

Category Overview

Affordable Housing Programs

Funding Recommendation: \$30 Million

Project Justification

Asheville is in an affordable housing crisis that continues to worsen each year. Even with the increase in the number of rental units on the market, rental prices are still increasing. The Affordable Housing Score Card completed in January 2014 states that, "In 2013, the Asheville Consortium assisted with 402 affordable housing units, while the city of Durham assisted with 167 units." Even with our successful accomplishments, it is not enough.

The Bowen Report of January, 2015, stated that the City needs more than 7,000 housing units affordable to low and moderate income families by 2020. Our current pace to meet that need, supporting 100- 200 new units a year through our existing funding, falls far short of meeting that need, and short of Council's goal of 2,800 new units by 2022. Additional funding dedicated to affordable housing will help provide new housing solutions, as well as creates economic benefit through job creation, materials purchasing and secondary spending.

Many of the programs recommended in this package will require additional resources in the early years of the bond to establish processes and procedures. The staffing demands become less onerous as the programs become more established.

The city's comprehensive affordable housing strategy includes the recommendation for additional dedicated funding for affordable housing through:

- Creating diverse housing choices in every neighborhood.
- Facilitating the creation of a variety of housing options in every part of the city, including existing single-family neighborhoods and commercial districts.

Recommended Programs/Initiatives

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| 1. Homeownership Developer Loan Program | - \$7 M |
| 2. Increased Housing Trust Fund | - \$5 M |
| 3. Community Land Trust Formation | - \$3 M |
| 4. Land Banking or Repurposing City Owned Land | - \$15 M |

<p>Project Detail</p> <p>Affordable Housing - Homeownership Developer Loan Program</p>
<p>Funding Recommendation: \$7 million</p>
<p style="text-align: center;">Project Justification:</p> <p>The lack of homeownership opportunities, coupled with strong demand for both long and short term rentals, also depletes the for-sale housing stock, as well as escalates pricing. It also bears noting that 75% of the ownership supply gap is needed by households aged 55 or older.</p> <p>The 2015 Bowen Report indicated an anticipated deficit of 3,800 units available for sale to households earning 120% or less of median income by 2020 in Asheville and Buncombe County. Market data for Asheville and Buncombe County shared by the Land of the Sky Association of Realtors (LOTSAR) shows that the median home price in Asheville has risen higher than pre-2008 levels, reaching a new record high of \$250,000 in the first quarter of 2016. Homes costing less than \$200,000 represent 13% of the current for-sale inventory in Asheville and Buncombe County, and on the average, spend less than 2 months on the market before sale closing. As pointed out by Bowen, the market segment of those looking for housing at these price points represents 75% of the market seeking to purchase in Asheville.</p>
<p style="text-align: center;">Proposed Investment:</p> <p>The Affordable Homeownership Developer loan program would remove the barrier for credit worthy and experienced developers to build affordable, dense housing by providing secondary construction loans that would mitigate the superior conventional loan risks to the banks, and allow for sufficient financing for construction and sale.</p> <p>Preliminary suggested guidelines are as follows:</p> <ul style="list-style-type: none"> • Maximum loan: \$5 million • Minimum loan: \$500,000 • Anticipated leveraging: 50% private to 50% program funds • Interest rate: same as conventional rate • Term: three years (construction lending only) • Minimum Units Per Loan: 6 • Range of sales price of completed units: \$125,000- \$175,000 • Transferrable to homeowner: No • Estimated number of units created: first allocation: 200 • Estimated number of units created, second (revolved allocation): 200

Ways this project fulfills a Master Plan or addresses a current need:

The city’s comprehensive affordable housing strategy includes the recommendation for additional dedicated funding for affordable housing through:

- Creating diverse housing choices in every neighborhood.
- Facilitating the creation of a variety of housing options in every part of the city, including existing single-family neighborhoods and commercial districts.

Community impacts and project benefits:

This project would create 250-400 new ownership housing units for households earning 120% or less of median income in seven years by providing construction term financing to developers. According to national averages from the National Association of Home Builders, the additional economic benefit of construction of 100 units is estimated to be \$11.7 million in local income, \$2.2 million in taxes and other revenue for local governments, and 161 local jobs. Annual City of Asheville property taxes (assuming a current tax rate of \$.475/\$100) would be estimated at \$118,750 to \$285,000. The construction loan element also provides a revolving source of funds for an ongoing program, or the ability to provide funds for some bond repayment.

