



AFFORDABLE HOUSING COMMITTEE

Presented by

Community Development Division Staff

October 17, 2023



AGENDA

- ✓ Call to Order & Welcome
- ✓ Public Comment
- ✓ Approval of Meeting Minutes: October 3, 2023
- ✓ New Business
 - Ferry Road and Feasibility Study Updates
 - Sustainability Incentives for Affordable Housing
 - Affordable Housing Services Program Revisions
 - DDA & QTC Updates
 - 2024 LIHTC QAP Comments
- ✓ Next Steps
- ✓ Announcements
- ✓ Adjourn



PUBLIC COMMENT



FERRY ROAD AND FEASIBILITY STUDY UPDATES

Sarah Odio



Affordable Housing on County-Owned Sites

Update to Affordable Housing Committee



SCHOOL OF GOVERNMENT

Development Finance Initiative



UNC School of Government



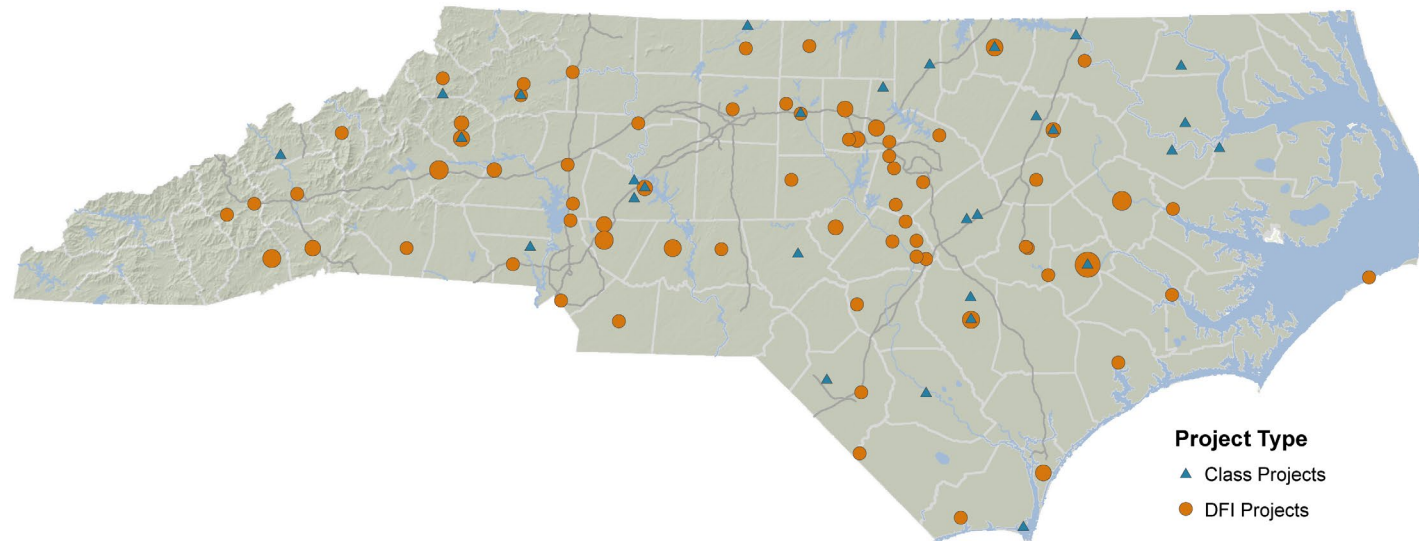
UNC Chapel Hill's School of Government is the largest university-based local government training, advisory, and research organization in the United States, and serves more than 12,000 public officials each year.

Development Finance Initiative (DFI)

DFI is a program of UNC Chapel Hill's School of Government that advises communities in NC to attract private investment for transformative projects by providing specialized real estate development and finance expertise.

Project Team

Sarah Odio, Marcia Perritt, and
Ethan Sleeman



Overview of Pre-Development Scopes

On Ferry Road, Coxe Avenue, Valley Street, and Erwin Hills, DFI has or will complete the following:

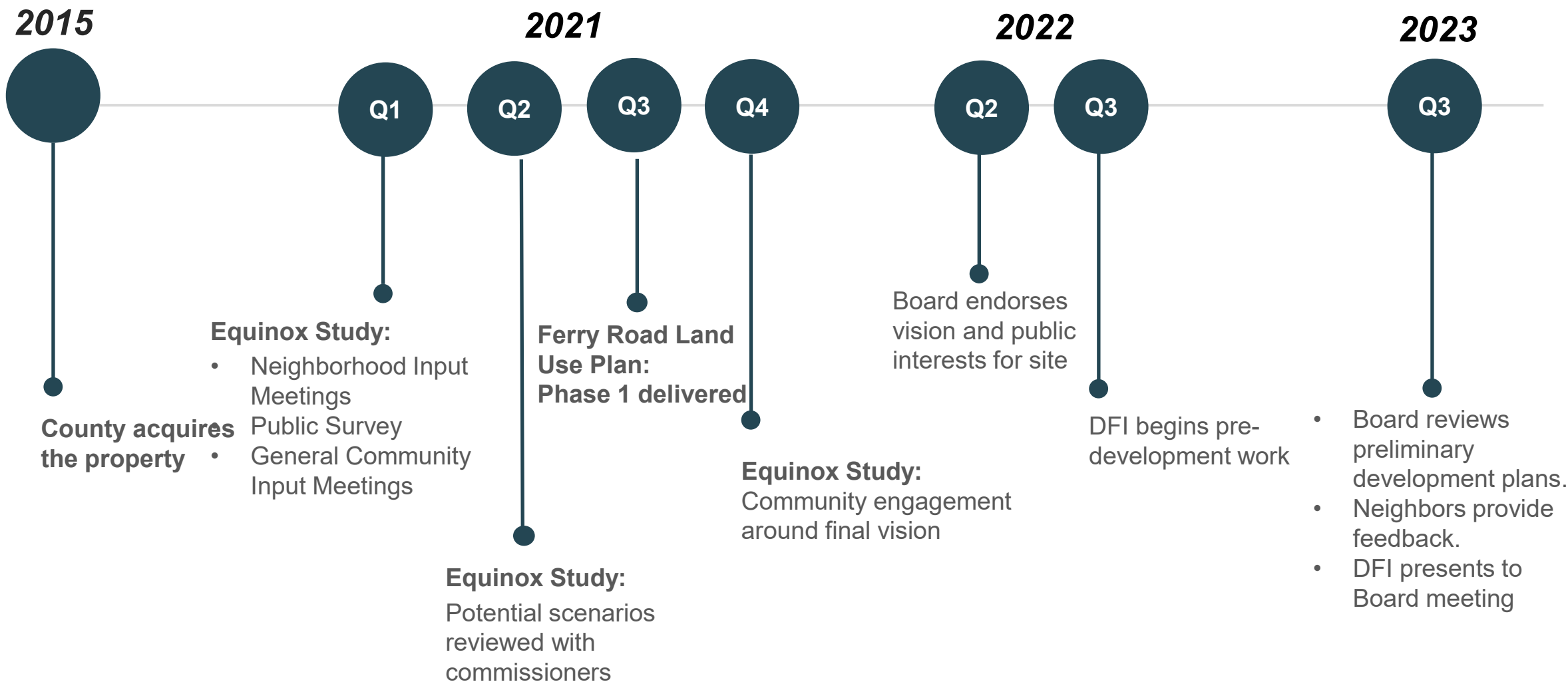
- Pre-Development Feasibility Analysis:
 - Site Analysis & Entitlement
 - Market Analysis + Housing Needs Assessment
 - Financial Feasibility
 - Public-Private Partnership Modeling
- Community engagement
- Solicitation of private development partner(s)
- Support County in negotiating development agreement with selected partners(s) - ongoing



