THE CITY OF ASHEVILLE

STAFF REPORT

City Council Meeting: May 25, 2021

Subject: Juna Group Inc. - Housing Trust Fund - Return of Funds

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

Action Requested: Request to rescind the Housing Trust Fund award of $1,100,000 as requested by Juna Group Inc.

Background:
- City Council approved Juna Group Inc.'s Housing Trust Fund award for $1,100,000 on September 22, 2020, Resolution #20-169.
- The award was to develop eleven, for-sale, affordable homes at Alice Clement Lane.
- Since September, staff has worked closely with the developer to close on the loan.
- Conditions of the Housing Trust Fund policy were becoming difficult to meet and the loan was never closed on.
- The developer has since requested to return the Housing Trust Fund award citing the increased price for materials and labors which has made it no longer possible to build and sell to individuals and families at or below 100% Area Median Income (AMI) per the Housing Trust Fund guidelines and remain profitable.

Council Goal(s):
- Quality Affordable Housing

Committee(s):
- Housing and Community Development Committee (HCD) April 20, 2021 - Approval.

Pro(s):
- While this development is no longer feasible, funds will be returned to the Housing Trust Fund balance for future use.

Con(s):
- Increasing construction costs are making it difficult for all developers to add affordable housing units.

Fiscal Impact:
- The proposal and resolution will unallocate $1,100,000 awarded to the Juna Group and reallocate these funds back to the City's Housing Trust Fund balance for future use and loans.

Suggested Motion:
- Motion to approve the request by Juna Group Inc. to rescind the $1,100,000 Housing Trust Fund award and reallocate funds to the Housing Trust Fund available balance.

Attachment(s):
- Resolution
- Resolution #20-169
- Al Clement"s Request

RESOLUTION NO. 21-_____

RESOLUTION APPROVING THE RESCISSION OF THE HOUSING TRUST FUND LOAN PREVIOUSLY AWARDED TO THE JUNA GROUP AND THE REALLOCATION OF THESE TO THE HOUSING TRUST FUND BALANCE

WHEREAS, on September 22, 2020, Resolution #20-169, the City of Asheville awarded a Housing Trust Fund Award to the Juna Group Inc. in the amount of $1,100,000, to be secured by a promissory note and deed of trust, for the development of eleven (11) affordable homes at Alice Clement Lane; and

WHEREAS, the Juna Group has informed the Community Development Department that due to increased costs for building materials and labor, the homes can no longer be built and sold in accordance with the Housing Trust Fund guidelines and therefore, requests a return of the HTF aware; and

WHEREAS, $1,100,000 will be returned to the Housing Trust Fund balance;

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

The Housing Trust Fund Award of $1,100,000 made to the Juna Group, Inc. is hereby rescinded and these funds shall be reallocated to the Housing Trust Fund balance.

Read, approved and adopted this 25th day of May, 2021.

_____ _____

City Clerk Mayor

Approved as to form:

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City Attorney