Impact to current work plans and project schedules:

Staff would manage this program within the existing Housing Trust Fund. Program guidelines already allow construction financing for homeownership, but no applications have been received in the past five years for this purpose, due to the size of and current priorities for the Fund. Staff anticipates that it would take approximately two years for the first “pipeline” of projects to be ready for funding; that the units constructed would be sold within 24 months of the commencement of construction, and that second round of funding could be available at that time.

Ongoing operations and maintenance costs after project completion:

The administration and management would be within the Community Development Division, by staff responsible for the management of the Housing Trust Fund. One added full-time staff person would be required to manage this and the other affordable housing initiatives proposed.

Alternative funding sources outside of General Obligation bonds:

Assuming level funding for the Housing Trust Fund and current anticipated commitments for CIP funding, no alternative funding sources are available for this purpose. Recent conversations with financing institutions do not lead us to anticipate significant changes in national credit policies that would return credit availability for residential condominium developments to pre-2008 conditions.

Recommended Schedule

INITIATIVE	AMOUNT	TIMING without bond	TIMING with bond
Homeownership Developer Loan Program	\$7 million	Unknown as no funding allocated	\$3.5 M available in June 2019 \$3.5 M available in December 2020
TOTAL	\$7 million		

Project Detail
Affordable Housing - Housing Trust Fund Enhancement for Rental Housing
Funding Recommendation: \$5 million
<p style="text-align: center;">Project Justification:</p> <p>The City currently has an Affordable Housing Trust Fund that is succeeded in adding funding for 350 units. During each cycle, the City receives requests for more funding than available. Adding additional funding to this existing initiative in the amount of \$1,000,000 each year in loans will increase the number of units produced by a minimum of 50 each year.</p> <p>The 2015 Bowen Report indicated an anticipated deficit of 3,580 rental units for households earning 120% or less of median income by 2020 in Asheville and Buncombe County. Half of that supply gap is for households earning 60% or less of area median income. Rental housing developers at every point on the continuum (ADUs through larger scale tax credit development) need long-term patient capital to allow lower, affordable rents provide sufficient ROI and operating capital. Recent HTF demand suggests that flexible loans that act like equity are important elements of achieving both the rental housing and private investment return outcomes necessary for successful, long-term affordable developments.</p>
<p style="text-align: center;">Program/Initiative Details:</p> <p>\$5 million (an additional \$1 million annually to Housing Trust over 5 years) to be used for new rental unit production:</p> <ul style="list-style-type: none"> • Provide sufficient support (\$10,000- \$30,000 unit) to ensure 30 years affordability. \$2.5 million would yield approximately new 125 units. • Provide up to \$10,000 per unit to ensure 15-20 years of affordability. \$2.5 million would support approximately 250 new units. • Highest priority would be units affordable to households earning 60% or less of area median income, and those in locations that would reduce automobile dependence.

Investment made in the last 5 years:

Housing Trust Fund History, City of Asheville									
Year	Project	Developer	Amount	# of Afford. Units Funded	\$ per Unit	Loan Closed	Project Completed	Units complete	LIHTC Project
16	Simpson Street	Beaucatcher Commons	\$300,000	60	\$5,000	No	No	0	No
16	Virginia Ave.	Beaucatcher Commons	\$90,000	6	\$15,000	No	No	0	No
15	Nancy Street	Beaucatcher Commons	\$120,000	12	\$10,000	Yes	Under Constr.	4	No
14	Raleigh Marietta	Beaucatcher Commons	\$90,000	6	\$15,000	Yes	Yes	6	No
13	Marigold & Chapel Park	Beaucatcher Commons	\$150,000	8	\$18,750	Yes	Yes	4	No
12	West Chapel Road	Beaucatcher Commons	\$120,000	6	\$20,000	Yes	Yes	6	No
12	Johnston Cottages	Beaucatcher Commons	\$200,000	18	\$11,111	No	No	0	No
11	Shiloh Road	Beaucatcher Commons	\$80,000	4	\$20,000	Yes	Yes	4	No
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14, 15, 16	Smith Mill Place/Oak Hill Commons	Biotat	\$520,000	36	\$14,444	No	No	0	No
12, 14	Givens Gerber Park	Givens Estates	\$500,000	120	\$4,167	Yes	Under Constr.	0	Yes
16	Housing for Homeless	Groce United Methodist	\$30,000	2	\$15,000	No	No	0	No
16	Commonwealth Court	Hearthstone	\$128,000	16	\$8,000	No	No	0	No
16	White Pine	Leah Kim	\$150,000	15	\$10,000	No	No	0	No
12, 14	Eagle Market Place	MHO	\$800,000	30	\$26,667	Yes	Under Constr.	0	Yes
12	Glenn Rock Hotel	MHO	\$387,000	22	\$17,591	Yes	Yes	22	No
Totals			\$3,123,106	365	\$14,421			50	