Ferry Road



Ferry Road History



Guiding Public Interests

Development of the Ferry Road site should:

Create a diverse, mixed-income, multi-generational community

Be a model for sustainability & stewardship by conserving at least 55% of the site's natural resources

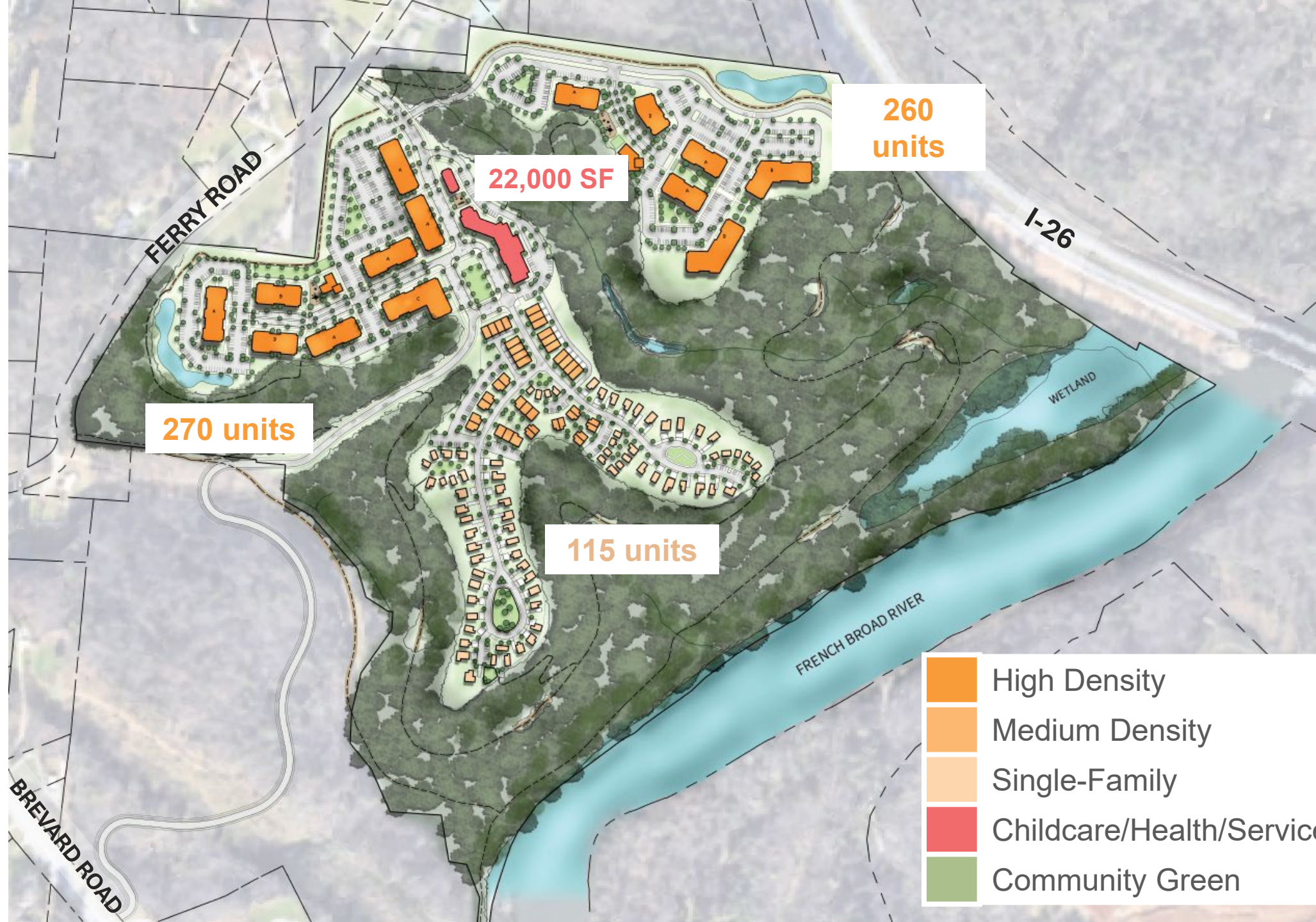
Be a hub and connector for recreational opportunities and provide equitable access to residents

Provide equitable transportation access and prioritize pedestrian and bicyclists

Include commercial or service-oriented uses that are “harmonious” with residential uses

Increase a well-paid, living wage work force by hosting commercial or specialized manufacturing employers

Optimize public investment and attract private investment



Key Community Features



- **Conserved Lands**
 - 72 conserved acres (approximately 60% of property)
- **Protected Waterways and Buffers**
 - 5,500 LF of FBR tributaries
 - 5,200 LF of FBR frontage
 - 1 ecologically-significant floodplain wetland
- **Parks**
 - 1 Community Green
 - 5 Pocket parks (estimated 0.75 acres)
- **Recreation**
 - 1.9 greenway miles
 - 1.7 trail miles
 - 3 trailheads with estimated 20 parking spaces
- **Community Services**
 - 22,000 SF for community services (e.g., childcare, health clinic)
- **Equitable Development**
 - Key features designed and collocated with housing for low/moderate income individuals



Sale Values: \$115K to \$400K+

Low Density

Medium Density

High Density



Low Density

Medium Density

Rents: \$375 to \$2,500+
High Density

Who will this community serve?

