Community Development Block Grant - Disaster Recovery (CDBG-DR) Multi-Family Housing

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City Council

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Key Takeaways

- On May 12, 2026, City Council adopted a resolution authorizing the award of CDBG-DR multi-family housing funds to Commonwealth Development Corporation (District East Commons), and Laurel Street (319B Biltmore) totaling $8.39 million to construct 205 rental housing units.
- Staff recommends also awarding $9.5 million to Mountain Housing Opportunities and South Creek Development for the top-ranked Terrace at River Hills project, to support 126 housing units.
- The initial motion to award this project failed to move forward. The project is being reconsidered because it was the top-ranked, most shovel-ready applicant recommended by City staff. Unlike competing projects that rely on complex dependencies of future funding approvals, the land for Terrace at River Hills is vacant and ready for development.
- Because there are no external funding contingencies, the City's investment is immediately actionable, avoiding the typical multi-year delays that often encumber affordable housing projects.
- To proceed, the City Council must authorize an amendment to the May 12 Council Resolution to additionally authorize an agreement between the City and developers Mountain Housing Opportunities/South Creek Development (Terrace at River Hills) and award CDBG-DR Multi-Family Housing funds for construction.

CDBG-DR Multi-Family Program Priorities

The Multi-Family Housing Construction Program must comply with federal regulations, and the notice of funding opportunity was refined to reflect additional priorities:

- **Disaster-Resilience Characteristics:** Integrating Enterprise Green Communities (EGC) standards to mitigate multi-hazard risks, including the implementation of Adaptive Planning and Resilient Site Design for advanced flood protection.
    - Within the framework of the NOFO and each project's unique circumstances, staff commits to right-sizing the mitigation components of each project as the building plans and loan agreements are finalized, so that no project is burdened by unnecessary costs.
- **Mixed Income Housing:** Properties developed under this program will have units available at a range of incomes and will operate as 'mixed-income' properties in compliance with LIHTC Income Averaging.
- **Deep Affordability:** Eligible projects must set-aside at least 5% percent of units at rents affordable at 20% AMI, and for occupancy by households with incomes at or below 30% AMI for a period of 35 years. These units may be overlaid with project-based rental assistance offering housing to even the most financially vulnerable.
- **Strategic:** Ensure these funds provide a lasting impact to Asheville's overall affordable housing while remaining in compliance with local, state and federal regulations.

Notice of Funding Opportunity (NOFO)

- A CDBG-DR Affordable Multi-Family Housing Construction notice of funding opportunity (NOFO) closed on February 25.
    - 13 applications were received and 12 eligible applications have been considered, totaling 1,481 units proposed, $453.5 million in total development costs; and $70.4 million in City CDBG-DR funds requested.
- Scoring criteria were published in the NOFO, consistent with the CDBG-DR Action Plan and Affordable Multi-Family Housing Construction Program Manual.
    - Applications were scored using a 100-point scale, with points earned via:
        - Financial efficiency
        - Affordability
        - Disaster resilience
        - Commitments to long-term viability
        - Shovel readiness.

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Evaluation and Recommendation Process

- Context of available funding to provide gap financing to these projects:
  - The North Carolina Housing Finance Agency (NCHFA) is administering (1) tax credit awards *and* (2) the State's CDBG-DR funding in this current cycle.
  - The 2026 QAP has indicated that each Helene-impacted County will received one State CDBG-DR funding award and, if funds remain, counties are eligible to receive a second State CDBG-DR award.
- Timeline and expediency:
  - The City's CDBG-DR funds must be expended within six years of the obligation date (i.e. January 16, 2031).
  - The tax credit financing process and multi-family development process are complex and take time.

To minimize risk, full funding is recommended, minimizing the risk of losing leverage or failing to meet federal expenditure milestones.

Terrace at River Hills - 110 River Hills Road, Asheville

Developer: Partnership of Mountain Housing Opportunities and South Creek Development

CDBG-DR Request: $9.5 million

Location: Site is vacant, and has no existing building improvements on premises

Housing Type: Family

- 4% LIHTC, 126 units (7 at 20%, 7 at 30%, 65 at 50%, 21 at 60%, 26 at 80%)
- 35 years affordability
- Total Development Cost (TDC): $42,538,741
- 1, 2, and 3 bedroom units



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Terrace at River Hills - 110 River Hills Road, Asheville

Funding Source	$ Amount	% of Total	$ Per Unit
1st Mortgage (1st Lien Conventional Portion)	$10.3 million	24.2%	$81,746
2nd Mortgage (2nd Lien WNC Affordable Housing Portion)	$5.73 million	13.5%	$45,476
Tax Credit Equity	$16.5 million	38.7%	$130,632
Asheville CDBG-DR Request	$9.5 million	22.3%	$75,397
Deferred Developer Fee	$549,109	1.3%	$4,358

Rationale for Recommendation

Fully funding this gap delivers immediate disaster recovery housing while honoring the integrity of the City's own competitive, transparent scoring process.

- Immediate & Shovel-Ready: The site is vacant with zero external funding contingencies; it requires only the City’s commitment to immediately unlock 4% tax credits and start construction this year.
- Disaster Resilience: Enterprise Green Communities certification.
- Higher Reserves: While NCHFA establishes baseline replacement reserve deposits, higher funding commitments were incentivized to protect long-term physical and financial viability.
- Long-Term Community Impact: Secures 126 units of resilient, multi-family housing with a guaranteed 35-year affordability window (20%–80% AMI), in a highly walkable location near major employers and transit.
- Data-Driven & Validated: Named the top-ranked applicant based on strict evaluation criteria.

Recommendations

To advance Council's Quality Affordable Housing vision and provide gap funding for the construction of affordable multi-family housing after Tropical Storm Helene, Staff recommend a CDBG-DR Affordable Multi-Family Housing Construction Program funding commitment of $9.5 million to support the top-scoring Terrace at River Hills project totaling 126 units. On May 5, HCD voted 2-1 to recommend this award.

Suggested Motion

Motion to amend Resolution No. 26-96 to authorize the additional award not to exceed $9.5 million of CDBG-DR Multi-Family Housing Program funds to Mountain Housing Opportunities/South Creek Development (Terrace at River Hills)

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