THE CITY OF ASHEVILLE

STAFF REPORT

City Council Meeting: November 10, 2020

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

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

Action Requested: Approval of an amendment to the LUIG Policy last updated in October 2019.

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 and October of 2019.
- The draft LUIG is attached with recommended highlighted changes. A continued goal of Community Development is to make policies easy to comprehend, usable & equated to an investment dollar amount to be used as a source in a pro forma / balance sheet.
- Changes of note, as guided by discussions with City Council & Legal include the following:
    - An $80,000 per unit cap on subsidy over the affordability period;
    - At least 20% of the units (vs. 10%) must meet the affordability standards set by the City of Asheville for households earning 80% or less of the Area Median Income (AMI), to qualify for LUIG, along with an adjustment in points;
    - Clarity on -
        - Rental Assistance Scoring
        - Procedure for assessing Tax Value
        - Annual Rent Increases
        - LUIGI amount
        - The end of affordability period (Recommend Option 1 included in attachment)

Council Goal(s):

- Quality Affordable Housing
- An Equitable and Diverse Community

Committee(s):

- AHAC - March 5, 2020, approved for HCD; HCD - September 29, 2020; October 20, 2020, approved unanimously to move to City Council

Pro(s):

- The proposed amendments come from staff, legal, and City Council based on recent usage of the updated LUIG Policy dated October, 2019.
- The policy follows Community Development efforts of creating policies that are easy to comprehend, usable & equated to an investment dollar amount to be used as a source in a pro forma / balance sheet.
- A cap of $80,000 per unit follows the recommendations from the City Affordable Housing Workshop that occured on September 6, 2019.

- A build with 20% units affordable requiring some level of subsidy follows the recommendations from the City Affordable Housing Workshop that occured on September 6, 2019.

Con(s):
- The proposed cap could deter developers from accessing LUIG and in turn lead to fewer affordable units.

Fiscal Impact:
- In terms of the financial impact to the City, future LUIG grant subsidies should remain the same or potentially go down.

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

Attachment(s):
- Resolution
- Appendix 1 - Affordable Rents
- End of Affordability Period Options
- Current Land Use Incentive Grant Policy, dated October 22, 2019
- Draft Land Use Incentive Grant with updates & suggestions

RESOLUTION 20-

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 October 22, 2019; 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 an increase in the percentage of units required to be affordable at or below 80% AMI from 10% to 20% and implementation of cap of the LUI grant amount to $80,000 per unit subsidy;

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 October 22, 2019, adopted (Resolution No. 19-245) 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 10th day of November, 2020.

_____ _____

City Clerk Mayor

Approved as to form:

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City Attorney