	30% AMI	50% AMI	60% AMI
1–Person Income	\$16,890	\$28,150	\$33,780

Earning <60% AMI



	Food Prep, incl Fast Food	Personal Care Aide	Childcare Worker
Annual Mean Wage	\$19,920	\$21,620	\$24,049
Max Rent	\$500	\$540	\$600

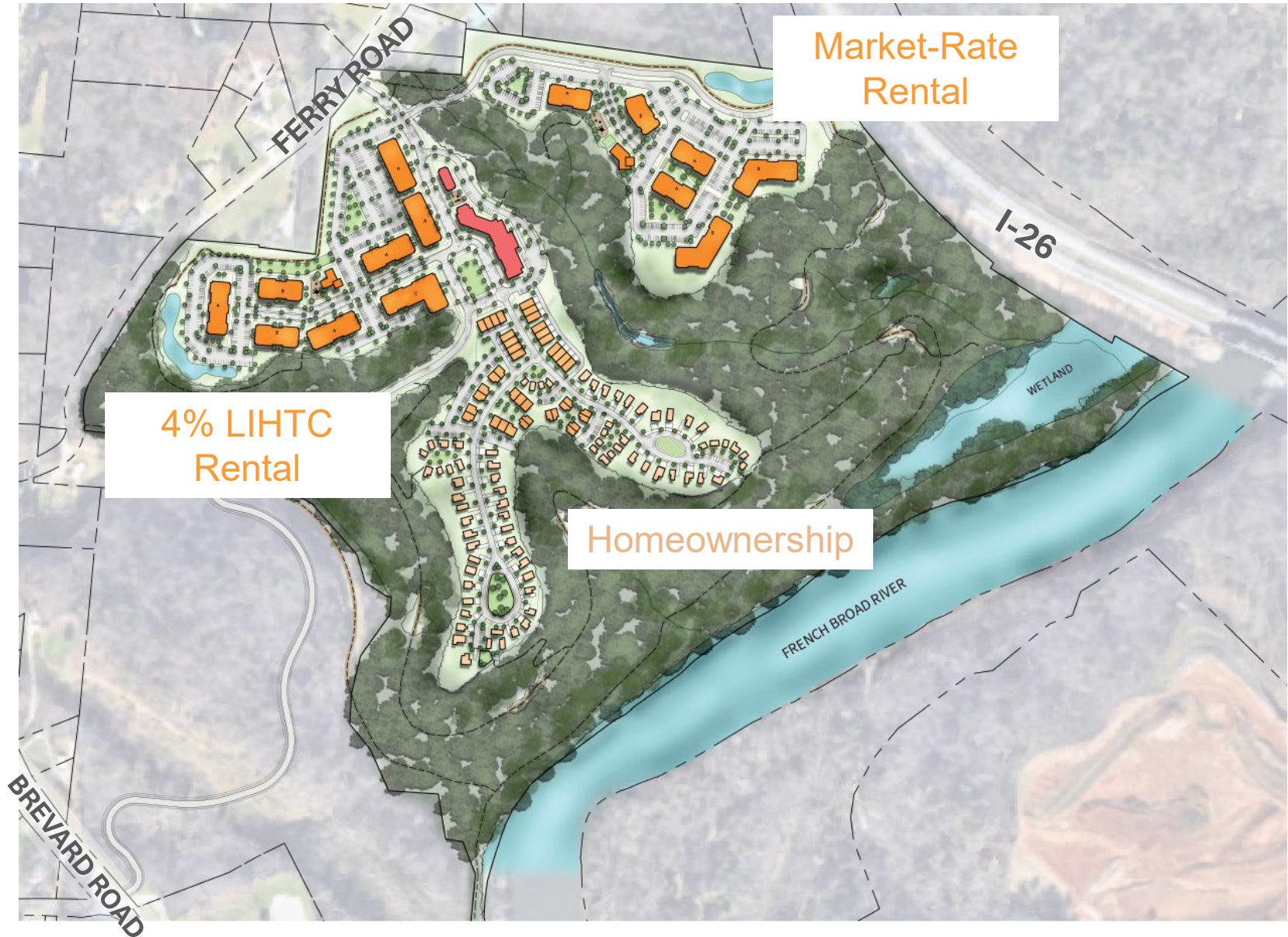
Source: MTSP Income Limits 2023, NC Department of Commerce

Affordability on Ferry Road

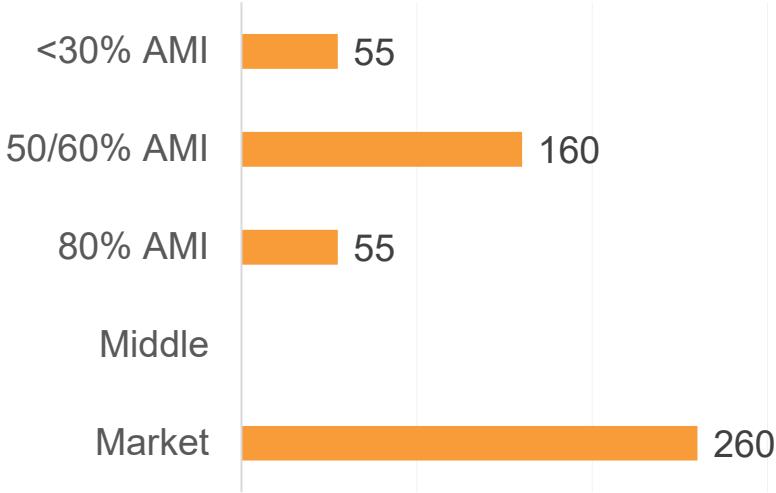
	Rents
Units affordable <80% AMI	\$375 - \$1,550
	Affordable rent is max housing cost for each income bracket minus utilities
Units affordable middle-income, unrestricted	
Unrestricted units (market)	\$1,700 - \$2,500+

645 Total Units

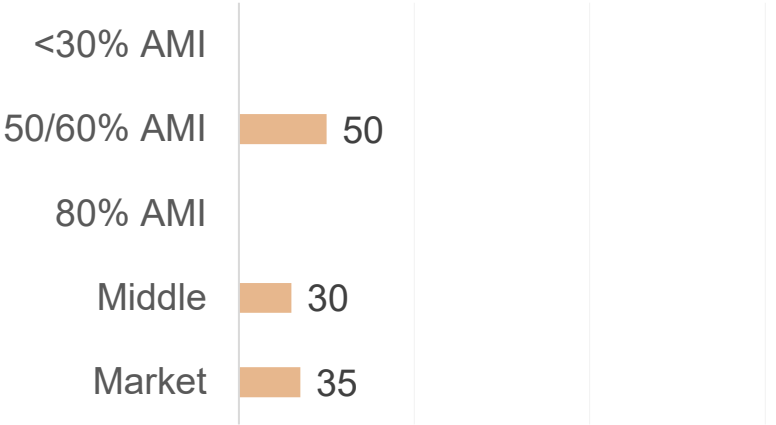
54% affordable (<100% AMI)



