,000,000
Total Appropriations	$2,000,000

That this ordinance shall be in full force and effect upon the date of final passage.

Read, approved and adopted this the 27th day of July 2021.

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City Clerk Mayor

Approved as to form:

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City Attorney