Amend 20-21 Annual Action Plan $1.6M CDBG PI

City Council

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THE CITY OF ASHEVILLE



Key Takeaways

- The City of Asheville has received $1.6M in CDBG Program Income (PI) from the sale of land at 172-174 S. Charlotte St. *Program Income includes any misc. income generated from a prior use of CDBG funds.*
- This funding must be spent by May 1, 2021, to pass our annual HUD Timeliness Test, *which means we cannot have more than 1.5 times our annual allocation or $1.5 M for Asheville.*
- The City has a 21 acre parcel of land under contract that can be purchased for approximately $1.5M by May 1, 2021.
- HUD has a longstanding policy of reducing the next year's CDBG grant allocation if the funds aren't spent in a timely manner.

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HUD Timeliness Test

- "Timely performance" means compliance with the requirement that a CDBG Entitlement grantee must carry out its program in a timely manner, as measured by the rate of expenditure of funds from the grantee's Line of Credit (LOC).

- A CDBG Entitlement grantee, in accordance with the CDBG regulations, must have a balance no greater than one and one-half (1.5) times (Spend Rate) its annual grant remaining in the Line of Credit, 60 days prior to the end of the program year (May 1, annually).

- Based on a $1M annual allocation, the **City of Asheville can have no more than $1.5M** in our LOC on May 1st or we fail our Timeliness Test.

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Background - 172 & 174 S. Charlotte Street

- The economic development partnership with White Labs began in 2015 with a 5 year plan that included the sale of 172 & 174 S. Charlotte Street. A portion of this site includes land purchased by the City through Urban Renewal in the 1970s.

- This land was listed as exempt in the City's decision in 2020 to suspend the sale of City-owned land acquired through Urban Renewal.

- The company has met their milestones and the City has sold the land to fulfill the obligations in the contract.

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Background - 172 & 174 S. Charlotte Street

- The sale occurred in late 2020 and the City received $3.7M in revenue, with $1.6M classified as CDBG PI due to the ties to Urban Renewal.

- The $1.6M must be spent on CDBG eligible activities to benefit Low to Moderate Income (LMI) Individuals and Families and in accordance with the Timeliness Test.

Timeline

- Staff has been aware for over a year that this property sale would occur and received as CDBG PI.

- Originally, a closing of May, 2020, was planned, giving CED more flexibility with the spend and Timeliness Test, nearly 1 year.

- Staff recognized this $1.6M transaction in the 20/21 Action Plan that was passed in November, 2020, as expected income with a plan to follow.

Timeline

- With COVID and standard real estate closing delays, the closing date shifted and ultimately did not happen until late December, 2020.

- Staff immediately began to document how this funding could be spent to benefit LMI Individuals & Families, on an eligible activity and with very limited options based on the HUD Timeliness Test.

- Additionally, staff contacted HUD to get clarification about any waivers or extensions that could be given to determine if it was possible to extend the timeframe on the City's Timeliness test and/or to develop a plan to spend the money.

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Land Purchase - 65 Ford Street

- In February 2020, City Council approved the purchase of 65 Ford St. using Affordable Housing Bond (Land Banking) funds.

- Staff shared at the January 2021 Affordable Housing Work Session that this land is part of a larger 60 acre redevelopment opportunity in partnership w/ HACA & Purpose Built Communities (PBC).

- Nationally recognized PBC's vision is to make holistic community investments in housing, including homeownership, education, community & recreation to achieve equitable outcomes for all.

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Land Purchase - 65 Ford Street

- The City's intent with this land purchase is to improve the lives of low and moderate income residents, end the cycle of intergenerational poverty, create greater racial equity, support & promote economic mobility, and improve the health and education outcomes for families and children.

- This land acquisition will kickstart an approximate year-long community engagement and planning process.

- Due diligence (surveys, geotech and environmental assessments) on the site is complete and this acquisition is a strategic use of these one-time CDBG funds.

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Land Purchase - 65 Ford Street

- Staff is working on a framework to move forward with a master planning process for the 65 Ford Street and the Cedar Hill property would have mixed income, mixed use and various ownership models.

- The masterplan *could* but doesn't *require* the City work with HACA.

- Any agreements to partner on the project will need approval from City Council.

- Staff understands that HACA has been working with the residents on a vision for the rebuild of Deaverview Apartments including a strategy to keep residents from moving twice.

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Recommendation

- The HUD Timeliness Test limits the City's options on this spend.
- This $1.5M purchase of 65 Ford Street invests CDBG PI back into the community with a plan for affordable housing, ***including homeownership***.
- This land purchase is an eligible use of CDBG PI, is timely to remain HUD compliant and frees up bond - land banking dollars for other housing initiatives.
- Staff has been working closely with HUD for guidance on this PI and have been reminded that if a grantee’s timely performance deficiency remains unaddressed, HUD will take corrective action that could result in sanctions.

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QUESTIONS

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