530 Rental Units



115 Homeownership Units

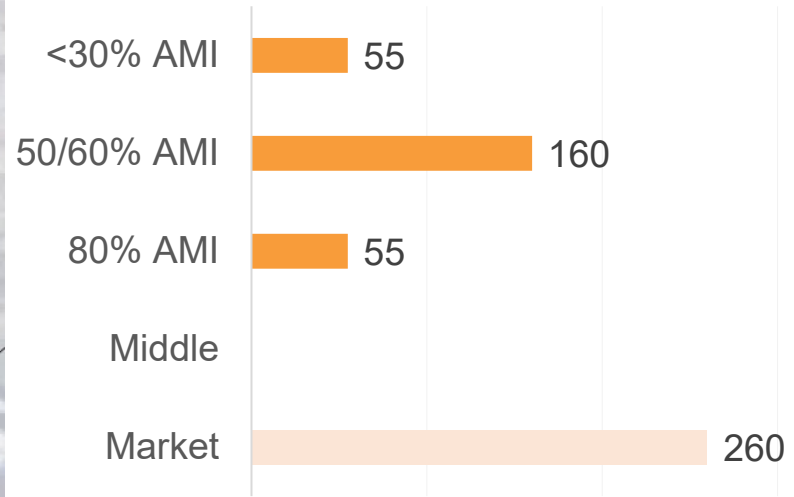


645 Total Units

54% affordable (<100% AMI)



530 Rental Units



- Affordable development assumes 4% LIHTC (possibly two projects combined in single bond deal)
- Utilizes RAD and regular Project-Based Vouchers for units at <30% AMI

645 Total Units

54% affordable (<100% AMI)



- Land for 50/60% AMI homes potentially placed in community land trust.
- Requires partnership with established non-profit affordable homebuilder to qualify homeowners and connect to direct assistance.
- Middle income served through cottage court/cluster home model. Unrestricted.

115 Homeownership Units

<30% AMI		
50/60% AMI	50	
80% AMI		
Middle	30	
Market	35	

Master Development Process

Step 1 County

County creates Community Development Plan for the benefit of LMI people.

County or other conservation entity takes control of conserved land.

County enters into development agreement with Master Development Partner (MDP) subject to Community Development Plan and required phasing. Sells and/or ground leases developable land at Fair Market Value.

Step 2 Master Development Partner (MDP)

MDP prepares site and installs public infrastructure.

MDP places communal area in community district.

MDP develops, sells, conveys lease, or enters into partnership for individual pads including LIHTC.

Potential Cost of Development

Est. Public-Private Investment	\$210 M
Potential Net Public Investment	\$34 M
4% LIHTC Gap Funding	\$21.5M
% Public Investment	16%
% Affordable (<100% AMI)*	54%

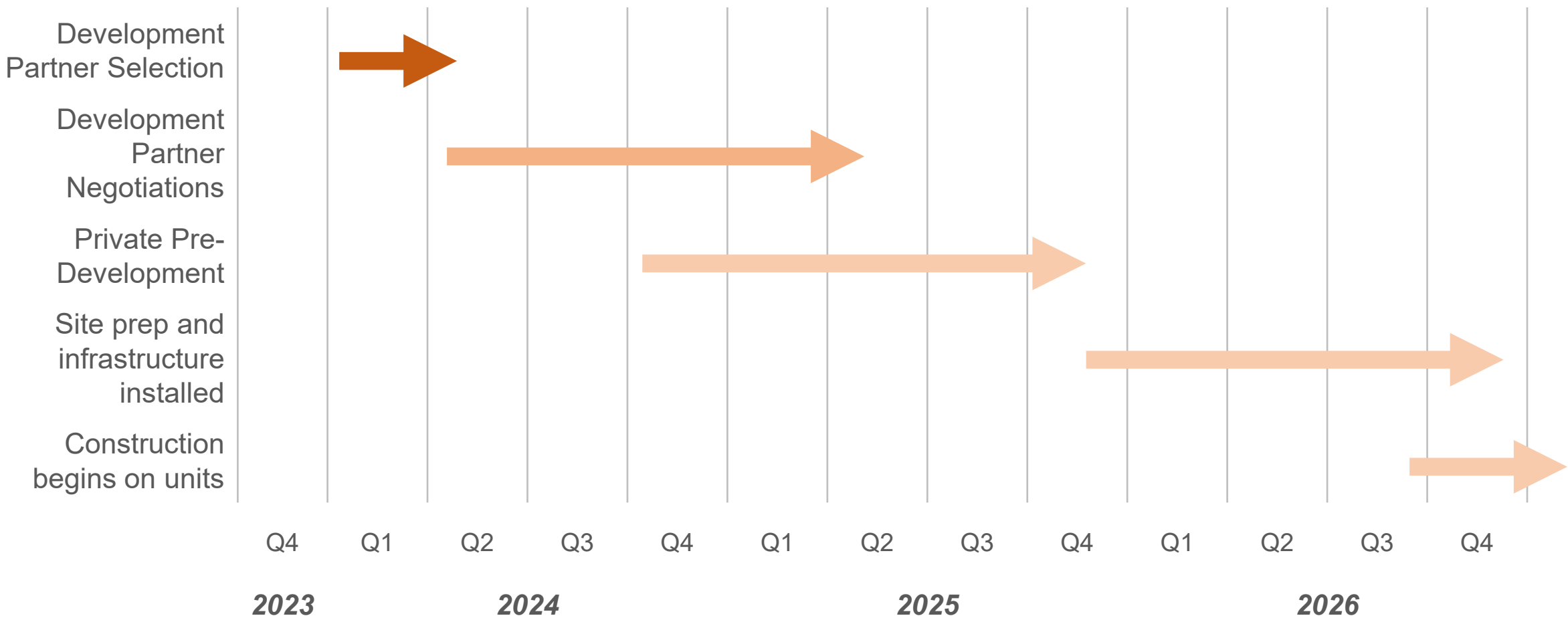
Total Residential Units	645
Other	22,000 SF <i>Service-oriented space</i>
Conserved Land	72 acres with est.1.9 miles of greenway



Ensuring a lasting mixed-income community will require various approaches

- Considering ground lease for multifamily development in the community development area.
- Exploring conveyance of land for homeownership to a community land trust. The trust would keep the land affordable in perpetuity, ground lease it to the homeowner, and sell the improvements with a shared-equity agreement.
- Homeowner's Associations (HOA) can disadvantage low-income owners in a mixed-income setting. Considering safeguards for LMI homeowners.
 - Potentially establish a stabilization fund for affordable homeownership.

Ferry Road Development Timeline



Expect a minimum of two years before construction begins on the site.

