THE CITY OF ASHEVILLE

STAFF REPORT

City Council Meeting: September 22, 2020

Subject: Alice Place Housing Trust Fund Request - The Juna Group Inc.

Staff Resource(s): Sam Powers, Community & Economic Development Director
Paul D'Angelo, CD Program Director

Action Requested: Approve a request by The Juna Group Inc. to utilize a Housing Trust Fund Loan of $1.1M to construct 11 affordable single family homes on property located at Alice Clement Lane in the Oakley area.

Background:

- Al Clement d/b/a, the Juna Group Inc., an African American Developer, has proposed the development of 11 single family homes available to be sold to individuals and families at or below 100% of the Area Median Income (AMI) on a 1.1 acre parcel (each home .10 acre) to be constructed on "Alice Clement Lane", currently known as Shakedown Street, (PIN #9657-88-4092) in the City of Asheville, directly off Broadview Street. All 11 homes are intended to be at least 3 bedrooms, 2 full baths and approximately 1300 sq. ft.
- Beginning in 2017, Al Clement purchased 4.8 acres, with 2.6 of the acres buildable.
    - Plans were submitted to the City of Asheville to develop 19 lots on the 2.6 acres.
    - Approval was received June, 2018, and in July, 2018, construction began on infrastructure.
    - The Infrastructure and eight of the homes are either complete or will be completed soon.
    - The developer is requesting Housing Trust Fund dollars for the remaining eleven homes.
- The Juna Group Inc. consists of Al Clement, owner, and his brother David Clement, Project Manager.

Proposal:

- The developer seeks a loan of $1,100,000 from the City's Housing Trust Fund (HTF). The Juna Group Inc. needs this funding, $100,000 per home, to complete Phase 2 of 5 homes and Phase 3 of 6 homes for a total of 11 single family homes.
- The Juna Group Inc. is committing the property, the remaining 11 lots of 1.1 acres, (valued at $770,000) as equity.
- The Juna Group Inc. proposes to borrow $1.1M over a period not to exceed 2 years at 1% annual interest rate, with no payments due until the full payment is due, maximum 2 years.
- Units will be made available to qualified affordable individuals and families with a sale price of approximately $275,000, a sales figure that can work with a 100% AMI family.
- However, the developer with assistance from City staff, will attempt to find buyers below 100% AMI, down to 80% AMI, that can qualify for these 11 homes with the help of Down Payment Assistance Programs.
- The developer is committed to finding individuals and families, in partnership with the City and other agencies like Habitat for Humanity and affordable housing lenders, between 80%-100% to purchase these homes.
- The homes will come with a deed restriction of affordability for 10 years, meaning if the home is sold within that time period, the owner will sell it to another income qualified family at or below 100% AMI.
- The City will work in partnership to help find buyers that qualify and a sales figure that works.
- The developer has requested that if a qualified individual or family between 80% - 100% AMI can not be found within 6 months of the issuance of the Certificate of Occupancy, the developer can move to find an individual or family at or below 120% of AMI to purchase the home. Staff is

committed to assisting in the marketing effort of the home and finding a qualified buyer between 80%-100% AMI.

Council Goal(s):
- Quality Affordable Housing
- An Equitable and Diverse Community

Committee(s):
- HCD - August 18, 2020 - Unanimously approved

Pro(s):
- The project produces 11 homes for individuals and families at between 80% - 100% AMI at a location near the City's core, with good access to transit and essential services.
- The developer has successfully completed Phase 1 of Alice Clement Lane and demonstrated capacity with both Community Development and Development Services.
- Working with the Juna Group Inc. shows the City of Asheville's commitment to working with other developers, including for-profit developers, to be a part of the solution to affordable housing, both rental and homeownership.
- Affordable homes sold to individuals or families between 80% - 100% AMI at a sales price that better aligns with the incomes and wages produced in Asheville allows residents to have an opportunity to build wealth with homeownership.
- HTF loans for homeownership allow the funds to be paid back much quicker, at either the sale of the home, or a limited time period like 2 years.
- An affordability period of 10 years helps protect the City's investment in affordable housing.

Con(s):
- Loan amount per unit is above the Housing Trust Policy's recommendation of $20,000 per unit.
- The affordability period is just 10 years.

Fiscal Impact:
- The project would require $1,100,000 from the City's HTF.

Suggested Motion:
- Motion to approve The Juna Group Inc. request for a $1.1M in Housing Trust Fund to construct 11 affordable single family homes at the property located at Alice Clement Lane in the City of Asheville to be sold to individuals and families between 80% - 100% AMI.

Attachment(s):
- Link to application
- 2020 AMIs
- Map
- Appendix 2 - Homeownership AMI

RESOLUTION NO. 20-_____

RESOLUTION APPROVING THE HOUSING TRUST FUND LOAN AWARD REQUESTED BY THE JUNA GROUP INC. TO ALLOW THEM TO DEVELOP 11 AFFORDABLE HOMES FOR HOMEOWNERSHIP AT ALICE CLEMENT LANE AND AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE ALL DOCUMENTS NECESSARY TO GIVE EFFECT TO THIS APPROVAL

WHEREAS, on September 2, 2000, the City Council of the City of Asheville first appropriated funds and adopted policies and detailed program guidelines for administering a Housing Trust Fund to assist in the development and preservation of affordable housing in the City; and

WHEREAS, The Juna Group Inc. (developer) has requested a $1,100,000 Housing Trust Fund (HTF) loan for the development of eleven (11) affordable homes for homeownership, which are to be made available for purchase to individuals and families at or below 100% of Area Median Income (AMI), and

WHEREAS, the HTF loan is to be structured as a fund to remain available to be drawn upon as needed during construction of the 11 units, with the 1.1 acre of land at “Alice Clement Lane”, currently known as Shakedown Street, (PIN #9657-88-4092), to be used as collateral, valued at $770,000; and

WHEREAS, the HTF loan shall accrue interest at 1% annually, with no monthly payments due to until the full payment is due, within 2 years of the date of the HTF loan; and

WHEREAS, the homes sold will come with a deed restriction of affordability for 10 years, meaning if the home is sold within that time period, the owner will sell it to another income qualified individual or family at or below 100% AMI; and

WHEREAS, the City agrees that if a qualified individual or family at or below 100% AMI can not be found within 3 months of Certificate of Occupancy, the developer can move to find an individual or family at or below 120% of AMI to purchase the home; and

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

A Housing Trust Fund loan in the amount of $1,100,000, amortizing at 1.0% annual interest for a term not to exceed two (2) years to The Juna Group Inc. for the development of eleven (11) affordable homes for homeownership located at Alice Clement Lane (currently known as Shakedown Street, PIN #9657-88-4092) within the limits of the City of Asheville, to be made immediately available following loan closing. The eleven (11) homes are to be restricted for purchase to individuals and households earning 100% or less of the Area Median Income (AMI) with an affordability period of 10 years of affordability at 100% AMI, enforced by a deed covenant in a form acceptable to the City Attorney, with an option to go up to 120% of AMI if an income qualified buyer for the home can not be found within 3 months of the home’s Certificate of Occupancy (COO). Funds are to be repaid in full with interest within 2 years of the date of the HTF loan agreement with no monthly payments. The City Manager is hereby authorized to negotiate and execute any and all documents necessary to give effect to this approval.

Read, approved and adopted this 22nd day of September, 2020.

_____ _____

City Clerk Mayor

Approved as to form:

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City Attorney