THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: March 10, 2026

Subject: Housing Trust Fund loan for Stewart Street Cottages

Staff Resource(s): Sasha Vrtunski, Affordable Housing Officer
Nikki Reid, CED Director
Jannice Ashley, Senior Assistant City Attorney

Action Requested: Adoption of a resolution to rescind the $1,052,850 Housing Trust Fund loan to Reasonable Development, originally approved in 2023.

Background:

- On April 25, 2023, City Council approved a loan to Reasonable Development for $1,052,850, Resolution 23-92.
    - The award was for the development of 10 affordable, for-sale cottages on Stewart Street in West Asheville, PINs 9638-51-1711, -1760, -2720, -2679, -3638.
    - The project was estimated to have 10 for-sale homes, affordable to households at or below 100% of AMI: 2 for 60% AMI, 6 for 80% AMI, and 2 for 100% AMI.
    - The application proposed a 20-year affordability period.
    - Loan terms: loan amount $1,052,850; 3-year term, 2% compounding annually, 2nd lien position; a portion of HTF will be repaid from home sale proceeds, another portion of HTF to be used as down payment assistance.
    - The loan was to be used for construction and accounted for 43% of the total development cost per unit ($242,500).
    - After construction, up to $500,000 of the $1,052,850 would be put towards down payment assistance for buyers.

- Since approval, staff has been working with Reasonable Development (owner, Barry Bialik) to develop an agreement based on the application to close the loan.
- In July 2025, the developer sent a list of requested changes to a draft deed restriction and draft Housing Trust Fund agreement. These requested changes materially altered the project from homeownership units to rental units and included an affordability buyout option in the event the deed restrictions are not upheld by the future owners. These changes are outside of the original Council approval (detailed below) and do not comply with the City's Housing Trust Fund Policy.
    - **Change of Project Use:** Request to shift the project from for-sale homeownership to have an option to sell to investors for rental housing, with the units still restricted to the original income limits (60%, 80%, and 100% AMI) and a minimum 6-month lease term (no short-term rentals).
    - **New Deed Restriction Clauses:** Request for a flexible deed restriction. If units are sold to a non-eligible buyer, the seller will pay the City twenty-five percent (25%) of the Excess Proceeds. The request also includes an option for the seller to terminate the affordability restriction upon payment of fifty percent (50%) of the Excess Proceeds. "Excess Proceeds" is defined as the portion of the sale price that exceeds the maximum allowable resale price calculated in accordance with this Deed Restriction.
- The developer has already built 2 of the homes and has found funding from other sources to make them affordable without using City funding.

Staff Analysis:

- The complexity of the proposed deal structure is untested in the City's portfolio and would create significant uncertainty about the future affordability of the units. Traditionally, the agreement between a developer and the City lays out a clear period of affordability, and even if it's shorter, it is certain.
- It is unclear whether City funding is needed for the construction of the homes.
- The updated proposal is a material change from the original proposal, going from the approved affordable homeownership opportunity to a potentially investor-owned rental structure. It would trigger a new application for the project.
- A funding round for homeownership projects will take place in the second half of 2026. The developer could propose this hybrid approach at this time, and staff would have all the application materials available to make a recommendation.
- If Reasonable Development would like to pursue a rental project, low-interest loans are available through the WNC Affordable Housing Loan Fund, which requires a minimum of 5 units, including single-family homes.

Council Goal(s):

- An Equitable and Diverse Community
- A Well-Planned and Livable Community
- Quality Affordable Housing

Committee(s):

- The Housing and Community Development Committee met on February 17, 2026 and voted to recommend approval, 3-0.

Pros:

- Rescinding the approval for $1,052,850 will allow the City to reallocate other bond resources to other critical projects, such as home repair.

Cons:

- None noted.

Fiscal Impact:

- Rescinding the approval for $1,052,850 will return those funds to the Housing Trust Fund.

Staff Recommendation:

- Staff recommends rescinding the $1,052,850 loan to Reasonable Development for 10 homeownership units.

Suggested Motion:

- Motion to authorize a resolution to rescind the $1,052,850 Housing Trust Fund loan previously awarded to Reasonable Development LLC and reallocate funds to the Housing Trust Fund available balance.

Attachments

- Resolution 23-92
- Presentation

RESOLUTION NO. 26-_____

RESOLUTION APPROVING THE RESCISSION OF THE HOUSING TRUST FUND LOAN PREVIOUSLY AWARDED TO REASONABLE DEVELOPMENT, LLC AND THE REALLOCATION OF THE FUNDS TO THE HOUSING TRUST FUND BALANCE

WHEREAS, on April 25, 2023, Resolution #23-92 the City of Asheville awarded a Housing Trust Fund Award to Reasonable Development LLC in the amount of $1,052,850, to be secured by a promissory note and deed of trust, for the development of ten (10) affordable for-sale homes on Stewart Street, PINs 9638-51-1711, -1760, -2720, -2679, -3638; and

WHEREAS, the property owner, Reasonable Development LLC, is unable to commit to the homes being used for homeownership as approved on April 25, 2023; and

WHEREAS, Reasonable Development has requested different loan agreement terms that no longer ensure the affordability of the built homes; and

WHEREAS, the requested changes are not in line with the existing Housing Trust Fund policy and would require a new application; and

WHEREAS, the City of Asheville has informed Reasonable Development LLC that the loan will be rescinded so that the funding may returned to the available Housing Trust Fund balance; and

WHEREAS, the City has not executed any formal agreements nor has it issued any payments of Housing Trust Funds for this purpose; and

WHEREAS, upon rescission of the award to Reasonable Development LLC, $1,052,850 will be reallocated 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 $1,052,850 made to Reasonable Development LLC is hereby rescinded and these funds shall be reallocated to the Housing Trust Fund balance.

Read, approved, and adopted this 10th day of March, 2026.

_____ _____

City Clerk Mayor

Approved as to form:

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City Attorney