Next Up: Community Engagement

Neighborhood Meeting

Wednesday, October 25th at 5:00pm
Enka-Candler Library

Virtual Meeting

Saturday, October 28th at 9:00am
Register online for link

Public Meeting

Thursday, November 9th at 5:30pm
200 College Street

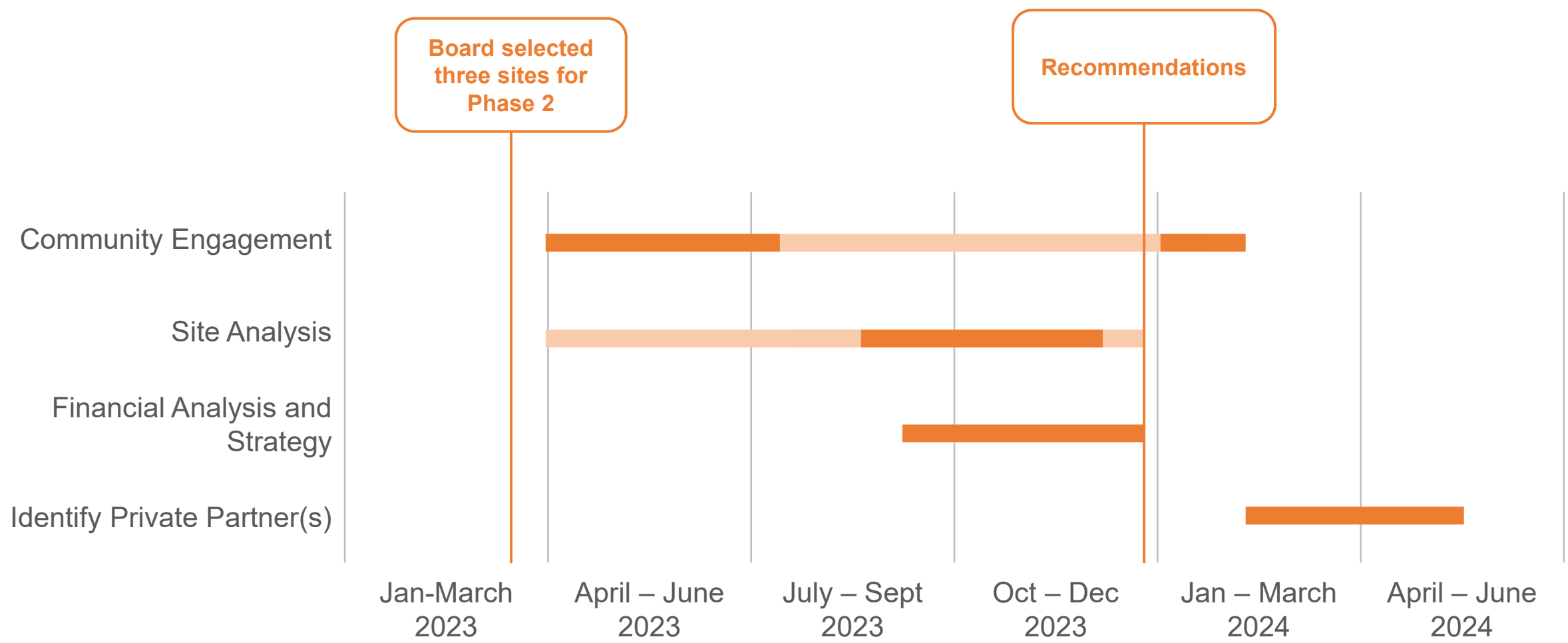
Visit Publicinput.com/FerryRoad for project updates, virtual meeting links, and upcoming engagement.



Coxe Avenue, Valley Street, and Erwin Hills



DFI Phase 2 Timeline (For Each Site)



*Phase 2 delayed slightly due to architect procurement process and scheduling of community meeting.

Process to date

- First phase of community engagement completed.
 - Guiding public interests for each site endorsed in August 2023.
 - See 7/31/2023 memo on Publicinput.com/AffordableHousingDevelopment.
- Phase 1 Environmental Site Assessment completed.
- Geotechnical Analysis underway.
- McMillan Pazdan Smith Architects selected through RFQ process in July 2023.
 - DFI and County staff reviewing preliminary designs for three sites.
- DFI beginning financial analysis.

26-46 Valley Street

Development of the 26-46 Valley Street site should:

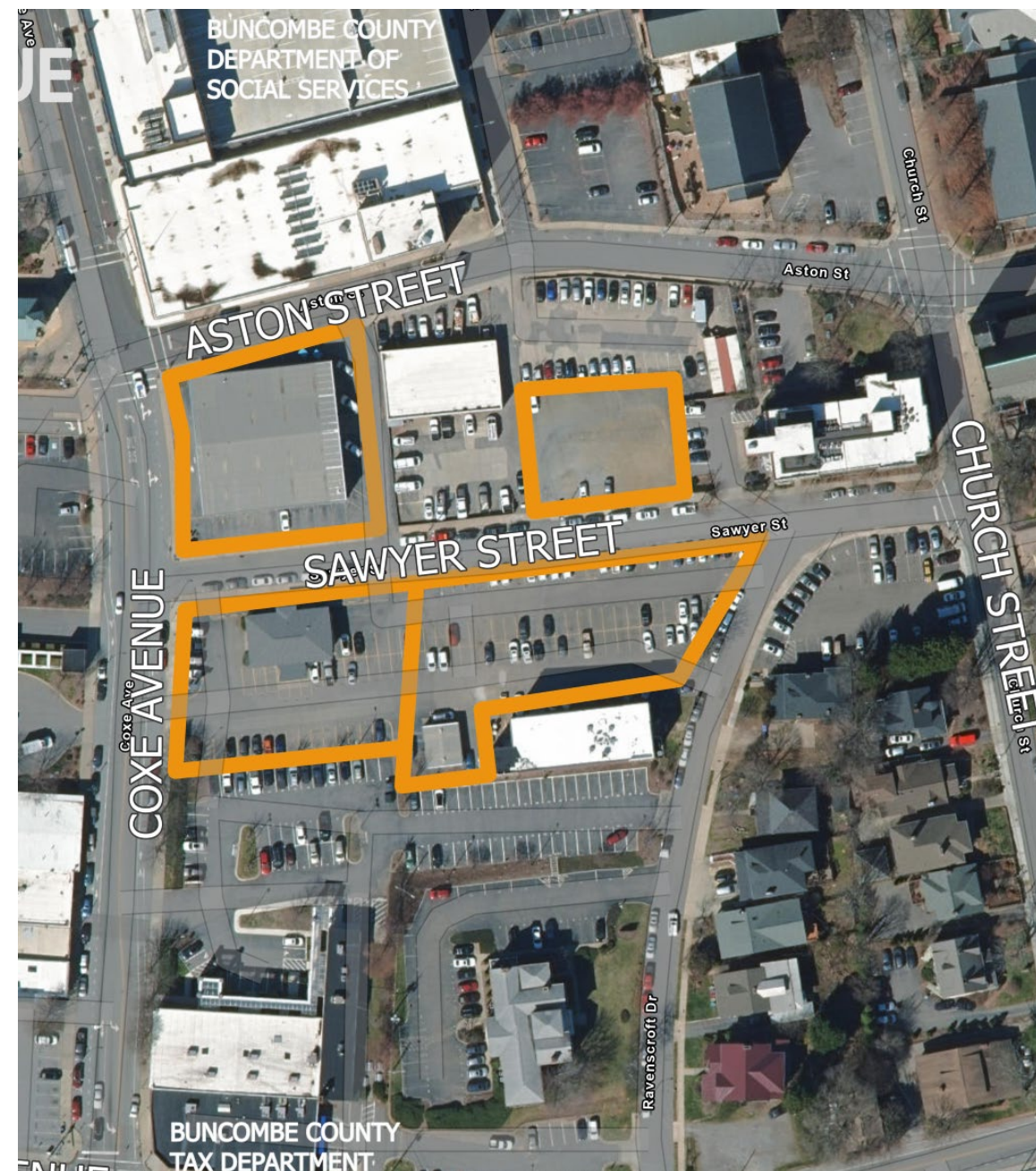
- Maximize the number of new units affordable to low- and moderate-income households in a mixed income setting.
- Be consistent with Buncombe County and City of Asheville planning efforts to address the legacy of urban renewal and red lining in the East End/Valley Street neighborhood.
- Honor the history of the site and the building while reviving Valley Street's vibrancy and activating S. Charlotte Street.
- Attract as much private investment as possible in order to maximize the impact of public investment in affordable housing.