Ways this project fulfills a Master Plan or addresses a current need:

The 2015 Bowen Report provided data regarding rental housing needs in Asheville. According to that report, Asheville and Buncombe County will need 5,600 affordable rental units by 2020, with 70% of those needed by households earning 80% or less of area median income. That report found that among all renters, 44.7% were cost burdened, paying more than 30% of their annual gross income for rent, and 20.7% were severely cost-burdened, paying more than 50% of their annual gross income for rent. The study also found that the vacancy rate for affordable rentals in Asheville was effectively 0%. These findings led the City to make affordable housing rental production the #1 priority of the 2015-2019 Consolidated Plan.

Community impacts and project benefits:

Assuming an average investment of \$15,000 per unit, this additional investment would yield 300 new affordable rental units, most of them affordable to households earning 60% or less of area median income, and would keep those units affordable for an average 25 years. The additional economic benefit would be similar to that estimated for ownership, approximately \$11 million for each 100 units.

Impact to current work plans and project schedules:

The project assumes the continuing demand for Housing Trust funds for rental projects, within the annual working cycle already established for the fund. An additional work burden would be generated by the additional underwriting, loan administration, and performance monitoring required.

Ongoing operations and maintenance costs after project completion:

This and the other proposed housing initiatives would require an additional full-time staff person.

Alternative funding sources outside of General Obligation bonds

Affordable rental projects in the City compete for resources with other projects from the state and region. Asheville is the lead member of the Asheville Regional Housing Consortium, which is funded by HUD through the federal HOME program. These federal funds have been reduced by 60% in the past seven years. Projects also compete in the Low Income Housing Tax Credit program administered by the NC Housing Finance Agency. Approximately 30 of 120 applying projects are funded statewide annually. \$3.1 million of New National Housing Trust Funds will be available in NC in 2017. However, it is our understanding that these funds will be used primarily to write down rents to create affordable units for households at 30% of median income, rather than be used in new unit production.

Recommended Schedule

INITIATIVE	AMOUNT	TIMING without bond	TIMING with bond
Increase in Funding for Housing Trust Fund	\$5 million	The current CIP includes approximately \$4.5 M for affordable housing in the next 5 years. These funds are not specifically dedicated to the Housing Trust Fund.	\$1 M per year for 5 years available in FY 2020.
TOTAL	\$5 million		