50-52 Coxe Avenue

Development of the 50-52 Coxe Avenue site should:

- Maximize the number of new apartments affordable to low- and moderate-income households in a mixed income setting.
- Include active ground floor uses that serve residents and commuters and increase pedestrian traffic along Coxe Avenue.
- Maintain direct and safe access from Coxe Avenue to Church Street for pedestrians and cyclists.
- Balance maximum density and pedestrian-scale design that extends the vibrant, urban streetscape from Patton Avenue to the South Slope area.
- Attract as much private investment as possible in order to maximize the impact of public investment in affordable housing.



180 Erwin Hills

Development of a portion of the 180 Erwin Hills Road site should:

- Provide new residential units affordable to low- and moderate-income families.
- Include outdoor amenities designed to create connection among residents.
- Preserve natural vegetation on the periphery of the site to the greatest extent possible.
- Ensure a safe connection for pedestrians and cyclists to and from the surrounding schools.
- Attract as much private investment as possible in order to maximize the impact of public investment in affordable housing.



Next Steps

- DFI will share feasible development options with the County for consideration in December 2023.
- The next series of engagement sessions will be held in January 2024.

SUSTAINABILITY INCENTIVES FOR AFFORDABLE HOUSING

Jeremiah Leroy



CURRENT OPPORTUNITIES FOR DEVELOPERS

UTILITY PROGRAMS

Duke Energy Progress – Energy Design Assistance Program (currently utilized by MHO)

- Begins with initial design
- Incentivizes developers to build above code
- Ensures all utility rebates and incentives are received for installed measures
- Easy to participate and FREE to any developer
- Recent Examples from Duke
 - 67,000 sq ft multifamily project = \$20,000 in incentives
 - 271 unit multifamily project = up to \$100,000 in incentives

<https://www.duke-energy.com/business/products/design-assistance>



NEW OPPORTUNITIES FOR DEVELOPERS

AMENDED 45L – ENERGY EFFICIENT HOME CREDITS

Offers enhanced credits for single or multifamily units which follow either:

- [Energy Star for Multifamily New Construction Program](#) (required for NC LIHTC)
- [DOE's Zero Energy Ready Homes Program](#)

Multifamily Project Characteristic	Tax Credit Per Unit	
	Energy Star MFNC	ZERH
Base	\$500	\$1,000
Meet Prevailing Wage Requirements	\$2,500	\$5,000

https://www.energystar.gov/partner_resources/residential_new/homes_prog_reqs/multifamily_national_page

<https://www.energy.gov/eere/buildings/doe-zero-energy-ready-home-zerh-program-requirements>



PREVAILING WAGE

- Wage determinations on [SAM.gov](https://sam.gov)
- Sets prevailing wage for a given area that must be followed by contractors/subcontractors
- Administrative burden: must provide documentation of all staff working on the project at paystub level
- Incentives enhanced to offset administrative burden

	Rates
BRICKLAYER.....	\$ 18.62
CARPENTER.....	\$ 17.13
CEMENT MASON/CONCRETE FINISHER...	\$ 15.80 **
ELECTRICIAN.....	\$ 18.88
HVAC MECHANIC (HVAC Duct Installation Only).....	\$ 17.25
IRONWORKER, ORNAMENTAL.....	\$ 15.71 **
IRONWORKER, STRUCTURAL.....	\$ 16.89
LABORER: Common or General.....	\$ 9.81 **
LABORER: Mason Tender - Brick...	\$ 13.22 **
LABORER: Mason Tender - Cement/Concrete.....	\$ 13.30 **
LABORER: Pipelayer.....	\$ 14.87 **



ADDITIONAL OPPORTUNITIES FOR DEVELOPERS

ALL OF THESE PROGRAMS CAN BE STACKED

Additional IRA incentives can be stacked with new or existing tax credits:

- Section 48: Clean Energy Investment Tax Credit (~30%)
 - Any technology that qualifies for the Clean Energy ITC
- Section 30C Alternative Vehicle Fueling (EV charging)
 - Improve access to EVs for LMI residents
- Low Income Housing Tax Credits

**Program of interest: Home Energy Rebate Program being developed via the State Energy Office



SAMPLE PROJECT

100 Unit AH Complex	Duke Assistance	Energy Star	Total Incentives
Base	\$30,000	\$50,000	\$80,000
Prevailing Wage	\$30,000	\$250,000	\$280,000

100 Unit AH Complex	Duke Assistance	ZERH	Total Incentives
Base	\$30,000	\$100,000	\$130,000
Prevailing Wage	\$30,000	\$500,000	\$530,000



DISCUSSION POINTS

Considerations:

- Is there interest to move beyond preference for projects with sustainability elements/green building pathways and to *incentivizing* projects with these elements?

If So...

- Is there interest in increasing the maximum loan amount per unit for those projects?



AFFORDABLE HOUSING SERVICES PROGRAM REVISIONS

Jonathon Jones



PROJECT PRIORITIES & PREFERENCES

ENERGY EFFICIENCY PREFERENCE

Current AHSP

Not included.

Proposed AHSP

Strong preference will be given to projects that will include renewable energy systems, participate in local utility efficiency programs, and/or demonstrate compliance with energy efficiency standards including but not limited to ENERGY STAR.



INCOME VERIFICATION SET INCOME DOCUMENTATION TIMEFRAME

Current AHSP

Not included.

Proposed AHSP

Once an initial income verification is completed, a reexamination is not required unless twelve months has elapsed before assistance is provided.



PROJECT PRIORITIES & PREFERENCES

HOMELESSNESS PREFERENCE

Current AHSP

Not included.

Proposed AHSP

Strong preference will be given to projects that accept housing referrals from the Continuum of Care for households experiencing homelessness.



CONSTRUCTION LOAN AGREEMENTS & MAXIMUMS

SAMPLE PROJECT TO CONSIDER AMENDMENT IMPACTS

Hypothetical Apartments, LLC

9% Tax Credit Project

New Construction of 70 units

Construction Costs: \$18,300,000

Cost per Unit: \$261,428

Assumptions

Primary Loan Interest Rate: 7%

Primary Loan Term: 30 years

Debt Service Coverage Ratio: 1.15

Est. Annual Property Tax: \$20,000

Buncombe County: \$11,000

City of Asheville: \$9,000



CONSTRUCTION LOAN AGREEMENTS REQUIRE PROPERTY TAX EXEMPTION

Current AHSP

Prohibition against obtaining a property tax exemption with Buncombe County or the State of North Carolina regarding property associated with the project;

Proposed AHSP

Must apply for property tax exemption with Buncombe County regarding property associated with the project prior to completion (where the applicant is eligible to seek property tax exemption);



CONSTRUCTION LOAN AGREEMENTS

TAX IMPACT COMPARISON

Property Tax Exemption = Increase in Primary Bank Loan Capacity

- Amount of primary bank loan capacity increase is variable based on:
 - Loan interest rate
 - Lender's Debt Service Coverage Ratio (DSCR) requirements

Impact on 30 Year Primary Bank Loan with loan interest rates between 5% and 7% and DSCR between 1.15 (NCHFA standard) and 1.30

- \$1 in property tax exemption = \$9 to \$14 in primary bank loan increase

Hypothetical Apartments, LLC 30 Year Primary Bank Loan with 7% interest rate and 1.15 DSCR

- \$20,000 tax exemption = \$217,000 primary bank loan increase



CONSTRUCTION PROJECTS PROPERTY TAXES TAX IMPACT COMPARISON

With Property Tax

Revenue at 7% vacancy:	\$548,000
Operating Expenses:	\$311,000
Annual Property Tax:	\$20,000
Net Operating Income:	\$217,000

Annual Loan Payment:	\$188,695
Maximum Loan Amount:	\$2,362,000

Without Property Tax

Revenue at 7% vacancy:	\$548,000
Operating Expenses:	\$311,000
Annual Property Tax:	\$0
Net Operating Income:	\$237,000

Annual Loan Payment:	\$206,086
Maximum Loan Amount:	\$2,579,000



CONSTRUCTION LOAN MAXIMUM INCREASE LOAN AMOUNT PER AFFORDABLE UNIT

Current AHSP

Maximum Loan Amount:

- 10% of cost per affordable unit;
- 20% of the cost per unit for 4% low-income housing tax credit projects;

Proposed AHSP

Maximum Loan Amount:

- 15% of cost per affordable unit;
- 25% of the cost per unit for 4% low-income housing tax credit projects;

10% Max Project: 1% Increase in Loan Limit = 10% Increase in Maximum Loan Amount

20% Max Project: 1% Increase in Loan Limit = 5% Increase in Maximum Loan Amount



CONSTRUCTION PROJECT MAXIMUM LOAN SAMPLE PROJECT

Hypothetical Apartments, LLC

10% AHSP Maximum: \$1,830,000

10% AHSP per unit: \$26,143

15% AHSP Maximum: \$2,745,000

15% AHSP per unit: \$39,214

Increase in Maximum Loan Potential by \$915,000



DOWNPAYMENT ASSISTANCE PROGRAM LOAN MAXIMUM INCREASE LOAN AMOUNT PER AFFORDABLE UNIT

Current AHSP

Maximum Loan Amount:

- *10%* of cost per affordable unit

Proposed AHSP

Maximum Loan Amount:

- *15%* of cost per affordable unit

10% Max Project: 1% Increase in Loan Limit = 10% Increase in Maximum Loan Amount

Hypothetical Homeowner Unit with \$200,000 Cost

10% AHSP Maximum: \$20,000

15% AHSP Maximum: \$30,000

Increase in Maximum Loan Potential by \$10,000



LIHTC: 2024 QCT & DDA

Matt Card



WHAT ARE QCT & DDA?*

Qualified Census Tract (QCT)

- 50% of households with incomes <60% Area Median Income (AMI); **OR**
- Poverty rate of 25% or more

Difficult Development Area (DDA)

- Areas with high land, construction and utility costs relative to AMI; **AND**
- Based on Fair Market Rents, income limits, census counts, and 5-year American Community Survey (ACS) data

***Distressed Areas**



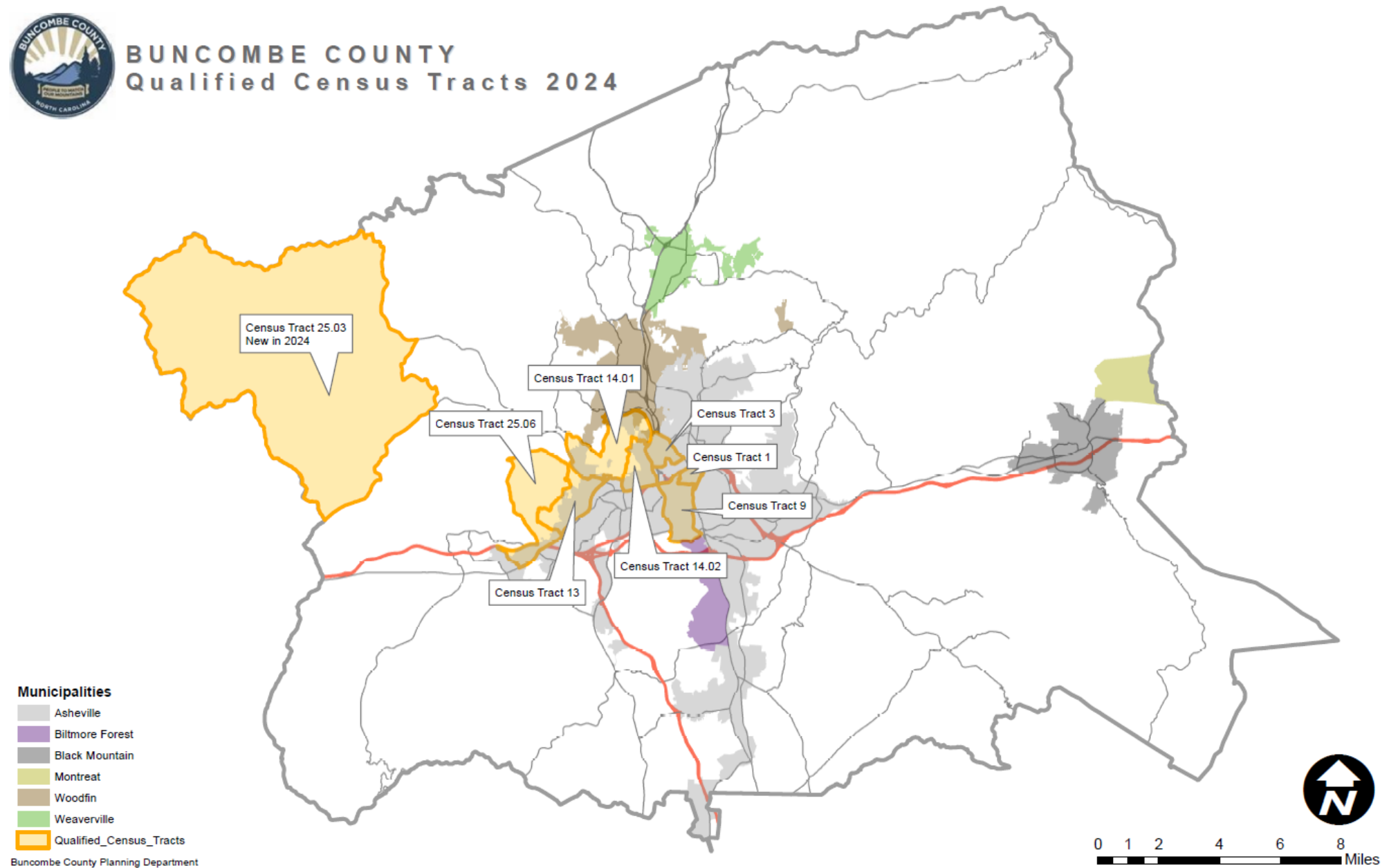
WHY DO QCT & DDA MATTER?