<p>Project Detail</p> <p>Affordable Housing - Community Land Trust Start-Up</p>
<p>Funding Recommendation:</p> <p>\$3 million</p>
<p style="text-align: center;">Project Justification:</p> <p>Gentrification is changing the face of Asheville’s neighborhoods, with documented impact in the City’s historically low-wealth, minority Census Tract 9, as well as in areas throughout the City. With the median house price at \$250,000, the ability of moderate income working households to own a home near places or work, school and services is deteriorating. The creation of a Community Land Trust, with the goal of making housing permanently affordable, has been recommended as a necessary element in Asheville’s affordable housing toolkit. A five year program of support would help build sustainable capacity, including local governance, staff and portfolio.</p>
<p style="text-align: center;">Proposed Investment:</p> <p>Support the establishment of a Community Land Trust, either as a program initiative of an existing non-profit organization or as a free-standing not-for-profit enterprise.</p> <ul style="list-style-type: none"> • Operating support: \$100,000 annually for five years, with an incremental increasing match required beginning in year 3. • Portfolio support: Property purchase subsidy sufficient to develop a portfolio of at least 100 homes in seven years. Average subsidy per unit needed is \$30,000. Total subsidy: \$3 million, leveraged by \$30 million of private financing. • City participation on initial Board of Directors. • Could be subsidiary or program of existing affordable housing provider or growth of existing CLT, but local governance is key. • Focus would include purchase of existing homes in gentrifying neighborhoods, CLT dedicated units in new homeownership developments supported by AHDL program (above), and collaborations with Habitat, others.
<p style="text-align: center;">Investments made in the last 5 years:</p> <p>The City’s support for homeownership has been primarily through two mechanisms: providing support for down-payment assistance, or providing infrastructure funding. In those cases repayment of the assistance provided has funded new loans for homeownership, and supported the costs of providing that service; or the repayment has been deferred or forgiven. The establishment of a place-based affordability program has been the hallmark of assistance provided for rental housing, with a period of affordability (and the hope for even longer-term sustained affordability) a key expectation. However, a place-based strategy has not been incorporated to date into homeownership assistance programs in Asheville.</p>

Ways this project fulfills a Master Plan or addresses a current need:

The Alternatives to Gentrification report (June, 2015) provided evidence that gentrification in Census Tract 9 is now at an advanced stage. The report recommended that Asheville integrate permanent affordability into its housing toolbox. The previous year, the “Affordable Housing Scorecard” commissioned by the City recommended that the City explore Community Land Trusts as a best practice in affordable housing.

Community impacts and project benefits:

100 low and moderate income households who otherwise would not become homeowners and enjoy the benefits of ownership (including gaining equity) would do so. Because the model is based upon community stewardship of the land asset, community members would have more control over the future of their neighborhoods, with the opportunity to preserve diversity, long-term community stability and neighborhood engagement.

Impact to current work plans and project schedules:

After a community education and engagement process this year, the CLT formation and development process will be in the hands of community members. City staff will help facilitate initial pre-development processes, and then step back to allow the community process to develop. By providing start up operating and capital support outside of current funding programs, the emerging CLT will not need to siphon funding from other, existing affordable housing programs. Staff monitoring of the CLT will be necessary, and participation in initial governance could be beneficial.

Ongoing operations and maintenance costs after project completion:

By providing start up operating and capital support outside of current funding programs, the emerging CLT will not need to siphon funding from other, existing affordable housing programs. Staff monitoring of the CLT will be necessary, and participation in initial governance could be beneficial.

Alternative funding sources outside of General Obligation bonds:

If GO funds are not provided, any CLT development will compete for CDBG, HOME, Housing Trust Funds, Strategic Partnership Program grants and other existing resources.

Recommended Schedule

INITIATIVE	AMOUNT	TIMING without bond	TIMING with bond
Community Land Trust	\$3 million	Unknown as no funding allocated	\$100,000 annually for operations and \$400,000 per year for capital
TOTAL	\$3 million		

<p>Project Detail</p> <p>Affordable Housing – Land Banking or Repurposing City Owned Land</p>
<p>Funding Recommendation:</p> <p>\$15 million</p>
<p style="text-align: center;">Project Justification:</p> <p>In order to meet the affordable housing needs of our community, it is important to prioritize development that includes a significant number of affordable housing units. Placing these units in a location that is close to where residents live, work and play reduces the dependence on cars, improving the quality of life for citizens as well as money spent on transportation.</p> <p>Many communities use land bank or repurpose existing city owned land as a strategy for increasing the affordable housing supply. Not only does this strategy add affordable housing units but it can be used to revitalize parts of the community that currently are underdeveloped.</p> <p>The Affordable Housing Collation surveyed many developers to identify barriers to affordable housing. One of the top issues was the cost of land. The City can leverage currently owned land to incentivize affordable housing that is “locationally” efficient for citizens.</p> <p>Some opportunities for the repurposing of city owned land would be the property on South Charlotte Street and West Haywood Street. Both locations currently house city facilities that could be relocated to provide for affordable housing.</p> <p>Additional locations for City owned property currently being evaluated by staff include property on Ashland Avenue and Hunt Hill. These locations have a smaller footprint and would not yield as many units.</p>
<p style="text-align: center;">Proposed Investment:</p> <p>The investment in this area could potentially include purchasing or repurposing existing property in locations close to transit and other services. The City could make that land available to a developer (through an approved process) in exchange for longer-term affordability.</p> <p>One investment could be in the relocation of the public services on South Charlotte Street. Property would be identified for relocation of the existing facilities. Necessary buildings would be constructed or renovated to accommodate the relocation of these facilities. The property on South Charlotte Street could be prepared for a mixed use development to include a significant number of affordable housing units. Part of this specific property would need environmental remediation prior to development.</p>

Investments made in the last 5 years:

Proposals for redevelopment of the Parks Maintenance property are due July 11, 2016. Other City property has successfully been made available for affordable housing (for example, the Carney Place development of Asheville Habitat), and other properties are currently under contract for that purpose. The costs associated with the relocation and site preparation for the Hilliard Street property are approximately \$1.2 million. This money is currently budgeted.

Ways this project fulfills a Master Plan or addresses a current need:

According to the 2015 Bowen report, approximately 5,600 new housing units for households earning less than 120% of median income are needed between now and 2020. Repurposing city-owned land could help produce affordable units to meet that need. For example, staff estimates that 300 to 400 units could be created on the current Fleet site. As noted in the Housing+Transportation study done in 2012 by the Center for Neighborhood Technology, the combined costs for housing and transportation exceed 50% of gross income for most Asheville households earning 80% or less of median income. The location of housing close to work, schools and services is a key element in long-term affordability.

Community impacts and project benefits:

Depending on the chosen site, 40- 400 new affordable housing units could be produced. As noted above, the location of affordable housing is as important as its creation, according to current best practices. Locations such as Fleet have transformative potential.

There are several benefits in addition to Affordable Housing for a project of this nature. There is an opportunity to relocate the city facilities to a facility that meets the current and future demands. Several of the City’s facilities such as fleet and transit operations are currently operating in old buildings that do not meet their needs.

Additionally, much like Eagle Market Place when completed, this project could serve as a catalyst for revitalization in a traditional African American neighborhood that suffered from Urban Renewal. This specific initiative would also eliminate a known Brownfield’s site, therefore, eliminating a potential environmental concern.

Impact to current work plans and project schedules:

The relocation of current facilities entails significant due diligence, inter-departmental collaboration and outside consultants. The reuse of properties not currently in active use (the former Purchasing site, for example) is logistically simpler. The assessment, due diligence and RFP process could be accomplished in a relatively short (less than two years) timetable, and within existing CIP budgets.

Ongoing operations and maintenance costs after project completion:

Operational cost for this initiative would decrease if existing city facilities were relocated. The new or renovated buildings would require less maintenance and may improve productivity.

If land banking is used as a strategy there would be no impact to operating costs.

Alternative funding sources outside of General Obligation bonds:

For extensive facility relocation projects, City CIP funding would be required. The land resource itself may be sufficient for housing and mixed-use redevelopment, if sufficient market-rate activity is programmed.

Project Schedule for Repurposing City Owned Land

South Charlotte Street

	AMOUNT	TIMING without bond	TIMING with bond
Identifying and purchasing land for the existing facilities to relocate to	\$5 million	Unknown as no funding allocated	FY 2017 – FY 2018 (1.5 years)
Developing construction plans for construction and/or renovation of purchased land	\$1 million	Unknown as no funding allocated	FY 2018 (1 year)
Construction and relocation of facilities	\$8 million	Unknown as no funding allocated	FY 2019 – FY 2021 (3 years)
Develop and implement remediation plans for Brownfield site	\$500,000	Unknown as no funding allocated	FY 2021 – FY 2022 (1 year)
Prepare site by demolishing and/or grading	\$450,000	Unknown as no funding allocated	FY 2022 (1 year)
Develop conceptual plan for South Charlotte Street with significant input from community	\$50,000	Unknown as no funding allocated	FY 2018 (1 year)
Develop and award project to a developer that would construct mixed-use development	N/A	Unknown as no funding allocated	FY 2022
TOTAL	\$15 million		