- Properties within QCT and DDA can receive a **Basis Boost** in the LIHTC process
- **Eligible Basis:** Total cost basis eligible for consideration in the calculation of qualified basis (roughly the cost of construction (hard and soft costs) excluding land)
- **Qualified Basis:** The fraction of the project which will be used for affordable housing (typically 100% in Buncombe County projects)
- **Basis Boost:** Increases eligible basis by up to 130% (instead of normal 100%)
- Basis Boost incentivizes developers to invest in distressed areas (QCT & DDA)





BUNCOMBE COUNTY Qualified Census Tracts 2024

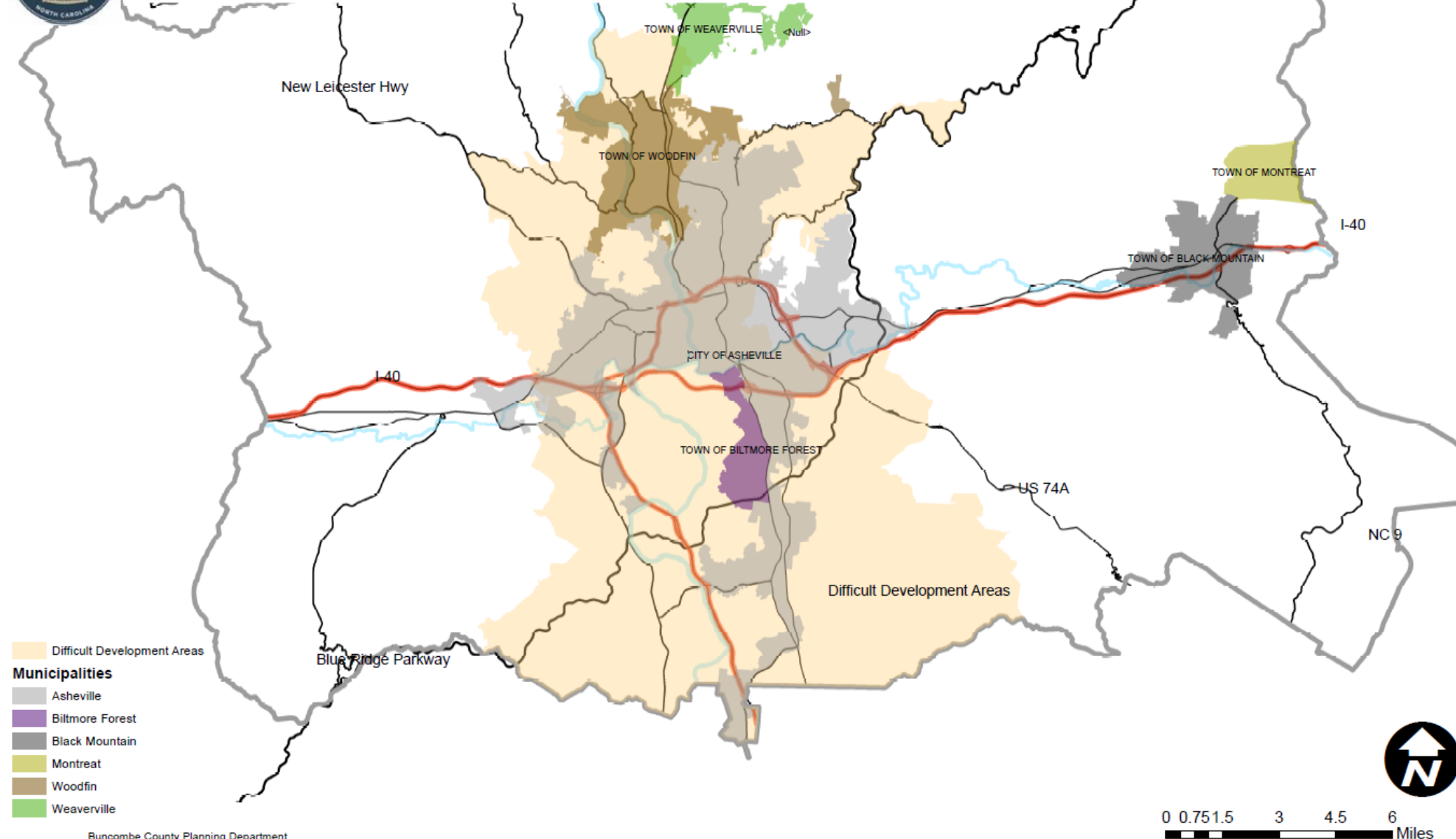




BUNCOMBE COUNTY

Difficult Development Areas

No Changes in 2024 for Buncombe County



Buncombe County Planning Department



BUNCOMBE COUNTY

2024 QAP COMMENTS

Jonathon Jones



2024 NCHFA QAP COMMENTS

Minimum Parking Requirements:

Amend parking requirements to accommodate local parking standards and eliminate need for NCHFA approval to follow those guidelines

Retaining Wall Setbacks:

Eliminate requirement that retaining walls and graded slopes not be closer than 15 feet from buildings and allow local standards to apply

Application Tiebreakers:

Reconsider second tiebreaker emphasizing projects with highest percentage of non-Agency awarded and nonrelated party funding, as this tiebreaker potentially disadvantages projects with less access to funding sources (i.e. projects outside municipal boundaries, projects by for-profit developers)

Reconsider third tie breaker criteria favoring early application submissions.



COMMITTEE NEXT STEPS

Meeting Date	Update, Discussion, & Actionable Items
November 7	Updates: Quarterly AHSP Update & Goals, CDBG-NR, ARPA-FRF Discussion: Goals, Projects, and Funding: 2030 Timeline Action: AHSP Revisions and Recommendation to the Board of Commissioners
December 5	Updates: Fair Housing Plan, HOME Consortium Update Discussion: LIHTC Program Overview



ANNOUNCEMENTS



ADJOURN

